

HILL COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
September 30, 2020

Hill County, Texas
Annual Financial Report
For the Fiscal Year Ended September 30, 2020

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FINANCIAL SECTION

BEYER & Co.
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hill County, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Hill County, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hill County, Texas, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Road and Bridge Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the employees' retirement system information on pages 3–10 and 87-98 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

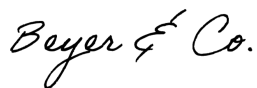
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hill County, Texas' basic financial statements. Combined and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2021, on our consideration of Hill County, Texas'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 Hill County, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hill County, Texas's internal control over financial reporting and compliance.



BEYER & COMPANY
Certified Public Accountants
June 21, 2021

Management's Discussion and Analysis

Financial Highlights

- . The assets of Hill County, Texas exceeded its liabilities at the close of the most recent fiscal year by \$33,437,728 (net assets). Of this amount, \$8,548,973 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total net assets increased by \$1,639,597. This increase was precipitated by a decrease in net pension debt of \$2,070,868, an increase in ad valorem taxes of \$831,704, and careful budget management.
- . As of the close of the current fiscal year, Hill County, Texas' governmental funds reported combined ending fund balances of \$13,615,343 an increase of \$1,243,415 in comparison with the prior year. Approximately 52% of this total amount, \$7,087,687, is available for spending at the government's discretion (unreserved fund balance).
- . At the end of the current fiscal year, the unreserved fund balance for the general fund was \$7,087,687, or 44 percent of total general fund expenditures and the restricted fund balance for the road and bridge fund was \$1,908,734, or 20 percent of total road and bridge fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

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

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

Governmental funds:

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

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

Hill County, Texas maintains twenty-eight (29) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, and the road and bridge funds, all of which are major funds. Data from the other twenty-seven (27) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Budgets for the 2020 fiscal year were adopted for the General Fund and the Road and Bridge Funds.

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

Proprietary funds:

Hill County, Texas maintains no type of proprietary fund.

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

Notes to the financial statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-86 of this report.

Other information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Hill County, Texas' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 87-98 of this report.

The combining statements referred to earlier in connection with major road and bridge funds, agency funds, and non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 99-110 of this report.

The Single Audit Section can be found on pages 111-117 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Hill County, Texas, assets exceeded liabilities by \$33,437,728 at the close of the most recent fiscal year.

58% of Hill County, Texas' net assets (\$19,299,337) reflect its investment in capital assets (e.g., land, buildings, machinery, infrastructure, and equipment); less any related debt used to acquire those assets that is still outstanding. Hill County, Texas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Hill County, Texas' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**HILL COUNTY, TEXAS
NET ASSETS**

	Governmental Activities		Total	
	2020	2019	2020	2019
Current and Other Assets	\$17,338,456	\$16,186,278	\$17,338,456	\$16,186,278
Capital Assets:	26,089,203	23,978,166	26,089,203	23,978,166
Total Assets	<u>43,427,659</u>	<u>40,164,444</u>	<u>43,427,659</u>	<u>40,164,444</u>
Total Deferred Outflows of Resources	<u>1,451,396</u>	<u>2,725,557</u>	<u>1,451,396</u>	<u>2,725,557</u>
Long-Term Liabilities	9,361,766	9,181,409	9,361,766	9,181,409
Other Liabilities	1,340,020	1,401,401	1,340,020	1,401,401
Total Liabilities	<u>10,701,786</u>	<u>10,582,810</u>	<u>10,701,786</u>	<u>10,582,810</u>
Total Deferred Inflows of Resources	<u>739,541</u>	<u>509,060</u>	<u>739,541</u>	<u>509,060</u>
Invested in Capital Assets, Net of Related Debt	19,299,337	19,301,649	19,299,337	19,301,649
Restricted	5,589,418	5,037,783	5,589,418	5,037,783
Unrestricted	8,548,973	7,458,699	8,548,973	7,458,699
Total Net Assets	<u>\$33,437,728</u>	<u>\$31,798,131</u>	<u>\$33,437,728</u>	<u>\$31,798,131</u>

An additional portion of Hill County, Texas' net assets (17 percent) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$8,548,973) may be used to meet the governments on going obligations to citizens and creditors. At the end of the current fiscal year, Hill County, Texas reported a positive balance in the governmental activities. For the prior fiscal year, Hill County, Texas reported positive balances in net assets, both for the government, as well as for its separate governmental activities.

Governmental activities:

Governmental activities increased Hill County, Texas' net assets by \$1,639,597, thereby accounting for 100 percent of the total increase in the net assets of Hill County, Texas.

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

	Governmental Activities		Total	
	2020	2019	2020	2019
Revenues:				
Program Revenues:				
Charges for Services	\$3,701,110	\$3,887,441	\$3,701,110	\$3,887,441
Operating Grants and Contributions	2,939,580	1,813,859	2,939,580	1,813,859
Capital Grants and Contributions	3,412,537	161,864	3,412,537	161,864
General Revenues:				
Maintenance and Operations Taxes	14,313,086	13,501,675	14,313,086	13,501,675
Sales Taxes	2,326,392	2,591,953	2,326,392	2,591,953
Other Taxes	29,159	32,371	29,159	32,371
Unrestricted Investment Earnings	258,076	317,988	258,076	317,988
Miscellaneous	233,233	553,372	233,233	553,372
Special items				
Contributions and Donations	199,500	5,100	199,500	5,100
Sale of Capital assets	39,404	197,410	39,404	197,410
Total Revenue	<u>27,452,077</u>	<u>23,063,033</u>	<u>27,452,077</u>	<u>23,063,033</u>
Expenses:				
General Administration	3,688,282	2,706,178	3,688,282	2,706,178
Legal	405,560	415,950	405,560	415,950
Judicial	2,524,676	2,767,021	2,524,676	2,767,021
Financial Administration	913,194	1,007,830	913,194	1,007,830
Public Facilities	734,709	994,947	734,709	994,947
Public Safety	8,542,339	8,635,047	8,542,339	8,635,047
Public Transportation	7,833,280	6,235,749	7,833,280	6,235,749
Culture and Recreation	121	1,414	121	1,414
Health and Welfare	847,550	760,237	847,550	760,237
Conservation - Agriculture	143,573	161,284	143,573	161,284
Interest and Fiscal Charges	179,196	173,188	179,196	173,188
Total Expenses	<u>25,812,480</u>	<u>23,858,845</u>	<u>25,812,480</u>	<u>23,858,845</u>
Increase in Net Assets	1,639,597	(795,812)	1,639,597	(795,812)
Net Assets at 09/30/2019 - Restated	<u>31,798,131</u>	<u>32,593,943</u>	<u>31,798,131</u>	<u>32,593,943</u>
Net Assets at 09/30/2020	<u>\$33,437,728</u>	<u>\$31,798,131</u>	<u>\$33,437,728</u>	<u>\$31,798,131</u>

This increase was precipitated by a decrease in net pension debt of \$2,070,868, an increase in ad valorem taxes of \$831,704, and careful budget management.

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Government Activities:				
General Administration	\$3,688,282	\$524,619	\$1,338,537	
Legal	405,560	8,587	77,000	
Judicial	2,524,676	680,570	139,170	
Financial Administration	913,194	643,527		
Public Facilities	734,709			
Public Safety	8,542,339	767,693	1,374,449	
Public Transportation	7,833,280	1,031,928		3,412,537
Culture and Recreation	121			
Health and Welfare	847,550	44,186	10,424	
Conservation - Agriculture	143,573			
Interest and Fiscal Charges	179,196			
Total Government Activities	<u>\$25,812,480</u>	<u>\$3,701,110</u>	<u>\$2,939,580</u>	<u>\$3,412,537</u>

Revenues by Source - Governmental Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$3,701,110	13.48%
Operating Grants and Contributions	2,939,580	10.71%
Capital Grants and Contributions	3,412,537	12.43%
Maintenance and Operations Taxes	14,313,086	52.14%
Sales Taxes	2,326,392	8.47%
Other Taxes	29,159	0.11%
Unrestricted Investment Earnings	258,076	0.94%
Miscellaneous	233,233	0.85%
Contributions and Donations	199,500	0.73%
Sale of Capital assets	39,404	0.14%
	<u>\$27,452,077</u>	<u>100.00%</u>

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

Financial Analysis of the Government's Funds

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

Governmental funds:

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

As of the end of the current fiscal year, Hill County, Texas' governmental funds reported combined ending fund balances of \$13,615,343, an increase of \$1,243,415 in comparison with the prior year. Approximately 52 percent of this total amount \$7,087,687 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remaining restricted and assigned amounts of \$5,228,363 are to be used for the various functions of the County.

The general fund is the chief operating fund of Hill County, Texas. At the end of the current fiscal year, unreserved fund balance of the general fund was \$7,087,687, while total fund balance reached \$8,025,925. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 44 percent of total general fund expenditures, while total fund balance represents 50 percent of that same amount.

The fund balance of Hill County, Texas' general fund increased by \$783,580 during the current fiscal year. Key factors in this increase are as follows:

- . Ad valorem taxes increased by \$542,822 and careful budget management.

At the end of the current fiscal year, restricted fund balance of the road and bridge fund was \$1,908,734, while total fund balance reached \$1,908,734. As a measure of the road and bridge fund's liquidity, it may be useful to compare restricted fund balance to total fund expenditures. Restricted fund balance represents 20 percent of total road and bridge fund expenditures, while total fund balance represents 20 percent of that same amount.

The fund balance of Hill County, Texas' road and bridge fund increased by \$253,387 during the current fiscal year. Key factors in this increase are as follows:

- . Ad valorem taxes increased by \$192,256 and careful budget management.

Fund Budgetary Highlights

Differences between the original budget and the final amended budget for the general fund expenditures amounted to an increase of \$2,992,102. The largest components of the increase were attributable to the sheriff department, the Elections Administration department, and non-departmental which increased by \$382,450, \$380,232, and \$2,010,780, respectively. The increases were precipitated by capital purchases and grant expenditures.

Capital Asset and Debt Administration

Capital assets:

Hill County, Texas' investment in capital assets for its governmental activities as of September 30, 2020, amounts to \$26,089,203 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, and infrastructure items such as roads, highways, and bridges. The total increase in Hill County, Texas' investment in capital assets for the current fiscal year was \$2,111,037 or 8.80 percent.

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

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

	Governmental Activities		Total	
	2020	2019	2020	2019
Land	\$91,650	\$91,650	\$91,650	\$91,650
Building and Improvements	11,881,668	11,616,735	11,881,668	11,616,735
Machinery and Equipment	6,355,900	4,988,054	6,355,900	4,988,054
Infrastructure	7,759,985	7,281,727	7,759,985	7,281,727
Total	\$26,089,203	\$23,978,166	\$26,089,203	\$23,978,166

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

Long-term debt:

At the end of the current fiscal year, Hill County, Texas had total bonded debt outstanding of \$2,595,000. All of which comprises debt backed by the full faith and credit of Hill County, Texas.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
<u>Governmental Activities:</u>						
Certificates of Obligation	\$3,110,000		\$515,000	\$2,595,000	\$535,000	\$2,060,000
Grand Total	\$3,110,000	\$0	\$515,000	\$2,595,000	\$535,000	\$2,060,000

Hill County, Texas’ total bonded debt decreased by \$515,000 (16.56 percent) during the current fiscal year. The key factor in this decrease was the payment of certificates of obligation bonds of \$515,000.

Additional information on Hill County, Texas’ long-term debt can be found in note IV F on pages 36 thru 38 of this report.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

Several large gas station / convenience stores are either in the construction or planning stages in the County along the I-35 corridor. A sizeable store is being built at the city of Abbott and there are plans for more in the Hillsboro area. More service businesses are returning to the community as the pandemic releases its grip on the County’s economy.

Hill County continues to benefit from recent growth and investment in the County. Although our sales tax growth was stunted by COVID-19, the coronavirus did not disrupt revenue as much as originally feared. Property tax collections remained constant with prior years. Sales tax was budgeted for FY 2020 at \$2.8 million but came in at only \$2.326 million. Actual FY 2020 sales tax revenue was only \$265,560 less than actual FY 2019. Sales tax revenue for FY 2021 is on target to reach a record \$2.9 million. The \$50 million manufacturing plant broke ground in September 2020 and is projected to be completed by mid-2022. The plant will manufacture polyiso products which support roof insulation. The investment will include a JM roofing distribution center and will employ more than fifty (50) people.

Of the three (3) solar projects that have approached the county, two are moving forward with one expected to turn dirt in the late 3rd quarter of 2021. This will be another sizable investment in the County. More than half of the originally planned forty (40) wind turbines have been constructed in the County to date. There are currently plans in the works to increase the number of turbines from forty (40) to approximately eighty (80).

During the current fiscal year, Commissioners' Court has approved four (4) final plats for subdivisions and several minor plats. This includes more than one hundred and forty-nine (149) lots for potential new homes that may be added to the current tax base. The local housing market is very active with continued rising prices. Home builders are reported to be several months out from starting new homes due to construction demand.

The Hill County courthouse suffered major damage due to the February 2021 ice storm. The damage was fully insured. Besides the structural repairs at the courthouse, the County plans to consolidate our annexes and build a new building to house AG Extension, the teaching arm of the County. The renovated Covington annex will include office space for Elections, the Tax Office, DPS and expanded Child Advocacy Center square footage.

For 2021 and 2022, Hill County is continuing its efforts to budget some of its reserves for improvements to our aging infrastructure. The old jail has been transformed into a secure, structurally sound, and climate-controlled storage facility to house all County records. This has allowed for files to be transferred from the Covington and Franklin Street Annexes to one main records depository, improving efficiency. The County has jointly purchased with the City of Hillsboro a property on the northwest corner of the courthouse square. This property will be utilized as a parking lot.

Estimated general fund revenue for fiscal year 2021 is \$14,963,142 (including incoming transfers of \$945,500). Estimated expenditures for the General Fund are \$14,938,427 (including transfers out of \$240,000).

