

HILL COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended  
September 30, 2018

Hill County, Texas  
Annual Financial Report  
For the Fiscal Year Ended September 30, 2018

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FINANCIAL SECTION

**BEYER & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the County Judge and Commissioners' 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, 2018, 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, 2018, 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 73–82 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. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2019, on our consideration of Hill County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hill County, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hill County, Texas' internal control over financial reporting and compliance.



BEYER & COMPANY  
Certified Public Accountants  
June 26, 2019

## 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 \$33,044,169 (net assets). Of this amount, \$7,826,198 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net assets decreased by \$595,121. This decrease was precipitated by an increase in expenditures of \$3,133,549 more than offsetting an increase in revenues of \$1,336,193. Also, Capital grants declined by \$832,978 while operating grants increased by \$534,410.

As of the close of the current fiscal year, Hill County, Texas' governmental funds reported combined ending fund balances of \$11,840,230 a decrease of \$386,632 in comparison with the prior year. Approximately 49% of this total amount, \$5,779,323, 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 \$5,779,323, or 46 percent of total general fund expenditures and the restricted fund balance for the road and bridge fund was \$2,948,189, or 38 percent of total road and bridge fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is 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 similar to 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 of the non-fiduciary funds of Hill County, Texas are governmental funds.

*Governmental funds:*

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

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

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

Budgets for the 2018 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 21-72 of this report.



*Other information:*

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Hill County, Texas' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 73 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 83-94 of this report. The Single Audit Section can be found on pages 95-101.

**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 \$33,044,169 at the close of the most recent fiscal year.

Fifty-nine percent of Hill County, Texas' net assets (\$19,502,929) 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	
	2018	2017	2018	2017
Current and Other Assets	\$15,502,848	\$16,728,752	\$15,502,848	\$16,728,752
Capital Assets:	24,197,148	24,079,267	24,197,148	24,079,267
Total Assets	39,699,996	40,808,019	39,699,996	40,808,019
Total Deferred Outflows of Resources	1,108,838	1,808,666	1,108,838	1,808,666
Long-Term Liabilities	5,616,695	6,961,322	5,616,695	6,961,322
Other Liabilities	1,034,105	1,109,972	1,034,105	1,109,972
Total Liabilities	6,650,800	8,071,294	6,650,800	8,071,294
Total Deferred Inflows of Resources	1,113,865	906,101	1,113,865	906,101
Invested in Capital Assets, Net of Related Debt	19,502,929	19,214,715	19,502,929	19,214,715
Restricted	5,715,042	7,778,707	5,715,042	7,778,707
Unrestricted	7,826,198	6,645,868	7,826,198	6,645,868
Total Net Assets	\$33,044,169	\$33,639,290	\$33,044,169	\$33,639,290

An additional portion of Hill County, Texas' net assets (17 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$7,826,198) 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 a whole, as well as for its separate governmental activities.

Governmental activities:

Governmental activities decreased Hill County, Texas' net assets by \$595,121, thereby accounting for 100 percent of the total decrease in the net assets of Hill County, Texas.

