HILL COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2025

HILL COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Honorable County Judge
and Members of the Commissioners' Court
Hill County, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hill County, Texas (the "County") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note I to the basic financial statements, during the year ended September 30, 2025, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information for the General Fund and major special revenue funds, pension and OPEB information as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2026, on our consideration of the County's 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
July 14, 2026

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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This section of the Hill County, Texas, (the "County") annual financial report presents a narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2025.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Hill County, Texas, exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $51,578,384 (net position). Of this amount, $12,827,214 (unrestricted net position) may be used to meet the County's ongoing obligations to citizens and creditors.

- The County's total net position increased by $3,776,658. This increase is due primarily to an increase in property taxes and sales taxes.

- As of the close of the current fiscal year, Hill County, Texas' governmental funds reported combined ending fund balances of $16,888,550 an increase of $1,741,528 in comparison with the prior year. Approximately 64% of this total amount, $10,802,795 is available for spending at the County's discretion (unassigned fund balance).

- At the end of the current fiscal year, the unassigned fund balance for the General Fund was $10,802,795, or 54% of total General Fund expenditures, the fund balance for the Road and Bridge Fund was $1,813,091, or 23% of total Road and Bridge Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements, which are comprised of the following three components: 1) governmental-wide financial statements; 2) fund financial statements and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all County assets, deferred inflows/outflows of resources and liabilities, with the difference between them representing net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information that indicates how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The governmental activities of the County include general government, judicial, legal, public facilities, public safety, health and welfare, conservation, public transportation, elections, financial administration, cultural and recreation and interest on long-term debt.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal requirements. All the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

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

Because the focus of governmental funds is narrower than 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains various individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the major governmental funds. Data from other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

Budgets for the 2025 fiscal year were adopted for the General Fund, Road and Bridge Funds, County Clerk Fund, County Clerk Court Preservation Fund, County Specialty Court Fund, Courthouse Security Fund, D.A. Forfeited Property Fund, District Clerk Archive Fund, Election Machine Lease Fund, Hill County Tourism Fund, Indigent Health Care Fund, Jury Fund, Justice Court Technology Fund, Law Library Fund, Records Preservation and Management Fund, Sheriff Department Fund, and the Debt Service Fund.

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 20 – 39 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary information and the net pension liability information. Required supplementary information can be found on pages 40 – 51 of this report.

The combining statements and schedules referred to earlier are presented immediately following the required supplementary information. Combining fund statements and schedules can be found on pages 52 - 65 and 81 - 88 of this report. The budget comparison schedules in connection with the non-major governmental funds can be found on pages 66 - 80 of this report.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $51,578,384 at the close of the most recent fiscal year.

61% of the County's net position ($31,298,241) reflects its net 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. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Hill County's Net Position

	Governmental Activities	
	2025	2024
Current and other assets	$ 22,203,524	$ 20,392,389
Long-term assets	37,038,458	36,098,545
Total assets	59,241,982	56,490,934
Deferred outflows of resources	1,426,924	1,407,422
Long-term liabilities	6,129,593	7,502,918
Other liabilities	2,114,699	2,060,288
Total liabilities	8,244,292	9,563,206
Deferred inflows of resources	846,230	533,424
Net position:		
Net investment in capital assets	31,298,241	30,268,406
Restricted	7,452,929	6,305,534
Unrestricted	12,827,214	11,227,786
Total net position	$ 51,578,384	$ 47,801,726

An additional portion of the County's net position (12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($12,827,214) may be used to meet the governments ongoing obligations to citizens and creditors. At the end of the current fiscal year, the County reported a positive balance in net position, both for the government as a whole, as well as for its separate components.

Governmental activities:

Governmental activities increased the County's net position by $3,776,658.

The following table indicates changes in net position for governmental activities:

Hill County's Changes in Net Position

	Governmental Activities	
	2025	2024
REVENUES		
Program revenues:		
Charges for services	$ 3,861,116	$ 3,748,690
Operating grants and contributions	877,102	1,089,260
Capital grants and contributions	1,630,437	603,032
General revenues:		
Property taxes	20,420,608	19,676,709
Sales taxes	4,581,352	4,701,576
Other taxes	104,534	114,522
Investment earnings	724,901	783,207
Gain on sale of capital assets	80,948	199,591
Contributions and Donations	85,200	83,420
Miscellaneous	294,201	330,770
Total Revenues	32,660,399	31,330,777
EXPENSES		
General government	3,489,808	3,555,060
Legal	575,141	504,053
Judicial	3,869,616	3,471,065
Financial administration	1,408,799	1,217,018
Public facilities	1,306,886	1,232,893
Public safety	9,269,263	9,594,278
Public transportation	7,089,927	6,874,467
Culture and recreation	-	1,207
Health and welfare	1,476,235	1,371,850
Conservation - agriculture	173,303	166,619
Interest on long-term debt	224,763	243,801
Total Expenses	28,883,741	28,232,311
INCREASE IN NET POSITION	3,776,658	3,098,466
NET POSITION, BEGINNING	47,801,726	44,703,260
NET POSITION, ENDING	$ 51,578,384	$ 47,801,726

The charges for services increased by $112,426. Operating grants and contributions decreased $212,158 The American Rescue Plan (ARP) was provided in prior years with funding through the State and Local Fiscal Recovery Funds (SLFRF) to help address the impacts of the COVID-19 pandemic. These funds were mostly spent in the prior years and finished during the fiscal year. Capital grants and contributions increased by $1,027,405 due to the TXDOT bridge construction project. Property taxes increased by $743,899 due to an increase in assessed taxable property values and new construction.

Total expenses for governmental activities increased by $651,430 primarily due to payroll related costs for salaries, pension and OPEB.

Financial Analysis of the Government's Funds. As noted earlier, the County's uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Government Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned 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, the County's governmental funds reported combined ending fund balances of $16,888,550, an increase of $1,741,528 in comparison with the prior year. Approximately 64% of this total amount ($10,802,795), constitutes unassigned fund balance, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, fund balance for the General Fund was $11,241,324 which included unassigned fund balance of $10,802,795. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 54% of total general fund expenditures.

The fund balance of the County's General Fund increased by $1,581,434 during the current fiscal year.

At the end of the current fiscal year, total fund balance of the Road and Bridge Fund was $1,813,091, which was entirely restricted for public transportation. As a measure of the Road and Bridge Fund's liquidity, it may be useful to compare restricted fund balance to total fund expenditures. Restricted fund balance represents 23% of total Road and Bridge Fund expenditures.

The fund balance of the County's Road and Bridge Fund decreased by $266,000 during the current fiscal year.

Fund Budgetary Highlights

The budget was amended increasing general fund revenues by $591,472, mainly as the result of insurance recoveries paid for the May hailstorm. Insurance recoveries accounted for 82% of the increase with excess proceeds from tax sale cases amounting to an additional 12% of the increase. The excess proceeds were used for Sheriff office security equipment while the funds for insurance recoveries were rolled over to fiscal year 2026. The budget for general fund expenditures was increased by the same amount as the revenue amendment stated above, plus the amount of $166,157 appropriated from fiscal year 2024 for 2025 spending. When analyzing actual results to budget, actual revenues exceeded the final budget by almost $600,000 with the bulk of the variance due to unanticipated sales tax revenue of $347,231. Revenue for all other categories was up marginally 1.17%. While budgeted expenditure was initially forecasted to exceed revenues by $535,255, the general fund balance rose by almost $1.6 million, a net favorable variance of $2.2 million. The additional revenue coupled with lower expenses in all departments, with the greatest savings in the public safety sector made up the favorable change. After assigning fund balance of $1.568 million to be spent in fiscal year 2026, the ending fund balance was virtually unchanged from the beginning of the year.

The original Road and Bridge Budget were increased by $617,661 for certifications of revenue related to capital lease financing for $346,121, proceeds from the sale of capital assets in the amount of $195,690, and contributions for road repairs in the amount of $75,850. The total financing proceeds increased capital outlay as did most of the proceeds from the sale of assets. All contributions for road repairs resulted in an increase in construction materials. The remainder of the certifications were spread throughout the budgets, enabling expenditure on increases in repairs, contract services and other budget lines as needed.

Capital Assets and Debt Administration

Capital assets. The County's investment in capital assets for its governmental activities as of September 30, 2025, amounts to $35,992,804 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, fairground facilities, and infrastructure items such as roads, highways, and bridges. The total decrease in the County's investment in capital assets for the current fiscal year was $105,741 due to increases in depreciation and disposal of assets.

Depreciation on the County's capital assets of $3,895,985 was less than its net capital purchases of $3,935,142. Together with the sale and retirement of assets, this resulted in a net decrease in capital assets.

Additional information on the County's capital assets can be found in the notes to the financial statements of this report.

Long-term debt. At the end of the current fiscal year, the County had total tax note debt outstanding of $2,335,000. All of which comprises debt backed by the full faith and credit of the County.

The County's total tax note debt decreased by $540,000 during the current fiscal year. The key factor in this decrease was the payment of tax notes.

Additional information on the County's long-term debt can be found in notes to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following economic factors currently affect the County and were considered in developing the Fiscal Year 2026 budget.

- The Fiscal Year 2026 budget will raise more total property taxes than last year's budget by $2,507,798 or 12.40%, and of that amount $1762,942 is tax revenue to be raised from new property added to the tax-roll this year.

- The Fiscal Year 2026 budget for the General Fund revenue includes $22,810,595 net of transfers and $22,822,989 of expenditures net of transfers, with an estimated decrease in fund balance of $426,645.

- At the end of the current fiscal year, the fund balance in the General Fund was $11,241,324, an increase of $1,581,434 over the prior year. The County has appropriated $1,568,099 for spending in the 2026 fiscal year budget.

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, or Email: auditor@co.hill.tx.us.

BASIC
FINANCIAL STATEMENTS

HILL COUNTY, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

	Governmental Activities
ASSETS	
Cash and investments	$ 17,701,242
Receivables (net of allowance for uncollectibles)	2,920,653
Due from other governments	298,629
Inventories	129,003
Prepaid items	1,153,997
Net pension asset	1,045,654
Capital assets:	
Non-depreciable	822,898
Depreciable	35,169,906
Total Assets	59,241,982
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow related to pensions	1,323,083
Deferred outflow related to OPEB - TCDRS group term life	59,862
Deferred outflow related to OPEB - retiree health	43,979
Total Deferred Outflows of Resources	1,426,924
LIABILITIES	
Accounts payable	1,102,519
Accrued wages	680,431
Accrued interest	9,311
Unearned revenue	322,438
Noncurrent liabilities:	
Due within one year:	
Long-term debt	1,918,492
Total OPEB liability - TCDRS group term life	19,817
Due in more than one year:	
Long-term debt	3,417,035
Total OPEB liability - TCDRS group term life	551,486
Total OPEB liability - retiree health	222,763
Total Liabilities	8,244,292
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow related to pensions	485,693
Deferred inflow related to OPEB - TCDRS group term life	148,393
Deferred inflow related to OPEB - retiree health	212,144
Total Deferred Inflows of Resources	846,230
NET POSITION	
Net investment in capital assets	31,298,241
Restricted for:	
General government	2,741,749
Construction	22,215
Culture and recreation	5,070
Debt service	225,495
Elections	73,270
Health and welfare	155,361
Judicial	804,916
Legal	13,892
Public safety	184,761
Public transportation	2,180,546
Net pension asset	1,045,654
Unrestricted	12,827,214
Total Net Position	$ 51,578,384

