

HILL COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
September 30, 2021

Hill County, Texas
Annual Financial Report
For the Fiscal Year Ended September 30, 2021

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FINANCIAL SECTION

BEYER & Co.
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2021, and the related notes to the financial statements, which collectively comprise the Hill County, Texas' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2021, 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 and the Employee Retirement System Information on pages 3–10 and 87-98 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2022, on our consideration of Hill County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hill County, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hill County, Texas' internal control over financial reporting and compliance.



BEYER & COMPANY
Certified Public Accountants
June 24, 2022

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 \$38,776,804 (net assets). Of this amount, \$9,821,061 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total net assets increased by \$5,339,076. This increase was precipitated by insurance proceeds of \$1,449,389, Operating Grants and Contributions of \$5,069,408, and careful budget management.
- . As of the close of the current fiscal year, Hill County, Texas' governmental funds reported combined ending fund balances of \$17,299,289 an increase of \$3,683,946 in comparison with the prior year. Approximately 41% of this total amount, \$7,076,475, 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 \$7,076,475, or 43 percent of total general fund expenditures and the restricted fund balance for the road and bridge fund was \$1,537,687, or 20 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 thirty (30) 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, the road and bridge funds, and the ARP grant fund, all of which are major funds. Data from the other twenty-seven (27) 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 2021 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 21-86 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 pages 87-98 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 99-110 of this report.

The Single Audit Section can be found on pages 111-117 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 \$38,776,804 at the close of the most recent fiscal year.

58% of Hill County, Texas' net assets (\$20,483,509) 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 | |
|--|----------------------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Current and Other Assets | \$22,043,885 | \$17,338,456 | \$22,043,885 | \$17,338,456 |
| Capital Assets: | 26,397,599 | 26,089,203 | 26,397,599 | 26,089,203 |
| Total Assets | 48,441,484 | 43,427,659 | 48,441,484 | 43,427,659 |
| Total Deferred Outflows of Resources | 3,206,932 | 1,451,396 | 3,206,932 | 1,451,396 |
| Long-Term Liabilities | 9,555,124 | 9,361,766 | 9,555,124 | 9,361,766 |
| Other Liabilities | 2,283,991 | 1,340,020 | 2,283,991 | 1,340,020 |
| Total Liabilities | 11,839,115 | 10,701,786 | 11,839,115 | 10,701,786 |
| Total Deferred Inflows of Resources | 1,032,497 | 739,541 | 1,032,497 | 739,541 |
| Invested in Capital Assets, Net of Related Debt | 20,483,509 | 19,299,337 | 20,483,509 | 19,299,337 |
| Restricted | 8,472,234 | 5,589,418 | 8,472,234 | 5,589,418 |
| Unrestricted | 9,821,061 | 8,548,973 | 9,821,061 | 8,548,973 |
| Total Net Assets | \$38,776,804 | \$33,437,728 | \$38,776,804 | \$33,437,728 |

An additional portion of Hill County, Texas' net assets (22 percent) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$9,821,061) 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 increased Hill County, Texas' net assets by \$5,339,076, thereby accounting for 100 percent of the total increase in the net assets of Hill County, Texas.

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

| | Governmental Activities | | Total | |
|------------------------------------|----------------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 |
| Revenues: | | | | |
| Program Revenues: | | | | |
| Charges for Services | \$4,000,163 | \$3,701,110 | \$4,000,163 | \$3,701,110 |
| Operating Grants and Contributions | 5,069,408 | 2,939,580 | 5,069,408 | 2,939,580 |
| Capital Grants and Contributions | 2,001,189 | 3,412,537 | 2,001,189 | 3,412,537 |
| General Revenues: | | | | |
| Maintenance and Operations Taxes | 14,695,976 | 14,313,086 | 14,695,976 | 14,313,086 |
| Sales Taxes | 3,134,455 | 2,326,392 | 3,134,455 | 2,326,392 |
| Other Taxes | 35,026 | 29,159 | 35,026 | 29,159 |
| Unrestricted Investment Earnings | 246,110 | 258,076 | 246,110 | 258,076 |
| Miscellaneous | 1,893,066 | 233,233 | 1,893,066 | 233,233 |
| Special items | | | | |
| Contributions and Donations | 131,100 | 199,500 | 131,100 | 199,500 |
| Sale of Capital Assets | 95,892 | 39,404 | 95,892 | 39,404 |
| Total Revenue | <u>31,302,385</u> | <u>27,452,077</u> | <u>31,302,385</u> | <u>27,452,077</u> |
| Expenses: | | | | |
| General Administration | 2,357,328 | 3,688,282 | 2,357,328 | 3,688,282 |
| Legal | 419,332 | 405,560 | 419,332 | 405,560 |
| Judicial | 2,636,746 | 2,524,676 | 2,636,746 | 2,524,676 |
| Financial Administration | 913,093 | 913,194 | 913,093 | 913,194 |
| Public Facilities | 2,044,473 | 734,709 | 2,044,473 | 734,709 |
| Public Safety | 9,022,660 | 8,542,339 | 9,022,660 | 8,542,339 |
| Public Transportation | 7,161,982 | 7,833,280 | 7,161,982 | 7,833,280 |
| Culture and Recreation | 0 | 121 | 0 | 121 |
| Health and Welfare | 1,128,349 | 847,550 | 1,128,349 | 847,550 |
| Conservation - Agriculture | 129,357 | 143,573 | 129,357 | 143,573 |
| Interest and Fiscal Charges | 149,989 | 179,196 | 149,989 | 179,196 |
| Total Expenses | <u>25,963,309</u> | <u>25,812,480</u> | <u>25,963,309</u> | <u>25,812,480</u> |
| Increase in Net Assets | 5,339,076 | 1,639,597 | 5,339,076 | 1,639,597 |
| Net Assets at 09/30/2020 | <u>33,437,728</u> | <u>31,798,131</u> | <u>33,437,728</u> | <u>31,798,131</u> |
| Net Assets at 09/30/2021 | <u>\$38,776,804</u> | <u>\$33,437,728</u> | <u>\$38,776,804</u> | <u>\$33,437,728</u> |

This increase was precipitated by insurance proceeds of \$1,449,389, Operating Grants and Contributions of \$5,069,408, and careful budget management.

| Functions/Programs | Expenses | Program Revenues | | |
|------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Government Activities: | | | | |
| General Administration | \$2,357,328 | \$723,219 | \$212,725 | |
| Legal | 419,332 | 5,834 | 84,000 | |
| Judicial | 2,636,746 | 701,335 | 140,810 | |
| Financial Administration | 913,093 | 657,246 | | |
| Public Facilities | 2,044,473 | | | |
| Public Safety | 9,022,660 | 841,132 | 1,059,099 | |
| Public Transportation | 7,161,982 | 1,028,180 | | 2,001,189 |
| Culture and Recreation | 0 | | | |
| Health and Welfare | 1,128,349 | 43,217 | 3,572,774 | |
| Conservation - Agriculture | 129,357 | | | |
| Interest and Fiscal Charges | 149,989 | | | |
| Total Government Activities | \$25,963,309 | \$4,000,163 | \$5,069,408 | \$2,001,189 |

Revenues by Source - Governmental Activities

| | REVENUES | % |
|------------------------------------|---------------------|----------------|
| Charges for Services | \$4,000,163 | 12.78% |
| Operating Grants and Contributions | 5,069,408 | 16.19% |
| Capital Grants and Contributions | 2,001,189 | 6.39% |
| Maintenance and Operations Taxes | 14,695,976 | 46.95% |
| Sales Taxes | 3,134,455 | 10.01% |
| Other Taxes | 35,026 | 0.11% |
| Unrestricted Investment Earnings | 246,110 | 0.79% |
| Miscellaneous | 1,893,066 | 6.05% |
| Contributions and Donations | 131,100 | 0.42% |
| Sale of Capital assets | 95,892 | 0.31% |
| | \$31,302,385 | 100.00% |

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 \$17,299,289, an increase of \$3,683,946 in comparison with the prior year. Approximately 41 percent of this total amount \$7,076,475 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remaining restricted, assigned, and non-spendable amounts of \$10,222,814 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 \$7,076,475, while total fund balance reached \$8,805,258. 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 43 percent of total general fund expenditures, while total fund balance represents 54 percent of that same amount.

The fund balance of Hill County, Texas' general fund increased by \$779,333 during the current fiscal year. This increase was precipitated by insurance proceeds of \$1,449,389 and careful budget management.

At the end of the current fiscal year, restricted fund balance of the road and bridge fund was \$1,537,687, while total fund balance reached \$1,554,676. 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 20 percent of total road and bridge fund expenditures, while total fund balance represents 20 percent of that same amount.

The fund balance of Hill County, Texas' road and bridge fund decreased by \$913,525 during the current fiscal year. The decrease of fund balance was the result of construction in progress of a precinct barn and the purchase of trucks and heavy equipment totaling \$976,602.

With respect to the American Rescue Plan (ARP) Grant Fund, Hill County received the first of two payments in the amount of \$3,559,319 in June 2021 from the federal government. The final payment is scheduled to be received June 2022. The purpose of the grant is to replace revenue lost through the pandemic and to provide improved government services to better serve citizens of Hill County. Since this is the first year of the award, no comparison is provided.

Fund Budgetary Highlights

Differences between the original budget and the final amended budget for the general fund expenditures amounted to an increase of \$2,713,463. Hill County received \$1,449,388 from insurance proceeds resulting from water damage during the February 2021 freeze. Most of the proceeds were certified back to Courthouse repairs and contract services thus increasing expenditures. General fund budget amendments of \$893,864 were added to expenditures to account for encumbrances against FY 2020 reserves.

Capital Asset and Debt Administration

Capital assets:

Hill County, Texas' investment in capital assets for its governmental activities as of September 30, 2021, amounts to \$26,397,599 (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 increase in Hill County, Texas' investment in capital assets for the current fiscal year was \$308,395 or 1.18 percent.

The County had various projects during the year.

HILL COUNTY, TEXAS
CAPITAL ASSETS (Net of Depreciation)

| | Governmental Activities | | Total | |
|---------------------------|----------------------------|--------------|--------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| Land | \$237,069 | \$91,650 | \$237,069 | \$91,650 |
| Building and Improvements | 12,132,508 | 11,881,668 | 12,132,508 | 11,881,668 |
| Machinery and Equipment | 6,204,666 | 6,355,900 | 6,204,666 | 6,355,900 |
| Infrastructure | 7,823,356 | 7,759,985 | 7,823,356 | 7,759,985 |
| Total | \$26,397,599 | \$26,089,203 | \$26,397,599 | \$26,089,203 |

Additional information on Hill County, Texas' capital assets can be found in note IV C on page 34 of this report.

Long-term debt:

At the end of the current fiscal year, Hill County, Texas had total bonded debt outstanding of \$2,075,000. All of which comprises debt backed by the full faith and credit of Hill County, Texas.

| | Beginning | Additions | Reductions | Refunding | | Ending | Due Within One Year | Due After One Year |
|---------------------------------|-------------|-----------|------------|-------------|-------------|-------------|------------------------|-----------------------|
| | Balance | | | Additions | Reductions | Balance | | |
| <u>Governmental Activities:</u> | | | | | | | | |
| Certificates of Obligation | \$2,595,000 | | \$585,000 | \$2,660,000 | \$2,595,000 | \$2,075,000 | \$580,000 | \$1,495,000 |
| Grand Total | \$2,595,000 | \$0 | \$585,000 | \$2,660,000 | \$2,595,000 | \$2,075,000 | \$580,000 | \$1,495,000 |

Hill County, Texas' total bonded debt decreased by \$520,000 (20.04 percent) during the current fiscal year. The key factor in this decrease was the payment of certificates of obligation bonds of \$585,000.

Additional information on Hill County, Texas' long-term debt can be found in note IV F on pages 35 thru 38 of this report.

Future Outlook

Hill County has experience rapid growth in the housing market in recent months following September 2021 and the additional population growth is expected to continue. Two new green solar energy projects should be online December 22, adding to the ad valorem base. The uncertainty of fuel prices and a possible economic recession may stifle the recent growth and negatively affect the financial position, results of operations and cash flows of the County and the ultimate effects cannot be reasonably estimated at this time. The County's healthy unreserved fund balance should provide financial stability in these uncertain times.

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.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

HILL COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

| | Primary Government | |
|--|-------------------------|---------------------|
| | Governmental Activities | Total |
| ASSETS | | |
| Cash and Cash Equivalents | \$16,627,823 | \$16,627,823 |
| Receivables (net of allowance for uncollectibles) | 4,255,300 | 4,255,300 |
| Inventory | 179,940 | 179,940 |
| Prepaid Items | 980,822 | 980,822 |
| Capital assets not being depreciated: | | |
| Land | 237,069 | 237,069 |
| Total Capital assets being depreciated, net | | |
| Building and Improvements | 12,132,508 | 12,132,508 |
| Machinery and Equipment | 6,204,666 | 6,204,666 |
| Infrastructure | 7,823,356 | 7,823,356 |
| Total Assets | <u>\$48,441,484</u> | <u>\$48,441,484</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| GASB 68 | | |
| Deferred Outflow of Resources-Contributions (after 12/31/20) | 1,203,246 | 1,203,246 |
| Differences between expected and actual experience | 308,305 | 308,305 |
| Changes of assumptions | 1,417,045 | 1,417,045 |
| GASB 75 | | |
| Changes of assumptions | 146,633 | 146,633 |
| Deferred Charge on Refunding | 131,703 | 131,703 |
| Total Deferred Outflows of Resources | <u>3,206,932</u> | <u>3,206,932</u> |
| LIABILITIES | | |
| Accounts Payable | \$1,746,792 | \$1,746,792 |
| Accrued Wages Payable | 535,226 | 535,226 |
| Accrued Interest Payable | 1,973 | 1,973 |
| Noncurrent Liabilities: | | |
| Due within one year | 1,577,104 | 1,577,104 |
| Due in more than one year | 7,978,020 | 7,978,020 |
| Total Liabilities | <u>11,839,115</u> | <u>11,839,115</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| GASB 68 | | |
| Net difference between projected and actual earnings | 964,250 | 964,250 |
| GASB 75 | | |
| Differences between expected and actual experience | 68,247 | 68,247 |
| Total Deferred Inflows of Resources | <u>1,032,497</u> | <u>1,032,497</u> |
| Net Position | | |
| Invested in Capital Assets, Net of Related Debt | 20,483,509 | 20,483,509 |
| Restricted | | |
| Administration | 1,506,303 | 1,506,303 |
| Culture and Recreation | 6,180 | 6,180 |
| Debt Service | 184,020 | 184,020 |
| Elections | 3,328,725 | 3,328,725 |
| Health and Welfare | 468,917 | 468,917 |
| Judicial | 535,707 | 535,707 |
| Legal | 16,205 | 16,205 |
| Public Safety | 888,490 | 888,490 |
| Public Transportation | 1,537,687 | 1,537,687 |
| Unrestricted | 9,821,061 | 9,821,061 |
| Total Net Position | <u>\$38,776,804</u> | <u>\$38,776,804</u> |

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021

| Functions/Programs | Expenses | Program Revenues | | Governmental Activities | Net (Expense) | Net (Expense) |
|---|---------------------|----------------------|------------------------------------|-------------------------|----------------------------------|-------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | | Capital Grants and Contributions | Revenue and Changes in Net Position |
| | | | | | | Total |
| Primary Government | | | | | | |
| Government Activities: | | | | | | |
| General Administration | \$2,357,328 | \$723,219 | \$212,725 | | (\$1,421,384) | (\$1,421,384) |
| Legal | 419,332 | 5,834 | 84,000 | | (329,498) | (329,498) |
| Judicial | 2,636,746 | 701,335 | 140,810 | | (1,794,601) | (1,794,601) |
| Financial Administration | 913,093 | 657,246 | | | (255,847) | (255,847) |
| Public Facilities | 2,044,473 | | | | (2,044,473) | (2,044,473) |
| Public Safety | 9,022,660 | 841,132 | 1,059,099 | | (7,122,429) | (7,122,429) |
| Public Transportation | 7,161,982 | 1,028,180 | | 2,001,189 | (4,132,613) | (4,132,613) |
| Culture and Recreation | 0 | | | | 0 | 0 |
| Health and Welfare | 1,128,349 | 43,217 | 3,572,774 | | 2,487,642 | 2,487,642 |
| Conservation - Agriculture | 129,357 | | | | (129,357) | (129,357) |
| Interest and Fiscal Charges | 149,989 | | | | (149,989) | (149,989) |
| Total Government Activities | 25,963,309 | 4,000,163 | 5,069,408 | 2,001,189 | (14,892,549) | (14,892,549) |
| Total Primary Government | \$25,963,309 | \$4,000,163 | \$5,069,408 | \$2,001,189 | (14,892,549) | (14,892,549) |
| General Revenues | | | | | | |
| Property Taxes, Levies for General Purposes | | | | | 14,695,976 | 14,695,976 |
| Sales Taxes | | | | | 3,134,455 | 3,134,455 |
| Other Taxes | | | | | 35,026 | 35,026 |
| Unrestricted Investment Earnings | | | | | 246,110 | 246,110 |
| Miscellaneous | | | | | 1,893,066 | 1,893,066 |
| Special Items | | | | | | |
| Contributions and Donations | | | | | 131,100 | 131,100 |
| Sale of Capital Assets (Gain) | | | | | 95,892 | 95,892 |
| Total General Revenues and Transfers | | | | | 20,231,625 | 20,231,625 |
| Change in Net Position | | | | | 5,339,076 | 5,339,076 |
| Net Position - Beginning | | | | | 33,437,728 | 33,437,728 |
| Net Position - Ending | | | | | \$38,776,804 | \$38,776,804 |