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

	Governmental Activities		Total	
	2018	2017	2018	2017
Revenues:				
Program Revenues:				
Charges for Services	\$3,759,696	\$3,492,731	\$3,759,696	\$3,492,731
Operating Grants and Contributions	1,504,318	1,012,149	1,504,318	1,012,149
Capital Grants and Contributions	490,840	1,323,818	490,840	1,323,818
General Revenues:				
Maintenance and Operations Taxes	12,850,092	12,317,480	12,850,092	12,317,480
Sales Taxes	2,169,433	1,663,980	2,169,433	1,663,980
Other Taxes	28,056	218,893	28,056	218,893
Unrestricted Investment Earnings	194,580	117,395	194,580	117,395
Contributions and Donations	189,240		189,240	0
Sale of Capital assets	253,152	323,018	253,152	323,018
Miscellaneous	567,452	201,202	567,452	201,202
Total Revenue	22,006,859	20,670,666	22,006,859	20,670,666
Expenses:				
General Administration	2,227,816	2,301,222	2,227,816	2,301,222
Legal	353,057	369,416	353,057	369,416
Judicial	2,396,800	2,603,618	2,396,800	2,603,618
Financial Administration	841,318	847,373	841,318	847,373
Public Facilities	638,243	355,221	638,243	355,221
Public Safety	7,680,199	7,056,296	7,680,199	7,056,296
Public Transportation	7,181,105	4,456,448	7,181,105	4,456,448
Culture and Recreation	100		100	0
Health and Welfare	963,030	1,022,584	963,030	1,022,584
Conservation - Agriculture	149,077	256,446	149,077	256,446
Interest and Fiscal Charges	171,235	199,807	171,235	199,807
Total Expenses	22,601,980	19,468,431	22,601,980	19,468,431
Increase in Net Assets	(595,121)	1,202,235	(595,121)	1,202,235
Net Assets at 09/30/2017 - Restated	33,639,290	32,437,055	33,639,290	32,437,055
Net Assets at 09/30/2018	\$33,044,169	\$33,639,290	\$33,044,169	\$33,639,290

This decrease was precipitated by an increase in expenditures of \$3,133,549 more than offsetting an increase in revenues of \$1,336,193. Also, Capital grants declined by \$832,978 while operating grants increased by \$534,410.

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Government Activities:				
General Administration	\$2,227,816	\$499,053	\$78,887	
Legal	353,057	13,391	70,000	
Judicial	2,396,800	795,030	131,763	
Financial Administration	841,318	661,924		
Public Facilities	638,243			
Public Safety	7,680,199	606,569	1,152,090	
Public Transportation	7,181,105	1,009,871	54,887	490,840
Culture and Recreation	100			
Health and Welfare	963,030	173,858	16,691	
Conservation - Agriculture	149,077			
Interest and Fiscal Charges	171,235			
Total Government Activities	<u>\$22,601,980</u>	<u>\$3,759,696</u>	<u>\$1,504,318</u>	<u>\$490,840</u>

Revenues by Source - Governmental Activities

	REVENUES	%
Charges for Services	\$3,759,696	17.08%
Operating Grants and Contributions	1,504,318	6.84%
Capital Grants and Contributions	490,840	2.23%
Maintenance and Operations Taxes	12,850,092	58.39%
Sales Taxes	2,169,433	9.86%
Other Taxes	28,056	0.13%
Unrestricted Investment Earnings	194,580	0.88%
Contributions and Donations	189,240	0.86%
Sale of Capital assets	253,152	1.15%
Miscellaneous	567,452	2.58%
	<u>\$22,006,859</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. In particular, 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 \$11,840,230, a decrease of \$386,632 in comparison with the prior year. Approximately 49 percent of this total amount \$5,779,323 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remaining restricted and committed amounts of \$5,715,902 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 \$5,779,323, while total fund balance reached \$6,113,141. 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 46 percent of total general fund expenditures, while total fund balance represents 49 percent of that same amount.

The fund balance of Hill County, Texas' general fund increased by \$332,991 during the current fiscal year. Key factors in this increase are as follows:

- Ad valorem taxes increased by \$332,586.

At the end of the current fiscal year, restricted fund balance of the road and bridge fund was \$2,948,189, while total fund balance reached \$2,960,236. 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 38 percent of total road and bridge fund expenditures, while total fund balance represents 38 percent of that same amount.

The fund balance of Hill County, Texas' road and bridge fund decreased by \$985,938 during the current fiscal year. Key factors in this decrease are as follows:

- The County did a significant amount of road work in fiscal year 2018 precipitating an increase in transportation expenditures of \$2,384,705.