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

HILL COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	$ 3,489,808	$ 266,009	$ 105,846	$ 209,123	$ (2,908,830)
Legal	575,141	-	201,400	-	(373,741)
Judicial	3,869,616	1,150,314	92,361	-	(2,626,941)
Financial administration	1,408,799	917,710	-	-	(491,089)
Public facilities	1,306,886	-	-	-	(1,306,886)
Public safety	9,269,263	321,873	415,708	230,333	(8,301,349)
Public transportation	7,089,927	1,125,115	36,500	1,190,981	(4,737,331)
Health and welfare	1,476,235	80,095	25,287	-	(1,370,853)
Conservation - agriculture	173,303	-	-	-	(173,303)
Interest and fiscal charges	224,763	-	-	-	(224,763)
Total Governmental Activities	$ 28,883,741	$ 3,861,116	$ 877,102	$ 1,630,437	(22,515,086)
General revenues:					
Taxes:					
Property, levied for general purposes					19,788,846
Property, levied for debt service					631,762
Sales					4,581,352
Other					104,534
Unrestricted investment earnings					724,901
Miscellaneous					294,201
Contributions and donations					85,200
Gain on sale of capital assets					80,948
Total General Revenues					26,291,744
Change in Net Position					3,776,658
Net position, beginning					47,801,726
Net position, ending					$ 51,578,384

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

HILL COUNTY, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	General	Road and Bridge
ASSETS		
Cash and cash equivalents	$ 13,514,078	$ 1,234,718
Receivables (net of allowance for uncollectibles)	2,151,680	516,946
Due from other governments	553	189,287
Due from other funds	106,933	657,163
Total Assets	15,773,244	2,598,114
LIABILITIES		
Accounts payable	486,423	325,369
Accrued liabilities	567,592	92,199
Unearned revenue	-	-
Due to other funds	2,082,901	-
Total Liabilities	3,136,916	417,568
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - court fines	228,467	-
Unavailable revenue - property taxes	1,166,537	367,455
Total Deferred Inflows of Resources	1,395,004	367,455
FUND BALANCES		
Restricted:		
General government	-	-
Construction	-	-
Culture and recreation	-	-
Debt service	-	-
Elections	-	-
Health and welfare	-	-
Judicial	-	-
Legal	-	-
Public safety	-	-
Public transportation	-	1,813,091
Assigned:		
Purchases on order	11,885	-
Subsequent year's budget: appropriation of fund balance	426,644	-
Unassigned	10,802,795	-
Total Fund Balances	11,241,324	1,813,091
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 15,773,244	$ 2,598,114

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

Other Governmental Funds	Total Governmental Funds
$ 2,952,446	$ 17,701,242
252,027	2,920,653
108,789	298,629
1,425,738	2,189,834
4,739,000	23,110,358
290,727	1,102,519
20,640	680,431
322,438	322,438
106,933	2,189,834
740,738	4,295,222
-	228,467
164,127	1,698,119
164,127	1,926,586
2,741,749	2,741,749
22,215	22,215
5,070	5,070
113,731	113,731
73,270	73,270
102,998	102,998
576,449	576,449
13,892	13,892
184,761	184,761
-	1,813,091
-	11,885
-	426,644
-	10,802,795
3,834,135	16,888,550
$ 4,739,000	$ 23,110,358

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HILL COUNTY, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2025

Total Fund Balances - Governmental Funds	$ 16,888,550
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	35,992,804
Prepaid items are expenditures in the funds but are recorded as assets in the governmental activities.	1,153,997
Inventory costs are expenditures in the funds but are recorded as assets in the governmental activities.	129,003
Bonds payable, financed purchases and accrued compensated absences will not be liquidated with current financial resources and therefore have not been included in the fund financial statements.	(5,335,527)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due.	(9,311)
Receivables from property taxes, fines and fees are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the fund financial statements.	1,926,586
Included in the items related to debt is the recognition of the County's net pension liability (asset) and related deferred outflows and inflows of resources. The net effect is to increase net position.	
Net pension liability	1,045,654
Deferred outflows related to pensions	1,323,083
Deferred inflows related to pensions	(485,693)
Included in the items related to debt is the recognition of the County's total OPEB liability and related deferred outflows and inflows of resources. The net effect is to decrease net position.	
Total OPEB liability	(794,066)
Deferred outflows related to OPEB	103,841
Deferred inflows related to OPEB	(360,537)
Net Position of Governmental Activities	$ 51,578,384

HILL COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General	Road and Bridge
REVENUES		
Taxes:		
Property	$ 13,768,630	$ 4,609,443
Sales	3,825,424	389,420
Other	48,495	-
Intergovernmental	680,744	109,599
Licenses and permits	-	972,485
Charges for services	2,054,514	152,630
Fines and forfeitures	93,238	-
Investment earnings	522,874	70,720
Contributions and donations	9,550	75,650
Miscellaneous	104,281	14,153
Total Revenues	21,107,750	6,394,100
EXPENDITURES		
Current:		
General government	3,806,268	-
Legal	502,516	-
Judicial	2,591,293	-
Financial administration	1,482,943	-
Public facilities	772,299	-
Public safety	9,562,956	-
Public transportation	-	7,175,054
Health and welfare	423,023	-
Conservation - agriculture	177,074	-
Debt service:		
Principal	478,672	525,969
Interest and fiscal charges	58,811	52,918
Total Expenditures	19,855,855	7,753,941
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,251,895	(1,359,841)
OTHER FINANCING SOURCES (USES)		
Sale of capital assets	27,395	198,451
Issuance of financed purchases	-	376,140
Insurance recoveries	482,181	-
Transfers in	245,750	560,000
Transfers out	(425,787)	(40,750)
Total Other Financing Sources (Uses)	329,539	1,093,841
NET CHANGES IN FUND BALANCES	1,581,434	(266,000)
FUND BALANCE - BEGINNING	9,659,890	2,079,091
FUND BALANCE, ENDING	$ 11,241,324	$ 1,813,091

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
$ 1,932,017	$ 20,310,090
366,508	4,581,352
56,039	104,534
531,015	1,321,358
-	972,485
620,773	2,827,917
33,660	126,898
131,307	724,901
-	85,200
175,767	294,201
3,847,086	31,348,936
91,753	3,898,021
107,954	610,470
1,041,809	3,633,102
-	1,482,943
-	772,299
77,412	9,640,368
78,290	7,253,344
1,063,161	1,486,184
-	177,074
540,000	1,544,641
81,400	193,129
3,081,779	30,691,575
765,307	657,361
-	225,846
-	376,140
-	482,181
425,787	1,231,537
(765,000)	(1,231,537)
(339,213)	1,084,167
426,094	1,741,528
3,408,041	15,147,022
$ 3,834,135	$ 16,888,550

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HILL COUNTY, TEXAS

RECONCILIATION OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Net Changes in Fund Balances - Governmental Funds	$ 1,741,528
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities that cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	3,935,142
Depreciation expense	(3,895,985)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(144,898)
Prepaid items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	44,042
Inventory items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(74,471)
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.	
Issuance of debt	(376,140)
Repayment of principal of long-term debt	1,544,641
Amortization of:	
Loss on refunding	(32,925)
Current year changes in certain long-term liabilities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(8,146)
Net pension liability (asset)	1,032,710
Total OPEB liability	(34,465)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The increase in interest accrual decreases net position.	1,291
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	44,334
Change in Net Position of Governmental Activities	$ 3,776,658

HILL COUNTY, TEXAS

STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS

SEPTEMBER 30, 2025

ASSETS		
Cash and cash equivalents	$	3,710,389
Due from other governments		19,202
Accounts receivable		2,261
Total assets		3,731,852
LIABILITIES		
Accounts payable		213,132
Accrued liabilities		65,858
Total liabilities		278,990
NET POSITION		
Restricted for:		
Individuals and organizations		3,452,862
Total net position	$	3,452,862

HILL COUNTY, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

ADDITIONS	
State fees	$ 912,196
Receipts from other governments	1,491,447
Receipts from other individuals	52,343,357
Charges for services	616,535
Court fees	1,368,920
Interest income	20,616
Miscellaneous	41,143
Seized funds	111,063
Total additions	56,905,277
DEDUCTIONS	
Distributions to other governments	53,260,232
Distributions to others	4,420,993
Total deductions	57,681,225
Net increase (decrease) in fiduciary net position	(775,948)
Net position - beginning	4,228,810
Net posiion - ending	$ 3,452,862

The accompanying notes are an integral
part of these financial statements.

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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 (dispatch, jail, and law enforcement), public transportation (roads), health, conservation (agriculture), public facilities, judicial and legal, election functions, and general and financial administrative services.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the County's nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported primarily by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. 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 are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Road and Bridge Fund – The Road and Bridge Fund accounts for the activities of the County's road and bridge operations.

Additionally, the County reports the following fund type:

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the County. The County uses custodial funds to account for assets held for others. These funds are custodial in nature. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

D. Assets, Liabilities Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

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

Investments for the County are reported at fair value, except for the position in investment pools.

Interfund 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."

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.

Taxes Receivable

All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 10 percent of outstanding property taxes at year-end.

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.

Inventories and Prepaid Items

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

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

Assets	Years
Buildings	20 -50
Building improvements	20 -50
System infrastructure	35 - 50
Vehicles	5 - 20
Office equipment	5 - 20
Computer equipment	5 - 20

Compensated Absences

It is the County's policy to permit eligible employees to accumulate earned but unused PTO benefits. PTO is used for vacation, sick time, bereavement leave, or other absences from work, and is accrued by regular full-time employees based on years of service, subject to maximum accumulation limits. A liability for such amounts is reported in the government-wide financial statements for PTO attributable to services already rendered that accumulates and is more likely than not to be used or otherwise paid or settled. Employees with fewer than three full years in a PTO-accruing position are not eligible for payment of unused PTO upon termination.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits

TCDRS Group Term Life Fund. The County participates in the Texas County & District Group Term Life Fund (TCDRS GTLF), which is an optional single-employer defined benefit life insurance plan that is administered by TCDRS. It provides death benefits to active and, if elected, retired employees of participating employers. Contribution rates are determined annually for each participating entity as a percentage of that County's covered payroll. The death benefit for retirees is considered an other postemployment benefit (OPEB). The OPEB program is an unfunded trust because the GTLF trust covers both actives and retirees and is not segregated. The Total OPEB Liability of the plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the Total OPEB Liability, deferred inflows and outflows of resources, and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms.

Retiree Health Insurance. For purposes of measuring the total OPEB liability, OPEB related deferred outflows and inflows of resources, and OPEB expense, benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Contributions are not required but are measured as payments by the County for benefits due and payable that are not reimbursed by plan assets. Information regarding the County's total OPEB liability is obtained from a report prepared by a consulting actuary.

Long-term Debt

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has the following items that qualify for reporting in this category:

- Deferred charge on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

- Difference in expected and actual pension experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions – The changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of net 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by resolution of Commissioners' Court, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless Commissioners' Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- Assigned: This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commissioners' Court or County official delegated that authority by ordinance.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted resources 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.

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

Net Position

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either though the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

During fiscal year 2025, the County adopted the following new accounting guidance:

GASB Statement No. 101, *Compensated Absences*, was adopted effective December 15, 2023. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

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. The County's investment policy is reviewed and adopted at least annually by the Commissioners Court. The policy must address the following areas: safety of principal and liquidity, portfolio diversification, allowable investments, acceptable risk levels, expected rates of return, maximum allowable stated maturity of portfolio investments, maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, investment staff quality and capabilities, and bid solicitation preferences for certificates of deposit.

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

Deposits and cash equivalents

The County's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. These amounts include the County's position in external local government investment pools (including Texas CLASS) that are structured to comply with the Public Funds Investment Act and operate in a manner consistent with SEC Rule 2a7 for money market funds. The pools use amortized cost to value portfolio securities and report a constant net asset value of 1.00 per share; the value of the County's position in each pool is the same as the value of the shares. At September 30, 2025, the County did not hold any investments other than these external investment pools reported as cash and cash equivalents.

Custodial Credit Risk - deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Pursuant to the County's investment policy and the Public Funds Collateral Act, all deposits with the County's depository bank must be fully collateralized with a minimum collateral level of 105 percent of the market value of principal and accrued interest, less amounts insured by the Federal Deposit Insurance Corporation, with securities held by an independent third-party custodian in the County's name. As of September 30, 2025, pledged securities in the County's name and FDIC insurance exceeded bank balances.