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

HILL COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

| | General Fund | Road and Bridge | ARP Grant Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-----------------------|----------------------|--------------------------------|--------------------------------|
| <i>ASSETS</i> | | | | | |
| Cash and Cash Equivalents | \$8,536,417 | \$974,579 | \$3,560,755 | \$3,593,814 | \$16,665,565 |
| Receivables (net of allowance for uncollectibles) | 1,423,075 | 1,087,821 | | 328,828 | 2,839,724 |
| Pre-Paid Items | 63,710 | 16,989 | | 4,808 | 85,507 |
| Due from Others | 1,136,609 | | | 74,392 | 1,211,001 |
| Total Assets | <u>\$11,159,811</u> | <u>\$2,079,389</u> | <u>\$3,560,755</u> | <u>\$4,001,842</u> | <u>\$20,801,797</u> |
| <i>LIABILITIES AND FUND BALANCES:</i> | | | | | |
| <i>Liabilities</i> | | | | | |
| Accounts Payable | \$1,282,182 | \$230,215 | \$96,046 | \$138,349 | \$1,746,792 |
| Accrued Wages Payable | 266,386 | 52,364 | 174,303 | 42,173 | 535,226 |
| Due to Others | 18,183 | | | 11,231 | 29,414 |
| Bank Overdraft | | 0 | | 37,742 | 37,742 |
| Deferred Revenues | 787,802 | 242,134 | | 123,398 | 1,153,334 |
| Total Liabilities | <u>2,354,553</u> | <u>524,713</u> | <u>270,349</u> | <u>352,893</u> | <u>3,502,508</u> |
| <i>Fund Balances:</i> | | | | | |
| <i>Non-Spendable</i> | | | | | |
| Prepaid Items | 63,710 | 16,989 | 0 | 4,808 | 85,507 |
| <i>Restricted</i> | | | | | |
| Administration | | | | 1,506,303 | 1,506,303 |
| Culture and Recreation | | | | 6,180 | 6,180 |
| Debt Service | | | | 184,020 | 184,020 |
| Elections | | | | 38,319 | 38,319 |
| Health and Welfare | | | 3,290,406 | 468,917 | 3,759,323 |
| Judicial | | | | 535,707 | 535,707 |
| Legal | | | | 16,205 | 16,205 |
| Public Safety | | | | 888,490 | 888,490 |
| Public Transportation | | 1,537,687 | | | 1,537,687 |
| <i>Assigned</i> | | | | | |
| Administration | 1,665,073 | | | | 1,665,073 |
| Unassigned | 7,076,475 | | | | 7,076,475 |
| Total Fund Balance | <u>8,805,258</u> | <u>1,554,676</u> | <u>3,290,406</u> | <u>3,648,949</u> | <u>17,299,289</u> |
| Total Liabilities and Fund Balances | <u>\$11,159,811</u> | <u>\$2,079,389</u> | <u>\$3,560,755</u> | <u>\$4,001,842</u> | <u>\$20,801,797</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, 2021

| | |
|---|---------------------|
| Total Fund Balances - governmental funds balance sheet | \$17,299,289 |
| Amounts reported for governmental activities in the statement of Net Position ("SNP") are different because: | |
| Capital assets used in governmental activities are not reported in the funds. | 26,397,599 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 2,408,424 |
| Prepaid Items are expenditures in the funds but are recorded as assets in the governmental activities. | 895,315 |
| Inventory Costs are expenditures in the funds but are recorded as assets in the governmental activities. | 179,940 |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles). | 1,153,334 |
| Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds. | (9,557,097) |
| Net Position of governmental activities - statement of Net Position | <u>\$38,776,804</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, 2021

| | General Fund | Road and Bridge | ARP Grant Fund | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|-----------------------|----------------------|--------------------------------|--------------------------------|
| <i>REVENUES</i> | | | | | |
| Taxes | | | | | |
| Property | \$9,989,387 | \$3,151,228 | | \$1,559,268 | \$14,699,883 |
| Sales | 2,632,942 | 250,757 | | 250,756 | 3,134,455 |
| Other | 35,026 | | | | 35,026 |
| Intergovernmental | 446,732 | 2,001,190 | 3,559,320 | 1,063,355 | 7,070,597 |
| Licenses and Permits | | 866,909 | | | 866,909 |
| Charges for Services | 1,688,751 | 161,271 | | 1,198,080 | 3,048,102 |
| Fines and Forfeitures | 90,308 | | | | 90,308 |
| Interest | 188,402 | 17,413 | 1,436 | 38,859 | 246,110 |
| Contributions and Donations | 0 | 131,100 | | 0 | 131,100 |
| Miscellaneous | 1,572,697 | 12,344 | | 308,025 | 1,893,066 |
| Total Revenues | <u>16,644,245</u> | <u>6,592,212</u> | <u>3,560,756</u> | <u>4,418,343</u> | <u>31,215,556</u> |
| <i>EXPENDITURES</i> | | | | | |
| Current: | | | | | |
| General Administration | 3,063,571 | | | 210,285 | 3,273,856 |
| Legal | 426,749 | | | 1,026 | 427,775 |
| Judicial | 2,061,232 | | | 614,802 | 2,676,034 |
| Financial Administration | 921,552 | | | | 921,552 |
| Public Facilities | 1,776,374 | | | | 1,776,374 |
| Public Safety | 7,168,115 | | | 1,739,093 | 8,907,208 |
| Public Transportation | | 7,349,532 | | | 7,349,532 |
| Culture and Recreation | | | | 0 | 0 |
| Elections | | | | 10,000 | 10,000 |
| Health and Welfare | 336,003 | | 270,350 | 523,489 | 1,129,842 |
| Conservation - Agriculture | 130,927 | | | | 130,927 |
| Debt Service | | | | | |
| Principal Retirement | 456,896 | 412,153 | | 585,000 | 1,454,049 |
| Interest and Fiscal Charges | 57,092 | 77,479 | | 14,055 | 148,626 |
| Total Expenditures | <u>16,398,511</u> | <u>7,839,164</u> | <u>270,350</u> | <u>3,697,750</u> | <u>28,205,775</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>245,734</u> | <u>(1,246,952)</u> | <u>3,290,406</u> | <u>720,593</u> | <u>3,009,781</u> |
| <i>OTHER FINANCING SOURCES (USES):</i> | | | | | |
| Sale of Capital Assets | 67,557 | 28,335 | | 0 | 95,892 |
| Other Financing Sources - Capital Lease | 163,714 | 414,559 | | | 578,273 |
| Operating Transfers In | 542,328 | 450,000 | | 240,000 | 1,232,328 |
| Operating Transfers Out | (240,000) | 0 | | (992,328) | (1,232,328) |
| Total Other Financing Sources (Uses) | <u>533,599</u> | <u>892,894</u> | <u>0</u> | <u>(752,328)</u> | <u>674,165</u> |
| Net Changes in Fund Balances | 779,333 | (354,058) | 3,290,406 | (31,735) | 3,683,946 |
| Fund Balances - Beginning | 8,025,925 | 1,908,734 | 0 | 3,680,684 | 13,615,343 |
| Fund Balances - Ending | <u>\$8,805,258</u> | <u>\$1,554,676</u> | <u>\$3,290,406</u> | <u>\$3,648,949</u> | <u>\$17,299,289</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, 2021

| | |
|---|--------------------|
| Net Changes in Fund Balances - total governmental funds | \$3,683,946 |
| Amounts reported for governmental activities in the statement of Net Position ("SNP") 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. | 308,396 |
| 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. | (5,156) |
| (Increase) decrease in Compensated Absences from beginning of period to end of period. | 179,734 |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. | (3,907) |
| 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. | 0 |
| 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. | (46,650) |
| Increase (decrease) in Prepaid Items from beginning of period to end of period. | 118,168 |
| (Increase) decrease in Accrued Interest Payable from beginning of period to end of period. | 15,057 |
| (Increase) decrease in Premium on bonds from beginning of period to end of period. | 256 |
| GASB 68 | |
| Deferred Inflow of Resources-Contribution. This is the change in these amounts this year. | (2,218) |
| Deferred Outflow-Differences between expected and actual experience. This is the change in these amounts this year. | 319,215 |
| Deferred Outflow-Changes of assumptions. This is the change in these amounts this year. | 1,368,769 |
| Deferred Inflow-Net difference between projected and actual earnings. This is the change in these amounts this year. | (314,138) |
| GASB 75 | |
| Deferred Outflow-Differences between expected and actual experience. This is the change in these amounts this year. | 10,272 |
| Deferred Outflow-Changes of assumptions. This is the change in these amounts this year. | 32,356 |
| (Increase) decrease in Net Pension Liability from beginning of period to end of period. | (1,114,505) |
| (Increase) decrease in OPEB Liability from beginning of period to end of period. | (69,619) |
| Repayment of loan principal is an expenditure in the funds but not an expense in the SOA. | 1,454,049 |
| Increase in loan principal are receipts in the funds but not revenue in the SOA. | (578,273) |
| Change in Net Position of governmental activities - statement of activities | <u>\$5,339,076</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, 2021

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--------------------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| <i>REVENUES</i> | | | | |
| Taxes | | | | |
| Property | \$9,978,730 | \$9,978,730 | \$9,989,387 | \$10,657 |
| Sales | 1,764,000 | 1,764,000 | 2,632,942 | 868,942 |
| Other | 28,308 | 28,308 | 35,026 | 6,718 |
| Intergovernmental | 290,979 | 430,679 | 446,732 | 16,053 |
| Charges for Services | 1,417,678 | 1,417,678 | 1,688,751 | 271,073 |
| Fines and Forfeitures | 107,015 | 107,015 | 90,308 | (16,707) |
| Interest | 194,183 | 194,182 | 188,402 | (5,780) |
| Contributions | | 0 | 0 | 0 |
| Miscellaneous | 246,750 | 1,788,398 | 1,572,697 | (215,701) |
| Total Revenues | <u>14,027,643</u> | <u>15,708,990</u> | <u>16,644,245</u> | <u>935,255</u> |
| <i>EXPENDITURES</i> | | | | |
| Current: | | | | |
| General Administration | | | | |
| Computer | 944,145 | 1,055,755 | 809,845 | 245,910 |
| County Clerk | 376,991 | 376,991 | 361,901 | 15,090 |
| County Judge | 218,315 | 218,315 | 213,193 | 5,122 |
| Elections Administration | 188,783 | 188,783 | 185,159 | 3,624 |
| Non-Departmental | 1,246,493 | 1,960,308 | 1,436,087 | 524,221 |
| Tourism Director | | | | |
| Veterans Service | 62,289 | 62,289 | 57,386 | 4,903 |
| Legal | | | | |
| County Attorney | 426,871 | 426,870 | 423,470 | 3,400 |
| County Attorney Excess | 33,848 | 33,848 | 3,279 | 30,569 |
| Judicial | | | | |
| County Court at Law | 395,609 | 395,609 | 385,539 | 10,070 |
| District Attorney | 496,958 | 496,958 | 417,524 | 79,434 |
| District Clerk | 460,083 | 460,084 | 437,568 | 22,516 |
| District Judge | 253,271 | 253,271 | 247,138 | 6,133 |
| Justices of the Peace | 597,807 | 597,808 | 573,463 | 24,345 |
| Financial Administration | | | | |
| County Auditor | 278,727 | 278,727 | 250,127 | 28,600 |
| County Treasurer | 240,859 | 240,859 | 215,485 | 25,374 |
| Tax Assessor-Collector | 504,117 | 504,117 | 455,940 | 48,177 |
| Public Facilities | | 0 | | |
| Courthouse | 459,037 | 1,933,004 | 1,776,374 | 156,630 |
| Public Safety | | 0 | | |
| 911 Dispatch | 552,116 | 552,116 | 586,438 | (34,322) |
| Animal Control | 79,925 | 79,925 | 90,887 | (10,962) |
| Constables | 423,706 | 475,678 | 437,222 | 38,456 |
| Courthouse Security | 304,255 | 301,255 | 292,278 | 8,977 |
| Crime Victims Assistance Coordinator | 22,357 | 22,357 | 18,958 | 3,399 |
| Emergency Management | 127,670 | 148,337 | 138,326 | 10,011 |
| Jail | 2,772,686 | 2,817,311 | 2,931,494 | (114,183) |
| Sheriff | 2,350,180 | 2,464,940 | 2,672,512 | (207,572) |

(continued)

(continued)

| | | | | |
|---|--------------------|--------------------|--------------------|--------------------|
| Public Transportation | | | | |
| Health and Welfare | | | | |
| Public Assistance | 241,886 | 241,886 | 248,463 | (6,577) |
| Health and Safety | 82,044 | 82,044 | 87,540 | (5,496) |
| Conservation - Agriculture | | | | |
| Agriculture Extension Service | 173,867 | 174,149 | 130,927 | 43,222 |
| Debt Service | | | | |
| Principal Retirement | 326,441 | 511,205 | 456,896 | 54,309 |
| Interest Retirement | 57,091 | 57,091 | 57,092 | (1) |
| Total Expenditures | <u>14,698,427</u> | <u>17,411,890</u> | <u>16,398,511</u> | <u>1,013,379</u> |
| Excess (Deficiency) of Revenues Over (Under) | | | | |
| Expenditures | <u>(670,784)</u> | <u>(1,702,900)</u> | <u>245,734</u> | <u>1,948,634</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale of Capital Assets | 0 | 0 | 67,557 | 67,557 |
| Other Financing Sources - Miscellaneous Transfers | 0 | 93,875 | 163,714 | 69,839 |
| Operating Transfers In | 935,500 | 935,500 | 542,328 | (393,172) |
| Operating Transfers Out | <u>(240,000)</u> | <u>(240,000)</u> | <u>(240,000)</u> | <u>0</u> |
| Total Other Financing Sources (Uses) | <u>695,500</u> | <u>789,375</u> | <u>533,599</u> | <u>(255,776)</u> |
| Net Changes in Fund Balances | 24,716 | (913,525) | 779,333 | 1,692,858 |
| Fund Balances - Beginning | 8,025,925 | 8,025,925 | 8,025,925 | |
| Fund Balances - Ending | <u>\$8,050,641</u> | <u>\$7,112,400</u> | <u>\$8,805,258</u> | <u>\$1,692,858</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, 2021

| | Budgeted Amounts | | Actual | Variance with |
|---|----------------------|------------------|--------------------|--|
| | Original | Final | | Final Budget - Positive (Negative) |
| REVENUES | | | | |
| Taxes | | | | |
| Property | \$3,145,718 | \$3,145,718 | \$3,151,228 | \$5,510 |
| Sales | 168,000 | 168,000 | 250,757 | 82,757 |
| Intergovernmental | 54,821 | 2,006,123 | 2,001,190 | (4,933) |
| Licenses and Permits | 863,289 | 863,289 | 866,909 | 3,620 |
| Charges for Services | 145,505 | 145,505 | 161,271 | 15,766 |
| Interest | 25,757 | 25,756 | 17,413 | (8,343) |
| Contributions and Donations | | 125,100 | 131,100 | 6,000 |
| Miscellaneous | | 0 | 12,344 | 12,344 |
| Total Revenues | 4,403,090 | 6,479,491 | 6,592,212 | 112,721 |
| EXPENDITURES | | | | |
| Current | | | | |
| Public Transportation | | | | |
| Road and Bridge | 6,485,106 | 8,291,344 | 7,349,532 | 941,812 |
| Debt Service | | | | |
| Principal Retirement | 412,092 | 412,092 | 412,153 | (61) |
| Interest Retirement | 77,654 | 77,654 | 77,479 | 175 |
| Total Expenditures | 6,974,852 | 8,781,090 | 7,839,164 | 941,926 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (2,571,762) | (2,301,599) | (1,246,952) | 1,054,647 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale of Capital Assets | 0 | 28,335 | 28,335 | 0 |
| Other Financing Sources - Capital Lease | 0 | 0 | 414,559 | 414,559 |
| Transfers in | 450,000 | 450,000 | 450,000 | 0 |
| Transfers Out | 0 | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | 450,000 | 478,335 | 892,894 | 414,559 |
| Net Changes in Fund Balances | (2,121,762) | (1,823,264) | (354,058) | 1,469,206 |
| Fund Balances - Beginning | | 1,908,734 | 1,908,734 | |
| Fund Balances - Ending | (\$2,121,762) | \$85,470 | \$1,554,676 | \$1,469,206 |

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

Hill COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2021

| | Agency Funds | | | | Total |
|---------------------------|---------------|------------------|----------------------|-------------------------|-------------|
| | HCCF DC CIVIL | Criminal Justice | D.A. Seizure Account | County Officer Accounts | |
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$749,471 | \$124,766 | \$187,750 | \$2,451,779 | \$3,513,766 |
| Receivables | 0 | 1 | 0 | 0 | 1 |
| Total Assets | \$749,471 | \$124,767 | \$187,750 | \$2,451,779 | \$3,513,767 |
| LIABILITIES: | | | | | |
| Accounts Payable | 0 | 124,999 | 0 | 0 | \$124,999 |
| Due to Others | 749,471 | (232) | 187,750 | 2,451,779 | 3,388,768 |
| Total Liabilities | \$749,471 | \$124,767 | \$187,750 | \$2,451,779 | \$3,513,767 |

Note: The Agency funds were the only fiduciary fund type of the County in the 2021 year.