## Fund Budgetary Highlights

Differences between the original budget and the final amended budget for the general fund expenditures amounted to an increase of \$723,831. The largest components of the increase were attributable to the sheriff department and constables; which increased by \$292,171 and \$99,912, respectively. The increases were precipitated by capital purchases.

Differences between the original budget and the final amended budget for the road and bridge fund expenditures amounted to an increase of \$4,055,532. The largest components of the increase were attributable to the transportation department; which increased by \$4,055,532. The increase was precipitated by capital road expenditures.

## Capital Asset and Debt Administration

### Capital assets:

Hill County, Texas' investment in capital assets for its governmental activities as of September 30, 2018, amounts to \$24,109,679 (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 \$117,881 or .49 percent.

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

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

	Governmental Activities		Total	
	2018	2017	2018	2017
Land	\$62,977	\$62,977	\$62,977	\$62,977
Building and Improvements	11,995,101	12,479,703	11,995,101	12,479,703
Machinery and Equipment	4,518,141	4,142,324	4,518,141	4,142,324
Infrastructure	7,620,929	7,394,263	7,620,929	7,394,263
Total	<u>\$24,197,148</u>	<u>\$24,079,267</u>	<u>\$24,197,148</u>	<u>\$24,079,267</u>

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

Long-term debt:

At the end of the current fiscal year, Hill County, Texas had total bonded debt outstanding of \$3,610,000. All of which comprises debt backed by the full faith and credit of Hill County, Texas.

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>	<u>Due After</u> <u>One Year</u>
<u>Governmental Activities:</u>						
Certificates of Obligation	\$4,090,000		\$480,000	\$3,610,000	\$500,000	\$3,110,000
Grand Total	<u>\$4,090,000</u>	<u>\$0</u>	<u>\$480,000</u>	<u>\$3,610,000</u>	<u>\$500,000</u>	<u>\$3,110,000</u>

Hill County, Texas' total bonded debt decreased by \$480,000 (11.74 percent) during the current fiscal year. The key factor in this decrease was the payment of certificates of obligation bonds of \$480,000.

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

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

Hill County is benefitting from recent growth and investment in the County. The new shingle plant was added to the tax rolls in 2018 and the concrete plant continues with its contract for the Globe Life Park in Arlington. Property is under contract for a \$50 million manufacturing plant in Hillsboro. The County has been approached by 3 different green energy companies to locate energy farms in the County. Latest figures for the initial green energy project indicate that it will invest in excess of \$200 million in the County. The other two projects are expected to mirror that investment. The oil field explosives group, Dyna Energetics has expanded their plant south of Blum to twice its original size with further expansion plans in the works. According to information from 911 addressing, 2 to 3 new addresses are added to the unincorporated part of Hill County each day. New housing starts are up and several developers have contacted the County about wanting to build new subdivisions in Hill County. One of those subdivisions would include 99 new homes in an area north of Hillsboro. These projected plans would represent the fastest rate of growth we have witnessed and should add considerably to our total tax base.