Credit risk – cash equivalents

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's investment policy limits cash equivalents to deposits at institutions that are federally insured and to local government investment pools and money market mutual funds that invest in securities authorized by the Public Funds Investment Act and are rated in the highest credit quality category by a nationally recognized statistical rating organization. At September 30, 2025, the County's cash equivalents consisted solely of bank deposits and participation in such qualified investment pools.

Interest rate risk – cash equivalents

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The County's investment policy limits the stated maturity of individual investments to three years and provides that operating funds will be invested to maintain a portfolio weighted-average maturity of less than 365 days, unless otherwise approved by the Investment Committee. At September 30, 2025, the County's cash equivalents were held in demand deposits and an external local government investment pool (Texas CLASS) with a reported weighted-average maturity of approximately 84 days, which management believes limits exposure to interest rate risk.

Concentration of credit risk – cash equivalents

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The County's investment policy requires diversification by investment type, issuer, and maturity sector and does not allow investments that would result in an unsafe concentration in a single financial institution or issuer, other than obligations of the U.S. government and external investment pools. At September 30, 2025, the County's cash equivalents were held in bank deposits and an external investment pool, and management believes the portfolio was not exposed to significant concentration of credit risk.

B. <u>Receivables</u>

Receivables as of year-end including the applicable allowances for uncollectible accounts were as follows:

	General	Road and Bridge	Other Governmental	Total
Receivables:				
Ad valorem taxes	$ 1,385,372	$ 436,517	$ 194,916	$ 2,016,805
Sales taxes	662,354	67,426	63,459	793,239
Court fines and fees	1,148,984	-	-	1,148,984
Other	14,024	56,655	13,144	83,823
Gross receivables	3,210,734	560,598	271,519	4,042,851
Less: allowance for uncollectibles	(1,059,054)	(43,652)	(19,492)	(1,122,198)
Net accounts receivable	$ 2,151,680	$ 516,946	$ 252,027	$ 2,920,653

C. Capital Assets

Capital asset activity for the fiscal year was as follows:

		Beginning Balance		Additions		Deletions		Ending Balance
Governmental activities:								
Capital assets, not being depreciated:								
Land	$	522,948	$	299,950	$	-	$	822,898
Construction in Progress		564,532		-		(564,532)		-
Total assets not being depreciated		1,087,480		299,950		(564,532)		822,898
Capital assets, being depreciated:								
Buildings		34,077,256		758,169		(6,600)		34,828,825
Machinery and equipment		21,825,805		2,081,438		(881,345)		23,025,898
Infrastructure		15,547,742		1,360,117		(306,186)		16,601,673
Total capital assets being depreciated		71,450,803		4,199,724		(1,194,131)		74,456,396
Less accumulated depreciation:								
Buildings		(13,276,233)		(1,003,859)		6,586		(14,273,506)
Machinery and equipment		(14,550,614)		(1,949,218)		811,824		(15,688,008)
Infrastructure		(8,612,891)		(942,908)		230,823		(9,324,976)
Total accumulated depreciation		(36,439,738)		(3,895,985)		1,049,233		(39,286,490)
Total capital assets being depreciated, net		35,011,065		303,739		(144,898)		35,169,906
Total capital assets, net	$	36,098,545	$	603,689	$	(709,430)	$	35,992,804

Depreciation expense was charged to governmental activities of the County as follows:

Governmental activities:		
General administration	$	380,012
Financial administration		3,609
Judicial		392,504
Public facilities		574,079
Public safety		628,527
Public transportation		1,917,254
Total depreciation expense	$	3,895,985

D. Interfund Receivables, Payables, and Transfers

In the fund financial statements, interfund balances are the result of normal transactions between funds that will be liquidated in the subsequent fiscal year. The following is a summary of amounts due from and due to other funds.

Receivable Fund	Payable Fund	Amount
Road and bridge	General fund	$ 657,163
Nonmajor governmental	General fund	1,425,738
General fund	Nonmajor governmental	106,933
Total		$ 2,189,834

The following is a summary of interfund transfer activity for the fiscal year.

	Transfer In			
Transfer Out	General Fund	Road and Bridge	Nonmajor Governmental Funds	Total
General Fund	$ -	$ -	$ 425,787	$ 425,787
Road and Bridge	40,750	-	-	40,750
Nonmajor Governmental Funds	205,000	560,000	-	765,000
Total	$ 245,750	$ 560,000	$ 425,787	$ 1,231,537

Transfers made during the year were budgeted for to cover maintenance and operating expenditures.

E. Long-term Liabilities

Long-term liability activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental activities:					
Limited tax refunding bonds	$ 315,000	$ -	$ (315,000)	$ -	$ -
Tax Notes	2,560,000	-	(225,000)	2,335,000	555,000
Total bonds & notes payable	2,875,000	-	(540,000)	2,335,000	555,000
Financed purchases	2,988,064	376,140	(1,004,641)	2,359,563	1,203,251
Compensated absences	632,818	8,146	-	640,964	160,241
Total long-term liabilities	$ 6,495,882	$ 384,286	$ (1,544,641)	$ 5,335,527	$ 1,918,492

Compensated absences are primarily liquidated by the General Fund and Road and Bridge Funds. The change in the compensated absences liability is presented as a net change.

Tax Notes

In 2022, the County issued $2,560,000 in tax notes, Series 2022 (Private Placement) with an interest rate of 3.1894%. The proceeds are being used to fund ongoing construction projects related to the Covington Street Annex Renovations.

Annual debt service requirements to maturity for the Tax Notes are as follows:

Year Ending September 30,	Principal	Interest	Total
2026	$ 555,000	$ 65,634	$ 620,634
2027	575,000	47,611	622,611
2028	595,000	28,949	623,949
2029	610,000	9,730	619,730
Total	$ 2,335,000	$ 151,924	$ 2,486,924

Financed Purchases

The County finances various vehicles and Road & Bridge motor equipment. Interest rates range from 0.03% to 8.00%. In the current year, the County financed an additional $376,140 in vehicles and Road & Bridge equipment with interest rates of 5.49%.

The annual debt service requirements to maturity for the financed purchases are as follows:

Year Ending September 30,	Principal	Interest	Total
2026	$ 1,203,251	$ 99,473	$ 1,302,724
2027	446,878	48,607	495,485
2028	282,702	29,787	312,489
2029	199,436	16,908	216,344
2030	172,578	9,038	181,616
2031	54,718	3,004	57,722
Total	$ 2,359,563	$ 206,817	$ 2,566,380

III. 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; and natural disasters for which the County carries commercial insurance. There were no instances where settlements exceeded insurance coverage in any part of the three previous years.

B. Contingent Liabilities

Various claims and lawsuits are pending against the County. The evaluation of County management is that any liability to the County relating to such claims and lawsuits will not have a material impact on the County's financial position. Historically, the County has not incurred significant losses from claims or lawsuits which arise during the ordinary course of business.

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

C. Defined Benefit Pension Plan

Plan Description

The County’s nontraditional defined benefit pension plan, Texas County and District Retirement System (TCDRS), provides pensions for all of its full-time employees. The TCDRS Board of Trustees is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of over nontraditional defined benefit pension plans. TCDRS in the aggregate issues an Annual Comprehensive Financial Report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034 Austin, TX, 78768-2034.

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 temporary positions are not eligible for membership.

Benefits Provided

TCDRS provides retirement, disability and survivor benefits for all eligible employees. Benefit terms are established by the TCDRS Act. The benefit terms may be amended as of January 1, each year, but must remain in conformity with the Act.

Members can retire at age 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. By law, employee accounts earn 7% interest. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees covered by benefit terms

As of December 31, 2024, the valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees receiving benefits	174
Inactive employees entitled to but not yet receiving benefits	260
Active employees	213
Total	647

Contributions

The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Under the state law governing TCDRS, the contribution rate for each entity is determined annually by the actuary and approved by the TCDRS Board of Trustees. The replacement life entry age actuarial cost method is used in determining the contribution rate. The actuarially determined rate is the estimated amount necessary to fund benefits in an orderly manner for each participate over his or her career so that sufficient funds are accumulated by the time benefit payments begin, with an additional amount to finance any unfunded accrued liability.

Employees for the County were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the County were 10.12% in calendar years 2025 and 2024. The County's contributions to TCDRS for the year ended September 30, 2025, were $1,353,843.

Net Pension Liability (Asset)

The County's Net Pension Liability (Asset) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Asset in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	Varies by age and service. 4.7% average over career including inflation.
Investment rate of return	7.50%, net of administrative and investment expenses, including inflation

The County has no automatic cost-of-living adjustments ("COLA") and one is not considered to be substantively automatic. Therefore, no assumption for future cost-of-living adjustments is included in the actuarial valuation. Each year, the County may elect an ad-hoc COLA for its retirees.

Mortality rates for active members, retirees, and beneficiaries were based on the following:

Depositing members	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non-depositing members	135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

All actuarial assumptions that determined the total pension liability as of December 31, 2024, were based on the results of an actuarial experience study for the period January 1, 2017, through December 31, 2020, except where required to be different by GASB 68.

Long-term Expected Rate of Return. The long-term expected rate of return on pension plan investments is 7.60%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. The application of the investment return assumptions was changed for purposes of determining plan liabilities at the March 2021 meeting. All plan liabilities are now valued using a 7.60% discount rate.

The long-term expected rate of return on TCDRS is determined by adding inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2025 information for a 10-year time horizon. The valuation assumption for long-term expected return is reassessed at a minimum of every four years and is set based on a long-term time horizon; the most recent analysis was performed in 2022. The target allocation and best estimates of geometric real rates return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation [1]	Geometric Real Rate of Return [2]
US Equities	Dow Jones U.S. Total Stock Market Index	13.00%	5.35%
Global Equities	MSCI World (net) Index	4.00%	5.15%
International Equities - Developed Markets	MSCI World Ex USA (net) Index	6.00%	4.75%
International Equities - Emerging Markets	MSCI Emerging Markets (net) Index	0.00%	4.75%
Investment-Grade Bonds	Bloomberg U.S. Aggregate Bond	3.00%	2.55%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.70%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.85%
Distressed Debt	Cambridge Associates Distressed Securities Index [3]	4.00%	6.80%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.95%
Master Limited Partnerships	Alerian MLP Index	2.00%	4.95%
Commodities	Bloomberg Commodities Index	2.00%	1.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index[4]	6.00%	5.75%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index[5]	25.00%	8.15%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	3.60%
Cash Equivalents	90-Day U.S. Treasury	2.00%	1.10%

(1) Target asset allocation adopted at the March 2025 TCDRS Board meeting.
(2) Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.35%, per Cliffwater's 2025 capital market assumptions
(3) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.
(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.
(5) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statue. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/2023	$ 38,967,361	$ 38,799,284	$ 168,077
Changes for the year:			
Service cost	1,500,992	-	1,500,992
Interest on total pension liability [(1)]	3,005,470	-	3,005,470
Effect of economic/demographic gains or losses	513,578	-	513,578
Refund of contributions	(104,842)	(104,842)	-
Benefit payments	(1,774,973)	(1,774,973)	-
Administrative expenses	-	(23,491)	23,491
Member contributions	-	924,805	(924,805)
Net investment income	-	3,963,009	(3,963,009)
Employer contributions	-	1,336,940	(1,336,940)
Other [(2)]	-	32,508	(32,508)
Balance at 12/31/2024	$ 42,107,586	$ 43,153,240	$ (1,045,654)

[(1)] Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
[(2)] Relates to allocation of system-wide items.