Hill COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| | Agency Funds | | | | Total |
|---|---------------|------------------|----------------------|-------------------------|-------------|
| | HCCF DC CIVIL | Criminal Justice | D.A. Seizure Account | County Officer Accounts | |
| ADDITIONS | | | | | |
| Contributions: | | | | | |
| State Fees | | \$515,246 | | | \$515,246 |
| Receipts from Other Governments and Others | | | | 489,457 | 489,457 |
| Court Fees | 1,716,596 | | | | 1,716,596 |
| Seized Funds | | | 172,313 | | 172,313 |
| Total Contributions | 1,716,596 | 515,246 | 172,313 | 489,457 | 2,893,612 |
| Investment Earnings: | | | | | |
| Interest Received | | | 267 | | 267 |
| Total Investment Earnings | 0 | 0 | 267 | 0 | 267 |
| Less Investment Expense | | | | | |
| Net Investment Earnings | 0 | 0 | 267 | 0 | 267 |
| TOTAL ADDITIONS | 1,716,596 | 515,246 | 172,580 | 489,457 | 2,893,879 |
| DEDUCTIONS | | | | | |
| Distributions to other governments and Others | | 503,366 | 101,047 | | 604,413 |
| Distributions to others | 1,226,712 | | | | 1,226,712 |
| Distributions to other governments | | | | | 0 |
| Other Services and Charges | | | | | 0 |
| Total Deductions | 1,226,712 | 503,366 | 101,047 | 0 | 1,831,125 |
| Change in Net Position | 489,884 | 11,880 | 71,533 | 489,457 | 1,062,754 |
| Net Position-Beginning | 259,587 | 112,887 | 116,217 | 1,962,322 | 2,451,013 |
| Net Position-Ending | \$749,471 | \$124,767 | \$187,750 | \$2,451,779 | \$3,513,767 |

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

HILL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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 based on 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 how 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 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 those 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.

The ARP Grant funds are to replace revenue lost through the pandemic and to provide improved government services to better serve citizens of Hill County.

- 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 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, 2021, and 10 percent of the delinquent outstanding property taxes at September 30, 2021.

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 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.

4. Restricted Assets

There were no restricted assets at September 30, 2021.

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 more than 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 various projects 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 withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Balances – Governmental Funds

As of September 30, 2021, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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, 2021, fund balances are composed of the following:

| | |
|------------------------|---------------------|
| Fund Balances: | |
| Non-Spendable | |
| Prepaid Items | \$85,507 |
| Restricted | |
| Administration | 1,506,303 |
| Culture and Recreation | 6,180 |
| Debt Service | 184,020 |
| Elections | 38,319 |
| Health and Welfare | 3,759,323 |
| Judicial | 535,707 |
| Legal | 16,205 |
| Public Safety | 888,490 |
| Public Transportation | 1,537,687 |
| Assigned | |
| Administration | 1,665,073 |
| Unassigned | <u>7,076,475</u> |
| Total Fund Balance | <u>\$17,299,289</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. 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 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 and GASB 68 and 75 payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$9,557,097 difference are as follows:

| | |
|--------------------------|--------------------|
| Bonds Payable | \$2,075,000 |
| Bond Premium | 1,027 |
| Capital Leases Payable | 3,904,090 |
| Accrued Interest Payable | 1,973 |
| Compensated Absences | 739,464 |
| Net Pension Liability | 2,045,837 |
| Net OPEB Liability | <u>789,706</u> |
| | <u>\$9,557,097</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 \$26,397,599 difference are as follows:

| | |
|--|---------------------|
| Capital Assets Not Being Depreciated | \$237,069 |
| Capital Assets Being Depreciated | 54,333,961 |
| Accumulated Depreciation | (28,173,431) |
| Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities | <u>\$26,397,599</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 \$1,153,334 difference are as follows:

| | |
|---------------------------------|--------------------|
| Property Taxes Receivable | \$1,339,841 |
| Allowance for Doubtful Accounts | <u>(186,507)</u> |
| Net | <u>\$1,153,334</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 include GASB 68, Net Pension Receivable, Deferred Charge on Refunding, and GASB 75 deferrals. The details of this \$2,408,424 difference are as follows:

| | |
|--|--------------------|
| Fines Receivable (Net) | \$233,989 |
| GASB 75 | |
| Differences between expected and actual experience | (68,247) |
| Changes of assumptions | 146,633 |
| GASB 68 | |
| Deferred Outflow of Resources-Contributions (after 12/31/20) | 1,203,246 |
| Differences between expected and actual experience | 308,305 |
| Changes of assumptions | 1,417,045 |
| Net difference between projected and actual earnings | (964,250) |
| Deferred Charge on Refunding | <u>131,703</u> |
| Net | <u>\$2,408,424</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 \$308,395 difference are as follows:

| | |
|--|-------------|
| Capital Outlay - Additions - Not Being Depreciated | \$125,909 |
| Capital Outlay - Additions - Being Depreciated | 3,326,491 |
| Capital Outlay - Deletions - Net | (99,722) |
| Depreciation Expense | (3,044,282) |
| Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net assets of Governmental Activities | \$308,396 |

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 if 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, 2021.

C. Deficit fund equity

The county had no deficit fund balances as of September 30, 2021, except for the crime victim assistance fund which had a deficit of \$1. 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 follows the requirement of the Act and with local policies.

Deposits:

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, 2021, pledged securities that are in the County's name and FDIC insurance exceeded bank balances.

The government's bank balance of \$9,590,414 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 \$12,617,753 and the FDIC coverage is \$250,000.

The government's bank balance of \$10,449,966 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 \$13,077,165 and the FDIC coverage is \$250,000.

The amount of \$353,140 with Citizens National Bank was exposed to custodial credit risk of \$103,140 because it was only covered by the FDIC insurance of \$250,000 but had no securities pledged.

The amount of \$24,481 with First National Bank was covered by the FDIC insurance of \$250,000.

Investments:

The Interlocal Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code, provide for the creation of public funds investment pools, such as Texas Class, through which political subdivisions and other entities may invest public funds.

Texas Class uses amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost.

All funds participate in a pooling of cash and investment income to maximize investment opportunities. Each fund may liquidate its equity in the pool on demand.

The County’s investments are authorized by County resolutions, bond ordinances, and State statutes. The County is authorized to invest in obligations of the U.S. Government and its agencies or instrumentalities; direct obligations of Texas and its agencies and instrumentalities; obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent rating; insured or collateralized certificates of deposit; fully collateralized repurchase agreements; and government pools.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The County’s investments by fair value level are classified in Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices. The County has no Level 1 investments (investments valued using prices quoted in active markets for identical securities) or Level 3 investments (investments valued using significant unobservable inputs). As of December 31, 2021, the County had the following investments:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Maturity (Years)</u> | <u>Weighted Average</u> |
|------------------------|-------------------|-------------------------|-------------------------|
| Texas Class | \$ 24,183 | Less than 1 year | Less than 1 year |

Interest Rate Risk. In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year.

Concentration of credit risk: The County places no limit on the amount the County may invest in any one issuer. Texas Class (100.00% of portfolio).

Credit Risk. The County’s investment policy is to apply the “prudent investor” standard: “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.” The County’s investments were rated as follows: As of December 31, 2021 the local investment pool - Texas Class (100.00% of portfolio) was rated AAAM by Standard and Poor’s.

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 | \$915,015 | \$281,503 | \$143,323 | \$1,339,841 |
| Sales Taxes | 443,382 | 42,227 | 42,227 | 527,836 |
| Grants | 6,192 | 770,479 | 38,018 | 814,689 |
| Accounts | 149,975 | 1,763 | 119,593 | 271,331 |
| Fines | 233,989 | | | 233,989 |
| Other | 1,181,599 | 20,000 | | 1,201,599 |
| Gross Receivables | <u>2,930,152</u> | <u>1,115,972</u> | <u>343,161</u> | <u>4,389,285</u> |
| Less: Allowance for Uncollectibles | 91,501 | 28,151 | 14,333 | 133,985 |
| Net Total Receivables | <u><u>\$2,838,651</u></u> | <u><u>\$1,087,821</u></u> | <u><u>\$328,828</u></u> | <u><u>\$4,255,300</u></u> |

C. Capital Assets

Capital asset activity for the year ended September 30, 2021, was as follows:

| Governmental Activities: | Beginning | | | | Ending |
|---|--------------|-----------|-----------|-------------|--------------|
| Capital Assets Not Being Depreciated: | Balances | Increases | Decreases | Adjustments | Balances |
| Land | \$91,650 | 125,909 | | \$19,510 | \$237,069 |
| Total Capital Assets Not Being Depreciated: | 91,650 | 125,909 | 0 | 19,510 | 237,069 |
| Capital Assets Being Depreciated: | | | | | |
| Building and Improvements | 22,692,540 | 868,793 | 7,942 | (58,925) | 23,494,466 |
| Machinery and Equipment | 16,105,159 | 1,607,955 | 480,150 | | 17,232,964 |
| Infrastructure | 12,756,788 | 849,743 | | | 13,606,531 |
| Total Capital Assets Being Depreciated: | 51,554,487 | 3,326,491 | 488,092 | (58,925) | 54,333,961 |
| Less: Accumulated Depreciation for: | | | | | |
| Building and Improvements | 10,810,872 | 616,293 | 2,707 | (39,415) | 11,361,958 |
| Machinery and Equipment | 9,749,259 | 1,641,617 | 385,663 | | 11,028,298 |
| Infrastructure | 4,996,803 | 786,372 | | | 5,783,175 |
| Total Accumulated Depreciation | 25,556,934 | 3,044,282 | 388,370 | (39,415) | 28,173,431 |
| Total Capital Assets Depreciated, Net | 25,997,553 | 282,209 | 99,722 | (19,510) | 26,160,530 |
| Governmental Activities Capital Assets, Net | \$26,089,203 | \$408,118 | \$99,722 | \$0 | \$26,397,599 |

The County had various projects during the year.

Depreciation charged to the functions is as follows:

| | |
|--|--------------------|
| Governmental Activities | |
| General Administration | \$254,549 |
| Financial Administration | 3,820 |
| Public Facilities | 415,472 |
| Public Safety | 667,959 |
| Public Transportation | 1,702,482 |
| Total Depreciation Expense - Governmental Activities | <u>\$3,044,282</u> |

D. Interfund Receivables, Payables, and Transfers

There were no advances at September 30, 2021.

There were no due to/from other funds at September 30, 2021.

The transfers are as follows:

| TRANSFER OUT | TRANSFER IN | | | TOTAL |
|------------------------------|---------------------|------------------------------|-------------------------------------|--------------------|
| | GENERAL FUND | ROAD AND BRIDGE FUNDS | NON-MAJOR GOVERNMENTAL FUNDS | |
| GENERAL FUND | | | \$240,000 | \$240,000 |
| NON-MAJOR GOVERNMENTAL FUNDS | 542,328 | 450,000 | | 992,328 |
| TOTALS | \$542,328 | \$450,000 | \$240,000 | \$1,232,328 |

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 \$158,259 for the year ended September 30, 2021. The future minimum lease payments for these leases are as follows:

| Year Ending Sep. 30, | <u>Amount</u> |
|----------------------|-------------------|
| 2022 | \$71,031 |
| 2023 | 27,424 |
| 2024 | 14,369 |
| 2025 | <u>3,346</u> |
| Total | <u>\$ 116,170</u> |

Rent expenditures were \$15,380 for the year ended September 30, 2021. Rental income was \$4,800 for the year ended September 30, 2021. Sublet rental income was \$0 for the year ended September 30, 2021.

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 | | Accumulated | |
|------------------------------------|--------------------|--------------------|------------------|--------------------|
| | Financed | Cost | Depreciation | Net |
| ELECTION EQUIPMENT | \$380,232 | \$330,503 | \$5,508 | \$324,995 |
| TRACTOR AND MOWER | 142,777 | 142,027 | 65,841 | 76,186 |
| 2018 FREIGHTLINER GLIDER | 104,000 | 104,000 | 27,733 | 76,267 |
| 2016 JOHN DEERE 75G EXCAVATOR 8310 | 88,669 | 87,904 | 29,301 | 58,603 |
| 2017 JOHN DEERE 410L BACKHOE | 125,150 | 124,400 | 51,833 | 72,567 |
| TRACTOR & MOWER | 95,109 | 94,724 | 29,320 | 65,404 |
| PCT. 4 - MACK DUMP TRUCKS #7 | 380,000 | 383,950 | 61,754 | 322,196 |
| ASPHALT ZIPPER | 270,690 | 269,940 | 57,844 | 212,096 |
| PANASONIC TOUGHBOOKS & KEYBOARDS | 128,616 | 118,250 | 0 | 118,250 |
| BRUSH CUTTERS, TRUCKS, TRAILERS | 449,087 | 416,737 | 41,173 | 375,564 |
| BUILDING ENVELOPE WEATHERIZATION | 1,077,048 | 814,398 | 27,844 | 786,554 |
| 2019 JOHN DEERE 772G MOTORGRADERS | 886,912 | 886,161 | 73,848 | 812,313 |
| SO-VEHICLES | 338,666 | 338,664 | 39,510 | 299,154 |
| 2 MOTORGRADERS | 414,559 | 414,560 | 0 | 414,560 |
| TRANSPORT VAN 21 | 47,138 | 47,138 | 0 | 47,138 |
| TRANSPORT VAN 22 | 46,738 | 46,738 | 0 | 46,738 |
| SHERIFF TAHOE | 56,238 | 56,238 | 0 | 56,238 |
| LED TOWER LIGHTING | 13,600 | 13,600 | 0 | 13,600 |
| Total | <u>\$5,045,229</u> | <u>\$4,689,932</u> | <u>\$511,509</u> | <u>\$4,178,423</u> |

*TOUGHBOOKS ARE NOT A DEPRECIABLE ASSET

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2021, were as follows:

| ASSET | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | TOTAL | NET | INTEREST |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|------------------|
| ELECTION EQUIPMENT | 60,862 | 60,862 | 60,862 | 60,862 | 60,862 | 60,862 | 365,172 | 330,523 | 34,649 |
| TRACTOR AND MOWER | 22,943 | 22,943 | 22,943 | | | | 68,828 | 64,858 | 3,969 |
| 2018 FREIGHTLINER GLIDER | 28,643 | | | | | | 28,643 | 27,506 | 1,137 |
| 2016 JOHN DEERE 75G EXCAVATOR 8310 | 20,045 | 20,045 | | | | | 40,090 | 37,691 | 2,400 |
| 2017 JOHN DEERE 410L BACKHOE | 20,129 | 20,129 | 20,129 | 20,129 | | | 80,515 | 74,590 | 5,925 |
| TRACTOR & MOWER | 16,055 | 16,055 | 16,055 | 16,055 | | | 64,219 | 57,823 | 6,396 |
| PCT. 4 - MACK DUMP TRUCKS #7 | 56,967 | 56,967 | 56,967 | 56,967 | 56,967 | 56,967 | 341,801 | 295,341 | 46,460 |
| ASPHALT ZIPPER | 40,585 | 40,585 | 40,585 | 40,585 | 40,585 | 40,585 | 243,511 | 211,142 | 32,369 |
| PANASONIC TOUGHBOOKS & KEYBOARDS | 42,872 | | | | | | 42,872 | 41,081 | 1,791 |
| BRUSH CUTTERS, TRUCKS, TRAILERS | 158,766 | 158,766 | | | | | 317,531 | 303,793 | 13,738 |
| BUILDING ENVELOPE WEATHERIZATION | 123,901 | 123,901 | 123,901 | 123,901 | 123,901 | 495,604 | 1,115,109 | 981,107 | 134,002 |
| 2019 JOHN DEERE 772G MOTORGRADERS | 125,500 | 125,500 | 125,500 | 125,500 | 370,762 | | 872,762 | 787,708 | 85,054 |
| SO-VEHICLES | 56,242 | 110,242 | | | | | 166,484 | 158,346 | 8,138 |
| 2 MOTORGRADERS | 103,640 | 103,640 | 103,640 | 103,639 | | | 414,559 | 414,559 | 0 |
| TRANSPORT VAN 21 | 6,017 | 6,017 | 15,017 | | | | 27,051 | 25,263 | 1,788 |
| TRANSPORT VAN 22 | 5,876 | 5,876 | 14,876 | | | | 26,628 | 24,863 | 1,765 |
| SHERIFF TAHOE | 29,831 | 9,831 | 18,831 | | | | 58,493 | 56,238 | 2,255 |
| LED TOWER LIGHTING | 1,943 | 1,943 | 1,943 | 1,943 | 1,943 | 1,942 | 11,657 | 11,657 | 0 |
| | <u>\$920,816</u> | <u>\$883,301</u> | <u>\$621,248</u> | <u>\$549,581</u> | <u>\$655,020</u> | <u>\$655,960</u> | <u>\$4,285,926</u> | <u>\$3,904,090</u> | <u>\$381,836</u> |

In 2021, the County issued \$6,740,000 in limited tax refunding bonds, Series 2020 with an interest rate ranging from .05% - .10%. The proceeds were used to refund \$2,595,000 limited tax refunding bonds with an interest rate ranging from 2.00% - 3.50%. The loss from the refunding was \$65,000. The Net PV Savings from the refunding is \$139,685.