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

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

#### Requests for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS



HILL COUNTY, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

	Primary Government	
	Governmental	
	Activities	Total
<b>ASSETS</b>		
Cash and Cash Equivalents	\$12,049,550	\$12,049,550
Receivables (net of allowance for uncollectibles)	2,093,067	2,093,067
Net Pension Receivable	401,456	401,456
Inventory	109,479	109,479
Prepaid Items	849,296	849,296
Capital assets not being depreciated:		
Land	62,977	62,977
Total Capital assets being depreciated, net		
Building and Improvements	11,995,101	11,995,101
Machinery and Equipment	4,518,141	4,518,141
Infrastructure	7,620,929	7,620,929
Total Assets	<u>\$39,699,996</u>	<u>\$39,699,996</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>GASB 68</b>		
Deferred Outflow of Resources-Contributions (after 12/31/17)	798,068	798,068
Changes of assumptions	194,039	194,039
Deferred Charge on Refunding	116,731	116,731
Total Deferred Outflows of Resources	<u>1,108,838</u>	<u>1,108,838</u>
<b>LIABILITIES</b>		
Accounts Payable	\$761,122	\$761,122
Accrued Wages Payable	175,123	175,123
Accrued Interest Payable	22,860	22,860
Deferred Revenue	75,000	75,000
Noncurrent Liabilities:		
Due within one year	967,360	967,360
Due in more than one year	4,649,335	4,649,335
Total Liabilities	<u>6,650,800</u>	<u>6,650,800</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
<b>GASB 68</b>		
Differences between expected and actual experience	739,612	739,612
Net difference between projected and actual earnings	370,460	370,460
<b>GASB 75</b>		
Differences between expected and actual experience	3,793	3,793
Total Deferred Inflows of Resources	<u>1,113,865</u>	<u>1,113,865</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	19,502,929	19,502,929
Restricted		
Administration	848,080	848,080
Construction	310,659	310,659
Culture and Recreation	6,021	6,021
Debt Service	107,603	107,603
Elections	22,843	22,843
Health and Welfare	385,758	385,758
Judicial	358,358	358,358
Legal	16,166	16,166
Public Safety	711,365	711,365
Public Transportation	2,948,189	2,948,189
Unrestricted	7,826,198	7,826,198
Total Net Position	<u>\$33,044,169</u>	<u>\$33,044,169</u>

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position	Revenue and Changes in Net Position
				Governmental Activities		Total
<b>Primary Government</b>						
<b>Government Activities:</b>						
General Administration	\$2,227,816	\$499,053	\$78,887		(\$1,649,876)	(\$1,649,876)
Legal	353,057	13,391	70,000		(269,666)	(269,666)
Judicial	2,396,800	795,030	131,763		(1,470,007)	(1,470,007)
Financial Administration	841,318	661,924			(179,394)	(179,394)
Public Facilities	638,243				(638,243)	(638,243)
Public Safety	7,680,199	606,569	1,152,090		(5,921,540)	(5,921,540)
Public Transportation	7,181,105	1,009,871	54,887	490,840	(5,625,507)	(5,625,507)
Culture and Recreation	100				(100)	(100)
Health and Welfare	963,030	173,858	16,691		(772,481)	(772,481)
Conservation - Agriculture	149,077				(149,077)	(149,077)
Interest and Fiscal Charges	171,235				(171,235)	(171,235)
Total Government Activities	22,601,980	3,759,696	1,504,318	490,840	(16,847,126)	(16,847,126)
<b>Total Primary Government</b>	<b>\$22,601,980</b>	<b>\$3,759,696</b>	<b>\$1,504,318</b>	<b>\$490,840</b>	<b>(16,847,126)</b>	<b>(16,847,126)</b>
<b>General Revenues</b>						
Property Taxes, Levies for General Purposes					12,850,092	12,850,092
Sales Taxes					2,169,433	2,169,433
Other Taxes					28,056	28,056
Unrestricted Investment Earnings					194,580	194,580
Contributions and Donations					189,240	189,240
Sale of Capital assets					253,152	253,152
Miscellaneous					567,452	567,452
Total General Revenues and Transfers					16,252,005	16,252,005
Change in Net Position					(595,121)	(595,121)
Net Position - Beginning - Restated					33,639,290	33,639,290
Net Position - Ending					\$33,044,169	\$33,044,169