Sensitivity Analysis

The following presents the net pension liability/(asset) of the County, calculated using the discount rate of 7.6%, as well as what the County's net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.6%) or 1-percentage-point higher (8.6%) than the current rate:

	1% Decrease 6.6%	Current Discount Rate 7.6%	1% Increase 8.6%
Total pension liability	$ 47,845,747	$ 42,107,586	$ 37,352,297
Fiduciary net position	43,153,241	43,153,240	43,153,241
Net pension liability/(asset)	$ 4,692,506	$ (1,045,654)	$ (5,800,944)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TCDRS financial report. The report may be obtained at www.tcdrs.org.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the County recognized pension expense of $331,371. At year-end, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 342,385	$ 101,095
Difference between projected and actual investment earnings	-	384,598
Contributions subsequent to the measurement date	980,698	-
Total	$ 1,323,083	$ 485,693

$980,698 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date, but before September 30, 2026, will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

For the Year Ended September 30,	
2026	$ (239,316)
2027	732,134
2028	(436,191)
2029	(199,935)

D. <u>Defined Other Post-Employment Benefit Plan – TCDRS Group Term Life Fund</u>

Plan Description. The County voluntarily participates in the Texas County & District Group Term Life Fund (TCDRS GTLF). The GTLF is a single employer defined Other Post-Employment Benefit (OPEB) plan as defined by GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TCDRS Act.

Benefits and Eligibility. The GTLF provides group-term life insurance to County employees who are active members in TCDRS, including or not including retirees. The County's Board of Managers opted into this program via a resolution, and may terminate coverage under, and discontinue participation in, the GTLF by adopting a resolution.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's most recent regular annualized salary. The death benefit for retirees is considered an other-employment benefit and is a fixed amount of $5,000.

Employees covered by benefit terms. The number of employees currently covered by the benefit terms is as follows:

Inactive employees receiving benefits	140
Inactive employees entitled to but not yet receiving benefits	56
Active employees	213
Total	409

Contributions. The County contributes to the GTLF at a contractually required rate as determined by an annual actuarial valuation, which was 0.15% for 2025 and 0.19% for 2024, of which 0.13% and 0.15%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the GTLF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The County's contributions to the GTLF for the year ended September 30, 2025, were $19,817, representing contributions for both active and retiree coverage, which equaled the required contributions for the year.

Total OPEB Liability. The County's Total OPEB Liability (TOL) was measured as of December 31, 2024, as determined by an actuarial valuation as of that date.

Actuarial Assumptions. The Total OPEB Liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions:

Investment rate of return (discount rate)	4.08%
Actuarial cost method	Entry Age Level Percent of Salary

Mortality rates for active members, retirees, and beneficiaries were based on the following:

Depositing members	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non-depositing members	135% of Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

All actuarial assumptions and methods that determined the Total OPEB Liability as of December 31, 2024, were based on the results of an actuarial experience study for the period January 1, 2017 – December 31, 2020, except where required to be different by GASB 75. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

Discount Rate. The TCDRS GTLF program is treated as an unfunded OPEB plan because the GTLF trust covers both actives and retirees, and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 4.08% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2024.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the total OPEB Liability of the employer, calculated using the discount rate of 4.08%, as well as what the Hill County Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) or 1 percentage point higher (5.08%) than the current rate.

	1% Decrease in Discount Rate (3.08%)	Current Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
Total OPEB Liability	$ 671,303	$ 571,303	$ 492,617

OPEB Liability, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB. On September 30, 2025, the County reported a liability of $571,303 for its Total OPEB Liability and is typically funded with the General and Road and Bridge Funds. The total OPEB liability was determined by an actuarial valuation as of December 31, 2024. For the year ended September 30, 2025, the County recognized OPEB expense of $30,176. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

Changes in the Total OPEB Liability

	Changes in Total OPEB Liability
Balance at December 31, 2023	$ 636,122
Changes for the year:	
Service cost	18,110
Interest on total OPEB liability [(1)]	21,008
Effect of economic/demographic gains or losses	(3,998)
Effect of assumptions changes or inputs[(2)]	(80,122)
Benefit payments	(19,817)
Balance at December 31, 2024	$ 571,303

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

[(2)] No plan changes valued.

[(3)] Reflects change in discount rate.

On September 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 5,152	$ 10,586
Changes in actuarial assumptions	42,112	137,807
Contributions subsequent to the measurement date	12,598	-
Total	$ 59,862	$ 148,393

$12,598 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2026.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,		
2026	$	(29,300)
2027		(44,790)
2028		(10,214)
2029		(16,825)

E. Other Post Employment Benefits – Retiree Health Insurance Plan

Plan Description. The County sponsors a Retiree Health Insurance Benefits Plan (the "Plan"). The Plan provides these other post-employment benefits ("OPEB") for eligible employees through a single-employer defined benefit plan, under the County's policy. This plan is administered by the County, and it has the authority to establish and amend the benefit terms and financing arrangements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits and Eligibility. Employees who meet the following criteria will qualify for health insurance benefits on County-sponsored plans, as described below. 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). The earlier of (i) Age 60 and completion of 8 years of vesting service, (ii) Rule of 75 years total age + service, and (iii) completion of 30 years of service.

Employees covered by benefit terms. The number of employees currently covered by the benefit terms is as follows:

Active employees	201
Total	201

Actuarial Assumptions and Methods

Significant methods and assumptions were as follows:

Actuarial Valuation Date	10/1/2024 (9/30/2025 census)
Actuarial Cost Method	Entry Age Normal
Discount rate	4.06% per annum (for FYE 2025 Expense) 4.50% per annum (disclosures*) (3.50% and 5.50% are illustrated for sensitivity)
Inflation Rate	3.00% per annum
Salary Increases	3.00% per annum (for EAN)
Mortality	PUB-2010 with MP2021 projection
Health care cost trend rates	7% decreasing to 4.5% ultimate
Participation rates	15% to elect to pay full premium for coverage
*Notes	GASB #75 requires results be presented based on actual rates as of year-end (reflective of published municipal bond indices; the S&P Municipal Bond 20-year High Grade Rate Index as of September 30, 2025 is 4.50%). The Main valuation has been performed based on a 4.50% discount rate, with Sensitivity results at both 3.50% and 5.50%. Since there is no OPEB Trust, the Index will apply. For FYE 2025 Expense, the September 30, 2024 index of 4.06% applied.

Projections of health benefits are based on the plan as understood by the County and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

A Single Discount Rate of 4.50% was used to measure the total OPEB liability. This Single Discount Rate was based on the municipal bond rates as of the measurement date. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of September 30, 2025.

Changes in the Total OPEB Liability

The County's total OPEB liability of $222,763 was measured as of September 30, 2025, and was determined by an actuarial valuation as of October 1, 2024. This liability is typically funded by the General Fund.

	Total OPEB Liability
Balance at 9/30/2024	$ 202,837
Changes for the year:	
Service cost	30,437
Interest	9,471
Difference between expected and actual experience	(11,591)
Changes of assumptions	(8,391)
Net changes	19,926
Balance at 9/30/2025	$ 222,763

Changes of assumptions reflect a change in the discount rate from 4.06% as of September 30, 2024, to 4.50% as of September 30, 2025, and revised TCDRS demographic and salary increase assumptions.

Discount Rate Sensitivity Analysis

The following presents the plan's total OPEB liability, calculated using a discount rate of 4.50%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher.

	1% Decrease in Discount Rate (3.50%)	Discount Rate (4.50%)	1% Increase in Discount Rate (5.50%)
Total OPEB Liability	$ 243,251	$ 222,763	$ 204,390

Healthcare Cost Trend Rate Sensitivity Analysis

The following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher.

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Total OPEB Liability	$ 199,347	$ 222,763	$ 250,467

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended September 30, 2025, the County recognized OPEB expense of $18,148. On September 30, 2025, the County reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 13,407	$ 164,548
Changes in actuarial assumptions	30,572	47,596
Totals	$ 43,979	$ 212,144

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2026	$ (21,759)
2027	(21,759)
2028	(21,759)
2029	(21,759)
2030	(21,398)
Thereafter	(59,731)

F. Tax Abatements

The County enters into economic development agreements designed to promote development and redevelopment with the County, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the County. This program reduces the assessed property values and refunds sales tax as authorized under Chapter 381 of the Texas Local Government Code and Chapter 312 of the Property Tax Code.

Hill County has a tax abatement agreement under Chapter 381 of the Texas Local Government Code with Buc-ee's Hillsboro, LLC to promote local economic development. Under the agreement, the County rebates to the developer the amount of the County's 0.005 sales tax collected on taxable sales at the project, net of Comptroller fees and required refunds, for a ten-year term beginning on the Tax Payment Effective Date (January 1 following the date the project opens for business to the public).

In exchange, the developer agreed to construct and operate a Buc-ee's travel center and to create and maintain at least 150 full-time equivalent jobs during the term of the agreement. The County's obligation is limited to sales tax revenues generated by the project and collected by the County, and the agreement includes provisions for recovery or offset of overpayments.

For the fiscal year ended September 30, 2025, the County's sales tax revenues were reduced by $200,333 as a result of this agreement, representing taxes rebated to Buc-ee's Hillsboro, LLC. No other governments rebate their tax revenues under this agreement, and the County did not receive any amounts from other governments to offset this tax abatement.

G. New Accounting Principles

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the County include the following:

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No 105, *Subsequent Events* – The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement will become effective for fiscal years beginning after June 15, 2026, and the impact has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION

HILL COUNTY, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Taxes:				
Property	$ 13,709,774	$ 13,709,774	$ 13,768,630	$ 58,856
Sales	3,478,193	3,478,193	3,825,424	347,231
Other	42,262	42,262	48,495	6,233
Intergovernmental	649,001	649,001	680,744	31,743
Charges for services	1,929,260	1,929,260	2,054,514	125,254
Fines and forfeitures	81,266	81,266	93,238	11,972
Investment earnings	539,998	539,998	522,874	(17,124)
Contributions and donations	-	7,300	9,550	2,250
Miscellaneous	9,600	81,944	104,281	22,337
Total Revenues	20,439,354	20,518,998	21,107,750	588,752
EXPENDITURES				
Current:				
General government:				
Computer	1,071,146	1,159,187	1,083,350	75,837
County Clerk	480,187	480,187	473,264	6,923
County Judge	282,806	282,806	278,405	4,401
Elections Administration	361,913	361,913	343,334	18,579
Non-departmental	1,721,615	1,641,385	1,556,915	84,470
Veterans Service	113,185	76,185	71,000	5,185
Total general government	4,030,852	4,001,663	3,806,268	195,395
Legal:				
County Attorney	501,690	501,690	501,349	341
County Attorney Excess	24,205	24,205	1,167	23,038
Total legal	525,895	525,895	502,516	23,379
Judicial:				
County Court-at-Law	438,306	443,097	438,416	4,681
District Attorney	659,293	659,293	551,700	107,593
District Clerk	609,378	609,578	552,556	57,022
District Judge	301,465	302,015	282,616	19,399
Justices of the Peace	807,223	807,588	766,005	41,583
Total judicial	2,815,665	2,821,571	2,591,293	230,278
Financial administration:				
County Auditor	470,630	492,171	475,897	16,274
County Treasurer	367,153	348,312	334,895	13,417
Tax Assessor-Collector	663,339	672,296	672,151	145
Total financial administration	1,501,122	1,512,779	1,482,943	29,836
Public facilities:				
Courthouse	733,237	789,480	772,299	17,181
Total public facilities	733,237	789,480	772,299	17,181