Bonds currently outstanding are as follows:

| <u>Purpose</u> | <u>Rates</u> | <u>Amount</u> |
|-----------------------------|--------------|---------------|
| Limited Tax Refunding Bonds | .05% to .10% | \$2,075,000 |

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

| Year Ending September 30, | Governmental Activities | |
|------------------------------|-------------------------|-----------------|
| | Principal | Interest |
| 2022 | \$580,000 | \$15,783 |
| 2023 | 585,000 | 12,303 |
| 2024 | 595,000 | 8,208 |
| 2025 | 315,000 | 3,150 |
| TOTALS | <u>\$2,075,000</u> | <u>\$39,443</u> |

Changes in long-term liabilities:

| | Beginning Balance | Additions | Reductions | Refunding | | Ending Balance | Due Within One Year | Due After One Year |
|---------------------------------|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------|-----------------------|
| | | | | Additions | Reductions | | | |
| <u>Governmental Activities:</u> | | | | | | | | |
| Certificates of Obligation | \$2,595,000 | | \$585,000 | \$2,660,000 | \$2,595,000 | \$2,075,000 | \$580,000 | \$1,495,000 |
| Premium on bonds | 1,283 | | 256 | | | 1,027 | | 1,027 |
| Total Bonds Payable | <u>2,596,283</u> | <u>0</u> | <u>585,256</u> | <u>2,660,000</u> | <u>2,595,000</u> | <u>2,076,027</u> | <u>580,000</u> | <u>1,496,027</u> |
| Capital Leases Payable | 4,194,866 | 578,273 | 869,049 | | | 3,904,090 | 812,238 | 3,091,852 |
| Compensated Absences | 919,198 | 739,464 | 919,198 | | | 739,464 | 184,866 | 554,598 |
| Net OPEB Liability | 720,087 | 789,706 | 720,087 | | | 789,706 | | 789,706 |
| Net Pension Liability | 931,332 | 2,045,837 | 931,332 | | | 2,045,837 | | 2,045,837 |
| Grand Total | <u>\$9,361,766</u> | <u>\$4,153,280</u> | <u>\$4,024,922</u> | <u>\$2,660,000</u> | <u>\$2,595,000</u> | <u>\$9,555,124</u> | <u>\$1,577,104</u> | <u>\$7,978,020</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 \$739,464 are funded by the general and road and bridge funds. The total interest expense was \$149,989.

The government-wide statement of activities includes \$1,577,104 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:

| | Year ended <u>09/30/20</u> | Year ended <u>09/30/21</u> |
|---|-------------------------------|-------------------------------|
| Unpaid Claims, Beginning of Fiscal Year | \$ -0- | \$ -0- |
| Incurred Claims (including IBNRs) | -0- | -0- |
| Claim Payments | <u>-0-</u> | <u>-0-</u> |
| Unpaid Claims, End of Fiscal Year | <u>\$ -0-</u> | <u>\$ -0-</u> |

1. General Liability Insurance

The County is insured for general, police officers, public officials, 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 more than \$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 carry 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 paid \$3,049.00 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 \$821.67 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, \$13,769.49 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 \$2,030.78 for rent, utilities, phone, cell phone, travel, training, and postage.

The County paid Coy West, District Attorney Investigator, who owns Coy West Polygraphs \$2,875.00 for polygraph exams.

There were no amounts due to or from the County at September 30, 2021.

C. Subsequent Events

On March 8, 2022, the County accepted donations from Morgan Acres - \$55,250.00, Lorena Peugh - \$10,000.00, Ronnie Carroll - \$8,000.00, Jesus Munoz & Maria Vargas - \$5,000.00, Paul & Nancy Shuman - \$5,000.00, Darryl & Karen Fuller - \$3,000.00, Ricky & Patricia Manning - \$2,500.00, Larry Evans - \$2,000.00, Suzanne Shipley - \$1,000.00, Elvis Phillips - \$1,000.00, Jerry Peugh - \$1,000.00 and David Sexton - \$250.00 to be used for road construction in Precinct #1.

On April 12, 2022, the County approved to allocate a portion of the expense of the Huron Precinct #1 facility of \$200,000.00 of the cost to Precinct #1 Road and Bridge and allow two budget years to be paid back.

On May 10, 2022, the County approved to hire Sherry Hemrick to maintain the Texas Getaway Vacation website with a \$10,000.00 development fee and a \$20,000.00 yearly maintenance.

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.

Cheek v. Hill County, Texas et al; Civil Action No. 621-cv-00396-ADA-JCM; in the Western District of Texas, Waco Division – This matter involves a suicide attempt in the Hill County Jail on September 13, 2019 (Mr. Braddock passed away on September 20, 2019). The Original Complaint was filed on April 22, 2021, and summons were issued to Hill County, Texas; Dana J. Allen; Kyle R. Cox; Billy J. Olson, Jr.; and Mamie D. Reece. Ms. Allen was served on April 24, 2021. Mr. Olson was served on April 28, 2021. Hill County was served on April 28, 2021. Ms. Reece was served on May 8, 2021. Mr. Cox was served on June 2, 2021. On May 17, 2021, we filed a motion to dismiss for failure to state a claim on behalf of Ms. Allen, Mr. Olson and Hill County. On June 1, 2021, we filed a motion to dismiss for failure to state a claim on behalf of Ms. Reece. On June 18, 2021, we filed a motion to dismiss for failure to state a claim on behalf of Mr. Cox. Plaintiff has filed responses to Ms. Allen, Mr. Olson, Hill County, Ms. Reece and Mr. Cox's motions. We have filed replies to Plaintiff's response for Ms. Allen, Mr. Olson, and Hill County. On November 10, 2021 the court issued the scheduling order in this matter and these motions to dismiss remain pending with the Court.

Sherry D. Hammer v. Hill County Sheriff's Office; SOAH No. 407-19-6228.F5 in the State Office of Administrative Hearings – This matter involves the Petitioner, Sherry D. Hammer's Petition to Correct Separation of Licensee Report, seeking the connection 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. The matter is being monitored.

Mark Steven Sanders v. Hill County, Sheriff's Office; Case No. 621-cv-00506-ADA; in the United States District Court Western District of Texas Waco Division – This matter involves Plaintiff Mark Sanders' who filed a Complaint filed on May 13, 2021, alleging "Medical Malpractice/Criminal Negligence" issues against the Hill County Sheriff's Office and Hill County, Texas. On October 21, 2021, the court issued an Order Granting Plaintiff Sander's request that the case be dropped without prejudice. All other pending motions were dismissed and the case was closed.

Mark Steven Sanders v. Hill County Sheriff's Office; Case No. 621-cv-00508-ADA; in the United States District Court Western District of Texas Waco Division – This matter involves Plaintiff Mark Sanders' who filed a Complaint filed on May 13, 2021, alleging "legal mail" issues against the Hill County Sheriff's Office and Hill County, Texas. On October 21, 2021, the court issued an Order Granting Plaintiff Sander's request that the case be dropped without prejudice. All other pending motions were dismissed and the case was closed.

Jim Sinkule, individually and as a parent and next friend of Brent Sinkule, Carlos Cross, individually as a parent and next friend of Darius Cross, Thomas Buchak, individually and as a parent and next friend of John Buchak, and Tony Brown, individually and as a parent and next friend of Tyler Brown v. Big Creek Construction, Ltd., Texas Department of Transportation and Hill County; Case No. CV510-21DC, in the 66th Judicial District Court of Hill County, Texas – This matter involves Brent Sinkule and Tyler Brown who were passengers in a 1997 Dodge Ram 3500 operated by Tyler Petter and were traveling on FM 2114 in Hill County, Texas, when a collision occurred at a point on the road undergoing construction and over a bridge. Hill County filed their original answer with special exceptions on November 22, 2021. FM 2114 is not a County Road; instead, FM 2114 is a road maintained by the State of Texas.

Although the evaluation of litigation is difficult and speculative, the County does not expect that the outcome of any of the above matters will substantially impair the financial activities of the County.

E. 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 County 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 County 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 because of the agreement if the owner defaults.

The gross taxes abated during the 2021 is unknown.

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 County 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 because of the agreement if the owner defaults.

The gross taxes abated during the 2021 is unknown.

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 County 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 because of the agreement if the owner defaults.

The gross taxes abated during the 2021 is unknown.

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 County 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 because of the agreement if the owner defaults.

The gross taxes abated during the 2021 is unknown.

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.

On June 19, 2017, the County entered into an agreement pursuant to Chapter 381 of the Texas Tax Code, with GATE PRECAST COMPANY, a Florida corporation, to construct a pre-fab parking garage manufacturing facility within the County. This agreement provides for the recapturing of property tax revenue lost because of the agreement if the owner defaults.

The gross taxes abated during the 2021 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 January 1, 2018, and shall apply to all Eligible Property Value for each tax year in the Abatement Period.
2. Owner agrees to make a capital investment of at least \$7 million. Developer covenants and agrees by January 1, 2018, and during the Term of this Agreement to keep open the Project located on the Property. Further, the Property shall maintain a minimum assessed value of Four Million and No/100 Dollars (\$4,000,000.00) in the initial year and Three Million and No/100 Dollars (\$3,000,000.00) thereafter during the Term of this Agreement.
3. Developer covenants and agrees by January 1, 2018, and through the Term of this Agreement to employ and retain a minimum of twenty-five (25) new Full-Time Equivalent Employment Positions working on the Property.

| Tax Year | Percentage of Ad Valorem Taxes Reimbursed on the Taxes Paid on the County's Maintenance and Operations Rate (M&O Rate) |
|----------|---|
| 2018 | 50% |
| 2019 | 50% |
| 2020 | 50% |
| 2021 | 50% |
| 2022 | 50% |
| 2023 | 50% |
| 2024 | 50% |
| 2025 | 50% |
| 2026 | 50% |
| 2027 | 50% |

The Brazos Electric Power and the Shawnee Energy Center LLC abatements have yet to make an investment and will not be included in the notes until such investments are made.

F. Summary of TCDRS Funding Policy

Net Pension Liability / (Asset)

| Net Pension Liability / (Asset) | December 31, 2019 | December 31, 2020 |
|--|-------------------|-------------------|
| Total pension liability | \$28,172,560 | \$32,395,478 |
| Fiduciary net position | 27,241,228 | 30,349,642 |
| Net pension liability/(asset) | 931,332 | 2,045,837 |
| Fiduciary net position as a % of total pension liability | 96.69% | 93.68% |
| | | |
| Pensionable covered payroll | \$8,652,103 | \$9,761,008 |
| Net Pension liability as a % of covered payroll | 10.76% | 20.96% |

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% | 7.60% |
| Long-term expected rate of return, net of investment expense | 8.10% | 7.60% |
| 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, 2020 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. The economic assumptions were reviewed at the March 2021 TCDRS Board of Trustees meeting and revised assumptions were adopted. These revisions included reductions in the investment return, wage growth, and maximum payroll growth assumptions. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice

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, 2019 | December 31, 2020 |
| Measurement date | December 31, 2019 | December 31, 2020 |
| Employer's fiscal year | October 1, 2020 | September 30, 2021 |

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 2021 information for a 10-year time horizon.

Note that the valuation assumption for the long-term expected return is re-assessed in detail at a minimum of every four years, and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

| Asset Class | Benchmark | Target Allocation | Geometric Real Rate of Return |
|------------------------------------|--|-------------------|-------------------------------|
| U.S. Equities | Dow Jones U.S. Total Stock Market Index | 11.50% | 4.25% |
| Global Equities | MSCI World (net) Index | 2.50% | 4.55% |
| Int'l Equities - Developed Markets | MSCI World Ex USA (net) Index | 5.00% | 4.25% |
| Int'l Equities - Emerging Markets | MSCI Emerging Markets (net) Index | 6.00% | 4.75% |
| Investment-Grade Bonds | Bloomberg Barclays U.S. Aggregate Bond Index | 3.00% | -0.85% |
| Strategic Credit | FTSE High-yield Cash-Pay Capped Index | 9.00% | 2.11% |
| Direct Lending | S&P/LSTA Leveraged Loan Index | 16.00% | 6.70% |
| Distressed Debt | Cambridge Associates Distressed Securities Index | 4.00% | 5.70% |
| REIT Equities | 67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index | 2.00% | 3.45% |
| Master Limited Partnerships (MLPs) | Alerian MLP Index | 2.00% | 5.10% |
| Private Real Estate Partnerships | Cambridge Associates Real Estate Index | 6.00% | 4.90% |
| Private Equity | Cambridge Associates Global Private Equity & Venture Capital Index | 25.00% | 7.25% |
| Hedge Funds | Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index | 6.00% | 1.85% |
| Cash Equivalents | 90-Day U.S. Treasury | 2.00% | -0.70% |

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 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, 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 | Projected Total Contributions | Projected Benefit Payments | Projected Administrative Expenses | Projected Investment Earnings | Projected Ending Fiduciary Net Position |
|----------------------------|---|-------------------------------------|----------------------------------|---|-------------------------------------|---|
| | (a) | (b) | (c) | (d) | (e) | (a)+(b)-(c)- (d)+(e) |
| 2021 | \$30,349,642 | \$1,580,566 | \$2,060,401 | \$30,350 | \$2,287,541 | \$32,126,998 |
| 2022 | 32,126,998 | 1,585,431 | 1,716,218 | 32,127 | 2,435,574 | 34,399,658 |
| 2023 | 34,399,658 | 1,517,329 | 1,858,970 | 34,400 | 2,600,346 | 36,623,963 |
| 2024 | 36,623,963 | 1,459,391 | 2,004,560 | 36,624 | 2,761,718 | 38,803,888 |
| 2025 | 38,803,888 | 1,396,059 | 2,144,437 | 38,804 | 2,919,730 | 40,936,436 |
| 2026 | 40,936,436 | 1,349,891 | 2,275,676 | 40,936 | 3,075,106 | 43,044,821 |
| 2027 | 43,044,821 | 1,306,619 | 2,409,801 | 43,045 | 3,228,647 | 45,127,241 |
| 2028 | 45,127,241 | 1,267,203 | 2,529,872 | 45,127 | 3,380,884 | 47,200,329 |
| 2029 | 47,200,329 | 1,224,513 | 2,681,938 | 47,200 | 3,531,096 | 49,226,800 |
| 2030 | 49,226,800 | 1,186,889 | 2,844,928 | 49,227 | 3,677,549 | 51,197,083 |
| 2031 | 51,197,083 | 1,155,192 | 3,019,039 | 51,197 | 3,819,539 | 53,101,578 |
| 2032 | 53,101,578 | 1,124,150 | 3,159,030 | 53,102 | 3,957,830 | 54,971,426 |
| 2033 | 54,971,426 | 1,094,104 | 3,291,566 | 54,971 | 4,093,803 | 56,812,796 |
| 2034 | 56,812,796 | 1,069,345 | 3,442,544 | 56,813 | 4,227,123 | 58,609,907 |
| 2035 | 58,609,907 | 1,047,766 | 3,600,165 | 58,610 | 4,356,952 | 60,355,850 |
| 2036 | 60,355,850 | 1,026,320 | 3,732,792 | 60,356 | 4,483,830 | 62,072,852 |
| 2037 | 62,072,852 | 1,005,078 | 3,930,069 | 62,073 | 4,606,107 | 63,691,895 |
| 2038 | 63,691,895 | 986,405 | 4,074,707 | 63,692 | 4,723,002 | 65,262,903 |
| 2039 | 65,262,903 | 969,641 | 4,182,818 | 65,263 | 4,837,681 | 66,822,144 |
| 2040 | 66,822,144 | 951,324 | 4,300,697 | 66,822 | 4,951,045 | 68,356,994 |
| 2041 | 68,356,994 | 931,496 | 4,409,756 | 68,357 | 5,062,828 | 69,873,205 |
| 2042 | 69,873,205 | 477,404 | 4,518,423 | 69,873 | 5,157,010 | 70,919,323 |
| 2043 | 70,919,323 | 446,682 | 4,619,930 | 70,919 | 5,231,544 | 71,906,700 |
| 2044 | 71,906,700 | 414,965 | 4,741,341 | 71,907 | 5,300,835 | 72,809,252 |
| 2045 | 72,809,252 | 383,616 | 4,854,999 | 72,809 | 5,363,986 | 73,629,046 |
| 2046 | 73,629,046 | 352,102 | 5,108,644 | 73,629 | 5,415,622 | 74,214,497 |
| 2047 | 74,214,497 | 323,451 | 5,275,015 | 74,214 | 5,452,819 | 74,641,538 |
| 2048 | 74,641,538 | 294,665 | 5,368,934 | 74,642 | 5,480,681 | 74,973,308 |
| 2049 | 74,973,308 | 265,400 | 5,468,011 | 74,973 | 5,501,096 | 75,196,820 |
| 2050 | 75,196,820 | 237,240 | 5,605,587 | 75,197 | 5,511,891 | 75,265,167 |
| 2051 | 75,265,167 | 211,337 | 5,712,881 | 75,265 | 5,512,115 | 75,200,473 |
| 2052 | 75,200,473 | 186,116 | 5,796,257 | 75,200 | 5,503,149 | 75,018,281 |
| 2053 | 75,018,281 | 163,859 | 5,845,242 | 75,018 | 5,486,652 | 74,748,532 |
| 2054 | 74,748,532 | 143,822 | 5,897,463 | 74,749 | 5,463,465 | 74,383,607 |
| 2055 | 74,383,607 | 125,818 | 5,940,494 | 74,384 | 5,433,468 | 73,928,015 |
| 2056 | 73,928,015 | 109,136 | 5,966,386 | 73,928 | 5,397,271 | 73,394,108 |
| 2057 | 73,394,108 | 93,589 | 5,990,378 | 73,394 | 5,355,240 | 72,779,165 |
| 2058 | 72,779,165 | 79,734 | 5,952,234 | 72,779 | 5,309,433 | 72,143,319 |