So far, Hill County appears to have been spared most of the financial impacts of the COVID-19 coronavirus. Additional grants obtained by the County have offset any fiscal losses the County may have had due to COVID-19. Hill County continues to implement policies to address for an increase in population and the corresponding demand for County services. Hill County well prepared for high paced growth in the next few years.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

HILL COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash and Cash Equivalents	\$11,755,670	\$11,755,670
Receivables (net of allowance for uncollectibles)	4,579,049	4,579,049
Inventory	226,590	226,590
Prepaid Items	777,147	777,147
Capital assets not being depreciated:		
Land	91,650	91,650
Total Capital assets being depreciated, net		
Building and Improvements	11,881,668	11,881,668
Machinery and Equipment	6,355,900	6,355,900
Infrastructure	7,759,985	7,759,985
Total Assets	<u>\$43,427,659</u>	<u>\$43,427,659</u>
DEFERRED OUTFLOWS OF RESOURCES		
GASB 68		
Deferred Outflow of Resources-Contributions (after 12/31/19)	1,205,464	1,205,464
Changes of assumptions	48,276	48,276
GASB 75		
Changes of assumptions	114,277	114,277
Deferred Charge on Refunding	83,379	83,379
Total Deferred Outflows of Resources	<u>1,451,396</u>	<u>1,451,396</u>
LIABILITIES		
Accounts Payable	\$988,265	\$988,265
Accrued Wages Payable	334,725	334,725
Accrued Interest Payable	17,030	17,030
Noncurrent Liabilities:		
Due within one year	1,587,057	1,587,057
Due in more than one year	7,774,709	7,774,709
Total Liabilities	<u>10,701,786</u>	<u>10,701,786</u>
DEFERRED INFLOWS OF RESOURCES		
GASB 68		
Differences between expected and actual experience	10,910	10,910
Net difference between projected and actual earnings	650,112	650,112
GASB 75		
Differences between expected and actual experience	78,519	78,519
Total Deferred Inflows of Resources	<u>739,541</u>	<u>739,541</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	19,299,337	19,299,337
Restricted		
Administration	1,299,293	1,299,293
Construction	89,788	89,788
Culture and Recreation	6,174	6,174
Debt Service	161,737	161,737
Elections	34,212	34,212
Health and Welfare	643,568	643,568
Judicial	453,668	453,668
Legal	17,225	17,225
Public Safety	975,019	975,019
Public Transportation	1,908,734	1,908,734
Unrestricted	8,548,973	8,548,973
Total Net Position	<u>\$33,437,728</u>	<u>\$33,437,728</u>

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Governmental Activities	Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions			Revenue and Changes in Net Position	Revenue and Changes in Net Position
						Total	Total
Primary Government							
Government Activities:							
General Administration	\$3,688,282	\$524,619	\$1,338,537		(\$1,825,126)	(\$1,825,126)	
Legal	405,560	8,587	77,000		(319,973)	(319,973)	
Judicial	2,524,676	680,570	139,170		(1,704,936)	(1,704,936)	
Financial Administration	913,194	643,527			(269,667)	(269,667)	
Public Facilities	734,709				(734,709)	(734,709)	
Public Safety	8,542,339	767,693	1,374,449		(6,400,197)	(6,400,197)	
Public Transportation	7,833,280	1,031,928		3,412,537	(3,388,815)	(3,388,815)	
Culture and Recreation	121				(121)	(121)	
Health and Welfare	847,550	44,186	10,424		(792,940)	(792,940)	
Conservation - Agriculture	143,573				(143,573)	(143,573)	
Interest and Fiscal Charges	179,196				(179,196)	(179,196)	
Total Government Activities	<u>25,812,480</u>	<u>3,701,110</u>	<u>2,939,580</u>	<u>3,412,537</u>	<u>(15,759,253)</u>	<u>(15,759,253)</u>	
Total Primary Government	<u>\$25,812,480</u>	<u>\$3,701,110</u>	<u>\$2,939,580</u>	<u>\$3,412,537</u>	<u>(15,759,253)</u>	<u>(15,759,253)</u>	
General Revenues							
Property Taxes, Levies for General Purposes					14,313,086	14,313,086	
Sales Taxes					2,326,392	2,326,392	
Other Taxes					29,159	29,159	
Unrestricted Investment Earnings					258,076	258,076	
Miscellaneous					233,233	233,233	
Special Items							
Contributions and Donations					199,500	199,500	
Sale of Capital Assets (Gain)					39,404	39,404	
Total General Revenues and Transfers					<u>17,398,850</u>	<u>17,398,850</u>	
Change in Net Position					1,639,597	1,639,597	
Net Position - Beginning - Restated					31,798,131	31,798,131	
Net Position - Ending					<u>\$33,437,728</u>	<u>\$33,437,728</u>	

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

HILL COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<i>ASSETS</i>				
Cash and Cash Equivalents	\$6,786,682	\$1,939,897	\$3,848,277	\$12,574,856
Receivables (net of allowance for uncollectibles)	2,359,897	1,548,911	278,448	4,187,256
Due from Others	156,640		5,845	162,485
Total Assets	<u>\$9,303,219</u>	<u>\$3,488,808</u>	<u>\$4,132,570</u>	<u>\$16,924,597</u>
 <i>LIABILITIES AND FUND BALANCES:</i>				
<i>Liabilities</i>				
Accounts Payable	\$232,887	\$519,040	\$236,338	\$988,265
Accrued Wages Payable	251,288	49,353	34,084	334,725
Due to Others	5,000		4,837	9,837
Bank Overdraft		770,153	49,033	819,186
Deferred Revenues	788,119	241,528	127,594	1,157,241
Total Liabilities	<u>1,277,294</u>	<u>1,580,074</u>	<u>451,886</u>	<u>3,309,254</u>
 <i>Fund Balances:</i>				
<i>Restricted</i>				
Administration			1,299,293	1,299,293
Construction			89,788	89,788
Culture and Recreation			6,174	6,174
Debt Service			161,737	161,737
Elections			34,212	34,212
Health and Welfare			643,568	643,568
Judicial			453,668	453,668
Legal			17,225	17,225
Public Safety			975,019	975,019
Public Transportation		1,908,734		1,908,734
<i>Assigned</i>				
Administration	938,238			938,238
Unassigned	7,087,687			7,087,687
Total Fund Balance	<u>8,025,925</u>	<u>1,908,734</u>	<u>3,680,684</u>	<u>13,615,343</u>
Total Liabilities and Fund Balances	<u>\$9,303,219</u>	<u>\$3,488,808</u>	<u>\$4,132,570</u>	<u>\$16,924,597</u>

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2020

Total Fund Balances - governmental funds balance sheet \$13,615,343

Amounts reported for governmental activities in the statement of Net Position ("SNP") are different because:

Capital assets used in governmental activities are not reported in the funds. 26,089,203

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 951,000

Prepaid Items are expenditures in the funds but are recorded as assets in the governmental activities. 777,147

Inventory Costs are expenditures in the funds but are recorded as assets in the governmental activities. 226,590

Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles). 1,157,241

Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds. (9,378,796)

Net Position of governmental activities - statement of Net Position \$33,437,728

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<i>REVENUES</i>				
Taxes				
Property	\$9,652,156	\$3,053,586	\$1,550,110	\$14,255,852
Sales	1,954,170	186,111	186,111	2,326,392
Other	29,159			29,159
Intergovernmental	1,571,539	3,412,537	1,368,041	6,352,117
Licenses and Permits		863,324		863,324
Charges for Services	1,429,083	168,604	1,126,238	2,723,925
Fines and Forfeitures	107,205			107,205
Interest	198,176	22,605	37,295	258,076
Contributions and Donations	0	199,500	0	199,500
Miscellaneous	137,013	26,790	69,430	233,233
Total Revenues	15,078,501	7,933,057	4,337,225	27,348,783
<i>EXPENDITURES</i>				
Current:				
General Administration	4,644,423		55,876	4,700,299
Legal	421,880		0	421,880
Judicial	2,032,698		555,889	2,588,587
Financial Administration	936,964			936,964
Public Facilities	448,449			448,449
Public Safety	6,826,666		1,832,105	8,658,771
Public Transportation		9,347,743		9,347,743
Culture and Recreation			121	121
Health and Welfare	269,583		565,884	835,467
Conservation - Agriculture	154,047			154,047
Debt Service				
Principal Retirement	340,497	163,099	515,000	1,018,596
Interest and Fiscal Charges	16,606	42,268	106,919	165,793
Total Expenditures	16,091,813	9,553,110	3,631,794	29,276,717
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,013,312)	(1,620,053)	705,431	(1,927,934)
<i>OTHER FINANCING SOURCES (USES):</i>				
Sale of Capital Assets	1,446	37,441	517	39,404
Other Financing Sources - Capital Lease	1,795,946	1,335,999		3,131,945
Operating Transfers In	224,500	500,000	225,000	949,500
Operating Transfers Out	(225,000)	0	(724,500)	(949,500)
Total Other Financing Sources (Uses)	1,796,892	1,873,440	(498,983)	3,171,349
Net Changes in Fund Balances	783,580	253,387	206,448	1,243,415
Fund Balances - Beginning	7,242,345	1,655,347	3,474,236	12,371,928
Fund Balances - Ending	\$8,025,925	\$1,908,734	\$3,680,684	\$13,615,343

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2020

Net Changes in Fund Balances - total governmental funds	\$1,243,415
Amounts reported for governmental activities in the statement of Net Position ("SNP") are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,111,037
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	6,656
(Increase) decrease in Compensated Absences from beginning of period to end of period.	(33,358)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	57,234
Increase (decrease) in Grants Receivable from beginning of period to end of period.	0
Increase (decrease) in Net Pension/OPEB Receivable from beginning of period to end of period.	(36,954)
Increase (decrease) in Deferred Charge on Refunding from beginning of period to end of period.	(16,676)
Increase (decrease) in Inventory from beginning of period to end of period.	(69,840)
Increase (decrease) in Prepaid Items from beginning of period to end of period.	(26,923)
(Increase) decrease in Accrued Interest Payable from beginning of period to end of period.	3,017
(Increase) decrease in Premium on bonds from beginning of period to end of period.	256
GASB 68	
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	134,131
Deferred Outflow-Differences between expected and actual experience. This is the change in these amounts this year.	411,602
Deferred Inflow-Changes of assumptions. This is the change in these amounts this year.	(72,881)
Deferred Inflow-Net difference between projected and actual earnings. This is the change in these amounts this year.	(2,081,983)
GASB 75	
Deferred Inflow-Differences between expected and actual experience. This is the change in these amounts this year.	(20,439)
Deferred Outflow-Changes of assumptions. This is the change in these amounts this year.	141,604
(Increase) decrease in Net Pension Liability from beginning of period to end of period.	2,070,868
(Increase) decrease in OPEB Liability from beginning of period to end of period.	(67,820)
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	1,018,596
Increase in loan principal are receipts in the funds but not revenue in the SOA.	(3,131,945)
Change in Net Position of governmental activities - statement of activities	<u>\$1,639,597</u>

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<i>REVENUES</i>				
Taxes				
Property	\$9,795,669	\$9,795,669	\$9,652,156	(\$143,513)
Sales	2,352,000	2,352,000	1,954,170	(397,830)
Other	30,995	30,995	29,159	(1,836)
Intergovernmental	270,680	666,913	1,571,539	904,626
Charges for Services	1,530,111	1,530,111	1,429,083	(101,028)
Fines and Forfeitures	119,110	119,110	107,205	(11,905)
Interest	220,000	220,001	198,176	(21,825)
Contributions		0	0	0
Miscellaneous	96,750	111,328	137,013	25,685
Total Revenues	14,415,315	14,826,127	15,078,501	252,374
<i>EXPENDITURES</i>				
Current:				
General Administration				
Computer	1,036,143	1,057,795	761,230	296,565
County Clerk	361,341	361,341	347,935	13,406
County Judge	213,854	213,855	207,596	6,259
Elections Administration	197,865	578,097	534,722	43,375
Non-Departmental	1,395,810	3,406,590	2,734,969	671,621
Tourism Director				
Veterans Service	61,170	61,170	57,971	3,199
Legal				
County Attorney	425,462	425,462	420,244	5,218
County Attorney Excess	21,421	21,421	1,636	19,785
Judicial				
County Court at Law	380,565	389,990	387,210	2,780
District Attorney	478,420	478,420	393,630	84,790
District Clerk	457,075	457,075	431,421	25,654
District Judge	247,525	247,525	241,132	6,393
Justices of the Peace	598,365	598,365	579,305	19,060
Financial Administration				
County Auditor	269,493	269,493	258,194	11,299
County Treasurer	235,620	235,620	228,514	7,106
Tax Assessor-Collector	491,046	491,046	450,256	40,790
Public Facilities		0		
Courthouse	466,870	466,870	448,449	18,421
Public Safety		0		
911 Dispatch	569,585	569,585	576,884	(7,299)
Animal Control	78,287	78,287	76,115	2,172
Constables	389,699	391,800	361,721	30,079
Courthouse Security	322,496	322,496	268,065	54,431
Crime Victims Assistance Coordinator	22,161	22,161	17,714	4,447
Emergency Management	140,593	151,054	146,637	4,417
Jail	2,718,802	2,718,802	2,609,163	109,639
Sheriff	2,398,174	2,780,624	2,770,367	10,257

(continued)

(continued)

Public Transportation				
Health and Welfare				
Public Assistance	241,886	241,886	191,991	49,895
Health and Safety	68,757	68,757	77,592	(8,835)
Conservation - Agriculture				
Agriculture Extension Service	179,725	179,725	154,047	25,678
Debt Service				
Principal Retirement	214,444	340,497	340,497	0
Interest Retirement	11,538	60,485	16,606	43,879
Total Expenditures	<u>14,694,192</u>	<u>17,686,294</u>	<u>16,091,813</u>	<u>1,594,481</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>(278,877)</u>	<u>(2,860,167)</u>	<u>(1,013,312)</u>	<u>1,846,855</u>
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets	0	0	1,446	1,446
Other Financing Sources - Miscellaneous Transfers	0	1,795,945	1,795,946	1
Operating Transfers In	224,500	224,500	224,500	0
Operating Transfers Out	(360,000)	(360,000)	(225,000)	135,000
Total Other Financing Sources (Uses)	<u>(135,500)</u>	<u>1,660,445</u>	<u>1,796,892</u>	<u>136,447</u>
Net Changes in Fund Balances	<u>(414,377)</u>	<u>(1,199,722)</u>	<u>783,580</u>	<u>1,983,302</u>
Fund Balances - Beginning	7,242,345	7,242,345	7,242,345	
Fund Balances - Ending	<u>\$6,827,968</u>	<u>\$6,042,623</u>	<u>\$8,025,925</u>	<u>\$1,983,302</u>