HILL COUNTY, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Public Safety:				
911 Dispatch	$ 791,611	$ 873,611	$ 821,969	$ 51,642
Animal Control	93,061	93,061	96,066	(3,005)
Constables	589,039	650,537	619,230	31,307
Courthouse Security	607,090	609,090	537,326	71,764
Crime Victims Assistance Coordinator	21,531	21,531	18,091	3,440
Emergency Management	396,537	570,605	542,488	28,117
Jail	3,757,392	3,705,271	3,548,308	156,963
School resource officers	104,718	109,744	74,823	34,921
Sheriff	3,451,964	3,822,232	3,304,655	517,577
Total public safety	9,812,943	10,455,682	9,562,956	892,726
Health and Welfare:				
Public assistance	234,386	267,234	267,234	-
Health and safety	122,043	121,043	117,477	3,566
TIF commitments	33,962	33,962	38,312	(4,350)
Total health and welfare	390,391	422,239	423,023	(784)
Conservation - agriculture:				
Agriculture Extension Service	218,906	218,906	177,074	41,832
Total conservation - agriculture	218,906	218,906	177,074	41,832
Debt Service:				
Principal	579,159	555,483	478,672	76,811
Interest and fiscal charges	-	-	58,811	(58,811)
Total debt service	579,159	555,483	537,483	18,000
Total expenditures	20,608,170	21,303,698	19,855,855	1,447,843
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(168,816)	(784,700)	1,251,895	2,036,595
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	22,250	27,395	5,145
Insurance recoveries	-	489,578	482,181	(7,397)
Transfers in	235,750	235,750	245,750	10,000
Transfers out	(578,505)	(664,286)	(425,787)	238,499
Total other financing sources (uses)	(342,755)	83,292	329,539	246,247
NET CHANGE IN FUND BALANCE	(511,571)	(701,408)	1,581,434	2,282,842
FUND BALANCE, BEGINNING	9,659,890	9,659,890	9,659,890	-
FUND BALANCE, ENDING	$ 9,148,319	$ 8,958,482	$ 11,241,324	$ 2,282,842

HILL COUNTY, TEXAS

ROAD AND BRIDGE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	$ 4,669,815	$ 4,669,815	$ 4,609,443	$ (60,372)
Sales	354,068	354,068	389,420	35,352
Intergovernmental	95,552	95,552	109,599	14,047
Licenses and permits	946,875	946,875	972,485	25,610
Charges for services	149,812	149,812	152,630	2,818
Investment earnings	56,711	56,711	70,720	14,009
Contributions and donations	-	75,850	75,650	(200)
Miscellaneous	-	-	14,153	14,153
Total Revenues	6,272,833	6,348,683	6,394,100	45,417
EXPENDITURES				
Current:				
Public transportation	7,960,378	8,578,039	7,175,054	1,402,985
Debt service:				
Principal	647,141	647,141	525,969	121,172
Interest and other	-	-	52,918	(52,918)
Total Expenditures	8,607,519	9,225,180	7,753,941	1,471,239
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,334,686)	(2,876,497)	(1,359,841)	1,516,656
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	195,690	198,451	2,761
Issuance of financed purchases	-	346,121	376,140	30,019
Transfers in	580,000	740,000	560,000	(180,000)
Transfers out	(40,750)	(160,000)	(40,750)	119,250
Total Other Financing Sources (Uses)	539,250	1,121,811	1,093,841	(27,970)
Net Change in Fund Balance	(1,795,436)	(1,754,686)	(266,000)	1,488,686
Fund Balances - Beginning	2,079,091	2,079,091	2,079,091	-
Fund Balances - Ending	$ 283,655	$ 324,405	$ 1,813,091	$ 1,488,686

BUDGETARY INFORMATION

The County follows these procedures in establishing the budgetary data reflected in the financial report:

1. The County Judge and Commissioners' Court have departmental meetings with management to determine the departmental budget requests.

2. The County Judge and Commissioners must meet in several workshops to establish a proposed budget for the fiscal year commencing the following October. The operational budget includes proposed expenditures and the means of financing them. The proposed budget is filed with the County Clerk and made available for public inspection at least 7 days prior to public budget hearing.

3. Public hearings are conducted to obtain taxpayer comments.

4. After the public hearings, the Commissioners' Court reviews the budget and makes any adjustments they feel necessary.

5. The budget is then legally enacted by the Commissioners' Court on or before September 9th, the timeframe required by statute, to be effective on October 1st

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

Only the governing body, composed of the Commissioners' Court, may amend the budget after its adoption so long as the amendment continues to meet the requirements of Section 111 of the Local Government Code. During the year, several supplementary amendments to the original budget were required. All amendments were legally made. The final budget amounts shown in the financial statements represent the budget as amended at September 30, 2025. Under state statute, actual expenditures cannot exceed budgetary appropriations at any level for which the budget is formally approved. The County's legally adopted budget is at the department level in those funds with multiple departments and at the fund level in single department funds. Management can, with the exception of personnel items, make adjustments to their budget within the departmental level with Commissioners' Court approval. All budgets are fixed in nature. All governmental funds have legally adopted budgets. For internal management purposes, the budgets are detailed by line item and entered into the accounting records. Comparisons of actual expenditures to budget are made on an ongoing basis. Budgets are adopted on a basis consistent with generally accepted accounting principles.

Budgets for the fiscal year were adopted for the General Fund, the Road and Bridge Fund, Indigent Health Care Fund, the Law Library Fund, the Jury Fund, the Debt Service Fund, County Clerk Fund, County Clerk Court Preservation Fund, County Specialty Court Fund, Records Preservation and Management Fund, the Sheriff Department Fund, the D.A. Forfeited Property Fund, the Justice Court Technology Fund, the District Clerk Archive Fund, the Courthouse Security Fund, the Hill County Tourism Fund and the Election Machine Lease Fund.

HILL COUNTY, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Measurement Date December 31,	**2015**	**2016**	**2017**
Total Pension Liability			
Service Cost	$ 741,781	$ 803,411	$ 758,111
Interest total pension liability	1,696,658	1,751,847	1,828,219
Changes in benefit terms	(128,791)	-	-
Effect of economid/demographic gains or losses	(604,476)	(653,505)	(213,836)
Effect of assumption changes or inputs	243,723	-	120,687
Benefit payments/refunds of contributions	(1,193,954)	(1,290,764)	(1,356,766)
Net change in total pension liability	754,941	610,989	1,136,415
Total pension liability - beginning	21,111,735	21,866,676	22,477,665
Total pension liability - ending (a)	$ 21,866,676	$ 22,477,665	$ 23,614,080
Plan Fiduciary Net Position			
Employer contributions	$ 580,880	$ 571,008	$ 526,404
Member contributions	444,556	450,797	464,501
Investment income net of investment expenses	124,531	1,493,867	3,103,076
Benefit payments, including refunds of contributions	(1,193,954)	(1,290,764)	(1,356,766)
Administrative expenses	(14,664)	(16,280)	(15,971)
Other	(213,412)	(175,715)	5,055
Net change in plan fiduciary net position	(272,063)	1,032,913	2,726,299
Plan fiduciary net position - beginning	20,538,495	20,266,432	21,299,345
Plan fiduciary net position - ending (b)	$ 20,266,432	$ 21,299,345	$ 24,025,644
Net pension liability (asset) - ending (a) - (b)	$ 1,600,244	$ 1,178,320	$ (411,564)
Fiduciary net position as a percentage of total pension liability	92.68%	94.76%	101.74%
Pensionable covered payroll	$ 7,409,269	$ 7,513,289	$ 7,741,686
Net pension liability as a percentage of covered payroll	21.60%	15.68%	-5.32%

2018	2019	2020	2021	2022	2023	2024
$ 796,750	$ 957,841	$ 1,015,360	$ 1,299,910	$ 1,240,513	$ 1,318,820	$ 1,500,992
1,927,436	2,155,420	2,310,208	2,495,032	2,616,888	2,841,639	3,005,470
1,256,874	-	-	-	534,383	-	-
(13,252)	108,335	400,292	(380,421)	242,103	(303,286)	513,578
-	-	1,857,208	(54,718)	-	-	-
(1,255,072)	(1,375,852)	(1,360,150)	(1,764,342)	(1,627,235)	(1,887,403)	(1,879,815)
2,712,736	1,845,744	4,222,918	1,595,461	3,006,652	1,969,770	3,140,225
23,614,080	26,326,816	28,172,560	32,395,478	33,990,939	36,997,591	38,967,361
$ 26,326,816	$ 28,172,560	$ 32,395,478	$ 33,990,939	$ 36,997,591	$ 38,967,361	$ 42,107,586
$ 546,983	$ 828,873	$ 980,979	$ 966,397	$ 1,076,247	$ 1,148,829	$ 1,336,940
489,836	646,870	683,271	688,152	712,052	807,410	924,805
(449,842)	3,830,265	2,814,823	6,653,705	(2,175,630)	3,835,935	3,963,009
(1,255,072)	(1,375,852)	(1,360,150)	(1,764,342)	(1,627,235)	(1,887,403)	(1,879,815)
(18,734)	(20,759)	(22,207)	(19,952)	(20,451)	(20,260)	(23,491)
(14,199)	7,215	11,697	5,249	53,497	17,443	32,508
(701,028)	3,916,612	3,108,413	6,529,209	(1,981,520)	3,901,954	4,353,956
24,025,644	23,324,616	27,241,228	30,349,641	36,878,850	34,897,330	38,799,284
$ 23,324,616	$ 27,241,228	$ 30,349,641	$ 36,878,850	$ 34,897,330	$ 38,799,284	$ 43,153,240
$ 3,002,200	$ 931,332	$ 2,045,837	$ (2,887,911)	$ 2,100,261	$ 168,077	$ (1,045,654)
88.60%	96.69%	93.68%	108.50%	94.32%	99.57%	102.48%
$ 8,163,936	$ 8,652,103	$ 9,761,008	$ 9,830,745	$ 10,172,171	$ 11,550,369	$ 13,195,553
36.77%	10.76%	20.96%	-29.38%	20.65%	1.46%	-7.92%

HILL COUNTY, TEXAS

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Fiscal Year Ended September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll (1)	Actual Contribution as a % of Covered Payroll
2016	$ 596,235	$ 596,235	$ -	$ 7,781,758	7.66%
2017	532,555	532,555	-	7,627,266	6.98%
2018	546,983	546,983	-	8,163,936	6.70%
2019	828,873	828,873	-	8,652,103	9.58%
2020	980,979	980,979	-	9,761,008	10.05%
2021	963,428	963,428	-	9,820,879	9.81%
2022	1,020,275	1,020,275	-	9,825,207	10.38%
2023	1,149,127	1,149,127	-	10,907,698	10.54%
2024	1,319,363	1,319,363	-	13,095,629	10.07%
2025	1,362,492	1,362,492	-	13,463,356	10.12%

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

HILL COUNTY, TEXAS

NOTES TO SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Valuation Date	Actuarially determined contribution rates are calculated as of December 31, and become effective in January, 13 months later.
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	9.5 years (based on contribution rate calculated in 12/31/2024 valuation)
Asset Valuation Method	5-year smoothed fair value
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% 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	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 120% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule*	2015: New inflation, mortality and other assumtions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule*	2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 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. 2023: Employer contributions reflect that a 4% flat COLA was adopted

*Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

HILL COUNTY, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
GROUP TERM LIFE

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Measurement Date December 31,	**2017**	**2018**	**2019**
Total OPEB Liability			
Service cost	$ 16,344	$ 17,245	$ 15,433
Interest on total OPEB liability	17,451	16,756	18,382
Effect of economic/demographic gains or losses	(16,828)	(6,669)	3,471
Effect of assumption changes or inputs	20,307	(50,407)	118,687
Benefit payments	(11,613)	(13,879)	(13,843)
Net change in Total OPEB Liability	25,661	(36,954)	142,130
Total OPEB Liability - beginning	451,065	476,726	439,772
Total OPEB Liability - ending	$ 476,726	$ 439,772	$ 581,902
Covered-employee payroll	$ 7,741,686	$ 8,163,936	$ 8,652,103
Total OPEB liability as a percentage of covered-employee payroll	6.16%	5.39%	6.73%

Notes to Schedule:

- No assets are accumulated in a trust for the retiree health care plan to pay related benefits that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than

- This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

2020	2021	2022	2023	2024
$ 20,608	$ 27,597	$ 28,134	$ 22,746	$ 18,110
16,296	14,730	15,229	21,901	21,008
631	2,444	11,396	(12,312)	(3,998)
71,235	15,116	(184,274)	45,360	(80,122)
(15,618)	(15,729)	(16,275)	(14,995)	(19,817)
93,152	44,158	(145,790)	62,700	(64,819)
581,902	675,054	719,212	573,422	636,122
$ 675,054	$ 719,212	$ 573,422	$ 636,122	$ 571,303
$ 9,761,008	$ 9,830,745	$ 10,172,171	$ 11,534,431	$ 13,211,502
6.92%	7.32%	5.64%	5.51%	4.32%

HILL COUNTY, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
RETIREE HEALTH CARE BENEFIT PLAN

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Measurement Date September 30,	2018	2019	2020
Total OPEB liability			
Service cost	$ 13,826	$ 26,934	$ 23,160
Interest on total OPEB liability	6,614	7,171	6,832
Difference between expected and actual experience	(4,334)	(41,120)	(33,857)
Effect of assumption changes or inputs	-	1,245	41,221
Benefit payments	(800)	(800)	-
Net change in total OPEB liability	15,306	(6,570)	37,356
Total OPEB liability - beginning	182,111	197,417	190,847
Total OPEB liability - ending	$ 197,417	$ 190,847	$ 228,203
Covered-employee payroll	$ 8,251,280	$ 8,456,291	$ 9,391,481
Total OPEB liability as a percentage of covered-employee payroll	2.39%	2.26%	2.43%

Notes to Schedule:

-No assets are accumulated in a trust for the retiree health care plan to pay related benefits that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.
Assumption changes -
FYE20: RP2014 Mortality with MP2016 changed to RP2006 with MP2019.
FYE22: RP2006 Mortality with MP2019 changed to PUB2010 with MP2021.
FYE24: Healthcare trend rates changed from 8% decreasing to 5% over 7 years to 7% decreasing to 4.5% over 10 years.
-This schedule is required to have 10 years of information, but the information prior to 2018 is not available.