| | | | | | | |
|------|-------------|--------|-----------|---------|------------|-------------|
| 2059 | 72,143,319 | 66,975 | 5,924,351 | 72,143 | 5,261,696 | 71,475,496 |
| 2060 | 71,475,496 | 55,920 | 5,892,638 | 71,475 | 5,211,737 | 70,779,040 |
| 2061 | 70,779,040 | 44,823 | 5,876,801 | 70,779 | 5,159,010 | 70,035,293 |
| 2062 | 70,035,293 | 36,636 | 5,794,684 | 70,035 | 5,105,270 | 69,312,480 |
| 2063 | 69,312,480 | 29,470 | 5,690,005 | 69,312 | 5,054,001 | 68,636,634 |
| 2064 | 68,636,634 | 23,657 | 5,568,736 | 68,637 | 5,006,969 | 68,029,887 |
| 2065 | 68,029,887 | 18,269 | 5,447,543 | 68,030 | 4,965,199 | 67,497,782 |
| 2066 | 67,497,782 | 13,776 | 5,313,231 | 67,498 | 4,929,622 | 67,060,451 |
| 2067 | 67,060,451 | 10,358 | 5,163,720 | 67,060 | 4,901,851 | 66,741,880 |
| 2068 | 66,741,880 | 7,923 | 5,000,518 | 66,742 | 4,883,648 | 66,566,191 |
| 2069 | 66,566,191 | 5,870 | 4,833,106 | 66,566 | 4,876,471 | 66,548,860 |
| 2070 | 66,548,860 | 4,179 | 4,660,935 | 66,549 | 4,881,514 | 66,707,069 |
| 2071 | 66,707,069 | 2,857 | 4,482,669 | 66,707 | 4,900,133 | 67,060,683 |
| 2072 | 67,060,683 | 1,776 | 4,300,478 | 67,061 | 4,933,751 | 67,628,671 |
| 2073 | 67,628,671 | 1,426 | 4,104,553 | 67,629 | 4,984,192 | 68,442,107 |
| 2074 | 68,442,107 | 990 | 3,910,436 | 68,442 | 5,053,208 | 69,517,427 |
| 2075 | 69,517,427 | 518 | 3,716,786 | 69,517 | 5,142,099 | 70,873,741 |
| 2076 | 70,873,741 | 96 | 3,522,735 | 70,874 | 5,252,351 | 72,532,579 |
| 2077 | 72,532,579 | 0 | 3,321,967 | 72,533 | 5,385,847 | 74,523,926 |
| 2078 | 74,523,926 | 0 | 3,119,571 | 74,524 | 5,544,666 | 76,874,497 |
| 2079 | 76,874,497 | 0 | 2,918,132 | 76,875 | 5,730,736 | 79,610,226 |
| 2080 | 79,610,226 | 0 | 2,718,567 | 79,610 | 5,945,994 | 82,758,043 |
| 2081 | 82,758,043 | 0 | 2,521,165 | 82,758 | 6,192,474 | 86,346,594 |
| 2082 | 86,346,594 | 0 | 2,326,265 | 86,347 | 6,472,341 | 90,406,323 |
| 2083 | 90,406,323 | 0 | 2,134,536 | 90,406 | 6,787,881 | 94,969,262 |
| 2084 | 94,969,262 | 0 | 1,946,914 | 94,969 | 7,141,493 | 100,068,872 |
| 2085 | 100,068,872 | 0 | 1,764,568 | 100,069 | 7,535,676 | 105,739,911 |
| 2086 | 105,739,911 | 0 | 1,588,602 | 105,740 | 7,973,028 | 112,018,597 |
| 2087 | 112,018,597 | 0 | 1,420,003 | 112,019 | 8,456,263 | 118,942,838 |
| 2088 | 118,942,838 | 0 | 1,259,710 | 118,943 | 8,988,227 | 126,552,412 |
| 2089 | 126,552,412 | 0 | 1,108,776 | 126,552 | 9,571,901 | 134,888,985 |
| 2090 | 134,888,985 | 0 | 968,096 | 134,889 | 10,210,417 | 143,996,417 |
| 2091 | 143,996,417 | 0 | 838,213 | 143,996 | 10,907,088 | 153,921,296 |
| 2092 | 153,921,296 | 0 | 719,340 | 153,921 | 11,665,443 | 164,713,478 |
| 2093 | 164,713,478 | 0 | 611,544 | 164,713 | 12,489,267 | 176,426,488 |
| 2094 | 176,426,488 | 0 | 514,864 | 176,426 | 13,382,625 | 189,117,823 |
| 2095 | 189,117,823 | 0 | 429,085 | 189,118 | 14,349,893 | 202,849,513 |
| 2096 | 202,849,513 | 0 | 353,722 | 202,850 | 15,395,801 | 217,688,742 |
| 2097 | 217,688,742 | 0 | 288,114 | 217,689 | 16,525,476 | 233,708,415 |
| 2098 | 233,708,415 | 0 | 231,558 | 233,708 | 17,744,483 | 250,987,632 |
| 2099 | 250,987,632 | 0 | 183,353 | 250,988 | 19,058,858 | 269,612,149 |
| 2100 | 269,612,149 | 0 | 142,833 | 269,612 | 20,475,138 | 289,674,842 |

Changes in Net Pension Liability / (Asset)

| Changes in Net Pension Liability / (Asset) | Total Pension Liability (a) | Fiduciary Net Position (b) | Net Pension Liability / (Asset) (a) - (b) |
|---|---------------------------------------|--------------------------------------|---|
| Balances as of December 31, 2019 | \$28,172,560 | \$27,241,228 | \$931,332 |
| Changes of the year: | | | |
| Service cost | 1,015,360 | | 1,015,360 |
| Interest on total pension liability | 2,310,208 | | 2,310,208 |
| Effect of plan changes | 0 | | 0 |
| Effect of economic/demographic gains or losses | 400,292 | | 400,292 |
| Effect of assumptions changes or inputs | 1,857,208 | | 1,857,208 |
| Refund of contributions | (49,253) | (49,253) | 0 |
| Benefit payments | (1,310,897) | (1,310,897) | 0 |
| Administrative expenses | | (22,207) | 22,207 |
| Member contributions | | 683,271 | (683,271) |
| Net investment income | | 2,814,823 | (2,814,823) |
| Employer contributions | | 980,979 | (980,979) |
| Other | 0 | 11,698 | (11,698) |
| Balances as of December 31, 2020 | \$32,395,478 | \$30,349,642 | \$2,045,836 |

Sensitivity Analysis

The following presents the net pension liability of the employer, calculated using the discount rate of 7.60%, 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 (6.60%) or 1 percentage point higher (8.60%) than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|-------------------------------|--------------------|------------------------------|--------------------|
| | 6.60% | 7.60% | 8.60% |
| Total pension liability | \$36,710,404 | \$32,395,478 | \$28,798,855 |
| Fiduciary net position | 30,349,642 | 30,349,642 | 30,349,642 |
| Net pension liability/(asset) | \$6,360,762 | \$2,045,836 | (\$1,550,787) |

Pension Expense / (Income)

| Pension Expense / (Income) | January 1, 2020 to December 31, 2020 |
|---|---|
| Service cost | \$1,015,360 |
| Interest on total pension liability | 2,310,208 |
| Effect of plan changes | 0 |
| Administrative expenses | 22,207 |
| Member contributions | (683,271) |
| Expected investment return net of investment expenses | (2,218,198) |
| Recognition of deferred inflows/outflows of resources | |
| Recognition of economic/demographic gains or losses | 81,077 |
| Recognition of assumption changes or inputs | 488,439 |
| Recognition of investment gains or losses | (282,487) |
| Other | (11,698) |
| Pension expense | \$721,637 |

As of December 31, 2020, the deferred inflows and outflows of resources are as follows:

| Deferred Inflows/Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources |
|--|--|---|
| Differences between expected and actual experience | \$46,081 | \$354,386 |
| Changes of assumptions | 0 | 1,417,045 |
| Net difference between projected and actual earnings | 964,250 | 0 |
| 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: | |
|--------------------------|-----------|
| 2020 | 261,151 |
| 2021 | 561,731 |
| 2022 | 57,543 |
| 2023 | (119,325) |
| 2024 | 0 |
| Thereafter | 0 |

Schedule of Deferred Inflows and Outflows of Resources

| Expense / (Income) Calculation | | | | Balances of Deferred Inflows and Outflows as of 12/31/2020 | |
|---|-------------------------|------------------------------------|-----------------------------------|---|-----------------|
| Original Amount | Date Established | Original Recognition Period | Amount Recognized for 2020 | Inflows | Outflows |
| (a) | (b) | (c) | (a) / (c) | | |
| Investment (gains) or losses | | | | | |
| (\$596,625) | 12/31/2020 | 5 | (\$119,325) | \$477,300 | \$0 |
| (1,937,543) | 12/31/2019 | 5 | (387,509) | 1,162,525 | 0 |
| 2,385,527 | 12/31/2018 | 5 | 477,105 | 0 | 954,212 |
| (1,393,193) | 12/31/2017 | 5 | (278,639) | 278,637 | 0 |
| 129,409 | 12/31/2016 | 5 | 25,882 | 0 | 0 |
| Economic/demographic (gains) or losses | | | | | |
| 400,292 | 12/31/2020 | 4 | 100,073 | 0 | 300,219 |
| 108,335 | 12/31/2019 | 4 | 27,084 | 0 | 54,167 |
| (13,252) | 12/31/2018 | 4 | (3,313) | 3,313 | 0 |
| (213,836) | 12/31/2017 | 5 | (42,767) | 42,768 | 0 |
| Assumption changes or inputs | | | | | |
| 1,857,208 | 12/31/2020 | 4 | 464,302 | 0 | 1,392,906 |
| 0 | 12/31/2019 | 4 | 0 | 0 | 0 |
| 0 | 12/31/2018 | 4 | 0 | 0 | 0 |
| 120,687 | 12/31/2017 | 5 | 24,137 | 0 | 24,139 |

Schedule of Changes in Net Pension Liability and Related Ratios

| | Year Ended December 31 | | | | | | | 2013 - |
|--|------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2009 |
| Total Pension Liability | | | | | | | | |
| Service cost | \$1,015,360 | \$957,841 | \$796,750 | \$758,112 | \$803,410 | \$741,781 | \$736,319 | N/A |
| Interest on total pension liability | 2,310,208 | 2,155,420 | 1,927,436 | 1,828,219 | 1,751,847 | 1,696,658 | 1,618,264 | N/A |
| Effect of plan changes | 0 | 0 | 1,256,874 | 0 | 0 | (128,791) | 0 | N/A |
| Effect of assumption changes or inputs | 1,857,208 | 0 | 0 | 120,687 | 0 | 243,723 | 0 | N/A |
| Effect of economic/demographic (gains) or losses | 400,292 | 108,335 | (13,252) | (213,836) | (653,505) | (604,476) | (213,147) | N/A |
| Benefit payments/refunds of contributions | <u>(1,360,150)</u> | <u>(1,375,852)</u> | <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 | 4,222,918 | 1,845,744 | 2,712,736 | 1,136,415 | 610,988 | 754,942 | 871,609 | <u>N/A</u> |
| Total pension liability, beginning | <u>28,172,560</u> | <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>20,240,126</u> | <u>N/A</u> |
| Total pension liability, ending (a) | <u>\$32,395,478</u> | <u>\$28,172,560</u> | <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> |
| Fiduciary Net Position | | | | | | | | |
| Employer contributions | \$980,979 | \$828,873 | \$546,983 | \$526,404 | \$571,008 | \$580,880 | \$582,857 | N/A |
| Member contributions | 683,271 | 646,870 | 489,836 | 464,501 | 450,797 | 444,556 | 432,819 | N/A |
| Investment income net of investment expenses | (2,814,823) | 3,830,265 | (449,842) | 3,103,076 | 1,493,867 | 124,531 | 1,323,214 | N/A |
| Benefit payments/refunds of contributions | (1,360,150) | (1,375,852) | (1,255,072) | (1,356,766) | (1,290,764) | (1,193,954) | (1,269,827) | N/A |
| Administrative expenses | (22,207) | (20,759) | (18,734) | (15,971) | (16,280) | (14,664) | (15,369) | N/A |
| Other | <u>11,698</u> | <u>7,215</u> | <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 | 3,108,413 | 3,916,612 | (690,920) | 2,716,191 | 1,032,912 | (272,062) | 1,137,910 | N/A |
| Fiduciary net position, beginning | <u>27,241,228</u> | <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>19,400,585</u> | <u>N/A</u> |
| Fiduciary net position, ending (b) | <u>\$30,349,642</u> | <u>\$27,241,228</u> | <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>\$2,045,837</u> | <u>\$931,332</u> | <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 | 93.68% | 96.69% | 88.60% | 101.70% | 94.76% | 92.68% | 97.28% | N/A |
| Pensionable covered payroll | \$9,761,008 | \$8,652,103 | \$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 | 20.96% | 10.76% | 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 |
|-------------------------------|---|------------------------------------|--|-----------------------------------|---|
| 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% |
| 2019 | 828,873 | 828,873 | 0 | 8,652,103 | 9.6% |
| 2020 | 980,979 | 980,979 | 0 | 9,761,008 | 10.0% |

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 | 20.0 years (based on contribution rate calculated in 12/31/2020 valuation) |
| Asset Valuation Method | 5-year smoothed market |
| Inflation | 2.50% |
| Salary Increases | Varies by age and service. 4.9% average over career including inflation. |
| Investment Rate of Return | 7.50%, 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. 2019: 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. 2019: Employer contributions reflect that the member contribution rate was increased to 7% and the current service matching rate was increased to 200% for future benefits. 2020: 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 2020 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.

Membership Information

| Members | Dec. 31, 2019 | Dec. 31, 2020 |
|--|---------------|---------------|
| Number of inactive employees entitled to but not yet receiving benefits: | 175 | 183 |
| Number of active employees: | 209 | 218 |
| Average monthly salary: | \$3,328 | \$3,652 |
| Average age: | 46.51 | 45.98 |
| Average length of service in years: | 9.71 | 10 |
| Inactive Employees (or their Beneficiaries) Receiving Benefits | | |
| Number of benefit recipients: | 132 | 138 |
| Average monthly benefit: | \$769 | \$798 |

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, 2020 funding valuation (see Appendix C, following, for details), except as noted below and throughout this report. Please see the Hill County December 31, 2020 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 | 7.60% (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, 2020 financial reporting metrics are the same as those used in the December 31, 2020 actuarial valuation analysis for Hill County.

The following is a description of the assumptions used in the December 31, 2020 actuarial valuation analysis for Hill County. This information may also be found in the Hill County December 31, 2020 Summary Valuation Report.

Economic Assumptions

TCDRS system-wide economic assumptions:

| | |
|-----------------------------|-------|
| Real rate of return | 5.00% |
| Inflation | 2.50% |
| Long-term investment return | 7.50% |

The assumed long-term investment return of 7.5% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 7.5% 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 3.00% (made up of 2.50% 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 | 3.00% |

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

| Years of Service | Probability | Years of Service | Probability |
|---------------------------------|--------------------|---------------------------------|--------------------|
| 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 2021

| | | | |
|--------------------------------|-----------------------|---------------------|------------------|
| Discount Rate (Proj.) | 9/30/2020 rate | 2.14% FYE 9/30/2021 | Expense |
| | 9/30/2021 rate | 2.43% FYE 9/30/2021 | Disclosures |
| Investment Return Rate (Proj.) | N/A; Index will apply | | |
| | Total OPEB | Plan Fiduciary | Net OPEB |
| | <u>Liability</u> | <u>Net Position</u> | <u>Liability</u> |
| Balances at Beginning of Year | 228,203 | 0 | 228,203 |
| Change | 23,533 | 0 | 23,533 |
| Balances at End of Year | 251,736 | 0 | 251,736 |

Total GASB #75 Expense for FYE 2020

| | |
|---|------------|
| Service Cost | 28,361 |
| Interest Cost | 4,884 |
| Experience & Assumption (Gain)/Loss Amort | (3,879) |
| Investment (Gain)/Loss Amort | 0 |
| GASB #75 Annual OPEB Cost Expense | 29,366 |

HILL COUNTY
RETIREE HEALTH VALUATION UNDER GASB #75

Sensitivity - Discount Rate

| | 1% Decrease | Discount Rate | 1% Increase |
|-------------------------------|-------------|---------------|-------------|
| | 1.43% | 2.43% | 3.43% |
| Net OPEB Liability 9/30/2021 | 284,502 | 251,736 | 218,969 |
| GASB #75 Expense for FYE 2021 | 33,000 | 29,366 | 25,000 |

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 9/30/2021 | 208,437 | 251,736 | 304,097 |
| Projected Expense for FYE 2021 | 25,000 | 29,366 | 35,000 |

NOTES

Have used a 2.43% discount rate, with sensitivity at 1.43% and 3.43%.

The S&P 20 AA Municipal Bond Index (an appropriate index for GASB #75 purposes) was 2.43% on 9/30/2021, the Measurement Date.