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

HILL COUNTY, TEXAS
ROAD AND BRIDGE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes				
Property	\$3,118,850	\$3,118,849	\$3,053,586	(\$65,263)
Sales	224,000	224,000	186,111	(37,889)
Intergovernmental	54,821	3,143,607	3,412,537	268,930
Licenses and Permits	858,801	858,801	863,324	4,523
Charges for Services	172,000	172,000	168,604	(3,396)
Interest	74,679	74,679	22,605	(52,074)
Contributions and Donations		110,000	199,500	89,500
Miscellaneous		14,804	26,790	11,986
Total Revenues	4,503,151	7,716,740	7,933,057	216,317
EXPENDITURES				
Current				
Public Transportation				
Road and Bridge	6,014,807	10,733,537	9,347,743	1,385,794
Debt Service				
Principal Retirement	162,447	162,447	163,099	(652)
Interest Retirement	43,167	43,167	42,268	899
Total Expenditures	6,220,421	10,939,151	9,553,110	1,386,041
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(1,717,270)	(3,222,411)	(1,620,053)	1,602,358
OTHER FINANCING SOURCES (USES):				
Sale of Capital Assets	0	37,441	37,441	0
Other Financing Sources - Capital Lease	0	1,335,998	1,335,999	1
Transfers in	500,000	500,000	500,000	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	500,000	1,873,439	1,873,440	1
Net Changes in Fund Balances	(1,217,270)	(1,348,972)	253,387	1,602,359
Fund Balances - Beginning		1,655,347	1,655,347	
Fund Balances - Ending	(\$1,217,270)	\$306,375	\$1,908,734	\$1,602,359

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

HILL COUNTY, TEXAS
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$2,451,013
Receivables (net of allowance for uncollectibles)	<u>0</u>
Total Assets	<u><u>\$2,451,013</u></u>
LIABILITIES	
Accounts Payable	\$0
Due to Others	<u>2,451,013</u>
Total Liabilities	<u><u>\$2,451,013</u></u>

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

HILL COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

I. Summary of Significant Accounting Policies

A. Reporting entity

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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

D. Assets, Liabilities, and Net position or Equity

1. Deposits and Investments

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

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

2. Receivables and Payables

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

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

All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to a total of 1 percent of the current outstanding property taxes at September 30, 2020, and 10 percent of the delinquent outstanding property taxes at September 30, 2020.

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

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

There were no restricted assets at September 30, 2020.

5. Capital Assets

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

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

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

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

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

6. Compensated Absences

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

7. Long-Term Obligations

In the government-wide financial statements in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs and loss on refunding, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs and loss on refunding are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Balances – Governmental Funds

As of September 30, 2020, fund balances of the governmental funds are classified as follows:

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

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

Unassigned — all other spendable amounts.

As of September 30, 2020, fund balances are composed of the following:

Fund Balances:	
Restricted	
Administration	\$1,299,293
Construction	89,788
Culture and Recreation	6,174
Debt Service	161,737
Elections	34,212
Health and Welfare	643,568
Judicial	453,668
Legal	17,225
Public Safety	975,019
Public Transportation	1,908,734
Assigned	
Administration	938,238
Unassigned	<u>7,087,687</u>
Total Fund Balance	<u>\$13,615,343</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Commissioners' Court or the finance committee has provided otherwise in its commitment or assignment actions.

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

9. Deferred outflows/inflows of resources

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

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

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

10. Net position flow assumption

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

II. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$9,378,796 difference are as follows:

Bonds Payable	\$2,595,000
Bond Premium	1,283
Capital Leases Payable	4,194,866
Accrued Interest Payable	17,030
Compensated Absences	919,198
Net Pension Liability	931,332
Net OPEB Liability	<u>720,087</u>
	<u>\$9,378,796</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds" report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$26,089,203 difference are as follows:

Capital Assets Not Being Depreciated	\$91,650
Capital Assets Being Depreciated	51,554,487
Accumulated Depreciation	(25,556,934)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$26,089,203</u>

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles)." The details of this \$1,157,241 difference are as follows:

Property Taxes Receivable	\$1,344,179
Allowance for Doubtful Accounts	<u>(186,938)</u>
Net	<u>\$1,157,241</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Justice of the Peace and Clerk fines and fees receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" Other elements of that reconciliation include GASB 68, Net Pension Receivable, Deferred Charge on Refunding, and GASB 75 deferrals. The details of this \$2,492,596 difference are as follows:

Fines Receivable	\$1,263,728
Allowance for Doubtful Accounts	(1,024,583)
GASB 75	
Differences between expected and actual experience	(58,080)
Changes of assumptions	(27,327)
GASB 68	
Deferred Outflow of Resources-Contributions (after 12/31/18)	1,071,333
Differences between expected and actual experience	(422,512)
Changes of assumptions	121,157
Net difference between projected and actual earnings	1,431,871
Net Pension Receivable	36,954
Deferred Charge on Refunding	<u>100,055</u>
Net	<u>\$2,492,596</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities. The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$2,111,037 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$0
Capital Outlay - Additions - Being Depreciated	4,725,639
Capital Outlay - Deletions - Net	(20,601)
Depreciation Expense	(2,594,001)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net assets of Governmental Activities	\$2,111,037

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

The final amended budget is used in this report.

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

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

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

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

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

B. Excess of Expenditures over Appropriations

Expenditures did not exceed appropriations for the year ended September 30, 2020.

C. Deficit fund equity

The county had no deficit fund balances as of September 30, 2020, except for the crime victim assistance fund which had a deficit of \$1 and the road and bridge no. 1 fund which had a deficit fund balance of \$69,226. These deficits will be financed by future resources of the funds.

IV. Detailed Notes on All Funds

A. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments:

The Public Funds Investment Act (Government Code Chapter 2256) (the "Act") contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: safety of principal and liquidity, portfolio diversification, allowable investments, acceptable risk levels, expected rates of return, maximum allowable stated maturity of portfolio investments, maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, investment staff quality and capabilities, and bid solicitation preferences for certificates of deposit.

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

Deposits:

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County has a deposit policy for custodial credit risk. The County's investment policy requires funds on deposit at the depository bank to be collateralized by securities and FDIC insurance. As of September 30, 2020, pledged securities that are in the County's name and FDIC insurance exceeded bank balances.

The government's bank balance of \$8,732,973 with Citizens State Bank was not exposed to custodial credit risk because it was fully insured and/or collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name; the total amount of the pledged securities was \$11,994,729 and the FDIC coverage is \$250,000.

The government's bank balance of \$5,415,845 with Wells Fargo Bank was exposed to custodial credit risk of \$1,157,116 because it was not fully insured and/or collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name; the total amount of the pledged securities was \$4,008,729 and the FDIC coverage is \$250,000.

The amount of \$101,259 with Citizens State Bank was covered by the FDIC.

Investments:

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

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

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

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

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The County's investments by fair value level are classified in Level 2 of the fair value hierarchy and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The County has no Level 1 investments (investments valued using prices quoted in active markets for identical securities) or Level 3 investments (investments valued using significant unobservable inputs). As of December 31, 2020, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>	<u>Weighted Average</u>
Texas Class	\$ 24,163	Less than 1 year	Less than 1 year

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

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

Credit Risk. The County's investment policy is to apply the "prudent investor" standard: "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." The County's investments were rated as follows: As of December 31, 2020 the local investment pool - Texas Class (100.00% of portfolio) was rated AAAM by Standard and Poor's.

B. Receivables

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

	General	Road and Bridge	Other Govern- mental	Total
<u>Receivables</u>				
Ad Valorem Taxes	\$915,200	\$280,812	\$148,167	\$1,344,179
Sales Taxes	335,169	31,921	31,921	399,011
Grants	1,065,346	1,261,061		2,326,407
Accounts	135,689	3,199	113,177	252,065
Fines	1,263,728			1,263,728
Other	152,661			152,661
Gross Receivables	<u>3,867,793</u>	<u>1,576,993</u>	<u>293,265</u>	<u>5,738,051</u>
Less: Allowance for Uncollectibles	1,116,103	28,082	14,817	1,159,002
Net Total Receivables	<u>\$2,751,690</u>	<u>\$1,548,911</u>	<u>\$278,448</u>	<u>\$4,579,049</u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

Governmental Activities:	Beginning			Ending
Capital Assets Not Being Depreciated:	Balances	Increases	Decreases	Balances
Land	\$91,650			\$91,650
Construction in Progress	0			0
Total Capital Assets Not Being Depreciated:	91,650	0	0	91,650
Capital Assets Being Depreciated:				
Building and Improvements	21,806,075	886,465		22,692,540
Machinery and Equipment	13,645,402	2,723,484	263,727	16,105,159
Infrastructure	11,641,098	1,115,690		12,756,788
Total Capital Assets Being Depreciated:	47,092,575	4,725,639	263,727	51,554,487
Less: Accumulated Depreciation for:				
Building and Improvements	10,189,340	621,532		10,810,872
Machinery and Equipment	8,657,348	1,335,037	243,126	9,749,259
Infrastructure	4,359,371	637,432		4,996,803
Total Accumulated Depreciation	23,206,059	2,594,001	243,126	25,556,934
Total Capital Assets Depreciated, Net	23,886,516	2,131,638	20,601	25,997,553
Governmental Activities Capital Assets, Net	\$23,978,166	\$2,131,638	\$20,601	\$26,089,203

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

Depreciation charged to the functions is as follows:

Governmental Activities	
General Administration	\$200,720
Financial Administration	3,767
Public Facilities	391,920
Public Safety	569,068
Public Transportation	1,428,526
Total Depreciation Expense - Governmental Activities	\$2,594,001

D. Interfund Receivables, Payables, and Transfers

There were no advances at September 30, 2020.

There were no due to/from other funds at September 30, 2020.

The transfers are as follows:

TRANSFER OUT	TRANSFER IN			TOTAL
	GENERAL FUND	ROAD AND BRIDGE FUNDS	NON-MAJOR GOVERNMENTAL FUNDS	
GENERAL FUND			\$225,000	\$225,000
NON-MAJOR GOVERNMENTAL FUNDS	224,500	500,000		724,500
TOTALS	\$224,500	\$500,000	\$225,000	\$949,500

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

E. Leases

Operating Leases

The government leases equipment under non-cancelable operating leases. Total costs for such leases were \$304,889 for the year ended September 30, 2020. The future minimum lease payments for these leases are as follows:

Year Ending Sep. 30,	<u>Amount</u>
2021	\$156,870
2022	150,465
2023	31,082
2024	<u>8,927</u>
Total	<u>\$ 347,344</u>

Rent expenditures were \$12,705 for the year ended September 30, 2020. Rental income was \$10,450 for the year ended September 30, 2020. Sublet rental income was \$0 for the year ended September 30, 2020.

F. Long-Term Debt

Capital Leases

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

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

Asset:	Amount		Accumulated	Net
	Financed	Cost	Depreciation	
ODYSSEY - CAPITAL SOFTWARE	850,000	734,950	318,478	416,472
TRACTOR AND MOWER	142,777	142,027	45,651	96,376
2018 FREIGHTLINER GLIDER	104,000	124,400	34,062	90,338
2016 JOHN DEERE 75G EXCAVATOR 8310	88,669	104,000	17,333	86,667
2017 JOHN DEERE 410L BACKHOE	125,150	94,724	15,787	78,937
TRACTOR & MOWER	95,109	87,904	16,744	71,160
2019 MACK DUMP TRUCKS	380,000	383,950	23,360	360,590
2019 ASPHALT ZIPPER	270,690	269,940	19,281	250,659
PANASONIC TOUGHBOOKS & KEYBOARDS*	128,616	118,250	0	118,250
TRUCKS/BELLY DUMP-TRACTOR-MOWER	449,087	446,087	44,666	401,421
THREE MOTORGRADERS	886,912	886,162	73,847	812,315
ELECTION EQUIPMENT	380,232	330,503	5,508	324,995
GENERAL FUND - McKINSTRY	1,077,048	814,398	27,844	786,554
SHERIFF OFFICE - VEHICLES	338,666	338,666	39,510	299,156
Total	<u>\$5,316,956</u>	<u>\$4,875,961</u>	<u>\$682,071</u>	<u>\$4,193,890</u>

*TOUGHBOOKS ARE NOT A DEPRECIABLE ASSET

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2020, were as follows:

ASSET	2021	2022	2023	2024	2025	2025	TOTAL	NET	INTEREST
ODYSSEY - CAPITAL SOFTWARE	183,464						183,464	177,119	6,345
TRACTOR AND MOWER	22,943	22,943	22,943	22,943			91,772	85,218	6,554
2018 FREIGHTLINER GLIDER	28,643	28,643					57,286	53,920	3,366
2016 JOHN DEERE 75G EXCAVATOR 8310	20,045	20,045	20,045				60,135	55,400	4,735
2017 JOHN DEERE 410L BACKHOE	20,159	20,159	20,159	20,159	20,159		100,795	92,105	8,690
TRACTOR & MOWER	16,055	16,055	16,055	16,055	16,055		80,275	70,810	9,465
2019 MACK DUMP TRUCKS	56,967	56,967	56,967	56,967	56,967	56,967	341,802	337,650	4,152
2019 ASPHALT ZIPPER	40,585	40,585	40,585	40,585	40,585	81,170	284,095	241,502	42,593
PANASONIC TOUGHBOOKS & KEYBOARDS	42,872	42,872					85,744	80,447	5,297
TRUCKS/BELLY DUMP-TRACTOR-MOWER	158,766	158,766	158,766				476,298	449,087	27,211
THREE MOTORGRADERS	125,500	125,500	125,500	125,500	125,500	370,762	998,262	886,912	111,350
ELECTION EQUIPMENT	60,862	60,862	60,862	60,862	60,862	121,724	426,034	380,232	45,802
GENERAL FUND - McKINSTRY	123,901	123,901	123,901	123,901	123,901	619,505	1,239,010	1,077,048	161,962
SHERIFF OFFICE - VEHICLES	57,678	57,678	57,678	57,678			230,712	207,416	23,296
	<u>\$958,440</u>	<u>\$774,976</u>	<u>\$703,461</u>	<u>\$524,650</u>	<u>\$444,029</u>	<u>\$1,250,128</u>	<u>\$4,655,684</u>	<u>\$4,194,866</u>	<u>\$460,818</u>

In 2010, the County issued \$6,740,000 in limited tax refunding bonds with an interest rate ranging from 2.00% - 3.50%. The proceeds were used to refund \$6,560,000 of outstanding 1997 and 2001 certificates of obligations which had interest rates ranging from 4.25% to 5.50%. The net proceeds of \$6,970,502 (including a \$3,844 premium, a \$315,863 cash contribution and after payment of \$89,205 in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 1997 and 2001 certificates of obligations were considered partially defeased and the liability for those bonds has been removed from the statement of net position. As of September 30, 2020, the funds deposited into the irrevocable trust have been used to pay the bondholders thus the bonds are no longer defeased.

Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Limited Tax Refunding Bonds	2.00% to 3.50%	\$2,595,000

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

Year Ending September 30,	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2021	\$535,000	\$90,825
2022	555,000	72,100
2023	575,000	52,675
2024	595,000	32,550
2025	335,000	11,725
TOTALS	<u>\$2,595,000</u>	<u>\$259,875</u>

Changes in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
<u>Governmental Activities:</u>						
Certificates of Obligation	\$3,110,000		\$515,000	\$2,595,000	\$535,000	\$2,060,000
Premium on bonds	1,539		256	1,283		1,283
Total Bonds Payable	<u>3,111,539</u>	<u>0</u>	<u>515,256</u>	<u>2,596,283</u>	<u>535,000</u>	<u>2,061,283</u>
Capital Leases Payable	1,566,517	3,131,945	503,596	4,194,866	822,257	3,372,609
Compensated Absences	885,840	919,198	885,840	919,198	229,800	689,398
Net OPEB Liability	652,267	67,820		720,087		720,087
Net Pension Liability	<u>3,002,200</u>		<u>2,070,868</u>	<u>931,332</u>		<u>931,332</u>
Grand Total	<u>\$9,218,363</u>	<u>\$4,118,963</u>	<u>\$3,975,560</u>	<u>\$9,361,766</u>	<u>\$1,587,057</u>	<u>\$7,774,709</u>

The above is serviced by the debt service fund established for the purpose of servicing the bonded debt. The capital leases are serviced by general fund and the road and bridge funds. The compensated absences of \$919,198 are funded by the general and road and bridge funds. The total interest expense was \$179,196.

The government-wide statement of activities includes \$1,587,057 as "noncurrent liabilities, due within one year".

V. Other Information

A. Risk Management

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

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

Changes in accrued liabilities for these claims follow:

	Year ended <u>09/30/20</u>	Year ended <u>09/30/19</u>
Unpaid Claims, Beginning of Fiscal Year	\$ -0-	\$ -0-
Incurred Claims (including IBNRs)	-0-	-0-
Claim Payments	<u>-0-</u>	<u>-0-</u>
Unpaid Claims, End of Fiscal Year	<u>\$ -0-</u>	<u>\$ -0-</u>

1. General Liability Insurance

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

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

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

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

2. Property and Casualty Insurance

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

3. Workers' Compensation Insurance

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

4. Group Health and Life Insurance

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

5. Unemployment Compensation Insurance

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

B. Related Party Transaction

The County paid \$11,239.75 in construction/demo/refinish costs to Eagle Maintenance & Construction, which is owned by Commissioner Martin Lake's Brother-in-Law, for various projects within the County.

The County paid \$758.38 for vehicle service/maintenance to Gene's Auto Service, which is owned by Rhonda Burkhart, the Treasurer.

The County paid Charles Jones, who is the Justice of the Peace Precinct #4, \$11,509.91 for rent, office expense, utilities, cell phone and travel. Charles Jones also owns Poteet Motors; however, the County did not pay for any services during the fiscal year.

The County paid Martis Ward, Justice of the Peace Precinct #1, and \$3,700.93 for fiscal year 2019-2020 for rent, utilities, phone, cell phone, travel, training, and postage.

C. Subsequent Events

On October 13, 2020, the County authorized the issuance, sale and delivery of the Hill County, Texas Limited Tax Refunding Bond, Series 2020.

On October 27, 2020, the County approved the Tax Abatement Agreement with Hubbard Wind, LLC.

On November 10, 2020, the County approved the John Deere Financial Agreement to purchase two motor graders for Commissioners Precinct #3. The County approved the Vehicle Lease Purchase Agreement with American National Leasing Companies. The County also approved to purchase twenty-six (26) ruggedized, medical grade antimicrobial laptop computers and mounting equipment via the CARE Act from the sole source provide, Peacemaker Technologies.

On November 24, 2020, the County approved the County's participation in a Tax Increment Reinvestment Zone #1 in the City of Hillsboro at a 25% increment rate.

On December 8, 2020, the County approved to release escrow funds to Hill Creek Ranch, LLC in the amount of \$133,200. The County also approved to purchase shelves for the Waco Street Support Services Building not to exceed \$150,716.96.

On December 22, 2020, the County approved the Vehicle Lease Purchase Agreement with American National Leasing Company. The County also accepted the bid from Rawhide Partners, LLC in the amount of \$567,078 for the construction of a Hill County Maintenance Barn for Precinct #3, then approved the contract on January 12, 2021.

On February 9, 2021, the County approved the following bids: Yoder Construction in the amount of \$254,788 for a bridge replacement over HCR 3206 at Broken Creek and Salt Ridge Properties in the amount of \$557,077 for the construction of the Precinct #3 Penelope Maintenance Barn. The County approved both contracts on March 9, 2021.

On March 9, 2021, the County approved the payment of escrow funds for the Hill Creek Ranch Subdivision in the amount of \$64,600 for Phase A and \$227,600 for Phase B & C.

D. Contingent Liabilities

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

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

Derrick Haddock v. Matt Crain, Justin Obeda. R. David Holmes, Micheala Alvarado, O. Alvarado; Cause No. 6:19-cv-00615-ADA-JCM; in the United States District Court for the Western District of Texas, Waco Division – Derrick El, Natural Person, ex. rel. Derrick Haddock has brought suit against the Hill County Attorney, an Assistant County Attorney, the Hill County Court at Law Judge, a Texas DPS Trooper and one unidentified Defendant claiming deprivation of rights under the color of law. Plaintiff raises multiple unsupported allegations of constitutional violations; however, there are no facts listed that reasonably assist with a determination for any claims and various elements associated for such claims. Defendants have not been formally served with citation. Defendants R. David Holmes and Michaela Alvarado received copies of the complaint via certified mail. Plaintiff has not served summons pursuant to FRCP 4 on any Defendant. On July 15, 2020, Defendants filed a motion to dismiss pursuant to Federal Rules of Civil Procedure, Rule 12(b)(5) and 12(b)(6). The Court granted Defendants' Motion to Dismiss on March 31, 2021. We will continue to monitor for any pending appeal.

Gwynne Cheek, et al v. Hill County, Texas, Dana J. Allen, Kyle R. Cox, Billy J. Olson, Jr. and Mamie D. Reece; Civil Action No. 6:21-CV-00396 in the Western District of Texas, Waco Division; this matter involves pre-trial inmate David Braddock's suicide that occurred on or about September 7, 2019, at the Hill County jail. The aforementioned lawsuit has been filed in Federal Court in the Western District of Texas, Waco Division. Plaintiffs and Claimant Heirs assert violations of Braddock's constitutional rights related to reasonable medical/mental health care, to be protected, and not to be punished as a pre-trial detainee. We have filed the following motions: Hill County, Dana Allen and Billy Olson's Motion to Dismiss for Failure to State a Claim pursuant to Federal Rule of Civil Procedure 12(b)(6) filed on May 17, 2021; Mamie Reece's Motion to Dismiss for Failure to State a Claim pursuant to Federal Rule of Civil Procedure 12(b)(6) filed on June 1, 2021; and Kyle Cox's Motion to Dismiss for Failure to State a Claim pursuant to Federal Rule of Civil Procedure 12(b)(6) due by June 18, 2021.

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

E. Prior Period Adjustments

The County has determined that certain transactions were recorded incorrectly in a prior year. The County had a prior period adjustment whereby governmental activities' Net Position were restated downward by \$476,726 due to omitting GASB 75 Milliman debt of \$476,726. The restatements had the corresponding effect on the beginning net Position, as follows:

	Net Position, as Previously Reported	GASB 75 Restatement	Net Position As Restated
Governmental Activities:			
Net Position	\$32,274,857	(\$476,726)	\$31,798,131
Total Governmental Activities	<u>\$32,274,857</u>	<u>(\$476,726)</u>	<u>\$31,798,131</u>

F. Tax Abatements

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

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

The terms of the agreement are as follows:

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

Tax Year	Percentage
2019	25%
2020	25%

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

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

The gross taxes abated during the 2020 is unknown.

The terms of the agreement are as follows:

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

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

The gross taxes abated during the 2020 is unknown.

The terms of the agreement are as follows:

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

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

The gross taxes abated during the 2020 is unknown.

The terms of the agreement are as follows:

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

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

The gross taxes abated during the 2020 is unknown.

The terms of the agreement are as follows:

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

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

The gross taxes abated during the 2020 year amounted to \$0.00.

The terms of the agreement are as follows:

1. The Abatement shall extend for a period of ten (10) tax years beginning on January 1, 2018 and shall apply to all Eligible Property Value for each tax year in the Abatement Period.
2. Owner agrees to make a capital investment of at least \$7 million. Developer covenants and agrees by January 1, 2018, and during the Term of this Agreement to keep open the Project located on the Property. Further, the Property shall maintain a minimum assessed value of Four Million and No/100 Dollars (\$4,000,000.00) in the initial year and Three Million and No/100 Dollars (\$3,000,000.00) thereafter during the Term of this Agreement.
3. Developer covenants and agrees by January 1, 2018, and through the Term of this Agreement to employ and retain a minimum of twenty-five (25) new Full-Time Equivalent Employment Positions working on the Property.

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

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

G. Summary of TCDRS Funding Policy

Net Pension Liability / (Asset)	Net Pension Liability / (Asset)	
	December 31, 2018	December 31, 2019
Total pension liability	\$26,326,816	\$28,172,560
Fiduciary net position	23,324,616	27,241,228
Net pension liability/(asset)	3,002,200	931,332
Fiduciary net position as a % of total pension liability	88.60%	96.69%
Pensionable covered payroll	\$8,163,936	\$8,652,103
Net Pension liability as a % of covered payroll	36.77%	10.76%

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

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

Discount Rate

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

Other Key Actuarial Assumptions

All actuarial assumptions that determined the total pension liability as of December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 68.

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

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

	Beginning Date	Ending Date
Valuation date	December 31, 2018	December 31, 2019
Measurement date	December 31, 2018	December 31, 2019
Employer's fiscal year	October 1, 2019	September 30, 2020

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on April 2020 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 -December 31, 2016 for more details.

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
U.S. Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	7.00%	5.20%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	7.00%	5.20%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	6.50%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	5.50%
	Hedge Fund Research, Inc. (HFRI) Fund of Funds		
Hedge Funds	Composite Index	8.00%	2.30%

Depletion of Plan Assets / GASB Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes.

Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

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

Projection of Fiduciary Net Position

Calendar Year Ending	Projected Beginning Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Ending Fiduciary Net Position (a)+(b)-(c)-(d)+(e)
2020	\$27,241,228	\$1,402,507	\$1,913,504	\$27,241	\$2,185,165	\$28,888,155
2021	28,888,155	1,332,513	1,609,054	28,888	2,327,812	30,910,538
2022	30,910,538	1,289,401	1,699,938	30,911	2,486,223	32,955,313
2023	32,955,313	1,248,442	1,818,707	32,955	2,645,426	34,997,519
2024	34,997,519	1,212,378	1,952,249	34,998	2,804,028	37,026,678
2025	37,026,678	1,148,792	2,074,513	37,027	2,960,929	39,024,859
2026	39,024,859	1,118,124	2,185,228	39,025	3,117,088	41,035,818
2027	41,035,818	1,089,736	2,311,786	41,036	3,273,742	43,046,474
2028	43,046,474	1,063,156	2,460,211	43,046	3,429,576	45,035,949
2029	45,035,949	1,028,798	2,606,902	45,036	3,583,455	46,996,264
2030	46,996,264	684,427	2,755,890	46,996	3,722,570	48,600,375
2031	48,600,375	654,892	2,915,102	48,600	3,844,944	50,136,509
2032	50,136,509	624,649	3,042,536	50,137	3,963,048	51,631,533
2033	51,631,533	595,917	3,159,666	51,632	4,078,294	53,094,446
2034	53,094,446	569,366	3,300,216	53,094	4,190,096	54,500,598
2035	54,500,598	544,605	3,447,093	54,501	4,297,122	55,840,731
2036	55,840,731	519,291	3,566,934	55,841	4,399,855	57,137,102
2037	57,137,102	493,186	3,750,401	57,137	4,496,488	58,319,238
2038	58,319,238	469,806	3,882,908	58,319	4,586,003	59,433,820
2039	59,433,820	447,225	3,981,459	59,434	4,671,430	60,511,582
2040	60,511,582	422,678	4,089,465	60,512	4,753,422	61,537,705
2041	61,537,705	396,914	4,184,575	61,538	4,831,697	62,520,203
2042	62,520,203	371,182	4,277,492	62,520	4,906,528	63,457,901
2043	63,457,901	346,789	4,362,249	63,458	4,978,110	64,357,093
2044	64,357,093	321,432	4,464,288	64,357	5,045,850	65,195,730
2045	65,195,730	296,228	4,556,155	65,196	5,109,097	65,979,704
2046	65,979,704	270,916	4,754,659	65,980	5,163,680	66,593,661
2047	66,593,661	248,304	4,901,449	66,594	5,206,659	67,080,581
2048	67,080,581	225,698	4,969,018	67,081	5,242,499	67,512,679
2049	67,512,679	203,121	5,037,792	67,513	5,273,854	67,884,349
2050	67,884,349	181,686	5,134,100	67,884	5,299,269	68,163,320
2051	68,163,320	162,705	5,202,577	68,163	5,318,382	68,373,667
2052	68,373,667	143,243	5,262,971	68,374	5,332,240	68,517,805
2053	68,517,805	125,903	5,299,460	68,519	5,341,772	68,617,501
2054	68,617,501	110,575	5,336,597	68,618	5,347,760	68,670,621
2055	68,670,621	96,939	5,361,388	68,671	5,350,535	68,688,036
2056	68,688,036	84,228	5,355,532	68,688	5,351,672	68,699,716
2057	68,699,716	72,126	5,359,971	68,700	5,351,961	68,695,132
2058	68,695,132	61,367	5,334,858	68,695	5,352,160	68,705,106
2059	68,705,106	51,387	5,303,634	68,705	5,353,811	68,737,965