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

HILL COUNTY, TEXAS  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2018

	General Fund	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$6,051,774	\$3,179,901	\$2,841,510	\$12,073,185
Receivables (net of allowance for uncollectibles)	1,209,735	386,912	265,192	1,861,839
Due from Other Funds			10,563	10,563
<b>Total Assets</b>	<b>\$7,261,509</b>	<b>\$3,566,813</b>	<b>\$3,117,265</b>	<b>\$13,945,587</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities</b>				
Accounts Payable	\$288,921	\$287,188	\$185,013	\$761,122
Accrued Wages Payable	127,664	25,879	21,580	175,123
Due to Other Funds	10,563			10,563
Bank Overdraft			23,635	23,635
Deferred Revenues	721,220	293,510	120,184	1,134,914
<b>Total Liabilities</b>	<b>1,148,368</b>	<b>606,577</b>	<b>350,412</b>	<b>2,105,357</b>
<b>Fund Balances:</b>				
<b>Restricted</b>				
Administration			848,080	848,080
Construction			310,659	310,659
Culture and Recreation			6,021	6,021
Debt Service			107,603	107,603
Elections			22,843	22,843
Health and Welfare			385,758	385,758
Judicial			358,358	358,358
Legal			16,166	16,166
Public Safety			711,365	711,365
Public Transportation		2,948,189		2,948,189
<b>Assigned</b>				
Administration	333,818	12,047		345,865
Unassigned	5,779,323			5,779,323
<b>Total Fund Balance</b>	<b>6,113,141</b>	<b>2,960,236</b>	<b>2,766,853</b>	<b>11,840,230</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$7,261,509</b>	<b>\$3,566,813</b>	<b>\$3,117,265</b>	<b>\$13,945,587</b>

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, 2018

Total Fund Balances - governmental funds balance sheet	\$11,840,230
Amounts reported for governmental activities in the statement of Net Position ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	24,197,148
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	627,657
Prepaid items are expenditures in the funds but are recorded as assets in the governmental activities.	849,296
Inventory Costs are expenditures in the funds but are recorded as assets in the governmental activities.	109,479
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	1,059,914
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(5,639,555)
Net Position of governmental activities - statement of Net Position	<u>\$33,044,169</u>

The accompanying notes are an integral part of this statement.

HILL COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
<b>Taxes</b>				
Property	\$8,691,787	\$2,668,771	\$1,440,869	\$12,801,427
Sales	1,822,324	173,554	173,555	2,169,433
Other	28,056			28,056
Intergovernmental	318,472	1,869,545	1,130,959	3,318,976
Licenses and Permits		893,441		893,441
Charges for Services	1,540,547	116,430	1,078,756	2,735,733
Fines and Forfeitures	112,567			112,567
Interest	100,092	74,625	19,863	194,580
Contributions and Donations	500	167,622	21,118	189,240
Miscellaneous	213,809	192,831	160,812	567,452
<b>Total Revenues</b>	<b>12,828,154</b>	<b>6,156,819</b>	<b>4,025,932</b>	<b>23,010,905</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General Administration	2,142,460		83,935	2,226,395
Legal	377,274		259	377,533
Judicial	1,784,743		702,863	2,487,606
Financial Administration	879,899			879,899
Public Facilities	377,355			377,355
Public Safety	6,153,925		1,714,656	7,868,581
Public Transportation		7,722,201		7,722,201
Culture and Recreation			100	100
Health and Welfare	397,908		688,849	1,086,757
Conservation - Agriculture	156,927			156,927
<b>Debt Service</b>				
Principal Retirement	184,108	50,509	480,000	714,617
Interest and Fiscal Charges	23,190	6,137	136,319	165,646
<b>Total Expenditures</b>	<b>12,477,789</b>	<b>7,778,847</b>	<b>3,806,981</b>	<b>24,063,617</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>350,365</b>	<b>(1,622,028)</b>	<b>218,951</b>	<b>(1,052,712)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Capital assets	4,740	235,162	13,250	253,152
Other Financing Sources - Capital Lease		412,928		412,928
Operating Transfers In	308,063	20,797	330,580	659,440
Operating Transfers Out	(330,177)	(32,797)	(296,466)	(659,440)
<b>Total Other Financing Sources (Uses)</b>	<b>(17,374)</b>	<b>636,090</b>	<b>47,364</b>	<b>666,080</b>
<b>Net Changes in Fund Balances</b>	<b>332,991</b>	<b>(985,938)</b>	<b>266,315</b>	<b>(386,632)</b>
Fund Balances - Beginning	5,780,150	3,946,174	2,500,538	12,226,862
<b>Fund Balances - Ending</b>	<b>\$6,113,141</b>	<b>\$2,960,236</b>	<b>\$2,766,853</b>	<b>\$11,840,230</b>