Due to the small OPEB Trust level (\$0) vs. Liabilities, the plan is not projected to have a Plan Fiduciary Net position in excess of benefit payments for any year, so the 2.14% Municipal Bond Rate will apply.

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

Membership Counts (at 9/30/2020)

| | <u>Active</u> | <u>Retired</u> | <u>Total</u> |
|-------|---------------|----------------|--------------|
| Total | 168 | 0 | 168 |

HILL COUNTY
RETIREE HEALTH VALUATION UNDER GASB #75
Schedule of OPEB Related Deferred Outflows/(Inflows) of Resources
FYE 9/30/2020

| Initial Setup Year | Description | Original Deferred Outflow | Original Deferred Inflow | Original Amortization Period | Remaining Amortization Period | Amortization | Current Deferred Outflow | Current Deferred Inflow |
|---------------------------|--------------------|----------------------------------|---------------------------------|-------------------------------------|--------------------------------------|---------------------|---------------------------------|--------------------------------|
| 9/30/2018 | Experience | | 4,334 | 12.00 | 9.00 | (361) | | 2,890 |
| 9/30/2019 | Experience | | 41,120 | 12.00 | 10.00 | (3,427) | | 30,839 |
| 9/30/2019 | Assumption Change | 1,245 | | 12.00 | 10.00 | 104 | 933 | |
| 9/30/2020 | Experience | | 33,857 | 12.00 | 11.00 | (2,821) | | 28,215 |
| 9/30/2020 | Assumption Change | 41,221 | | 12.00 | 11.00 | 3,435 | 34,351 | |
| 9/30/2021 | Experience | | 219 | 12.00 | 12.00 | (18) | | 201 |
| 9/30/2021 | Assumption Change | | 9,493 | 12.00 | 12.00 | (791) | | 8,702 |
| | Totals | | | | | (3,879) | 35,284 | 70,847 |

Summary of Deferred Outflows of Resources and Inflows of Resources Related to OPEB from the Following Sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---------------------------------------|--------------------------------------|
| Difference between expected and actual experience | \$0 | \$62,145 |
| Changes of assumptions | 35,284 | 8,702 |
| Net difference between projected and actual earnings of OPEB plan investments | 0 | 0 |
| Total | \$35,284 | \$70,847 |

Amounts Recognized in OPEB Expense as Follows:

| | |
|---------------------|---------|
| Year ended June 30: | |
| 2022 | (3,879) |
| 2023 | (3,879) |
| 2024 | (3,879) |
| 2025 | (3,879) |
| 2026 | (3,879) |
| 2027-2028 (2 yrs) | (3,879) |
| 2029 | (3,881) |
| 2030 | (3,517) |
| 2031 | (199) |
| 2032 | (813) |

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> |
|-----------------------------|--|----------------------------------|---|---|
| 9/30/2017 | | \$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) |
| 9/30/2020 | \$228,203 | \$26,922 | \$0 | \$37,356 |
| 9/30/2021 | \$251,736 | \$29,366 | \$0 | \$23,533 |

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

| <u>Actuarial</u> <u>Valuation</u> <u>Date</u> | <u>Fiduciary</u> <u>Net</u> <u>Position</u> | <u>Total</u> <u>OPEB</u> <u>Liability</u> | <u>Net</u> <u>OPEB</u> <u>Liability</u> | <u>Fiduciary</u> <u>Net Position</u> <u>as a % of</u> <u>Total OPEB</u> <u>Liability</u> | <u>Covered</u> <u>Payroll</u> | <u>Net OPEB</u> <u>Liability</u> <u>as a % of</u> <u>Covered</u> <u>Payroll</u> |
|---|---|---|---|--|----------------------------------|---|
| 10/1/2017 | \$0 | 182,111 | 182,111 | 0.00% | 8,251,280 | 2% |
| 10/1/2018 | \$0 | 197,417 | 197,417 | 0.00% | 8,456,291 | 2% |
| 10/1/2019 | \$0 | 190,847 | 190,847 | 0.00% | 9,391,481 | 2% |
| 10/1/2020 | \$0 | 228,203 | 228,203 | 0.00% | 9,939,445 | 2% |

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 (2022) provided to us by the County include:

- | | |
|--------------------|---|
| a) Medical-Single: | Generally, \$709 per month. |
| b) Dental | Generally, \$24/mo. Single; 69/mo. double |
| c) Life Ins. | Generally, \$2.26 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 (i.e., only pay-as-you-go funding would occur; no retirees currently for Hill County).

Hill County
Retiree Health Valuation Under GASB #75
Actuarial Basis

ACTUARIAL FUNDING METHOD: Entry Age Normal, level % pay

ACTUARIAL ASSUMPTIONS

1. Valuation Date: 10/1/2020 (9/30/2020 census)
2. Discount Rate: 2.14% per annum (for FY21 Expense)
2.43% per annum (disclosures)
(1.43% and 3.43% are illustrated for sensitivity)
3. Salary Scale: 3% per annum (for EAN)
4. Mortality: RP-2006 mortality table with MP 2019 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: Experience Gains/Losses: Average Expected Future Working Lifetime of the whole group.
 Assumption Changes: Average Expected Future Working Lifetime of the whole group.

G. Summary of GASB 75 Group-Term Funding Policy

Overview of GASB 74 and GASB 75

The Governmental Accounting Standards Board (GASS) released accounting standards for public postemployment benefit plans other than pension (OPES) in 2016. 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. GASS 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. 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 G TL 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

| | | |
|-----------------------------|--------------------------|--------------------------|
| Total OPEB Liability | <u>December 31, 2019</u> | <u>December 31, 2020</u> |
| Total OPEB liability | \$581,902 | \$675,054 |

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 | 2.74% | 2.12% |
| Long-term expected rate of return, net of investment expense | Does not apply | Does not apply |
| Municipal bond rate | 2.74% | 2.12% |

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, 2020 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. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

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.

| | | |
|------------------------|-------------------|--------------------|
| Valuation date | December 31, 2019 | December 31, 2020 |
| Measurement date | December 31, 2019 | December 31, 2020 |
| Employer's fiscal year | October 1, 2020 | September 30, 2021 |

GASB Discount Rate

The TCDRS GTL program is treated as an 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 2.12% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2020.

Employer OPEB Contributions to the Plan

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 coverage are included under GASB 75. For GASB 75 purposes, the employer's benefit payments for the year are treated as being equal to its annual retiree GTL contributions.

2020 Employer OPEB Contributions and Benefit Payments

The following table shows a breakdown of the employer's contributions to the GTL program for the calendar year 2020. 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.

| Coverage Type | 2020 GTL Rate | Amount | Financial Reporting |
|---------------------------|---------------|----------|---------------------------|
| Active Member GTL Benefit | 0.24% | \$23,426 | No change from prior year |
| Retiree GTL Benefit | 0.16% | 15,618 | 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, 2020 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 40.00000%, allocated as follows:

| Coverage Type | 2021 GTL Rate | Proportion | Financial Reporting |
|---------------------------|---------------|------------|---------------------------|
| Active Member GTL Benefit | 0.24% | 60.00000% | No change from prior year |
| Retiree GTL Benefit | 0.16% | 40.00000% | GASB 75 |

Changes in Total OPEB Liability

| | Changes in Total OPEB Liability |
|---|------------------------------------|
| Balances as of December 31, 2019 | \$581,902 |
| Changes for the year: | |
| Service Cost | 20,608 |
| Interest on total OPEB liability | 16,296 |
| Changes of benefit terms | 0 |
| Effect of economic/demographic experience | 631 |
| Effect of assumptions changes or inputs | 71,235 |
| Benefit payments | (15,618) |
| Other | 0 |
| Balance as of December 31, 2020 | \$675,054 |

Sensitivity Analysis

The following table shows the Total OPEB Liability of the employer, calculated using the discount rate of 2.12%, 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 (1.12%) or 1 percentage point higher (3.12%) 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.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|----------------------|--------------|-----------------------|--------------|
| | 1.12% | 2.12% | 3.12% |
| Total OPEB Liability | \$818,836 | \$675,054 | \$565,568 |

OPEB Expense / (Income)

| OPEB Expense / (Income) | January 1, 2020 to December 31, 2020 |
|---|---|
| Service cost | \$20,608 |
| Interest on total OPEB liability | 16,296 |
| Effect of plan changes | 0 |
| Recognition of deferred inflows/outflows of resources | |
| Recognition of economic/demographic gains or losses | (3,233) |
| Recognition of assumption changes or inputs | 26,638 |
| Other | 0 |
| OPEB expense / (income) | \$60,309 |

As of December 31, 2020, the deferred inflows and outflows of resources are as follows:

| Deferred Inflows / Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources |
|--|----------------------------------|-----------------------------------|
| Differences between expected and actual experience | \$8,914 | \$2,839 |
| Changes of assumptions | 25,204 | 145,255 |
| 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: | |
|-------------------------|----------|
| 2021 | \$23,405 |
| 2022 | 23,405 |
| 2023 | 22,827 |
| 2024 | 32,336 |
| 2025 | 11,976 |
| Thereafter | 0 |

Schedule of Deferred Inflows and Outflows of Resources

| Expense / (Income) Calculation | | | | Balances of Deferred Inflows and Outflows as of 12/31/2020 | |
|---|---------------------|-----------------------------------|----------------------------------|---|----------|
| Original Amount | Date Established | Original Recognition Period | Amount Recognized for 2020 | Inflows | Outflows |
| (a) | (b) | (c) | (a) / (c) | | |
| <i>Economic/demographic (gains) or losses</i> | | | | | |
| \$631 | 12/31/2020 | 6 | \$105 | \$0 | \$526 |
| 3,471 | 12/31/2019 | 6 | 579 | 0 | 2,313 |
| (6,669) | 12/31/2018 | 6 | (1,112) | 3,333 | 0 |
| (16,828) | 12/31/2017 | 6 | (2,805) | 5,608 | 0 |
| <i>Assumption changes or inputs</i> | | | | | |
| 71,235 | 12/31/2020 | 6 | 11,873 | 0 | 59,362 |
| 118,687 | 12/31/2019 | 6 | 19,781 | 0 | 79,125 |
| (50,407) | 12/31/2018 | 6 | (8,401) | 25,204 | 0 |
| 20,307 | 12/31/2017 | 6 | 3,385 | 0 | 6,768 |

| | Year Ended December 31 | | | | 2016 |
|--|------------------------|------------------|------------------|------------------|------------|
| | 2020 | 2019 | 2018 | 2017 | - 2009 |
| Total OPEB Liability | | | | | |
| Service cost | \$20,608 | \$15,433 | \$17,245 | \$16,344 | N/A |
| Interest on total OPEB liability | 16,296 | 18,382 | 16,756 | 17,451 | N/A |
| Effect of plan changes | 0 | 0 | 0 | 0 | N/A |
| Effect of assumption changes or inputs | 71,235 | 118,687 | (50,407) | 20,307 | N/A |
| Effect of economic/demographic (gains) or losses | 631 | 3,471 | (6,669) | (16,828) | N/A |
| Benefit payments | <u>(15,618)</u> | <u>(13,843)</u> | <u>(13,879)</u> | <u>(11,613)</u> | <u>N/A</u> |
| Net change in total OPEB liability | 93,152 | 142,130 | (36,954) | 25,661 | <u>N/A</u> |
| | | | | | |
| Total OPEB liability, beginning | <u>581,902</u> | <u>439,772</u> | <u>476,726</u> | <u>451,065</u> | <u>N/A</u> |
| Total OPEB liability, ending (a) | <u>\$675,054</u> | <u>\$581,902</u> | <u>\$439,772</u> | <u>\$476,726</u> | <u>N/A</u> |
| | | | | | |
| Pensionable covered payroll | \$9,761,008 | \$8,652,103 | \$8,163,936 | \$7,741,686 | N/A |
| Net OPEB liability/(asset) as % of covered payroll | 6.92% | 6.73% | 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, 2018 | Dec. 31, 2019 |
|--|---------------|---------------|
| Number of inactive employees entitled to but not yet receiving benefits: | 48 | 48 |
| Number of active employees: | 209 | 218 |
| Average age of active employees: | 46.51 | 45.98 |
| Average length of service in years for active employees: | 9.71 | 10.00 |
| <hr/> | | |
| Inactive Employees Receiving Benefits | | |
| Number of benefit recipients: | 105 | 110 |

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, 2020 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.

| | |
|---|---|
| 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 | Does not apply |
| Inflation | Does not apply |
| Salary Increases | Does not apply |
| Investment Rate of Return (Discount Rate) | 2.12% 20 Year Bond GO Index published by bondbuyer.com as of December 31, 2020. |
| Cost-of-Living Adjustment | Does not apply |
| Disability | |
| Mortality | |
| Retirement | |
| Other Termination of Employment | |

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 - |
|--|------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2009 |
| Total Pension Liability | | | | | | | | |
| Service cost | \$1,015,360 | \$957,841 | \$796,750 | \$758,112 | \$803,410 | \$741,781 | \$736,319 | N/A |
| Interest on total pension liability | 2,310,208 | 2,155,420 | 1,927,436 | 1,828,219 | 1,751,847 | 1,696,658 | 1,618,264 | N/A |
| Effect of plan changes | 0 | 0 | 1,256,874 | 0 | 0 | (128,791) | 0 | N/A |
| Effect of assumption changes or inputs | 1,857,208 | 0 | 0 | 120,687 | 0 | 243,723 | 0 | N/A |
| Effect of economic/demographic (gains) or losses | 400,292 | 108,335 | (13,252) | (213,836) | (653,505) | (604,476) | (213,147) | N/A |
| Benefit payments/refunds of contributions | <u>(1,360,150)</u> | <u>(1,375,852)</u> | <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 | 4,222,918 | 1,845,744 | 2,712,736 | 1,136,415 | 610,988 | 754,942 | 871,609 | <u>N/A</u> |
| Total pension liability, beginning | <u>28,172,560</u> | <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>20,240,126</u> | <u>N/A</u> |
| Total pension liability, ending (a) | <u>\$32,395,478</u> | <u>\$28,172,560</u> | <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> |
| Fiduciary Net Position | | | | | | | | |
| Employer contributions | \$980,979 | \$828,873 | \$546,983 | \$526,404 | \$571,008 | \$580,880 | \$582,857 | N/A |
| Member contributions | 683,271 | 646,870 | 489,836 | 464,501 | 450,797 | 444,556 | 432,819 | N/A |
| Investment income net of investment expenses | (2,814,823) | 3,830,265 | (449,842) | 3,103,076 | 1,493,867 | 124,531 | 1,323,214 | N/A |
| Benefit payments/refunds of contributions | (1,360,150) | (1,375,852) | (1,255,072) | (1,356,766) | (1,290,764) | (1,193,954) | (1,269,827) | N/A |
| Administrative expenses | (22,207) | (20,759) | (18,734) | (15,971) | (16,280) | (14,664) | (15,369) | N/A |
| Other | <u>11,698</u> | <u>7,215</u> | <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 | 3,108,413 | 3,916,612 | (690,920) | 2,716,191 | 1,032,912 | (272,062) | 1,137,910 | N/A |
| Fiduciary net position, beginning | <u>27,241,228</u> | <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>19,400,585</u> | <u>N/A</u> |
| Fiduciary net position, ending (b) | <u>\$30,349,642</u> | <u>\$27,241,228</u> | <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>\$2,045,837</u> | <u>\$931,332</u> | <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 | 93.68% | 96.69% | 88.60% | 101.70% | 94.76% | 92.68% | 97.28% | N/A |
| Pensionable covered payroll | \$9,761,008 | \$8,652,103 | \$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 | 20.96% | 10.76% | 36.77% | -5.19% | 15.68% | 21.60% | 7.95% | N/A |

Schedule of Employer Contributions

| Year | Actuarially | Actual | Contribution | Pensionable | Actual |
|-------------|--------------|--------------|--------------|-------------|-------------------|
| Ending | Determined | Employer | Deficiency | Covered | Contribution |
| December 31 | Contribution | Contribution | (Excess) | Payroll | as a % of Covered |
| | | | | | Payroll |
| 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% |
| 2019 | 828,873 | 828,873 | 0 | 8,652,103 | 9.6% |
| 2020 | 980,979 | 980,979 | 0 | 9,761,008 | 10.0% |