2060	68,737,965	42,683	5,252,256	68,738	5,358,166	68,817,820
2061	68,817,820	33,511	5,211,541	68,818	5,365,884	68,936,856
2062	68,936,856	27,233	5,121,005	68,937	5,378,867	69,153,014
2063	69,153,014	21,935	5,014,067	69,153	5,400,404	69,492,133
2064	69,492,133	17,482	4,895,735	69,492	5,432,381	69,976,769
2065	69,976,769	13,456	4,776,659	69,977	5,476,186	70,619,775
2066	70,619,775	10,008	4,647,800	70,620	5,533,226	71,444,589
2067	71,444,589	7,552	4,507,696	71,445	5,605,468	72,478,468
2068	72,478,468	5,720	4,357,595	72,478	5,695,059	73,749,174
2069	73,749,174	4,045	4,205,923	73,749	5,803,892	75,277,439
2070	75,277,439	2,766	4,049,076	75,277	5,933,799	77,089,651
2071	77,089,651	1,944	3,884,307	77,090	6,087,027	79,217,225
2072	79,217,225	1,147	3,719,729	79,217	6,265,780	81,685,206
2073	81,685,206	720	3,548,460	81,685	6,472,373	84,528,154
2074	84,528,154	385	3,376,035	84,528	6,709,372	87,777,348
2075	87,777,348	184	3,201,168	87,777	6,979,364	91,467,951
2076	91,467,951	34	3,025,893	91,468	7,285,111	95,635,735
2077	95,635,735	0	2,848,838	95,636	7,629,566	100,320,827
2078	100,320,827	0	2,672,087	100,321	8,015,891	105,564,310
2079	105,564,310	0	2,496,737	105,564	8,447,369	111,409,378
2080	111,409,378	0	2,323,314	111,409	8,927,474	117,902,129
2081	117,902,129	0	2,152,116	117,902	9,459,927	125,092,038
2082	125,092,038	0	1,983,393	125,092	10,048,725	133,032,278
2083	133,032,278	0	1,817,658	133,032	10,698,150	141,779,738
2084	141,779,738	0	1,655,673	141,780	11,412,780	151,395,065
2085	151,395,065	0	1,498,428	151,395	12,197,484	161,942,726
2086	161,942,726	0	1,346,938	161,943	13,057,442	173,491,287
2087	173,491,287	0	1,202,111	173,491	13,998,168	186,113,853
2088	186,113,853	0	1,064,749	186,114	15,025,549	199,888,539
2089	199,888,539	0	935,702	199,889	16,145,876	214,898,824
2090	214,898,824	0	815,677	214,899	17,365,880	231,234,128
2091	231,234,128	0	705,090	231,234	18,692,782	248,990,586
2092	248,990,586	0	604,122	248,991	20,134,360	268,271,833
2093	268,271,833	0	512,803	268,272	21,699,002	289,189,760
2094	289,189,760	0	431,060	289,190	23,395,769	311,865,279
2095	311,865,279	0	358,601	311,865	25,234,463	336,429,276
2096	336,429,276	0	294,961	336,429	27,225,699	363,023,585
2097	363,023,585	0	239,618	363,024	29,380,979	391,801,922
2098	391,801,922	0	192,030	391,802	31,712,772	422,930,862
2099	422,930,862	0	151,596	422,931	34,234,585	456,590,920

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2018	\$26,326,816	\$23,324,616	\$3,002,200
Changes of the year:			
Service cost	957,841		957,841
Interest on total pension liability	2,155,420		2,155,420
Effect of plan changes	0		0
Effect of economic/demographic gains or losses	108,335		108,335
Effect of assumptions changes or inputs	0		0
Refund of contributions	(160,893)	(160,893)	0
Benefit payments	(1,214,959)	(1,214,959)	0
Administrative expenses		(20,759)	20,759
Member contributions		646,870	(646,870)
Net investment income		3,830,265	(3,830,265)
Employer contributions		828,873	(828,873)
Other	0	7,215	(7,215)
Balances as of December 31, 2019	\$28,172,560	\$27,241,228	\$931,332

Sensitivity Analysis

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$31,787,557	\$28,172,560	\$25,141,822
Fiduciary net position	27,241,228	27,241,228	27,241,228
Net pension liability/(asset)	\$4,546,329	\$931,332	(\$2,099,406)

Pension Expense / (Income)

Pension Expense / (Income)	<u>January 1, 2019 to December 31, 2019</u>
Service cost	\$957,841
Interest on total pension liability	2,155,420
Effect of plan changes	0
Administrative expenses	20,759
Member contributions	(646,870)
Expected investment return net of investment expenses	(1,897,723)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(303,267)
Recognition of assumption changes or inputs	72,881
Recognition of investment gains or losses	144,440
Other	<u>(7,215)</u>
Pension expense	\$501,266

As of December 31, 2019, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/Outflows of Resources	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$92,161	\$81,251
Changes of assumptions	0	48,276
Net difference between projected and actual earnings	650,112	0
Contributions made subsequent to measurement date	N/A	Employer determined

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

Year ending December 31:	
2020	(\$158,021)
2021	(183,899)
2022	116,681
2023	(387,507)
2024	0
Thereafter	0

Schedule of Deferred Inflows and Outflows of Resources

Expense / (Income) Calculation				Balances of Deferred Inflows and Outflows as of 12/31/2019	
Original Amount (a)	Date Established (b)	Original Recognition Period (c)	Amount Recognized for 2018 (a) / (c)	Inflows	Outflows
Investment (gains) or losses					
(\$1,937,543)	12/31/2019	5.0	(\$387,509)	\$1,550,034	\$0
2,385,527	12/31/2018	5.0	477,105	0	1,413,317
(1,393,193)	12/31/2017	5.0	(278,639)	557,276	0
129,409	12/31/2016	5.0	25,882	0	25,881
1,538,002	12/31/2015	5.0	307,601	0	0
Economic/demographic (gains) or losses					
108,335	12/31/2019	4.0	27,084	0	81,251
(13,252)	12/31/2018	4.0	(3,313)	6,626	0
(213,836)	12/31/2017	5.0	(42,767)	85,535	0
(653,505)	12/31/2016	4.0	(163,376)	0	0
(604,476)	12/31/2015	5.0	(120,895)	0	0
Assumption changes or inputs					
0	12/31/2019	4.0	0	0	0
0	12/31/2018	4.0	0	0	0
120,687	12/31/2017	5.0	24,137	0	48,276
0	12/31/2016	4.0	0	0	0
243,723	12/31/2015	5.0	48,744	0	0

Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ended December 31						2013 - 2009
	2019	2018	2017	2016	2015	2014	
Total Pension Liability							
Service cost	\$957,841	\$796,750	\$758,112	\$803,410	\$741,781	\$736,319	N/A
Interest on total pension liability	2,155,420	1,927,436	1,828,219	1,751,847	1,696,658	1,618,264	N/A
Effect of plan changes	0	1,256,874	0	0	(128,791)	0	N/A
Effect of assumption changes or inputs	0	0	120,687	0	243,723	0	N/A
Effect of economic/demographic (gains) or losses	108,335	(13,252)	(213,836)	(653,505)	(604,476)	(213,147)	N/A
Benefit payments/refunds of contributions	<u>(1,375,852)</u>	<u>(1,255,072)</u>	<u>(1,356,766)</u>	<u>(1,290,764)</u>	<u>(1,193,954)</u>	<u>(1,269,827)</u>	<u>N/A</u>
Net change in total pension liability	1,845,744	2,712,736	1,136,415	610,988	754,942	871,609	<u>N/A</u>
Total pension liability, beginning	<u>26,326,816</u>	<u>23,614,080</u>	<u>22,477,665</u>	<u>21,866,676</u>	<u>21,111,735</u>	<u>20,240,126</u>	<u>N/A</u>
Total pension liability, ending (a)	<u>\$28,172,560</u>	<u>\$26,326,816</u>	<u>\$23,614,080</u>	<u>\$22,477,665</u>	<u>\$21,866,676</u>	<u>\$21,111,735</u>	<u>N/A</u>
Fiduciary Net Position							
Employer contributions	\$828,873	\$546,983	\$526,404	\$571,008	\$580,880	\$582,857	N/A
Member contributions	646,870	489,836	464,501	450,797	444,556	432,819	N/A
Investment income net of investment expenses	3,830,265	(449,842)	3,103,076	1,493,867	124,531	1,323,214	N/A
Benefit payments/refunds of contributions	(1,375,852)	(1,255,072)	(1,356,766)	(1,290,764)	(1,193,954)	(1,269,827)	N/A
Administrative expenses	(20,759)	(18,734)	(15,971)	(16,280)	(14,664)	(15,369)	N/A
Other	<u>7,215</u>	<u>(4,090)</u>	<u>5,054</u>	<u>(175,716)</u>	<u>(213,411)</u>	<u>84,215</u>	<u>N/A</u>
Net change in fiduciary net position	3,916,612	(690,920)	2,716,191	1,032,912	(272,062)	1,137,910	N/A
Fiduciary net position, beginning	<u>23,324,616</u>	<u>24,015,535</u>	<u>21,299,345</u>	<u>20,266,433</u>	<u>20,538,495</u>	<u>19,400,585</u>	<u>N/A</u>
Fiduciary net position, ending (b)	<u>\$27,241,228</u>	<u>\$23,324,616</u>	<u>\$24,015,535</u>	<u>\$21,299,345</u>	<u>\$20,266,433</u>	<u>\$20,538,495</u>	<u>N/A</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$931,332</u>	<u>\$3,002,200</u>	<u>(\$401,456)</u>	<u>\$1,178,320</u>	<u>\$1,600,244</u>	<u>\$573,240</u>	<u>N/A</u>
Fiduciary net position as a % of total pension liability	96.69%	88.60%	101.70%	94.76%	92.68%	97.28%	N/A
Pensionable covered payroll	\$8,652,103	\$8,163,936	\$7,741,686	\$7,513,289	\$7,409,269	\$7,213,645	N/A
Net pension liability/(asset) as % of covered payroll	10.76%	36.77%	-5.19%	15.68%	21.60%	7.95%	N/A

Schedule of Employer Contributions

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2010	\$513,489	\$513,489	\$0	\$7,441,865	6.9%
2011	485,343	486,713	(1,370)	6,983,352	7.0%
2012	491,604	491,754	(150)	6,837,328	7.2%
2013	534,961	535,078	(116)	7,113,846	7.5%
2014	582,857	582,857	0	7,213,645	8.1%
2015	580,880	580,880	0	7,409,269	7.8%
2016	571,008	571,008	0	7,513,289	7.6%
2017	526,404	526,404	0	7,741,686	6.8%
2018	546,983	546,983	0	8,163,936	6.7%
2019	828,873	828,873	0	8,652,103	9.6%

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	8.6 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 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.

Appendix A— GASB 68 Plan Description for Hill County

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

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

Membership Information

Members	Dec. 31, 2018	Dec. 31, 2019
Number of inactive employees entitled to but not yet receiving benefits:	166	175
Number of active employees:	206	209
Average monthly salary:	\$3,172	\$3,328
Average age:	47.53	46.51
Average length of service in years:	9.09	9.71
<hr/>		
Inactive Employees (or their Beneficiaries) Receiving Benefits		
Number of benefit recipients:	128	132
Average monthly benefit:	\$785	\$769

Appendix B—Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2019 funding valuation (see Appendix C, following, for details), except as noted below and throughout this report. Please see the Hill County December 31, 2019 Summary Valuation Report for further details.

The following are the key assumptions and methods used in this GASB analysis.

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported,
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	5 years
Smoothing period	Non-asymptotic
Recognition	None
method Corridor	Same as funding valuation: See Appendix C
Inflation	Same as funding valuation: See Appendix C
Salary Increases	8.10% (Gross of administrative expenses)
Investment Rate of Return	
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Hill County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Same as funding valuation: See Appendix C
Turnover	Same as funding valuation: See Appendix C
Mortality	Same as funding valuation: See Appendix C

Appendix C—Actuarial Methods and Assumptions Used for Funding Valuation

Except where indicated in the section of this GASB 68 report entitled "Actuarial Methods and Assumptions Used for GASB Calculations", the assumptions used in this analysis for the December 31, 2019 financial reporting metrics are the same as those used in the December 31, 2019 actuarial valuation analysis for Hill County.

The following is a description of the assumptions used in the December 31, 2019 actuarial valuation analysis for Hill County. This information may also be found in the Hill County December 31, 2019 Summary Valuation Report.

Economic Assumptions

TCDRS system-wide economic assumptions:

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

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

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

Employer-specific economic assumptions:

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

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

Table 1
Merit Salary Increase

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

Demographic Assumptions

TCDRS system-wide demographic assumptions:

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

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

Table 2
Annual Rates of Disability

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

Mortality

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

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

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

Table 3
Annual Rates of Service Retirement

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

Employer-specific demographic assumptions:

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

Table 4
Annual Rates of Termination

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

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

Table 5
Probability of Withdrawal

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

HILL COUNTY
RETIREE HEALTH VALUATION UNDER GASB #75

Changes in Net OPEB Liability FYE 2020

Discount Rate (Proj.)	9/30/2019 rate	3.58% FYE 9/30/2020	Expense
Investment Return Rate (Proj.)	9/30/2020 rate	2.14% FYE 9/30/2020	Disclosures

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balances at Beginning of Year	190,847	0	190,847
Change	37,356	0	37,356
Balances at End of Year	228,203	0	228,203

Total GASB #75 Expense for FYE 2020

Service Cost	23,160
Interest Cost	6,832
Experience & Assumption (Gain)/Loss Amort	(3,070)
Investment (Gain)/Loss Amort	0
 GASB #75 Annual OPEB Cost Expense	 26,922

HILL COUNTY
RETIREE HEALTH VALUATION UNDER GASB #75

Sensitivity - Discount Rate

	1% Decrease	Discount Rate	1% Increase
	1.14%	2.14%	3.14%
Net OPEB Liability 9/30/2020	256,827	228,203	199,579
GASB #75 Expense for FYE 2020	30,000	26,922	20,000

Sensitivity - Health Care Trend Rate

	1% Decrease <u>(7.0%</u> <u>decreasing</u> <u>to 4.0%)</u>	Healthcare Trend Rates <u>(8.0%</u> <u>decreasing</u> <u>to 5.0%)</u>	1% Increase <u>(9.0%</u> <u>decreasing</u> <u>to 6.0%)</u>
Net OPEB Liability 9/30/2020	188,952	228,203	275,669
Projected Expense for FYE 2020	20,000	26,922	30,000

NOTES

Have used a 2.14% discount rate, with sensitivity at 1.14% and 3.14%.