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, 2018

Net Changes in Fund Balances - total governmental funds (386,632)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	117,881
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.	17,955
(Increase) decrease in Compensated Absences from beginning of period to end of period.	(120,332)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	48,665
Increase (decrease) in Grants Receivable from beginning of period to end of period.	(1,323,818)
Increase (decrease) in Net Pension Receivable from beginning of period to end of period.	401,456
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.	37,278
Increase (decrease) in Prepaid Items from beginning of period to end of period.	44,228
(Increase) decrease in Accrued Interest Payable from beginning of period to end of period.	10,831
(Increase) decrease in Premium on bonds from beginning of period to end of period.	256
<b>GASB 68</b>	
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	397,869
Deferred Inflow-Differences between expected and actual experience. This is the change in these amounts this year.	166,489
Deferred Outflow-Changes of assumptions. This is the change in these amounts this year.	47,805
Deferred Inflow-Net difference between projected and actual earnings. This is the change in these amounts this year.	(1,499,286)
<b>GASB 75</b>	
Deferred Inflow-Differences between expected and actual experience. This is the change in these amounts this year.	(3,793)
(Increase) decrease in Net Pension Liability from beginning of period to end of period.	1,178,320
(Increase) decrease in OPEB Liability from beginning of period to end of period.	(15,306)
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	714,617
Increase in loan principal are receipts in the funds but not revenue in the SOA.	(412,928)
Change in Net Position of governmental activities - statement of activities	<u>(595,121)</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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes				
Property	\$8,809,370	\$8,809,370	\$8,691,787	(\$117,583)
Sales	1,470,000	1,470,000	1,822,324	352,324
Other	30,600	30,600	28,056	(2,544)
Intergovernmental	263,929	290,412	318,472	28,060
Charges for Services	1,333,628	1,333,628	1,540,547	206,919
Fines and Forfeitures	97,000	97,000	112,567	15,567
Interest	60,000	60,000	100,092	40,092
Contributions		500	500	0
Miscellaneous	317,900	448,907	213,809	(235,098)
Total Revenues	12,382,427	12,540,417	12,828,154	287,737
<b>EXPENDITURES</b>				
Current:				
General Administration				
Computer	910,035	1,071,325	892,627	178,698
County Clerk	345,711	334,007	317,747	16,260
County Judge	181,831	183,213	180,576	2,637
Elections Administration	159,262	202,240	197,258	4,982
Non-Departmental	743,801	695,941	501,495	194,446
Veterans Service	52,558	56,858	52,757	4,101
Legal				
County Attorney	382,807	387,013	376,082	10,931
County Attorney Excess	11,110	15,822	1,192	14,630
Judicial				
County Court at Law	328,612	329,793	328,144	1,649
District Attorney	366,869	381,924	370,322	11,602
District Clerk	385,045	399,005	387,506	11,499
District Judge	215,938	219,871	211,606	8,265
Justices of the Peace	477,828	499,856	487,165	12,691
Financial Administration				
County Auditor	240,412	244,356	231,109	13,247
County Treasurer	204,964	218,575	204,774	13,801
Tax Assessor-Collector	439,968	460,330	444,016	16,314
Public Facilities				
Courthouse	469,844	487,062	377,355	109,707
Public Safety				
911 Dispatch	543,294	536,194	527,883	8,311
Animal Control	71,396	109,392	109,356	36
Constables	294,285	394,197	356,757	37,440
Courthouse Security	292,296	325,548	317,732	7,816
Emergency Management	118,142	189,684	184,834	4,850
Jail	2,644,924	2,500,613	2,368,095	132,518
Sheriff	2,126,199	2,418,370	2,289,268	129,102