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 | 20.0 years (based on contribution rate calculated in 12/31/2020 valuation) |
| Asset Valuation Method | 5-year smoothed market |
| Inflation | 2.50% |
| Salary Increases | Varies by age and service. 4.9% average over career including inflation. |
| Investment Rate of Return | 7.50%, 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 2019: New inflation, mortality and other 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 2019: Employer contributions reflect that the member contribution rate was increased to 7% and the current service matching rate was increased to 200% for future benefits. 2020: 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, 2020 funding valuation (see Appendix C, following, for details), except as noted below and throughout this report. Please see the Hill County December 31, 2020 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 | 7.60% (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 9/30/2021

| | 2021 | 2020 | 2019 | 2018 |
|--|--------------------|--------------------|--------------------|--------------------|
| Total OPEB Liability | | | | |
| Service Cost | \$28,361 | \$23,160 | \$26,934 | \$13,826 |
| Interest | 4,884 | 6,832 | 7,171 | 6,614 |
| Changes of benefit terms | 0 | 0 | 0 | 0 |
| Difference between expected and actual experience | (219) | (33,857) | (41,120) | (4,334) |
| Changes in assumptions | (9,493) | 41,221 | 1,245 | 0 |
| Benefit payments | 0 | 0 | (800) | (800) |
| Net change in total OPEB liability | 23,533 | 37,356 | (6,570) | 15,306 |
| Total OPEB liability - beginning | 228,203 | 190,847 | 197,417 | 182,111 |
| Total OPEB liability - ending (a) | \$251,736 | \$228,203 | \$190,847 | \$197,417 |
| | | | | |
| Plan Fiduciary net position | | | | |
| Contributions - employer | 0 | 0 | 800 | 800 |
| Net investment income | 0 | 0 | 0 | 0 |
| Benefit payments | 0 | 0 | (800) | (800) |
| Administrative expense | 0 | 0 | 0 | 0 |
| Net change in plan fiduciary net position | 0 | 0 | 0 | 0 |
| Plan fiduciary net position - beginning | 0 | 0 | 0 | 0 |
| Plan fiduciary net position - ending (b) | \$0 | \$0 | \$0 | \$0 |
| | | | | |
| Net OPEB liability - ending (a) - (b) | \$251,736 | \$228,203 | \$190,847 | \$197,417 |
| | | | | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.00% | 0.00% | 0.00% | 0.00% |
| | | | | |
| Covered-employee payroll | \$9,939,445 | \$9,391,481 | \$8,456,291 | \$8,251,280 |
| | | | | |
| District's net OPEB liability as a percentage of covered - employee payroll | 2.53% | 2.43% | 2.26% | 2.39% |
| | | | | |
| Notes to schedule: | | | | |
| <i>Benefit changes - None</i> | | | | |

Hill County
Required Supplementary Information
Schedule of Contributions and Assumptions
FYE 9/30/2021
Last 10 Fiscal Years

| | 2021 | 2020 | 2019 | 2018 |
|--|-------------|-------------|-------------|-------------|
| Actuarial determined contribution | \$42,506 | \$36,686 | \$41,001 | \$20,079 |
| Contributions in relating to the actuarially determined contribution | | | 800 | 800 |
| Contribution Excess/(deficiency) | (\$42,506) | (\$36,686) | (\$40,201) | (\$19,279) |
| Covered-employee payroll | \$9,939,445 | \$9,391,481 | \$8,456,291 | \$6,022,996 |
| Contributions as a percentage of covered-employee payroll | 0.00% | 0.00% | 0.01% | 0.01% |

Notes to Schedule:

| | | | | |
|-----------------|-----------|-----------|-----------|-----------|
| Valuation date: | 10/1/2020 | 10/1/2019 | 10/1/2018 | 10/1/2018 |
| Census date: | 9/30/2020 | 9/30/2020 | 9/30/2019 | 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 2006 w/ MP2019 projection | | | |
| Investment rate of return | 2.43% | 2.14% | 3.58% | 3.64% |
| Other information: | | | | |

Hill County
Required Supplementary Information
Schedule of Investment Returns
FYE 9/30/2021
Last 10 Fiscal Years

| | 2021 | 2020 | 2019 | 2018 |
|--|------|------|------|------|
| Annual money-weighted rate of return, net of investment expense | N/A | N/A | 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 9/30/2021

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

Hill County
Required Supplementary Information
Investment Rate of Return Assumption
FYE 9/30/2021

To value the 9/30/2021 Total OPEB Liability under GASB 75 the S&P Municipal Bond 20 year High Grade Bond index rate of 2.43% was utilized.

For 2021 Expense, the index rate of 2.14% (9/30/2020) was utilized.

There is no OPEB Trust.

Hill County
Required Supplementary Information
Long-Term Expected REAL Rate of Return
FYE 9/30/2021

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

| | Year Ended December 31 | | | | |
|--|------------------------|------------------|------------------|------------------|----------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 - 2009 |
| Total OPEB Liability | | | | | |
| Service cost | \$20,608 | \$15,433 | \$17,245 | \$16,344 | N/A |
| Interest on total OPEB liability | 16,296 | 18,382 | 16,756 | 17,451 | N/A |
| Effect of plan changes | 0 | 0 | 0 | 0 | N/A |
| Effect of assumption changes or inputs | 71,235 | 118,687 | (50,407) | 20,307 | N/A |
| Effect of economic/demographic (gains) or losses | 631 | 3,471 | (6,669) | (16,828) | N/A |
| Benefit payments | <u>(15,618)</u> | <u>(13,843)</u> | <u>(13,879)</u> | <u>(11,613)</u> | <u>N/A</u> |
| Net change in total OPEB liability | 93,152 | 142,130 | (36,954) | 25,661 | <u>N/A</u> |
| | | | | | |
| Total OPEB liability, beginning | <u>581,902</u> | <u>439,772</u> | <u>476,726</u> | <u>451,065</u> | <u>N/A</u> |
| Total OPEB liability, ending (a) | <u>\$675,054</u> | <u>\$581,902</u> | <u>\$439,772</u> | <u>\$476,726</u> | <u>N/A</u> |
| | | | | | |
| Pensionable covered payroll | \$9,761,008 | \$8,652,103 | \$8,163,936 | \$7,741,686 | N/A |
| Net OPEB liability/(asset) as % of covered payroll | 6.92% | 6.73% | 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, 2020 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.

| | |
|---|---|
| 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 | Does not apply |
| Inflation | Does not apply |
| Salary Increases | Does not apply |
| Investment Rate of Return (Discount Rate) | 2.12% |
| | 20 Year Bond GO Index published by bondbuyer.com as of December 31, 2020. |
| Cost-of-Living Adjustment | Does not apply |
| Disability | |
| Mortality | |
| Retirement | |
| Other Termination of Employment | |

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

HILL COUNTY, TEXAS
 COMBINING BALANCE SHEET - ROAD AND BRIDGE FUND
 SEPTEMBER 30, 2021

| | 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 | \$88,762 | \$337,292 | \$135,950 | \$43,923 | \$25,123 | \$5,854 | \$168,414 | \$162,776 | \$6,485 | \$974,579 |
| Receivables (net of allowance for uncollectibles) | 61,552 | 588,745 | 39,360 | 173,744 | 29,497 | 42,769 | 62,506 | 48,541 | 41,107 | 1,087,821 |
| Pre-Paid Items | 2,304 | 2,593 | 4,082 | 4,753 | 3,257 | | | | | 16,989 |
| Total Assets | <u>\$152,618</u> | <u>\$928,630</u> | <u>\$179,392</u> | <u>\$222,420</u> | <u>\$57,877</u> | <u>\$48,623</u> | <u>\$230,920</u> | <u>\$211,317</u> | <u>\$47,592</u> | <u>\$2,079,389</u> |
| <i>LIABILITIES AND FUND BALANCES:</i> | | | | | | | | | | |
| <i>Liabilities:</i> | | | | | | | | | | |
| Accounts Payable | \$10,426 | \$56,029 | \$37,207 | \$2,122 | \$14,380 | \$2,292 | \$40,061 | \$66,665 | \$1,033 | \$230,215 |
| Accrued Wages Payable | 5,607 | 9,990 | 12,124 | 11,886 | 12,757 | | | | | 52,364 |
| Bank Overdraft | | | | | | | | | | 0 |
| Deferred Revenues | | 18,344 | 18,232 | 20,820 | 17,632 | 40,857 | 40,607 | 46,372 | 39,270 | 242,134 |
| Total Liabilities | <u>16,033</u> | <u>84,363</u> | <u>67,563</u> | <u>34,828</u> | <u>44,769</u> | <u>43,149</u> | <u>80,668</u> | <u>113,037</u> | <u>40,303</u> | <u>524,713</u> |
| <i>Fund Balances:</i> | | | | | | | | | | |
| Restricted | | | | | | | | | | |
| Public Transportation | 136,585 | | | 92,862 | 13,108 | 5,474 | 150,252 | 50,000 | 7,289 | 455,570 |
| Assigned | | | | | | | | | | |
| Public Transportation | | 844,267 | 111,829 | 94,730 | | | | 48,280 | | 1,099,106 |
| Total Fund Balance | <u>136,585</u> | <u>844,267</u> | <u>111,829</u> | <u>187,592</u> | <u>13,108</u> | <u>5,474</u> | <u>150,252</u> | <u>98,280</u> | <u>7,289</u> | <u>1,554,676</u> |
| Total Liabilities and Fund Balances | <u>\$152,618</u> | <u>\$928,630</u> | <u>\$179,392</u> | <u>\$222,420</u> | <u>\$57,877</u> | <u>\$48,623</u> | <u>\$230,920</u> | <u>\$211,317</u> | <u>\$47,592</u> | <u>\$2,079,389</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, 2021

| | 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 | | \$234,862 | \$233,421 | \$266,561 | \$225,736 | \$535,615 | \$532,327 | \$607,904 | \$514,802 | \$3,151,228 |
| Sales | | 61,310 | 60,934 | 69,585 | 58,928 | | | | | 250,757 |
| Other | | | | | | | | | | 0 |
| Intergovernmental | 61,552 | 1,752,278 | 21,883 | 153,895 | 11,582 | | | | | 2,001,190 |
| Licenses and Permits | | 212,657 | 211,547 | 237,078 | 205,627 | | | | | 866,909 |
| Charges for Services | 161,271 | | | | | | | | | 161,271 |
| Fines and Forfeitures | | | | | | | | | | 0 |
| Interest | 449 | | 3,035 | 11,796 | 2,133 | | | | | 17,413 |
| Contributions and Donations | | | 125,100 | 6,000 | | | | | | 131,100 |
| Miscellaneous | | 141 | 723 | 9,113 | 2,367 | | | | | 12,344 |
| Total Revenues | <u>223,272</u> | <u>2,261,248</u> | <u>656,643</u> | <u>754,028</u> | <u>506,373</u> | <u>535,615</u> | <u>532,327</u> | <u>607,904</u> | <u>514,802</u> | <u>6,592,212</u> |
| <i>EXPENDITURES</i> | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Public Transportation | | | | | | | | | | |
| Road and Bridge | 261,974 | 1,476,090 | 776,675 | 1,006,233 | 859,662 | 353,973 | 703,575 | 1,475,993 | 435,357 | 7,349,532 |
| Debt Service | | | | | | | | | | |
| Principal Retirement | | | 26,414 | | | 163,003 | | | 222,736 | 412,153 |
| Interest and Fiscal Charges | | | 2,229 | | | 15,808 | | | 59,442 | 77,479 |
| Total Expenditures | <u>261,974</u> | <u>1,476,090</u> | <u>805,318</u> | <u>1,006,233</u> | <u>859,662</u> | <u>532,784</u> | <u>703,575</u> | <u>1,475,993</u> | <u>717,535</u> | <u>7,839,164</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(38,702)</u> | <u>785,158</u> | <u>(148,675)</u> | <u>(252,205)</u> | <u>(353,289)</u> | <u>2,831</u> | <u>(171,248)</u> | <u>(868,089)</u> | <u>(202,733)</u> | <u>(1,246,952)</u> |
| <i>OTHER FINANCING SOURCES (USES):</i> | | | | | | | | | | |
| Sale of Capital Assets | | 28,335 | | | | | | | | 28,335 |
| Other Financing Sources - Capital Lease | | | | | | | | 414,559 | | 414,559 |
| Operating Transfers In | 50,000 | 100,000 | 100,000 | 100,000 | 100,000 | | | | | 450,000 |
| Operating Transfers Out | | | | | | | | | | 0 |
| Total Other Financing Sources (Uses) | <u>50,000</u> | <u>128,335</u> | <u>100,000</u> | <u>100,000</u> | <u>100,000</u> | <u>0</u> | <u>0</u> | <u>414,559</u> | <u>0</u> | <u>892,894</u> |
| Net Changes in Fund Balances | 11,298 | 913,493 | (48,675) | (152,205) | (253,289) | 2,831 | (171,248) | (453,530) | (202,733) | (354,058) |
| Fund Balances - Beginning | 125,287 | (69,226) | 160,504 | 339,797 | 266,397 | 2,643 | 321,500 | 551,810 | 210,022 | 1,908,734 |
| Fund Balances - Ending | <u>\$136,585</u> | <u>\$844,267</u> | <u>\$111,829</u> | <u>\$187,592</u> | <u>\$13,108</u> | <u>\$5,474</u> | <u>\$150,252</u> | <u>\$98,280</u> | <u>\$7,289</u> | <u>\$1,554,676</u> |

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2021

| | SPECIAL REVENUE | | | | |
|--|--------------------|---|---------------------------|------------------|--|
| | ADULT PROBATION | COUNTY ATTORNEY HOT CHECK FUND | CHILD WELFARE BOARD | COUNTY CLERK | COUNTY CLERK COURT PRESERVATION |
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$673,676 | \$16,205 | \$292 | \$999,152 | \$6,281 |
| Receivables (net of allowance for uncollectibles) | | | | | |
| Pre-Paid Items | | | | | |
| Due from Other Funds | | | | | |
| TOTAL ASSETS | \$673,676 | \$16,205 | \$292 | \$999,152 | \$6,281 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$12,654 | | \$292 | | |
| Bank Overdraft | | | | | |
| Due to Others | | | | | |
| Accrued Wages Payable | 25,867 | | | 392 | |
| Deferred Revenues | | | | | |
| Total Liabilities | 38,521 | 0 | 292 | 392 | 0 |
| Fund Balances: | | | | | |
| Non-Spendable | | | | | |
| Prepaid Items | | | | | |
| Restricted | | | | | |
| Administration | | | | 998,760 | 6,281 |
| Construction | | | | | |
| Culture and Recreation | | | | | |
| Debt Service | | | | | |
| Elections | | | | | |
| Health and Welfare | | | | | |
| Judicial | | | | | |
| Legal | | 16,205 | | | |
| Public Safety | 635,155 | | | | |
| Total Fund Balances | 635,155 | 16,205 | 0 | 998,760 | 6,281 |
| TOTAL LIABILITIES AND FUND BALANCES | \$673,676 | \$16,205 | \$292 | \$999,152 | \$6,281 |

(continued)

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

SPECIAL REVENUE

| COUNTY HISTORICAL COMMISSION | COUNTY SPECIALTY COURT | COURTHOUSE SECURITY | CRIME VICTIM ASSISTANCE | DISTRICT ATTORNEY FORFEITED PROPERTY | DISTRICT CLERK ARCHIVE FUND | ECONOMIC DEVELOPMENT FUND |
|------------------------------------|------------------------------|------------------------|-------------------------------|---|--------------------------------------|---------------------------------|
| \$6,180 | \$23,270 | \$4,896 | | \$259,031 | \$16,664 | \$177,104 |
| | | | 8,863 | 97 | | 106,011 |
| | | 34,247 | | | | |
| <u>\$6,180</u> | <u>\$23,270</u> | <u>\$39,143</u> | <u>\$8,863</u> | <u>\$259,128</u> | <u>\$16,664</u> | <u>\$283,115</u> |
| | | | 7,161 | | | |
| | | | 1,703 | 587 | | |
| <u>0</u> | <u>0</u> | <u>0</u> | <u>8,864</u> | <u>587</u> | <u>0</u> | <u>0</u> |
| | | | | 97 | | |
| | 23,270 | | | | 16,664 | 283,115 |
| 6,180 | | | | | | |
| | | 39,143 | | 258,444 | | |
| | | | (1) | | | |
| <u>6,180</u> | <u>23,270</u> | <u>39,143</u> | <u>(1)</u> | <u>258,541</u> | <u>16,664</u> | <u>283,115</u> |
| <u>\$6,180</u> | <u>\$23,270</u> | <u>\$39,143</u> | <u>\$8,863</u> | <u>\$259,128</u> | <u>\$16,664</u> | <u>\$283,115</u> |

HILL COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2021
 (continued)

| | SPECIAL REVENUE | | | | |
|--|------------------------------------|------------------------------|------------------------------|---------------------------|-----------------------------|
| | ELECTION CHAPTER 19 FUNDS | ELECTION CONTRACT FUND | ELECTION MACHINE LEASE | HILL COUNTY TOURISM | HOT CHECK RESTITUTION |
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$206 | \$8,949 | \$25,511 | \$134,069 | \$10,437 |
| Receivables (net of allowance for uncollectibles) | | 3,833 | | | |
| Pre-Paid Items | | | | | |
| Due from Other Funds | | | | | |
| TOTAL ASSETS | \$206 | \$12,782 | \$25,511 | \$134,069 | \$10,437 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$180 | | | | |
| Bank Overdraft | | | | | |
| Due to Others | | | | | |
| Accrued Wages Payable | | | | | |
| Deferred Revenues | | | | | |
| Total Liabilities | 180 | 0 | 0 | 0 | 0 |
| Fund Balances: | | | | | |
| Restricted | | | | | |
| Administration | | | | | |
| Restricted | | | | | |
| Administration | | | | 134,069 | |
| Construction | | | | | |
| Culture and Recreation | | | | | |
| Debt Service | | | | | |
| Elections | 26 | 12,782 | 25,511 | | |
| Health and Welfare | | | | | |
| Judicial | | | | | 10,437 |
| Legal | | | | | |
| Public Safety | | | | | |
| Total Fund Balances | 26 | 12,782 | 25,511 | 134,069 | 10,437 |
| TOTAL LIABILITIES AND FUND BALANCES | \$206 | \$12,782 | \$25,511 | \$134,069 | \$10,437 |

(continued)