2021	2022	2023	2024	2025
$ 28,361	$ 27,944	$ 32,009	$ 30,658	$ 30,437
4,884	6,117	12,082	13,301	9,471
(219)	22,344	(22,091)	(125,783)	(11,591)
(9,493)	(54,846)	(2,175)	11,541	(8,391)
-	-	-	-	-
23,533	1,559	19,825	(70,283)	19,926
228,203	251,736	253,295	273,120	202,837
$ 251,736	$ 253,295	$ 273,120	$ 202,837	$ 222,763
$ 9,939,445	$ 9,248,880	$ 10,325,456	$ 10,977,623	$ 11,421,473
2.53%	2.74%	2.65%	1.85%	1.95%

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COMBINING STATEMENTS
AND SCHEDULES

HILL COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	Special Revenue			
	County Attorney Hot Check	Child Welfare Board	County Clerk	County Clerk Court Preservation
ASSETS				
Cash and cash equivalents	$ 13,892	$ 580	$1,264,373	$ 6,009
Receivables (net of allowance for uncollectibles)	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	562,940	-
Total Assets	13,892	580	1,827,313	6,009
LIABILITIES				
Accounts payable	-	580	-	-
Accrued liabilities	-	-	1,319	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	-	580	1,319	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCES				
Restricted:				
General government	-	-	1,825,994	6,009
Construction	-	-	-	-
Culture and recreation	-	-	-	-
Debt service	-	-	-	-
Elections	-	-	-	-
Health and welfare	-	-	-	-
Judicial	-	-	-	-
Legal	13,892	-	-	-
Public safety	-	-	-	-
Total Fund Balances	13,892	-	1,825,994	6,009
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 13,892	$ 580	$1,827,313	$ 6,009

Special Revenue

County Dispute Resolution	County Historical Commission	County Specialty Court	Courthouse Security	Crime Victim Assistance	District Attorney Forfeited Property
$ 56,961	$ 5,070	$ 53,077	$ 50,961	$ -	$ 187,125
-	-	-	-	-	-
-	-	-	-	8,173	-
-	-	-	3,224	-	116,640
56,961	5,070	53,077	54,185	8,173	303,765
-	-	-	-	166	-
-	-	-	-	2,519	-
-	-	-	-	-	-
-	-	-	-	5,488	-
-	-	-	-	8,173	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	53,077	-	-	-
-	-	-	-	-	-
-	5,070	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
56,961	-	-	54,185	-	303,765
-	-	-	-	-	-
-	-	-	-	-	-
56,961	5,070	53,077	54,185	-	303,765
$ 56,961	$ 5,070	$ 53,077	$ 54,185	$ 8,173	$ 303,765

HILL COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	Special Revenue			
	District Clerk Archive	Economic Development	Election Chapter 19	Election Contract
ASSETS				
Cash and cash equivalents	$ 16,987	$ 543,248	$ 211	$ 24,216
Receivables (net of allowance for uncollectibles)	-	-	-	3,833
Due from other governments	-	-	-	-
Due from other funds	-	16,102	-	-
Total Assets	16,987	559,350	211	28,049
LIABILITIES				
Accounts payable	-	-	180	-
Accrued liabilities	-	-	-	-
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	-	-	180	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCES				
Restricted:				
General government	16,987	559,350	-	-
Construction	-	-	-	-
Culture and recreation	-	-	-	-
Debt service	-	-	-	-
Elections	-	-	31	28,049
Health and welfare	-	-	-	-
Judicial	-	-	-	-
Legal	-	-	-	-
Public safety	-	-	-	-
Total Fund Balances	16,987	559,350	31	28,049
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 16,987	$ 559,350	$ 211	$ 28,049

Special Revenue					
Election Machine Lease	Hill County Tourism	Hot Check Restitution	Indigent Health Care	Jury	Justice Court Technology
$ 30,873	$ 65,039	$ 12,618	$ 50,000	$ 169,012	$ 7,886
2,100	-	-	189,392	390	-
-	-	-	-	6,326	-
12,217	122,035	-	117,320	-	36,205
45,190	187,074	12,618	356,712	175,728	44,091
-	-	-	68,389	154,377	-
-	-	-	2,698	-	-
-	-	-	-	-	-
-	-	-	70,863	-	-
-	-	-	141,950	154,377	-
-	-	-	111,764	-	-
-	-	-	111,764	-	-
-	187,074	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
45,190	-	-	-	-	-
-	-	-	102,998	-	-
-	-	12,618	-	21,351	44,091
-	-	-	-	-	-
-	-	-	-	-	-
45,190	187,074	12,618	102,998	21,351	44,091
$ 45,190	$ 187,074	$ 12,618	$ 356,712	$ 175,728	$ 44,091

HILL COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	Special Revenue			
	Language Access	Law Library	Probate Records Management	Records Management and Preservation
ASSETS				
Cash and cash equivalents	$ 16,535	$ 49,940	$ 8,618	$ 83,225
Receivables (net of allowance for uncollectibles)	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	17,192	1,335	1,096
Total Assets	16,535	67,132	9,953	84,321
LIABILITIES				
Accounts payable	-	1,531	-	-
Accrued liabilities	-	-	-	1,016
Unearned revenue	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	-	1,531	-	1,016
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCES				
Restricted:				
General government	-	-	9,953	83,305
Construction	-	-	-	-
Culture and recreation	-	-	-	-
Debt service	-	-	-	-
Elections	-	-	-	-
Health and welfare	-	-	-	-
Judicial	16,535	65,601	-	-
Legal	-	-	-	-
Public safety	-	-	-	-
Total Fund Balances	16,535	65,601	9,953	83,305
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 16,535	$ 67,132	$ 9,953	$ 84,321

Special Revenue					
Sheriff Department	Senate Bill 22	DA Salary	Federal EMC Grant	TxCDBG Post Oak	Opioid Settlement
$ 94,563	25,721	$ 2,406	$ -	$ -	$ 85,832
-	345	-	-	-	-
-	-	-	56,940	37,350	-
6,162	308,396	-	-	-	-
100,725	334,462	2,406	56,940	37,350	85,832
1,796	-	-	26,358	37,350	-
-	12,024	1,064	-	-	-
-	322,438	-	-	-	-
-	-	-	30,582	-	-
1,796	334,462	1,064	56,940	37,350	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	1,342	-	-	-
-	-	-	-	-	-
98,929	-	-	-	-	85,832
98,929	-	1,342	-	-	85,832
$ 100,725	$ 334,462	$ 2,406	$ 56,940	$ 37,350	$ 85,832

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HILL COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	Capital Projects	Debt Service	
	Courthouse Project	Debt Service	Non-Major Governmental Funds
ASSETS			
Cash and cash equivalents	$ 22,215	$ 5,253	$ 2,952,446
Receivables (net of allowance for uncollectibles)	-	55,967	252,027
Due from other governments	-	-	108,789
Due from other funds	-	104,874	1,425,738
Total Assets	22,215	166,094	4,739,000
LIABILITIES			
Accounts payable	-	-	290,727
Accrued liabilities	-	-	20,640
Unearned revenue	-	-	322,438
Due to other funds	-	-	106,933
Total Liabilities	-	-	740,738
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	-	52,363	164,127
Total Deferred Inflows of Resources	-	52,363	164,127
FUND BALANCES			
Restricted:			
General government	-	-	2,741,749
Construction	22,215	-	22,215
Culture and recreation	-	-	5,070
Debt service	-	113,731	113,731
Elections	-	-	73,270
Health and welfare	-	-	102,998
Judicial	-	-	576,449
Legal	-	-	13,892
Public safety	-	-	184,761
Total Fund Balances	22,215	113,731	3,834,135
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 22,215	$ 166,094	$ 4,739,000

HILL COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Special Revenue			
	County Attorney Hot Check	Child Welfare Board	County Clerk	County Clerk Court Preservation
REVENUES				
Taxes:				
Property	$ -	$ -	$ -	$ -
Sales	-	-	-	-
Other	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	302	-	185,845	-
Fines and forfeitures	-	-	-	-
Investment earnings	-	-	69,290	25
Miscellaneous	-	3,000	-	-
Total Revenues	302	3,000	255,135	25
EXPENDITURES				
Current:				
General government	-	-	48,523	-
Legal	-	-	-	-
Judicial	677	-	-	-
Public safety	-	-	-	-
Public transportation	-	-	-	-
Health and welfare	-	3,000	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	677	3,000	48,523	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(375)	-	206,612	25
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	(375)	-	206,612	25
FUND BALANCE - BEGINNING	14,267	-	1,619,382	5,984
FUND BALANCES - ENDING	$ 13,892	$ -	$ 1,825,994	$ 6,009

Special Revenue					
County Dispute Resolution	County Historical Commission	County Specialty Court	Courthouse Security	Crime Victim Assistance	District Attorney Forfeited Property
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	49,845	-
12,122	-	7,156	29,145	-	-
4,345	-	-	-	-	-
1,045	21	211	2,826	-	6,907
-	-	-	-	-	123,720
17,512	21	7,367	31,971	49,845	130,627
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	93,284
-	-	2,964	-	49,845	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	2,964	-	49,845	93,284
17,512	21	4,403	31,971	-	37,343
-	-	-	-	-	-
-	-	-	(80,000)	-	-
-	-	-	(80,000)	-	-
17,512	21	4,403	(48,029)	-	37,343
39,449	5,049	48,674	102,214	-	266,422
$ 56,961	$ 5,070	$ 53,077	$ 54,185	$ -	$ 303,765

HILL COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Special Revenue			
	District Clerk Archive	Economic Development	Election Chapter 19	Election Contract
REVENUES				
Taxes:				
Property	$ -	$ -	$ -	$ -
Sales	-	-	-	-
Other	-	-	-	-
Intergovernmental	289	-	-	1,500
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment earnings	71	22,777	1	93
Miscellaneous	-	7,950	-	-
Total Revenues	360	30,727	1	1,593
EXPENDITURES				
Current:				
General government	882	8,500	-	-
Legal	-	-	-	-
Judicial	-	-	-	-
Public safety	-	-	-	-
Public transportation	-	-	-	-
Health and welfare	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	882	8,500	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(522)	22,227	1	1,593
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	(522)	22,227	1	1,593
FUND BALANCE - BEGINNING	17,509	537,123	30	26,456
FUND BALANCES - ENDING	$ 16,987	$ 559,350	$ 31	$ 28,049