The S&P 20 AA Municipal Bond Index (an appropriate index for GASB #75 purposes) was 2.14% on 9/30/2020, the Measurement Date.

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

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

Membership Counts (at 9/30/2020)

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

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

Initial Setup Year	Description	Original Deferred Outflow	Original Deferred Inflow	Original Amortization Period	Remaining Amortization Period	Amortization	Current Deferred Outflow	Current Deferred Inflow
9/30/2018	Experience		4,334	12	10	(361)		3,251
9/30/2019	Experience		41,120	12	11	(3,427)		34,266
9/30/2019	Assumption Change	1,245		12	11	104	1,037	
9/30/2020	Experience		33,857	12	12	(2,821)		31,036
9/30/2020	Assumption Change	41,221		12	12	3,435	37,786	
	Totals					(3,070)	38,823	68,553

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

	Outflows of Resources	Inflows of Resources
Difference between expected and actual experience	\$0	\$68,553
Changes of assumptions	38,823	0
Net difference between projected and actual earnings of OPEB plan investments	0	0
Total	\$38,823	\$68,553

Amounts Recognized in OPEB Expense as Follows:

Year ended SEPT 30:	
2021	(3,070)
2022	(3,070)
2023	(3,070)
2024	(3,070)
2025	(3,070)
2026-2028 (3 yrs)	(3,070)
2029	(3,072)
2030	(2,708)
2031	610

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

<u>Year Ended</u>	<u>GASB #75 Net OPEB Liability</u>	<u>Regular Expense</u>	<u>Contributions plus, Earnings</u>	<u>Change in Net OPEB Liability</u>
9/30/2016		\$27,389	\$5,000	\$22,389
9/30/2017		\$30,081	\$5,000	\$25,081
9/30/2018	\$197,417	\$20,079	\$800	\$15,306
9/30/2019	\$190,847	\$30,421	\$800	(\$6,570)
9/30/2020	\$228,203	\$26,922	\$0	\$37,356

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

Actuarial Valuation Date	Fiduciary Net Position	Total OPEB Liability	Net OPEB Liability	Fiduciary Net Position as a % of Total OPEB Liability	Covered Payroll	Net OPEB Liability as a % of Covered Payroll
10/1/2015	\$0	154,319	154,319	0.0%	5,978,702	3%
---- No Full Valuation Performed ----						
10/1/2017	\$0	182,111	182,111	0.0%	8,251,280	2%
10/1/2018	\$0	197,417	197,417	0.0%	8,456,291	2%
10/1/2019	\$0	190,847	190,847	0.0%	9,391,481	2%

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

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

1. MEDICAL BENEFITS

The Plan is a fully insured plan. Current retiree premium rates (2021) provided to us by the County include:

- | | |
|--------------------|---|
| a) Medical-Single: | Generally, \$683 per month. |
| b) Dental | Generally, \$23/mo. Single; 46/mo. double |
| c) Life Ins. | Generally, \$2.26 per month. |

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

2. MEDICAL PART B PREMIUMS - Not applicable.

3. LIFE INSURANCE

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

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

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

5. COUNTY SUBSIDY/FUDING POLICY
Retirees and Spouses may purchase medical coverage by paying 100% of the blended rate. Retirees and Spouses may also purchase dental and vision and life insurance coverage by paying 100% of the blended rate. As a result, the County's only "contribution" is the "implied subsidy." No pre-funding is performed (i.e., only pay-as-you-go funding would occur; no retirees currently for Hill County).

Hill County
Retiree Health Valuation Under GASB #75
Actuarial Basis

ACTUARIAL FUNDING METHOD: Entry Age Normal, level % pay

ACTUARIAL ASSUMPTIONS

1. Valuation Date: 10/1/2019 (9/30/2020 census)
2. Discount Rate: 3.58% per annum (for FY20 Expense)
2.14% per annum (disclosures)
(1.14% and 3.14% are illustrated for sensitivity)
3. Salary Scale: 3% per annum (for EAN)
4. Mortality: RP-2006 mortality table with MP 2019 projection.
5. Withdrawal: Sarasson T-5 Table.
6. Disability: N/A
7. Retirement Rates: 100% at age 60 and satisfaction of 8 year vesting requirement.

Hill County
Retiree Health Valuation Under GASB #75
Actuarial Basis

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

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

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

ASSET VALUATION METHOD: Market value.

AMORTIZATION BASIS: Experience Gains/Losses: Average Expected Future Working Lifetime of the whole group.
Assumption Changes: Average Expected Future Working Lifetime of the whole group.

H. Summary of GASB 75 Group-Term Funding Policy

Overview of GASB 74 and GASB 75

The Governmental Accounting Standards Board (GASS) released accounting standards for public postemployment benefit plans other than pension (OPES) in 2016. For the Texas County & District Retirement System (TCDRS), the retiree death benefit paid from the Group Term Life (GTL) program is an OPEB benefit. The OPEB program is treated as an unfunded trust, because the GTL trust covers both actives and retirees and is not segregated.

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

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

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

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

Total OPEB Liability

Total OPEB Liability	<u>December 31, 2018</u>	<u>December 31, 2019</u>
-----------------------------	--------------------------	--------------------------

Total OPEB liability	\$439,772	\$581,902
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The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

Discount Rate

Discount rate	4.10%	2.74%
Long-term expected rate of return, net of investment expense	Does not apply	Does not apply
Municipal bond rate	4.10%	2.74%

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

Other Key Actuarial Assumptions

All actuarial assumptions that determined the total OPEB liability as of December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 75.

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

	Beginning Date	Ending Date
Valuation date	December 31, 2018	December 31, 2019
Measurement date	December 31, 2018	December 31, 2019
Employer's fiscal year	October 1, 2019	September 30, 2020

GASB Discount Rate

The TCDRS GTL program is treated as unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 2.74% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2019.

Employer OPEB Contributions to the Plan

Employers in the TCDRS Group Term Life (GTL) Program make a combined contribution for both the active and retiree coverage; however, only the retiree coverage is considered an OPEB plan and therefore only the contributions associated with retiree coverage are included under GASB 75. For GASB 75 purposes, the employer's benefit payments for the year are treated as being equal to its annual retiree GTL contributions.

2019 Employer OPEB Contributions and Benefit Payments

The following table shows a breakdown of the employer's contributions to the GTL program for the calendar year 2019. The contributions for retiree GTL coverage are assigned to the OPEB plan under GASB 75 and are used to determine the benefit payments shown on the exhibit on the next page. The contributions for active coverage are not considered an OPEB benefit under GASB 75.

Coverage Type	2019 GTL Rate	Amount	Financial Reporting
Active Member GTL Benefit	0.22%	\$19,035	No change from prior year
Retiree GTL Benefit	0.16%	13,843	GASB 75

Employer OPEB Contributions made Subsequent to Measurement Date

Employer OPEB contributions made in the fiscal year, but subsequent to the measurement date of December 31, 2019 should be reflected as a deferred outflow as outlined in Appendix C of this report. As previously noted, only contributions to the GTL program for retiree coverage should be included under GASB 75. Therefore, once the total GTL contributions made subsequent to the measurement date have been determined, this amount should be multiplied by the portion attributable to retiree coverage to determine the OPEB contributions made subsequent to the measurement date that should be reported under GASB 75. This proportion is 40.00000%, allocated as follows:

Coverage Type	2020 GTL Rate	Proportion	Financial Reporting
Active Member GTL Benefit	0.24%	60.00000%	No change from prior year
Retiree GTL Benefit	0.16%	40.00000%	GASB 75

Changes in Total OPEB Liability

	Changes in Total OPEB Liability
Balances as of December 31, 2018	\$439,772
Changes for the year:	
Service Cost	15,433
Interest on total OPEB liability	18,382
Changes of benefit terms	0
Effect of economic/demographic experience	3,471
Effect of assumptions changes or inputs	118,687
Benefit payments	(13,843)
Other	0
Balance as of December 31, 2019	\$581,902

Sensitivity Analysis

The following table shows the Total OPEB Liability of the employer, calculated using the discount rate of 2.74%, as well as what the Hill County Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.74%) or 1 percentage point higher (3.74%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease	Current Discount Rate	1% Increase
	1.74%	2.74%	3.74%
Total OPEB Liability	\$700,571	\$581,902	\$490,794

OPEB Expense / (Income)

OPEB Expense / (Income)	<u>January 1, 2019 to December 31, 2019</u>
Service cost	\$15,433
Interest on total OPEB liability	18,382
Effect of plan changes	0
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(3,338)
Recognition of assumption changes or inputs	14,765
Other	0
OPEB expense / (income)	<u>\$45,242</u>

As of December 31, 2019, the deferred inflows and outflows of resources are as follows:

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$12,858	\$2,892
Changes of assumptions	33,605	109,059
Contributions made subsequent to measurement date	N/A	Employer determined

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

Year ended December 31:	
2020	\$11,427
2021	11,427
2022	11,427
2023	10,849
2024	20,358
Thereafter	0

Schedule of Deferred Inflows and Outflows of Resources

Expense / (Income) Calculation				Balances of Deferred Inflows and Outflows as of 12/31/2019	
Original Amount	Date Established	Original Recognition Period	Amount Recognized for 2019	Inflows	Outflows
(a)	(b)	(c)	(a) / (c)		
<i>Economic/demographic (gains) or losses</i>					
3,471	12/31/2019	6.0	579	0	2,892
(6,669)	12/31/2018	6.0	(1,112)	4,445	0
(16,828)	12/31/2017	6.0	(2,805)	8,413	0
<i>Assumption changes or inputs</i>					
118,687	12/31/2019	6.0	19,781	0	98,906
(50,407)	12/31/2018	6.0	(\$8,401)	33,605	0
20,307	12/31/2017	6.0	3,385	0	10,153

Schedule of Changes in Total OPEB Liability and Related Ratios

	Year Ended December 31			
	2019	2018	2017	2016 - 2009
Total OPEB Liability				
Service cost	\$15,433	\$17,245	\$16,344	N/A
Interest on total OPEB liability	18,382	16,756	17,451	N/A
Effect of plan changes	0	0	0	N/A
Effect of assumption changes or inputs	118,687	(50,407)	20,307	N/A
Effect of economic/demographic (gains) or losses	3,471	(6,669)	(16,828)	N/A
Benefit payments	<u>(13,843)</u>	<u>(13,879)</u>	<u>(11,613)</u>	<u>N/A</u>
Net change in total OPEB liability	142,130	(36,954)	25,661	<u>N/A</u>
Total OPEB liability, beginning	<u>439,772</u>	<u>476,726</u>	<u>451,065</u>	<u>N/A</u>
Total OPEB liability, ending (a)	<u>\$581,902</u>	<u>\$439,772</u>	<u>\$476,726</u>	<u>N/A</u>
Pensionable covered payroll	\$8,652,103	\$8,163,936	\$7,741,686	N/A
Net OPEB liability/(asset) as % of covered payroll	6.73%	5.39%	6.16%	N/A

Appendix A— GASB 75 Plan Description for Hill County

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

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

Membership Information

Members	Dec. 31, 2018	Dec. 31, 2019
Number of inactive employees entitled to but not yet receiving benefits:	46	48
Number of active employees:	206	209
Average age of active employees:	47.53	46.51
Average length of service in years for active employees:	9.09	9.71
<hr/>		
Inactive Employees Receiving Benefits		
Number of benefit recipients:	101	105

Appendix B—Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial assumptions and methods that determined the total OPEB liability as of December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 75.

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary Increases	Does not apply
Investment Rate of Return (Discount Rate)	4.10%
	20 Year Bond GO Index published by bondbuyer.com as of December 26, 2019.
Cost-of-Living Adjustment	Does not apply
Disability	
Mortality	
Retirement	
Other Termination of Employment	

Appendix C—Contributions Made Subsequent to Measurement Date

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ended December 31						2013 - 2009
	2019	2018	2017	2016	2015	2014	
Total Pension Liability							
Service cost	\$957,841	\$796,750	\$758,112	\$803,410	\$741,781	\$736,319	N/A
Interest on total pension liability	2,155,420	1,927,436	1,828,219	1,751,847	1,696,658	1,618,264	N/A
Effect of plan changes	0	1,256,874	0	0	(128,791)	0	N/A
Effect of assumption changes or inputs	0	0	120,687	0	243,723	0	N/A
Effect of economic/demographic (gains) or losses	108,335	(13,252)	(213,836)	(653,505)	(604,476)	(213,147)	N/A
Benefit payments/refunds of contributions	<u>(1,375,852)</u>	<u>(1,255,072)</u>	<u>(1,356,766)</u>	<u>(1,290,764)</u>	<u>(1,193,954)</u>	<u>(1,269,827)</u>	<u>N/A</u>
Net change in total pension liability	1,845,744	2,712,736	1,136,415	610,988	754,942	871,609	<u>N/A</u>
Total pension liability, beginning	<u>26,326,816</u>	<u>23,614,080</u>	<u>22,477,665</u>	<u>21,866,676</u>	<u>21,111,735</u>	<u>20,240,126</u>	<u>N/A</u>
Total pension liability, ending (a)	<u>\$28,172,560</u>	<u>\$26,326,816</u>	<u>\$23,614,080</u>	<u>\$22,477,665</u>	<u>\$21,866,676</u>	<u>\$21,111,735</u>	<u>N/A</u>
Fiduciary Net Position							
Employer contributions	\$828,873	\$546,983	\$526,404	\$571,008	\$580,880	\$582,857	N/A
Member contributions	646,870	489,836	464,501	450,797	444,556	432,819	N/A
Investment income net of investment expenses	3,830,265	(449,842)	3,103,076	1,493,867	124,531	1,323,214	N/A
Benefit payments/refunds of contributions	(1,375,852)	(1,255,072)	(1,356,766)	(1,290,764)	(1,193,954)	(1,269,827)	N/A
Administrative expenses	(20,759)	(18,734)	(15,971)	(16,280)	(14,664)	(15,369)	N/A
Other	<u>7,215</u>	<u>(4,090)</u>	<u>5,054</u>	<u>(175,716)</u>	<u>(213,411)</u>	<u>84,215</u>	<u>N/A</u>
Net change in fiduciary net position	3,916,612	(690,920)	2,716,191	1,032,912	(272,062)	1,137,910	N/A
Fiduciary net position, beginning	<u>23,324,616</u>	<u>24,015,535</u>	<u>21,299,345</u>	<u>20,266,433</u>	<u>20,538,495</u>	<u>19,400,585</u>	<u>N/A</u>
Fiduciary net position, ending (b)	<u>\$27,241,228</u>	<u>\$23,324,616</u>	<u>\$24,015,535</u>	<u>\$21,299,345</u>	<u>\$20,266,433</u>	<u>\$20,538,495</u>	<u>N/A</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$931,332</u>	<u>\$3,002,200</u>	<u>(\$401,456)</u>	<u>\$1,178,320</u>	<u>\$1,600,244</u>	<u>\$573,240</u>	<u>N/A</u>
Fiduciary net position as a % of total pension liability	96.69%	88.60%	101.70%	94.76%	92.68%	97.28%	N/A
Pensionable covered payroll	\$8,652,103	\$8,163,936	\$7,741,686	\$7,513,289	\$7,409,269	\$7,213,645	N/A
Net pension liability/(asset) as % of covered payroll	10.76%	36.77%	-5.19%	15.68%	21.60%	7.95%	N/A