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

SPECIAL REVENUE

| INDIGENT HEALTH CARE | JURY | JUSTICE COURT TECH- NOLOGY | JUVENILE PROBATION | LAW LIBRARY | PROBATE RECORDS MANAGEMENT | RECORDS MANAGEMENT AND PRESERVATION |
|----------------------------|-----------|-------------------------------------|-----------------------|----------------|----------------------------------|--|
| \$478,041 | \$189,645 | \$46,339 | \$178,518 | \$44,586 | \$16,978 | \$27,166 |
| 120,657 | 9,748 | | 29,155 | | | |
| 93 | | | 4,618 | | | |
| \$598,791 | \$199,393 | \$46,339 | \$212,291 | \$44,586 | \$16,978 | \$27,166 |
| \$53,235 | 60,704 | | \$10,071 | \$1,088 | | |
| | | | 30,581 | | | |
| | 843 | | | | | |
| 1,517 | | | 12,107 | | | |
| 75,029 | | | | | | |
| 129,781 | 61,547 | 0 | 52,759 | 1,088 | 0 | 0 |
| 93 | | | 4,618 | | | |
| | | | | | 16,978 | 27,166 |
| 468,917 | | | | | | |
| | 137,846 | 46,339 | | 43,498 | | |
| | | | 154,914 | | | |
| 469,010 | 137,846 | 46,339 | 159,532 | 43,498 | 16,978 | 27,166 |
| \$598,791 | \$199,393 | \$46,339 | \$212,291 | \$44,586 | \$16,978 | \$27,166 |

HILL COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2021
 (continued)

| | SPECIAL REVENUE | DEBT SERVICE | CAPITAL PROJECTS | NON-MAJOR GOVERN- MENTAL FUNDS |
|--|-----------------------|-------------------------|----------------------------|---|
| | SHERIFF DEPARTMENT | DEBT SERVICE FUND | COURT- HOUSE PROJECT | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$68,790 | \$181,828 | | \$3,593,814 |
| Receivables (net of allowance for uncollectibles) | | 50,561 | | 328,828 |
| Pre-Paid Items | | | | 4,808 |
| Due from Other Funds | 40,145 | | | 74,392 |
| TOTAL ASSETS | \$108,935 | \$232,389 | \$0 | \$4,001,842 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts Payable | \$125 | | | \$138,349 |
| Bank Overdraft | | | | 37,742 |
| Due to Others | 10,388 | | | 11,231 |
| Accrued Wages Payable | | | | 42,173 |
| Deferred Revenues | | 48,369 | | 123,398 |
| Total Liabilities | 10,513 | 48,369 | 0 | 352,893 |
| Fund Balances: | | | | |
| Restricted | | | | |
| Administration | | | | 4,808 |
| Restricted | | | | |
| Administration | | | | 1,506,303 |
| Construction | | | | 0 |
| Culture and Recreation | | | | 6,180 |
| Debt Service | | 184,020 | | 184,020 |
| Elections | | | | 38,319 |
| Health and Welfare | | | | 468,917 |
| Judicial | | | | 535,707 |
| Legal | | | | 16,205 |
| Public Safety | 98,422 | | | 888,490 |
| Total Fund Balances | 98,422 | 184,020 | 0 | 3,648,949 |
| TOTAL LIABILITIES AND FUND BALANCES | \$108,935 | \$232,389 | \$0 | \$4,001,842 |

(continued)

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

HILL COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021
 (continued)

| | SPECIAL REVENUE | | | | |
|--|--------------------|------------------------------|---------------------------|-----------------|-----------------------------|
| | ADULT PROBATION | C.A. HOT CHECK FUND | CHILD WELFARE BOARD | COUNTY CLERK | CC COURT PRESERVATION |
| <i>REVENUES</i> | | | | | |
| Taxes | | | | | |
| Property | | | | | |
| Sales | | | | | |
| Intergovernmental | 401,094 | | | | |
| Charges for Services | 470,024 | 6 | | 230,015 | 1,860 |
| Interest | 7,189 | | | 17,668 | 5 |
| Contributions | | | | | |
| Miscellaneous | 370 | | 405 | | |
| Total Revenues | 878,677 | 6 | 405 | 247,683 | 1,865 |
| <i>EXPENDITURES</i> | | | | | |
| Current: | | | | | |
| General Administration | | | | 156,719 | |
| Legal | | 1,026 | | | |
| Judicial | | | | | |
| Public Safety | 962,343 | | | | |
| Culture and Recreation | | | | | |
| Elections | | | | | |
| Health and Welfare | | | 405 | | |
| Debt Service | | | | | |
| Principal Retirement | | | | | |
| Interest and Fiscal Charges | | | | | |
| Total Expenditures | 962,343 | 1,026 | 405 | 156,719 | 0 |
| Excess (Deficiency) of Revenues Over (Under) | | | | | |
| Expenditures | (83,666) | (1,020) | 0 | 90,964 | 1,865 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Sale of Capital Assets | | | | | |
| Operating Transfers In | | | | | |
| Operating Transfers Out | | | | | |
| Total Other Financing Sources (Uses) | 0 | 0 | 0 | 0 | 0 |
| Net Changes in Fund Balances | (83,666) | (1,020) | 0 | 90,964 | 1,865 |
| Fund Balances - Beginning | 718,821 | 17,225 | 0 | 907,796 | 4,416 |
| Fund Balances - Ending | \$635,155 | \$16,205 | \$0 | \$998,760 | \$6,281 |

(continued)

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

SPECIAL REVENUE

| COUNTY HISTORICAL COMMISSION | COUNTY SPECIALTY COURT | COURTHOUSE SECURITY | CRIME VICTIM ASSISTANCE | D.A. FORFEITED PROPERTY | DISTRICT CLERK ARCHIVE FUND | ECONOMIC DEVELOPMENT FUND |
|------------------------------------|------------------------------|------------------------|-------------------------------|-------------------------------|--------------------------------------|---------------------------------|
| | | | 42,035 | | 4,859 | |
| 6 | 16,905 9 | 28,257 215 | | 1,630 | 16 | 700 |
| | | | | 101,047 | | 151,398 |
| 6 | 16,914 | 28,472 | 42,035 | 102,677 | 4,875 | 152,098 |
| | | | | | 4,000 | 39,250 |
| | | | 42,035 | 117,412 | | |
| 0 | 0 | 0 | 42,035 | 117,412 | 4,000 | 39,250 |
| 6 | 16,914 | 28,472 | 0 | (14,735) | 875 | 112,848 |
| | | (15,000) | | | | |
| 0 | 0 | (15,000) | 0 | 0 | 0 | 0 |
| 6 | 16,914 | 13,472 | 0 | (14,735) | 875 | 112,848 |
| 6,174 | 6,356 | 25,671 | (1) | 273,276 | 15,789 | 170,267 |
| \$6,180 | \$23,270 | \$39,143 | (\$1) | \$258,541 | \$16,664 | \$283,115 |

HILL COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021
 (continued)

| | SPECIAL REVENUE | | | | |
|--|-----------------|----------|----------|-----------|-------------|
| | ELECTION | | | HILL | HOT |
| | CHAPTER | ELECTION | ELECTION | HILL | HOT |
| | 19 | CONTRACT | MACHINE | COUNTY | CHECK |
| | FUNDS | FUND | LEASE | TOURISM | RESTITUTION |
| <i>REVENUES</i> | | | | | |
| Taxes | | | | | |
| Property | | | | | |
| Sales | | | | | |
| Intergovernmental | 4,416 | | | | |
| Charges for Services | | | | 34,976 | 804 |
| Interest | 1 | 10 | 106 | 556 | |
| Contributions | | | | | |
| Miscellaneous | | | 15,500 | | |
| Total Revenues | 4,417 | 10 | 15,606 | 35,532 | 804 |
| <i>EXPENDITURES</i> | | | | | |
| Current: | | | | | |
| General Administration | 4,416 | 1,510 | | 4,390 | |
| Legal | | | | | |
| Judicial | | | | | |
| Public Safety | | | | | |
| Culture and Recreation | | | | | |
| Elections | | | 10,000 | | |
| Health and Welfare | | | | | |
| Debt Service | | | | | |
| Principal Retirement | | | | | |
| Interest and Fiscal Charges | | | | | |
| Total Expenditures | 4,416 | 1,510 | 10,000 | 4,390 | 0 |
| Excess (Deficiency) of Revenues Over (Under) | | | | | |
| Expenditures | 1 | (1,500) | 5,606 | 31,142 | 804 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Sale of Capital Assets | | | | | |
| Operating Transfers In | | | | | |
| Operating Transfers Out | | | | | |
| Total Other Financing Sources (Uses) | 0 | 0 | 0 | 0 | 0 |
| Net Changes in Fund Balances | 1 | (1,500) | 5,606 | 31,142 | 804 |
| Fund Balances - Beginning | 25 | 14,282 | 19,905 | 102,927 | 9,633 |
| Fund Balances - Ending | \$26 | \$12,782 | \$25,511 | \$134,069 | \$10,437 |

(continued)

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

SPECIAL REVENUE

| INDIGENT HEALTH CARE | JURY | JUSTICE COURT TECH- NOLOGY | JUVENILE PROBATION | LAW LIBRARY | PROBATE RECORDS MANAGEMENT | RECORDS MANAGEMENT AND PRESERVATION |
|----------------------------|-----------|-------------------------------------|-----------------------|----------------|----------------------------------|--|
| \$942,161 | | | | | | |
| 250,756 | | | | | | |
| | 42,611 | | 566,363 | | | |
| | 267,680 | 18,822 | 74,130 | 25,279 | 930 | 28,392 |
| 4,815 | 97 | 252 | 191 | 298 | 270 | 142 |
| 18,794 | 17,114 | | 3,397 | | | |
| 1,216,526 | 327,502 | 19,074 | 644,081 | 25,577 | 1,200 | 28,534 |
| | 406,578 | | 713,694 | 23,480 | | 67,332 |
| 523,084 | | | | | | |
| 523,084 | 406,578 | 0 | 713,694 | 23,480 | 0 | 67,332 |
| 693,442 | (79,076) | 19,074 | (69,613) | 2,097 | 1,200 | (38,798) |
| | 150,000 | | 90,000 | | | |
| (868,000) | | (9,500) | 0 | | (10,000) | |
| (868,000) | 150,000 | (9,500) | 90,000 | 0 | (10,000) | 0 |
| (174,558) | 70,924 | 9,574 | 20,387 | 2,097 | (8,800) | (38,798) |
| 643,568 | 66,922 | 36,765 | 139,145 | 41,401 | 25,778 | 65,964 |
| \$469,010 | \$137,846 | \$46,339 | \$159,532 | \$43,498 | \$16,978 | \$27,166 |

HILL COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021
 (continued)

| | DEBT SERVICE FUND | CAPITAL PROJECTS FUND | NON-MAJOR GOVERN- MENTAL FUNDS |
|--|-------------------------|-----------------------------|---|
| | SHERIFF DEPARTMENT | DEBT SERVICE FUND | COURT- HOUSE PROJECT |
| <i>REVENUES</i> | | | |
| Taxes | | | |
| Property | | \$617,107 | \$1,559,268 |
| Sales | | | 250,756 |
| Intergovernmental | 1,977 | | 1,063,355 |
| Charges for Services | | | 1,198,080 |
| Interest | 412 | 4,231 | 38,859 |
| Contributions | | | 0 |
| Miscellaneous | | | 308,025 |
| Total Revenues | 2,389 | 621,338 | 4,418,343 |
| <i>EXPENDITURES</i> | | | |
| Current: | | | |
| General Administration | | | 210,285 |
| Legal | | | 1,026 |
| Judicial | | | 614,802 |
| Public Safety | 21,021 | | 1,739,093 |
| Culture and Recreation | | | 0 |
| Elections | | | 10,000 |
| Health and Welfare | | | 523,489 |
| Debt Service | | | |
| Principal Retirement | | 585,000 | 585,000 |
| Interest and Fiscal Charges | | 14,055 | 14,055 |
| Total Expenditures | 21,021 | 599,055 | 3,697,750 |
| Excess (Deficiency) of Revenues Over (Under) | | | |
| Expenditures | (18,632) | 22,283 | 720,593 |
| OTHER FINANCING SOURCES (USES): | | | |
| Sale of Capital Assets | 0 | | 0 |
| Operating Transfers In | | | 240,000 |
| Operating Transfers Out | | | (992,328) |
| Total Other Financing Sources (Uses) | 0 | 0 | (752,328) |
| Net Changes in Fund Balances | (18,632) | 22,283 | (31,735) |
| Fund Balances - Beginning | 117,054 | 161,737 | 3,680,684 |
| Fund Balances - Ending | \$98,422 | \$184,020 | \$3,648,949 |

(continued)

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

SINGLE AUDIT SECTION

HILL COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

| SOURCE AND TITLE OF GRANT | ASSISTANCE LISTING NUMBER (ALN) | PASS-THROUGH ENTITY IDENTIFYING NUMBER | PASS-THROUGH TO SUBRECIPIENTS | 2021 TOTAL FEDERAL EXPENDI- TURES |
|---|--|---|-------------------------------------|---|
| FEDERAL ASSISTANCE | | | | |
| US Department of Justice | | | | |
| Direct | | | | |
| SCAAP - State Criminal Alien Assistance Program | 16.606 | | | \$0 |
| Equitable Sharing - Justice Funds | 16.922 | | | 10,388 |
| Equitable Sharing - Treasury Funds | 16.922 | | | 0 |
| Bullet Proof Vest Partnership | 16.607 | | | 3,040 |
| DJ19 PY21 - Body Worn and In Car Camera | 16.738 | 4025602 | | 90,922 |
| Passed Through | | | | |
| Office of the Gov - CJD | | | | |
| HOTCOG- JJDP-Alloc to States | 16.540 | | | 2,426 |
| Juvenile Resource Officer | 16.XXX | | | 53,213 |
| CV-Coronavirus Emergency Supplemental Funding Program | 16.034 | | | 3,637 |
| Total US Department of Justice | | | | <u>163,626</u> |
| US Department of Treasury | | | | |
| Passed Through | | | | |
| Texas Department of Emergency Management Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) | 21.027 | | | 266,568 |
| Total US Department of Treasury | | | | <u>266,568</u> |
| US Department of Homeland Security | | | | |
| Passed Through | | | | |
| Texas Department of Emergency Management SHSP LETPA Solicitation FY 20-Hill County Courthouse Security | 97.067 | 4010301 | | 17,685 |
| SHSP Regular Solicitation FY19 - Hill County Courthouse Security Proj | 97.067 | 4180501 | | 13,964 |
| | | | | <u>31,649</u> |
| Passed Through | | | | |
| Disaster Grants FEMA | | | | |
| Disaster 4416 | 97.036 | | | 1,740,228 |
| Disaster 4416 | 97.036 | | | 9,906 |
| Disaster 4416 - Administrative Costs | 97.036 | | | 61,552 |
| | | | | <u>1,811,686</u> |
| Total US Department of Homeland Security | | | | <u>1,843,335</u> |
| U.S. Election Assistance Commission | | | | |
| Passed through | | | | |
| Texas Secretary of State HAVA CARES | 90.404 | | | 18,845 |
| Total U.S. Election Assistance Commission | | | | <u>18,845</u> |
| US Dept of Health & Human Services | | | | |
| Passed Through | | | | |
| Tx Depart of Family and Protective Services Child Support Enforcement | | | | |
| Child Support Enforcement - Title IV-D | 93.563 | | | 13,199 |
| Child Support Enforcement - Title IV-D | 93.563 | | | 0 |
| Child Support Enforcement - Title IV-D | 93.563 | | | 2,693 |
| Total US Dept of Health & Human Services | | | | <u>15,892</u> |
| TOTAL FEDERAL | | | | <u>\$2,308,266</u> |
| See Accompanying Notes to Schedule of Federal Financial Assistance | | | | |

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

To the Judge and Commissioners' Court
Hill County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hill County, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise Hill County, Texas' basic financial statements, and have issued our report thereon dated June 24, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



BEYER & COMPANY
Certified Public Accountants
June 24, 2022

BEYER & Co.
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Hill County, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hill County, Texas' major federal programs for the year ended September 30, 2021. Hill County, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Hill County, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hill County, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hill County, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, Hill County, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items.

Report on Internal Control over Compliance

Management of Hill County, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hill County, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hill County, Texas' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



BEYER & COMPANY
Certified Public Accountants
June 24, 2022

HILL COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE A-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Hill County, Texas under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Hill County, Texas, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Hill County, Texas.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C-INDIRECT COST RATE

Hill County, Texas has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

HILL COUNTY, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

There were no prior year findings.

HILL COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Section I Summary of Auditors Results

Financial Statements Section

1. The auditor's report expresses an unmodified opinion on the financial statements of the Hill County, Texas.
2. There were no significant deficiencies disclosed during the audit. There were no material weaknesses disclosed during the audit.

Federal (or State) Awards Section

3. There were no instances of noncompliance material to the financial statements of the Hill County, Texas, which would be required to be reported in accordance with Government Auditing Standards.
4. There was no significant deficiency over major Federal award programs disclosed during the audit. There was no material weakness over major Federal award programs disclosed during the audit.
5. The auditor's report on compliance for the major Federal award programs for Hill County, Texas expresses an unmodified opinion on all major Federal programs.
6. There were no audit findings that are required to be reported in accordance with the Uniform Guidance.
7. The programs tested as major programs: Disaster Grants - Public Assistance (Presidentially Declared Disasters) – CFDA 97.036.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Hill County did not qualify as a low-risk auditee.