Special Revenue					
Election Machine Lease	Hill County Tourism	Hot Check Restitution	Indigent Health Care	Jury	Justice Court Technology
$ -	$ -	$ -	$ 1,307,979	$ -	$ -
-	-	-	366,508	-	-
-	56,039	-	-	-	-
-	-	-	-	64,861	-
-	-	479	-	293,169	9,748
-	-	-	-	-	-
240	5,122	-	-	536	1,474
1,600	-	-	19,615	19,882	-
1,840	61,161	479	1,694,102	378,448	11,222
10,000	23,848	-	-	-	-
-	-	-	-	-	-
-	-	-	3,290	671,384	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,056,510	3,651	-
-	-	-	-	-	-
-	-	-	-	-	-
10,000	23,848	-	1,059,800	675,035	-
(8,160)	37,313	479	634,302	(296,587)	11,222
-	-	-	-	340,005	-
-	-	-	(635,000)	-	(15,000)
-	-	-	(635,000)	340,005	(15,000)
(8,160)	37,313	479	(698)	43,418	(3,778)
53,350	149,761	12,139	103,696	(22,067)	47,869
$ 45,190	$ 187,074	$ 12,618	$ 102,998	$ 21,351	$ 44,091

HILL COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Special Revenue			
	Language Access	Law Library	Probate Records Management	Records Management and Preservation
REVENUES				
Taxes:				
Property	$ -	$ -	$ -	$ -
Sales	-	-	-	-
Other	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	2,424	28,319	2,655	33,247
Fines and forfeitures	2,658	-	-	-
Investment earnings	59	1,862	43	2,645
Miscellaneous	-	-	-	-
Total Revenues	5,141	30,181	2,698	35,892
EXPENDITURES				
Current:				
General government	-	-	-	-
Legal	-	-	-	-
Judicial	364	24,703	-	32,299
Public safety	-	-	-	-
Public transportation	-	-	-	-
Health and welfare	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	364	24,703	-	32,299
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,777	5,478	2,698	3,593
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	4,777	5,478	2,698	3,593
FUND BALANCE - BEGINNING	11,758	60,123	7,255	79,712
FUND BALANCES - ENDING	$ 16,535	$ 65,601	$ 9,953	$ 83,305

Special Revenue					
Sheriff Department	Senate Bill 22	DA Salary	Federal EMC Grant	TxCDBG Post Oak	Opioid Settlement
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
15,863	276,867	27,500	56,940	37,350	-
-	-	-	-	-	-
26,657	-	-	-	-	-
434	9,587	38	-	-	50
-	-	-	-	-	-
42,954	286,454	27,538	56,940	37,350	50
-	-	-	-	-	-
-	107,954	-	-	-	-
9,621	178,500	27,687	-	-	-
8,603	-	-	-	16,000	-
-	-	-	56,940	21,350	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
18,224	286,454	27,687	56,940	37,350	-
24,730	-	(149)	-	-	50
-	-	-	-	-	85,782
-	-	-	-	-	-
-	-	-	-	-	85,782
24,730	-	(149)	-	-	85,832
74,199	-	1,491	-	-	-
$ 98,929	$ -	$ 1,342	$ -	$ -	$ 85,832

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HILL COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Capital Projects	Debt Service	
	Courthouse Project	Debt Service	Non-Major Governmental Funds
REVENUES			
Taxes:			
Property	$ -	$ 624,038	$ 1,932,017
Sales	-	-	366,508
Other	-	-	56,039
Intergovernmental	-	-	531,015
Charges for services	16,162	-	620,773
Fines and forfeitures	-	-	33,660
Investment earnings	133	5,817	131,307
Miscellaneous	-	-	175,767
Total Revenues	16,295	629,855	3,847,086
EXPENDITURES			
Current:			
General government	-	-	91,753
Legal	-	-	107,954
Judicial	-	-	1,041,809
Public safety	-	-	77,412
Public transportation	-	-	78,290
Health and welfare	-	-	1,063,161
Debt service:			
Principal	-	540,000	540,000
Interest and fiscal charges	-	81,400	81,400
Total Expenditures	-	621,400	3,081,779
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	16,295	8,455	765,307
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	425,787
Transfers out	(35,000)	-	(765,000)
Total Other Financing Sources (Uses)	(35,000)	-	(339,213)
NET CHANGE IN FUND BALANCES	(18,705)	8,455	426,094
FUND BALANCE - BEGINNING	40,920	105,276	3,408,041
FUND BALANCES - ENDING	$ 22,215	$ 113,731	$ 3,834,135

HILL COUNTY, TEXAS

COUNTY CLERK FUND
(COUNTY CLERK RECORDS, PROBATE EDUCATION AND COUNTY CLERK ARCHIVE SUBFUNDS)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget- Positive
	Original	Final	Actual	(Negative)
REVENUES				
Charges for services	$ 177,410	$ 177,410	$ 185,845	$ 8,435
Investment earnings	19,400	19,400	69,290	49,890
Total Revenues	196,810	196,810	255,135	58,325
EXPENDITURES				
Current:				
General administration	177,517	177,517	48,523	128,994
Total Expenditures	177,517	177,517	48,523	128,994
Net Change in Fund Balance	19,293	19,293	206,612	187,319
Fund Balances - Beginning	1,619,382	1,619,382	1,619,382	-
Fund Balances - Ending	$ 1,638,675	$ 1,638,675	$ 1,825,994	$ 187,319

HILL COUNTY, TEXAS

COUNTY CLERK COURT PRESERVATION FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget- Positive
	Original	Final	Actual	(Negative)
REVENUES				
Investment earnings	$ 15	$ 15	$ 25	$ 10
Total Revenues	15	15	25	10
EXPENDITURES				
Current:				
General administration	1,500	1,500	-	1,500
Total Expenditures	1,500	1,500	-	1,500
Net Change in Fund Balance	(1,485)	(1,485)	25	1,510
Fund Balances - Beginning	5,984	5,984	5,984	-
Fund Balances - Ending	$ 4,499	$ 4,499	$ 6,009	$ 1,510

HILL COUNTY, TEXAS

COUNTY SPECIALTY COURT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget- Positive
	Original	Final	Actual	(Negative)
REVENUES				
Charges for services	$ 7,500	$ 7,500	$ 7,156	$ (344)
Investment earnings	96	96	211	115
Total Revenues	7,596	7,596	7,367	(229)
EXPENDITURES				
Current:				
General administration	5,400	5,400	2,964	2,436
Total Expenditures	5,400	5,400	2,964	2,436
Net Change in Fund Balance	2,196	2,196	4,403	2,207
Fund Balances - Beginning	48,674	48,674	48,674	-
Fund Balances - Ending	$ 50,870	$ 50,870	$ 53,077	$ 2,207

HILL COUNTY, TEXAS

COURTHOUSE SECURITY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget- Positive
	Original	Final	Actual	(Negative)
REVENUES				
Charges for services	$ 29,000	$ 29,000	$ 29,145	$ 145
Investment earnings	100	100	2,826	2,726
Total Revenues	29,100	29,100	31,971	2,871
OTHER FINANCING SOURCES (USES)				
Transfers out	(80,000)	(80,000)	(80,000)	-
Total Other Financing Sources (Uses)	(80,000)	(80,000)	(80,000)	-
Net Change in Fund Balance	(50,900)	(50,900)	(48,029)	2,871
Fund Balances - Beginning	102,214	102,214	102,214	-
Fund Balances - Ending	$ 51,314	$ 51,314	$ 54,185	$ 2,871

HILL COUNTY, TEXAS

D.A. FORFEITED PROPERTY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget- Positive
	Original	Final	Actual	(Negative)
REVENUES				
Investment earnings	$ 1,000	$ 1,000	$ 6,907	$ 5,907
Miscellaneous	35,000	123,720	123,720	-
Total Revenues	36,000	124,720	130,627	5,907
EXPENDITURES				
Current:				
Judicial	33,000	121,720	93,284	28,436
Total Expenditures	33,000	121,720	93,284	28,436
Net Change in Fund Balance	3,000	3,000	37,343	34,343
Fund Balances - Beginning	266,422	266,422	266,422	-
Fund Balances - Ending	$ 269,422	$ 269,422	$ 303,765	$ 34,343

HILL COUNTY, TEXAS

DISTRICT CLERK ARCHIVE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	$ 300	$ 300	$ 289	$ (11)
Interest	18	18	71	53
Total Revenues	318	318	360	42
EXPENDITURES				
Current:				
General government	20,000	20,000	882	19,118
Total Expenditures	20,000	20,000	882	19,118
Net Change in Fund Balance	(19,682)	(19,682)	(522)	19,160
Fund Balances - Beginning	17,509	17,509	17,509	-
Fund Balances - Ending	$ (2,173)	$ (2,173)	$ 16,987	$ 19,160

HILL COUNTY, TEXAS

ELECTION MACHINE LEASE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget- Positive
	Original	Final	Actual	(Negative)
REVENUES				
Investment earnings	$ 160	$ 160	$ 240	$ 80
Miscellaneous	-	-	1,600	1,600
Total Revenues	160	160	1,840	1,680
EXPENDITURES				
Current:				
General government	10,000	10,000	10,000	-
Total Expenditures	10,000	10,000	10,000	-
Net Change in Fund Balance	(9,840)	(9,840)	(8,160)	1,680
Fund Balances - Beginning	53,350	53,350	53,350	-
Fund Balances - Ending	$ 43,510	$ 43,510	$ 45,190	$ 1,680

HILL COUNTY, TEXAS

HILL COUNTY TOURISM FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget- Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes:				
Other	$ 39,000	$ 39,000	$ 56,039	$ 17,039
Investment earnings	4,200	4,200	5,122	922
Total Revenues	43,200	43,200	61,161	17,961
EXPENDITURES				
Current:				
General government	41,605	41,605	23,848	17,757
Total Expenditures	41,605	41,605	23,848	17,757
Net Change in Fund Balance	1,595	1,595	37,313	35,718
Fund Balances - Beginning	149,761	149,761	149,761	-
Fund Balances - Ending	$ 151,356	$ 151,356	$ 187,074	$ 35,718

HILL COUNTY, TEXAS

INDIGENT HEALTH CARE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Property	$ 1,349,623	$ 1,349,623	$ 1,307,979	$ (41,644)
Sales	333,240	333,240	366,508	33,268
Miscellaneous	12,000	12,000	19,615	7,615
Total Revenues	1,694,863	1,694,863	1,694,102	(761)
EXPENDITURES				
Current:				
Judicial	-	-	3,290	(3,290)
Health and welfare	1,018,016	1,018,016	1,056,510	(38,494)
Total Expenditures	1,018,016	1,018,016	1,059,800	(41,784)
Excess (Deficiency) of Revenues Over (Under) Expenditures	676,847	676,847	634,302	(42,545)
OTHER FINANCING SOURCES (USES)				
Transfers out	(680,000)	(680,000)	(635,000)	45,000
Total Other Financing Sources (Uses)	(680,000)	(680,000)	(635,000)	45,000
Net Change in Fund Balance	(3,153)	(3,153)	(698)	2,455
Fund Balances - Beginning	103,696	103,696	103,696	-
Fund Balances - Ending	$ 100,543	$ 100,543	$ 102,998	$ 2,455

HILL COUNTY, TEXAS

JURY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget- Positive
	Original	Final	Actual	(Negative)
REVENUES				
Intergovernmental	$ 68,200	$ 68,200	$ 64,861	$ (3,339)
Charges for services	266,445	266,445	293,169	26,724
Investment earnings	150	150	536	386
Miscellaneous	25,000	25,000	19,882	(5,118)
Total Revenues	359,795	359,795	378,448	18,653
EXPENDITURES				
Current:				
Judicial	664,500	664,500	671,384	(6,884)
Health and welfare	-	-	3,651	(3,651)
Total Expenditures	664,500	664,500	675,035	(10,535)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(304,705)	(304,705)	(296,587)	8,118
OTHER FINANCING SOURCES (USES)				
Transfers in	340,005	340,005	340,005	-
Total Other Financing Sources (Uses)	340,005	340,005	340,005	-
Net Change in Fund Balance	35,300	35,300	43,418	8,118
Fund Balances - Beginning	(22,067)	(22,067)	(22,067)	-
Fund Balances - Ending	$ 13,233	$ 13,233	$ 21,351	$ 8,118