Schedule of Employer Contributions

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2010	\$513,489	\$513,489	\$0	\$7,441,865	6.9%
2011	485,343	486,713	(1,370)	6,983,352	7.0%
2012	491,604	491,754	(150)	6,837,328	7.2%
2013	534,961	535,078	(116)	7,113,846	7.5%
2014	582,857	582,857	0	7,213,645	8.1%
2015	580,880	580,880	0	7,409,269	7.8%
2016	571,008	571,008	0	7,513,289	7.6%
2017	526,404	526,404	0	7,741,686	6.8%
2018	546,983	546,983	0	8,163,936	6.7%
2019	828,873	828,873	0	8,652,103	9.6%

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	8.6 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 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.

Appendix B—Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2019 funding valuation (see Appendix C, following, for details), except as noted below and throughout this report. Please see the Hill County December 31, 2019 Summary Valuation Report for further details.

The following are the key assumptions and methods used in this GASB analysis.

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported,
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	5 years
Smoothing period	Non-asymptotic
Recognition	None
method Corridor	Same as funding valuation: See Appendix C
Inflation	Same as funding valuation: See Appendix C
Salary Increases	8.10% (Gross of administrative expenses)
Investment Rate of Return	
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Hill County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Same as funding valuation: See Appendix C
Turnover	Same as funding valuation: See Appendix C
Mortality	Same as funding valuation: See Appendix C

Hill County
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
FYE 9/30/2020

	2020	2019	2018
Total OPEB Liability			
Service Cost	\$23,160	\$26,934	\$13,826
Interest	6,832	7,171	6,614
Changes of benefit terms	0	0	0
Difference between expected and actual experience	(33,857)	(41,120)	(4,334)
Changes in assumptions	41,221	1,245	0
Benefit payments	0	(800)	(800)
Net change in total OPEB liability	37,356	(6,570)	15,306
Total OPEB liability - beginning	190,847	197,417	182,111
Total OPEB liability - ending (a)	\$228,203	\$190,847	\$197,417
Plan Fiduciary net position			
Contributions - employer	0	800	800
Net investment income	0	0	0
Benefit payments	0	(800)	(800)
Administrative expense	0	0	0
Net change in plan fiduciary net position	0	0	0
Plan fiduciary net position - beginning	0	0	0
Plan fiduciary net position - ending (b)	\$0	\$0	\$0
District's net OPEB liability - ending (a) - (b)	\$228,203	\$190,847	\$197,417
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered-employee payroll	\$9,391,481	\$8,456,291	\$8,251,280
District's net OPEB liability as a percentage of covered - employee payroll	2.43%	2.26%	2.39%

Notes to schedule:

Benefit changes - None

Hill County
Required Supplementary Information
Schedule of Contributions and Assumptions
FYE 9/30/2020

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

Notes to Schedule:

Valuation date:	10/1/2019	10/1/2018	10/1/2018
Census date:	9/30/2020	9/30/2019	9/30/2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age		
Amortization method	Normal		
Amortization period	N/A		
Asset valuation method	N/A		
Inflation	Market		
Healthcare cost trend rates	3.00%		
Salary increases	8 % decreasing to 5% ultimate		
Retirement age	3.00%		
Mortality	100% at age 60		
Investment rate of return	RP 2006 w/ MP2019 projection		
Other information:	2.14%	3.58%	3.64%

Hill County
Required Supplementary Information
Schedule of Investment Returns
FYE 9/30/2020

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

No OPEB Trust
Index will apply for discount rate purposes

Hill County
Required Supplementary Information
Long-Term Expected REAL Rate of Return
FYE 9/30/2020

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

Hill County
Required Supplementary Information
Investment Rate of Return Assumption
FYE 9/30/2020

To value the 9/30/2020 Total OPEB Liability under GASB 75 the S&P Municipal Bond 20 year High Grade Bond index rate of 2.14% was utilized.

For 2020 Expense, the index rate of 3.58% (9/30/2019) was utilized.

There is no OPEB Trust.

Hill County
Required Supplementary Information
Long-Term Expected REAL Rate of Return
FYE 9/30/2020

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

Schedule of Changes in Total OPEB Liability and Related Ratios

	Year Ended December 31			
	2019	2018	2017	2016 - 2009
Total OPEB Liability				
Service cost	\$15,433	\$17,245	\$16,344	N/A
Interest on total OPEB liability	18,382	16,756	17,451	N/A
Effect of plan changes	0	0	0	N/A
Effect of assumption changes or inputs	118,687	(50,407)	20,307	N/A
Effect of economic/demographic (gains) or losses	3,471	(6,669)	(16,828)	N/A
Benefit payments	<u>(13,843)</u>	<u>(13,879)</u>	<u>(11,613)</u>	<u>N/A</u>
Net change in total OPEB liability	142,130	(36,954)	25,661	<u>N/A</u>
Total OPEB liability, beginning	<u>439,772</u>	<u>476,726</u>	<u>451,065</u>	<u>N/A</u>
Total OPEB liability, ending (a)	<u>\$581,902</u>	<u>\$439,772</u>	<u>\$476,726</u>	<u>N/A</u>
Pensionable covered payroll	\$8,652,103	\$8,163,936	\$7,741,686	N/A
Net OPEB liability/(asset) as % of covered payroll	6.73%	5.39%	6.16%	N/A

Appendix B—Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial assumptions and methods that determined the total OPEB liability as of December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 75.

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary Increases	Does not apply
Investment Rate of Return (Discount Rate)	4.10%
	20 Year Bond GO Index published by bondbuyer.com as of December 26, 2019.
Cost-of-Living Adjustment	Does not apply
Disability	
Mortality	
Retirement	
Other Termination of Employment	

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

HILL COUNTY, TEXAS
 COMBINING BALANCE SHEET - ROAD AND BRIDGE FUND
 SEPTEMBER 30, 2020

	Road and Bridge General	Road and Bridge No. 1	Road and Bridge No. 2	Road and Bridge No. 3	Road and Bridge No. 4	Lateral Road No. 1	Lateral Road No. 2	Lateral Road No. 3	Lateral Road No. 4	Total Road and Bridge
<i>ASSETS</i>										
Cash and Cash Equivalents	\$140,376			\$366,727	\$190,950	\$6,458	\$449,453	\$561,252	\$224,681	\$1,939,897
Receivables (net of allowance for uncollectibles)		914,019	320,820	31,113	108,014	42,612	43,012	48,364	40,957	1,548,911
Total Assets	\$140,376	\$914,019	\$320,820	\$397,840	\$298,964	\$49,070	\$492,465	\$609,616	\$265,638	\$3,488,808
<i>LIABILITIES AND FUND BALANCES:</i>										
Liabilities:										
Accounts Payable	\$10,767	\$312,081	\$1,710	\$26,585	\$3,552	\$5,725	\$130,513	\$11,611	\$16,496	\$519,040
Accrued Wages Payable	4,322	12,412	10,614	10,629	11,376					49,353
Bank Overdraft		640,400	129,753							770,153
Deferred Revenues		18,352	18,239	20,829	17,639	40,702	40,452	46,195	39,120	241,528
Total Liabilities	15,089	983,245	160,316	58,043	32,567	46,427	170,965	57,806	55,616	1,580,074
Fund Balances:										
Restricted										
Public Transportation	125,287	(69,226)	160,504	339,797	266,397	2,643	321,500	551,810	210,022	1,908,734
Assigned										0
Total Fund Balance	125,287	(69,226)	160,504	339,797	266,397	2,643	321,500	551,810	210,022	1,908,734
Total Liabilities and Fund Balances	\$140,376	\$914,019	\$320,820	\$397,840	\$298,964	\$49,070	\$492,465	\$609,616	\$265,638	\$3,488,808

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - ROAD AND BRIDGE FUNDS
 YEAR ENDED SEPTEMBER 30, 2020

	Road and Bridge General	Road and Bridge No. 1	Road and Bridge No. 2	Road and Bridge No. 3	Road and Bridge No. 4	Lateral Road No. 1	Lateral Road No. 2	Lateral Road No. 3	Lateral Road No. 4	Total Road and Bridge
<i>REVENUES</i>										
Taxes										
Property		\$226,975	\$225,587	\$257,613	\$218,158	\$519,624	\$516,436	\$589,759	\$499,434	\$3,053,586
Sales		45,504	45,225	51,646	43,736					186,111
Other										0
Intergovernmental		2,032,730	1,000,236	14,916	364,655					3,412,537
Licenses and Permits		211,083	209,788	239,572	202,881					863,324
Charges for Services	168,604									168,604
Fines and Forfeitures										0
Interest	769	408	3,759	14,348	3,321					22,605
Contributions and Donations		75,000	123,000	1,500						199,500
Miscellaneous		15,337	509	3,079	7,865					26,790
Total Revenues	169,373	2,607,037	1,608,104	582,674	840,616	519,624	516,436	589,759	499,434	7,933,057
<i>EXPENDITURES</i>										
Current:										
Public Transportation										
Road and Bridge	243,438	3,227,947	1,750,763	742,356	1,589,211	504,782	300,451	697,118	291,677	9,347,743
Debt Service										
Principal Retirement			25,366			16,993		16,993	103,747	163,099
Interest and Fiscal Charges			3,278			3,052		3,300	32,638	42,268
Total Expenditures	243,438	3,227,947	1,779,407	742,356	1,589,211	524,827	300,451	717,411	428,062	9,553,110
Excess (Deficiency) of Revenues Over (Under) Expenditures	(74,065)	(620,910)	(171,303)	(159,682)	(748,595)	(5,203)	215,985	(127,652)	71,372	(1,620,053)
<i>OTHER FINANCING SOURCES (USES):</i>										
Sale of Capital Assets		37,441								37,441
Other Financing Sources - Capital Lease		449,087			886,912					1,335,999
Operating Transfers In	100,000	100,000	100,000	100,000	100,000					500,000
Operating Transfers Out										0
Total Other Financing Sources (Uses)	100,000	586,528	100,000	100,000	986,912	0	0	0	0	1,873,440
Net Changes in Fund Balances	25,935	(34,382)	(71,303)	(59,682)	238,317	(5,203)	215,985	(127,652)	71,372	253,387
Fund Balances - Beginning	99,352	(34,844)	231,807	399,479	28,080	7,846	105,515	679,462	138,650	1,655,347
Fund Balances - Ending	\$125,287	(\$69,226)	\$160,504	\$339,797	\$266,397	\$2,643	\$321,500	\$551,810	\$210,022	\$1,908,734

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2020

	SPECIAL REVENUE				
	ADULT PROBATION	COUNTY ATTORNEY HOT CHECK FUND	CHILD WELFARE BOARD	COUNTY CLERK	COUNTY CLERK COURT PRESERVATION
ASSETS					
Cash and Cash Equivalents	\$751,910	\$17,225	\$120	\$907,796	\$4,416
Receivables (net of allowance for uncollectibles)					
Due from Other Funds				0	
TOTAL ASSETS	\$751,910	\$17,225	\$120	\$907,796	\$4,416
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$13,792		\$120	\$0	
Bank Overdraft					
Due to Others					
Accrued Wages Payable	19,297			0	
Deferred Revenues					
Total Liabilities	33,089	0	120	0	0
Fund Balances:					
Restricted					
Administration				907,796	4,416
Construction					
Culture and Recreation					
Debt Service					
Elections					
Health and Welfare					
Judicial					
Legal		17,225			
Public Safety	718,821				
Total Fund Balances	718,821	17,225	0	907,796	4,416
TOTAL LIABILITIES AND FUND BALANCES	\$751,910	\$17,225	\$120	\$907,796	\$4,416

(continued)

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

SPECIAL REVENUE

COUNTY SPECIALTY COURT	COUNTY HISTORICAL COMMISSION	COURTHOUSE SECURITY	CRIME VICTIM ASSISTANCE	DISTRICT ATTORNEY FORFEITED PROPERTY	DISTRICT CLERK ARCHIVE FUND	ECONOMIC DEVELOPMENT FUND
\$2,538	\$6,174	\$24,622		\$274,315	\$15,789	\$170,267
			5,592			
3,818		1,049				
<u>\$6,356</u>	<u>\$6,174</u>	<u>\$25,671</u>	<u>\$5,592</u>	<u>\$274,315</u>	<u>\$15,789</u>	<u>\$170,267</u>
			4,090			
			1,503	1,039		
<u>0</u>	<u>0</u>	<u>0</u>	<u>5,593</u>	<u>1,039</u>	<u>0</u>	<u>0</u>
6,356					15,789	170,267
	6,174					
		25,671		273,276		
			(1)			
<u>6,356</u>	<u>6,174</u>	<u>25,671</u>	<u>(1)</u>	<u>273,276</u>	<u>15,789</u>	<u>170,267</u>
<u>\$6,356</u>	<u>\$6,174</u>	<u>\$25,671</u>	<u>\$5,592</u>	<u>\$274,315</u>	<u>\$15,789</u>	<u>\$170,267</u>

HILL COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2020
 (continued)

	SPECIAL REVENUE				
	ELECTION CHAPTER 19 FUNDS	ELECTION CONTRACT FUND	ELECTION MACHINE LEASE	HILL COUNTY TOURISM	HOT CHECK RESTITUTION
	ASSETS				
Cash and Cash Equivalents	\$205	\$10,449	\$19,905	\$102,927	\$9,633
Receivables (net of allowance for uncollectibles)		3,833			
Due from Other Funds					
TOTAL ASSETS	\$205	\$14,282	\$19,905	\$102,927	\$9,633
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$180				
Bank Overdraft					
Due to Others					
Accrued Wages Payable					
Deferred Revenues					
Total Liabilities	180	0	0	0	0
Fund Balances:					
Restricted					
Administration				102,927	
Construction					
Culture and Recreation					
Debt Service					
Elections	25	14,282	19,905		
Health and Welfare					
Judicial					9,633
Legal					
Public Safety					
Total Fund Balances	25	14,282	19,905	102,927	9,633
TOTAL LIABILITIES AND FUND BALANCES	\$205	\$14,282	\$19,905	\$102,927	\$9,633

(continued)

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

SPECIAL REVENUE

INDIGENT HEALTH CARE	JURY	JUSTICE COURT TECH- NOLOGY	JUVENILE PROBATION	LAW LIBRARY	PROBATE RECORDS MANAGEMENT	RECORDS MANAGEMENT AND PRESERVATION	SHERIFF DEPARTMENT
\$672,355	\$123,210	\$36,765	\$195,487	\$42,437	\$25,778	\$66,323	\$118,476
112,997	11,733		89,388 978				0
\$785,352	\$134,943	\$36,765	\$285,853	\$42,437	\$25,778	\$66,323	\$118,476
\$65,387	68,021		\$86,380 44,943 4,837 10,548	\$1,036		359	\$1,422
1,338 75,059							
141,784	68,021	0	146,708	1,036	0	359	1,422
					25,778	65,964	
643,568	66,922	36,765		41,401			
			139,145				117,054
643,568	66,922	36,765	139,145	41,401	25,778	65,964	117,054
\$785,352	\$134,943	\$36,765	\$285,853	\$42,437	\$25,778	\$66,323	\$118,476

HILL COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2020
 (continued)

	DEBT SERVICE SERVICE	CAPITAL PROJECTS PROJECTS	NON-MAJOR GOVERN- MENTAL FUNDS
	DEBT SERVICE FUND	COURT- HOUSE PROJECT	
ASSETS			
Cash and Cash Equivalents	\$159,367	\$89,788	\$3,848,277
Receivables (net of allowance for uncollectibles)	54,905		278,448
Due from Other Funds			5,845
TOTAL ASSETS	\$214,272	\$89,788	\$4,132,570
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable			\$236,338
Bank Overdraft			49,033
Due to Others			4,837
Accrued Wages Payable			34,084
Deferred Revenues	52,535		127,594
Total Liabilities	52,535	0	451,886
Fund Balances:			
Restricted			
Administration			1,299,293
Construction		89,788	89,788
Culture and Recreation			6,174
Debt Service	161,737		161,737
Elections			34,212
Health and Welfare			643,568
Judicial			453,668
Legal			17,225
Public Safety			975,019
Total Fund Balances	161,737	89,788	3,680,684
TOTAL LIABILITIES AND FUND BALANCES	\$214,272	\$89,788	\$4,132,570

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

HILL COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (continued)

	SPECIAL REVENUE				
	ADULT PROBATION	C.A. HOT CHECK FUND	CHILD WELFARE BOARD	COUNTY CLERK	CC COURT PRESERVATION
<i>REVENUES</i>					
Taxes					
Property					
Sales					
Intergovernmental	503,325				
Charges for Services	465,090	965		163,368	1,390
Interest	7,224			17,203	24
Contributions					
Miscellaneous	0		924		
Total Revenues	975,639	965	924	180,571	1,414
<i>EXPENDITURES</i>					
Current:					
General Administration				35,771	
Legal					
Judicial					
Public Safety	844,696				
Culture and Recreation					
Health and Welfare			924		
Debt Service					
Principal Retirement					
Interest and Fiscal Charges					
Total Expenditures	844,696	0	924	35,771	0
Excess (Deficiency) of Revenues Over (Under)					
Expenditures	130,943	965	0	144,800	1,414
OTHER FINANCING SOURCES (USES):					
Sale of Capital Assets					
Operating Transfers In					
Operating Transfers Out					
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Changes in Fund Balances	130,943	965	0	144,800	1,414
Fund Balances - Beginning	587,878	16,260	0	762,996	3,002
Fund Balances - Ending	\$718,821	\$17,225	\$0	\$907,796	\$4,416

(continued)

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

SPECIAL REVENUE

COUNTY SPECIALTY COURT	COUNTY HISTORICAL COMMISSION	COURTHOUSE SECURITY	CRIME VICTIM ASSISTANCE	D.A. FORFEITED PROPERTY	DISTRICT CLERK ARCHIVE FUND	ECONOMIC DEVELOPMENT FUND
			42,257		3,324	
6,356	8	23,726 114		421	17	173
						22,632
6,356	8	23,840	42,257	421	3,341	22,805
				37,468		
	121		42,257			
0	121	0	42,257	37,468	0	0
6,356	(113)	23,840	0	(37,047)	3,341	22,805
				517		
		(15,000)				
0	0	(15,000)	0	517	0	0
6,356	(113)	8,840	0	(36,530)	3,341	22,805
0	6,287	16,831	(1)	309,806	12,448	147,462
\$6,356	\$6,174	\$25,671	(\$1)	\$273,276	\$15,789	\$170,267

HILL COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (continued)

	SPECIAL REVENUE				
	ELECTION			HILL	HOT
	CHAPTER	ELECTION	ELECTION	HILL	HOT
	19	CONTRACT	MACHINE	COUNTY	CHECK
	FUNDS	FUND	LEASE	TOURISM	RESTITUTION
<i>REVENUES</i>					
Taxes					
Property					
Sales					
Intergovernmental					
Charges for Services				28,887	979
Interest		12	26	637	
Contributions					
Miscellaneous		10,916	4,850		
Total Revenues	0	10,928	4,876	29,524	979
<i>EXPENDITURES</i>					
Current:					
General Administration		10,366		9,739	
Legal					
Judicial					
Public Safety					
Culture and Recreation					
Health and Welfare					
Debt Service					
Principal Retirement					
Interest and Fiscal Charges					
Total Expenditures	0	10,366	0	9,739	0
Excess (Deficiency) of Revenues Over (Under)					
Expenditures	0	562	4,876	19,785	979
OTHER FINANCING SOURCES (USES):					
Sale of Capital Assets					
Operating Transfers In					
Operating Transfers Out					
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Changes in Fund Balances	0	562	4,876	19,785	979
Fund Balances - Beginning	25	13,720	15,029	83,142	8,654
Fund Balances - Ending	\$25	\$14,282	\$19,905	\$102,927	\$9,633

(continued)

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

SPECIAL REVENUE

INDIGENT HEALTH CARE	JURY	JUSTICE COURT TECH- NOLOGY	JUVENILE PROBATION	LAW LIBRARY	PROBATE RECORDS MANAGEMENT	RECORDS MANAGEMENT AND PRESERVATION	SHERIFF DEPARTMENT
\$910,172							
186,111							
	44,386		772,638				2,111
	285,447	17,317	87,399	21,188	695	23,431	
4,487	209	55	305	245	279	328	227
13,889	13,134		3,085				
1,114,659	343,176	17,372	863,427	21,433	974	23,759	2,338
	489,191			22,777		6,453	
			929,438				15,714
564,960							
564,960	489,191	0	929,438	22,777	0	6,453	15,714
549,699	(146,015)	17,372	(66,011)	(1,344)	974	17,306	(13,376)
							0
	135,000		90,000				
(500,000)		(9,500)	0				
(500,000)	135,000	(9,500)	90,000	0	0	0	0
49,699	(11,015)	7,872	23,989	(1,344)	974	17,306	(13,376)
593,869	77,937	28,893	115,156	42,745	24,804	48,658	130,430
\$643,568	\$66,922	\$36,765	\$139,145	\$41,401	\$25,778	\$65,964	\$117,054

HILL COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020
 (continued)

	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	NON-MAJOR GOVERN- MENTAL FUNDS
<i>REVENUES</i>			
Taxes			
Property	\$639,938		\$1,550,110
Sales			186,111
Intergovernmental			1,368,041
Charges for Services			1,126,238
Interest	3,260	2,041	37,295
Contributions			0
Miscellaneous			69,430
Total Revenues	<u>643,198</u>	<u>2,041</u>	<u>4,337,225</u>
<i>EXPENDITURES</i>			
Current:			
General Administration			55,876
Legal			0
Judicial			555,889
Public Safety			1,832,105
Culture and Recreation			121
Health and Welfare			565,884
Debt Service			
Principal Retirement	515,000		515,000
Interest and Fiscal Charges	106,919		106,919
Total Expenditures	<u>621,919</u>	<u>0</u>	<u>3,631,794</u>
Excess (Deficiency) of Revenues Over (Under)			
Expenditures	<u>21,279</u>	<u>2,041</u>	<u>705,431</u>
OTHER FINANCING SOURCES (USES):			
Sale of Capital Assets			517
Operating Transfers In			225,000
Operating Transfers Out		(200,000)	(724,500)
Total Other Financing Sources (Uses)	<u>0</u>	<u>(200,000)</u>	<u>(498,983)</u>
Net Changes in Fund Balances	21,279	(197,959)	206,448
Fund Balances - Beginning	<u>140,458</u>	<u>287,747</u>	<u>3,474,236</u>
Fund Balances - Ending	<u>\$161,737</u>	<u>\$89,788</u>	<u>\$3,680,684</u>

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

SINGLE AUDIT SECTION

HILL COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

SOURCE AND TITLE OF GRANT	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PASS-THROUGH TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDI- TURES
FEDERAL ASSISTANCE				
US Department of Justice				
Passed Through				
Office of the Governor - CJD				
Juvenile Justice and Delinquency Prevention				
HOTCOG- JJDP-Alloc to States				
	16.540	N/A	NONE	\$5,152
Office of the Governor - CJD				
Coronavirus Emergency Supplemental Funding Program				
CV-Coronavirus Emergency Supplemental Funding Program				
	16.034	4160401	NONE	8,492
Office of the Governor - CJD				
Juvenile Resource Officer				
	NONE	2859805	NONE	54,925
Direct				
State Criminal Alien Assistance Program				
SCAAP - State Criminal Alien Assistance Program				
	16.606	2019-H1641-TX-AP	NONE	8,778
Bulletproof Vest Partnership Program				
Bullet Proof Vest Partnership				
	16.607	2019BUBX19019454	NONE	3,700
Total US Department of Justice				<u>81,047</u>
U.S. Department of the Treasury				
Passed Through				
Texas Division of Emergency Management (TDEM)				
Coronavirus Relief Fund				
	21.019	N/A	NONE	1,113,035
Total U.S. Department of the Treasury (TREAS)				<u>1,113,035</u>
Election Assistance Commission				
Direct				
2020 HAVA Election Security Grants				
HAVA CARES				
	90.404	TX20101CARES-109	NONE	1,826
Election Security				
		TX18101001-01-109	NONE	120,000
Total Election Assistance Commission				<u>121,826</u>
U.S. Department of Homeland Security				
Passed Through				
Texas Division of Emergency Management (TDEM)				
PUBLIC ASSISTANCE (Presidentially Declared Disasters)				
Disaster 4416				
	97.036	4416-DR-TX	NONE	3,358,786
Passed Through				
Texas Division of Emergency Management (TDEM)				
Pre-Disaster Mitigation				
Hazard Mitigation Grant Pre-Disaster Mitigation PDM17				
	97.047	PDM17-00005	NONE	38,398
Total U.S. Department of Homeland Security				<u>3,397,184</u>
U.S. Department of Health and Human Services				
Passed Through				
Office of the Attorney General				
Child Support Enforcement-Title IV-D				
Fiscal Year 2020				
	93.563	NONE	NONE	28,679
Total U.S. Department of Health and Human Services				<u>28,679</u>
TOTAL				<u><u>4,741,771</u></u>

See Accompanying Notes to Schedule of Federal Financial Assistance

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hill County, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Hill County, Texas' basic financial statements, and have issued our report thereon dated June 21, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



BEYER & COMPANY
Certified Public Accountants
June 21, 2021

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

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

Report on Compliance for Each Major Federal Program

We have audited Hill County, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hill County, Texas' major federal programs for the year ended September 30, 2020. Hill County, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Hill County, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Other Matters

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


Report on Internal Control over Compliance

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

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

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

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



BEYER & COMPANY
Certified Public Accountants
June 21, 2021

HILL COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE A-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Hill County, Texas under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Hill County, Texas, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Hill County, Texas.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C-INDIRECT COST RATE

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

HILL COUNTY, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Indigent Health Care – We noted missing affidavits that show proof of residency and income assistance from the person they are living with. ***This condition has been corrected.***

Sheriff Department – We were unable to get the Resident Balance report to balance to the bank reconciliation and we found that the bank statements are not being reconciled monthly to the inmate ledger. ***This condition has been corrected.***

HILL COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Section I Summary of Auditors Results

Financial Statements Section

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

Federal (or State) Awards Section

3. There were no instances of noncompliance material to the financial statements of the Hill County, Texas, which would be required to be reported in accordance with Government Auditing Standards.
4. There was no significant deficiency over major Federal award programs disclosed during the audit. There was no material weakness over major Federal award programs disclosed during the audit.
5. The auditor's report on compliance for the major Federal award programs for Hill County, Texas expresses an unmodified opinion on all major Federal programs.
6. There were no audit findings that are required to be reported in accordance with the Uniform Guidance.
7. The programs tested as major programs: PUBLIC ASSISTANCE (Presidentially Declared Disasters) - CFDA 97.036 and Coronavirus Relief Fund – CFDA 21.019.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Hill County did not qualify as a low-risk auditee.