HILL COUNTY, TEXAS

JUSTICE COURT TECHNOLOGY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	$ 6,300	$ 6,300	$ 9,748	$ 3,448
Investment earnings	180	180	1,474	1,294
Total Revenues	6,480	6,480	11,222	4,742
OTHER FINANCING SOURCES (USES)				
Transfers out	(15,000)	(15,000)	(15,000)	-
Total Other Financing Sources (Uses)	(15,000)	(15,000)	(15,000)	-
Net Change in Fund Balance	(8,520)	(8,520)	(3,778)	4,742
Fund Balances - Beginning	47,869	47,869	47,869	-
Fund Balances - Ending	$ 39,349	$ 39,349	$ 44,091	$ 4,742

HILL COUNTY, TEXAS

LAW LIBRARY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

	Budgeted Amounts			Variance with Final Budget- Positive
	Original	Final	Actual	(Negative)
REVENUES				
Charges for services	$ 27,410	$ 27,410	$ 28,319	$ 909
Investment earnings	300	300	1,862	1,562
Total Revenues	27,710	27,710	30,181	2,471
EXPENDITURES				
Current:				
Judicial	30,500	30,500	24,703	5,797
Total Expenditures	30,500	30,500	24,703	5,797
Net Change in Fund Balance	(2,790)	(2,790)	5,478	8,268
Fund Balances - Beginning	60,123	60,123	60,123	-
Fund Balances - Ending	$ 57,333	$ 57,333	$ 65,601	$ 8,268

HILL COUNTY, TEXAS

RECORDS PRESERVATION AND MANAGEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget-Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	$ 34,500	$ 34,500	$ 33,247	$ (1,253)
Investment earnings	50	50	2,645	2,595
Total Revenues	34,550	34,550	35,892	1,342
EXPENDITURES				
Current:				
Judicial	62,093	62,093	32,299	29,794
Total Expenditures	62,093	62,093	32,299	29,794
Net Change in Fund Balance	(27,543)	(27,543)	3,593	31,136
Fund Balances - Beginning	79,712	79,712	79,712	-
Fund Balances - Ending	$ 52,169	$ 52,169	$ 83,305	$ 31,136

HILL COUNTY, TEXAS

SHERIFF DEPARTMENT FUND
(LAW ENFORCEMENT EDUCATION, FEDERAL SEIZURES, FEDERAL DoT, INVESTIGATIVE SUBFUNDS)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget- Positive
	Original	Final	Actual	(Negative)
REVENUES				
Intergovernmental	$ -	$ -	$ 15,863	$ 15,863
Fines and forfeitures	-	-	26,657	26,657
Investment earnings	200	200	434	234
Total Revenues	200	200	42,954	42,754
EXPENDITURES				
Current:				
Judicial	-	-	9,621	(9,621)
Public safety	41,000	41,000	8,603	32,397
Total Expenditures	41,000	41,000	18,224	22,776
Net Change in Fund Balance	(40,800)	(40,800)	24,730	65,530
Fund Balances - Beginning	74,199	74,199	74,199	-
Fund Balances - Ending	$ 33,399	$ 33,399	$ 98,929	$ 65,530

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HILL COUNTY, TEXAS

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget- Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes:				
Property	$ 540,810	$ 540,810	$ 624,038	$ 83,228
Investment earnings	12,499	12,499	5,817	(6,682)
Total Revenues	553,309	553,309	629,855	76,546
EXPENDITURES				
Debt service:				
Principal	540,000	540,000	540,000	-
Interest and other	81,405	81,405	81,400	5
Total Expenditures	621,405	621,405	621,400	5
Net Change in Fund Balance	(68,096)	(68,096)	8,455	76,551
Fund Balances - Beginning	105,276	105,276	105,276	-
Fund Balances - Ending	$ 37,180	$ 37,180	$ 113,731	$ 76,551

HILL COUNTY, TEXAS

ROAD AND BRIDGE SUBFUNDS

COMBINING BALANCE SHEET

SEPTEMBER 30, 2025

	Road and Bridge General	Road and Bridge No. 1	Road and Bridge No. 2	Road and Bridge No. 3
ASSETS				
Cash and cash equivalents	$ 37,888	$ 234,088	$ 69,333	$ 409,538
Receivables (net of allowance for uncollectibles)	45	47,550	47,226	54,018
Due from other governments	17,561	171,726	-	-
Due from other funds	2,536	2,093	61,711	72,176
Total Assets	58,030	455,457	178,270	535,732
LIABILITIES				
Accounts payable	10,553	118,739	11,088	34,216
Accrued liabilities	9,652	25,321	17,564	20,616
Total Liabilities	20,205	144,060	28,652	54,832
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	-	29,034	28,856	32,953
Total Deferred Inflows of Resources	-	29,034	28,856	32,953
FUND BALANCES				
Restricted for:				
Public transportation	37,825	282,363	120,762	447,947
Total Fund Balances	37,825	282,363	120,762	447,947
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 58,030	$ 455,457	$ 178,270	$ 535,732

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
$ 116,576	$ 247,419	$ 1,992	$ 117,584	$ 300	$ 1,234,718
46,742	120,431	64,624	73,799	62,511	516,946
-	-	-	-	-	189,287
20,647	-	95,000	310,000	93,000	657,163
183,965	367,850	161,616	501,383	155,811	2,598,114
48,302	33,234	20,490	40,579	8,168	325,369
19,046	-	-	-	-	92,199
67,348	33,234	20,490	40,579	8,168	417,568
27,906	60,809	60,436	69,016	58,445	367,455
27,906	60,809	60,436	69,016	58,445	367,455
88,711	273,807	80,690	391,788	89,198	1,813,091
88,711	273,807	80,690	391,788	89,198	1,813,091
$ 183,965	$ 367,850	$ 161,616	$ 501,383	$ 155,811	$ 2,598,114

HILL COUNTY, TEXAS

ROAD AND BRIDGE SUBFUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Road and Bridge General	Road and Bridge No. 1	Road and Bridge No. 2	Road and Bridge No. 3
REVENUES				
Taxes:				
Property	$ -	$ 345,217	$ 343,103	$ 391,813
Sales	-	95,214	94,628	108,065
Intergovernmental	54,061	13,579	13,496	15,412
License and permits	-	238,622	237,395	265,619
Charges for services	152,630	-	-	-
Investment earnings	141	25,529	10,338	27,890
Contributions and donations	-	10,950	50,700	-
Miscellaneous	-	565	-	12,799
Total Revenues	206,832	729,676	749,660	821,598
EXPENDITURES				
Public transportation	383,594	1,304,006	863,679	756,286
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	383,594	1,304,006	863,679	756,286
Excess (Deficiency) of Revenues Over (Under) Expenditures	(176,762)	(574,330)	(114,019)	65,312
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	1,651	89,695	27,000
Issuance of financed purchases	-	346,121	-	-
Transfers in	205,000	95,000	95,000	95,000
Transfers out	-	-	(65,750)	-
Total Other Financing Sources (Uses)	205,000	442,772	118,945	122,000
Net Changes in Fund Balances	28,238	(131,558)	4,926	187,312
Fund Balances - Beginning	9,587	413,921	115,836	260,635
Fund Balances - Ending	$ 37,825	$ 282,363	$ 120,762	$ 447,947

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
$ 331,806	$ 781,790	$ 776,993	$ 887,307	$ 751,414	$ 4,609,443
91,513	-	-	-	-	389,420
13,051	-	-	-	-	109,599
230,849	-	-	-	-	972,485
-	-	-	-	-	152,630
6,822	-	-	-	-	70,720
14,000	-	-	-	-	75,650
789	-	-	-	-	14,153
688,830	781,790	776,993	887,307	751,414	6,394,100
767,695	714,151	915,584	953,254	516,805	7,175,054
-	164,245	-	121,558	240,166	525,969
-	17,130	-	2,374	33,414	52,918
767,695	895,526	915,584	1,077,186	790,385	7,753,941
(78,865)	(113,736)	(138,591)	(189,879)	(38,971)	(1,359,841)
210	40,000	-	39,895	-	198,451
-	30,019	-	-	-	376,140
95,000	-	-	-	-	585,000
-	-	-	-	-	(65,750)
95,210	70,019	-	39,895	-	1,093,841
16,345	(43,717)	(138,591)	(149,984)	(38,971)	(266,000)
72,366	317,524	219,281	541,772	128,169	2,079,091
$ 88,711	$ 273,807	$ 80,690	$ 391,788	$ 89,198	$ 1,813,091

HILL COUNTY, TEXAS

COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS

SEPTEMBER 30, 2025

	Custodial Funds		
	HCCF DC Civil	Criminal Justice	District Attorney Seizure Account
ASSETS			
Cash and cash equivalents	$ 736,882	$ 89,065	$ 66,269
Due from other governments	-	-	-
Accounts receivable	-	3	-
Total assets	736,882	89,068	66,269
LIABILITIES			
Accounts payable	-	89,298	-
Accrued liabilities	-	-	-
Total liabilities	-	89,298	-
NET POSITION			
Restricted for:			
Individuals and organizations	736,882	(230)	66,269
Total net position	$ 736,882	$ (230)	$ 66,269

Custodial Funds			
County Officer Accounts	Adult Probation	Juvenile Probation	Total Custodial Funds
$ 1,351,361	$ 911,177	$ 555,635	$ 3,710,389
-	-	19,202	19,202
-	-	2,258	2,261
1,351,361	911,177	577,095	3,731,852
85,255	7,934	30,645	213,132
-	45,310	20,548	65,858
85,255	53,244	51,193	278,990
1,266,106	857,933	525,902	3,452,862
$ 1,266,106	$ 857,933	$ 525,902	$ 3,452,862

HILL COUNTY, TEXAS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Custodial Funds		
	HCCF DC Civil	Criminal Justice	District Attorney Seizure Account
ADDITIONS			
State fees	$ -	$ 377,855	$ -
Receipts from other governments	-	-	-
Receipts from other individuals	-	-	-
Charges for services	11,148	-	-
Court fees	1,368,920	-	-
Interest income	-	-	537
Miscellaneous	-	-	-
Seized funds	-	-	93,921
Total additions	1,380,068	377,855	94,458
DEDUCTIONS			
Distributions to other governments	-	377,853	123,720
Distributions to others	1,789,688	-	9,052
Total deductions	1,789,688	377,853	132,772
Net increase (decrease) in fiduciary net position	(409,620)	2	(38,314)
Net position - beginning	1,146,502	(232)	104,583
Net position - ending	$ 736,882	$ (230)	$ 66,269

Custodial Funds			
County Officer Accounts	Adult Probation	Juvenile Probation	Total Custodial Funds
$ 534,341	$ -	$ -	$ 912,196
-	629,528	861,919	1,491,447
52,343,357	-	-	52,343,357
-	542,074	63,313	616,535
-	-	-	1,368,920
-	17,276	2,803	20,616
-	-	41,143	41,143
-	-	-	93,921
52,877,698	1,188,878	969,178	56,888,135
52,741,517	-	-	53,243,090
534,342	1,205,506	882,405	4,420,993
53,275,859	1,205,506	882,405	57,664,083
(398,161)	(16,628)	86,773	(775,948)
1,664,267	874,561	439,129	4,228,810
$ 1,266,106	$ 857,933	$ 525,902	$ 3,452,862

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COMPLIANCE SECTION

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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 Honorable County Judge
and Members of the 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 (the "County"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 14, 2026.

Report on Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for determining the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
July 14, 2026