(continued)



(continued)

Health and Welfare				
Public Assistance	259,114	328,027	327,351	676
Health and Safety	71,985	72,845	70,557	2,288
Conservation - Agriculture				
Agriculture Extension Service	164,211	164,211	156,927	7,284
Debt Service				
Principal Retirement	184,108	184,108	184,108	0
Interest Retirement	23,190	23,190	23,190	0
Total Expenditures	<u>12,709,739</u>	<u>13,433,570</u>	<u>12,477,789</u>	<u>955,781</u>

Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>(327,312)</u>	<u>(893,153)</u>	<u>350,365</u>	<u>1,243,518</u>

OTHER FINANCING SOURCES (USES):

Sale of Capital assets	0	3,740	4,740	1,000
Other Financing Sources - Miscellaneous Transfers			0	0
Operating Transfers In	385,000	497,000	308,063	(188,937)
Operating Transfers Out	<u>(249,000)</u>	<u>(330,177)</u>	<u>(330,177)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>136,000</u>	<u>170,563</u>	<u>(17,374)</u>	<u>(187,937)</u>
Net Changes in Fund Balances	<u>(191,312)</u>	<u>(722,590)</u>	<u>332,991</u>	<u>1,055,581</u>
Fund Balances - Beginning			5,780,150	
Fund Balances - Ending	<u>(\$191,312)</u>	<u>(\$722,590)</u>	<u>\$6,113,141</u>	<u>\$1,055,581</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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property	\$2,733,968	\$2,733,968	\$2,668,771	(\$65,197)
Sales	140,000	140,000	173,554	33,554
Other				0
Intergovernmental	3,014,026	3,014,026	1,869,545	(1,144,481)
Licenses and Permits	855,129	855,129	893,441	38,312
Charges for Services	99,820	99,820	116,430	16,610
Interest	18,200	18,200	74,625	56,425
Contributions and Donations		232,622	167,622	(65,000)
Miscellaneous		167,965	192,831	24,866
Total Revenues	<u>6,861,143</u>	<u>7,261,730</u>	<u>6,156,819</u>	<u>(1,104,911)</u>
<b>EXPENDITURES</b>				
Current				
Public Transportation				
Road and Bridge	10,234,007	11,287,547	7,722,201	3,565,346
Debt Service				
Principal Retirement	50,509	50,509	50,509	0
Interest Retirement	6,137	6,137	6,137	0
Total Expenditures	<u>10,290,653</u>	<u>11,344,193</u>	<u>7,778,847</u>	<u>3,565,346</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,429,510)</u>	<u>(4,082,463)</u>	<u>(1,622,028)</u>	<u>2,460,435</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Capital assets		129,306	235,162	105,856
Other Financing Sources - Capital Lease		412,177	412,928	751
Transfers in	13,000	13,000	20,797	7,797
Transfers Out	(13,000)	(25,000)	(32,797)	(7,797)
Total Other Financing Sources (Uses)	<u>0</u>	<u>529,483</u>	<u>636,090</u>	<u>106,607</u>
Net Changes in Fund Balances	<u>(3,429,510)</u>	<u>(3,552,980)</u>	<u>(985,938)</u>	<u>2,567,042</u>
Fund Balances - Beginning			3,946,174	
Fund Balances - Ending	<u>(\$3,429,510)</u>	<u>(\$3,552,980)</u>	<u>\$2,960,236</u>	<u>\$2,567,042</u>

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, 2018

	Agency Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$2,095,500
Receivables (net of allowance for uncollectibles)	0
Total Assets	<u>\$2,095,500</u>
<b>LIABILITIES</b>	
Accounts Payable	\$913
Due to Others	2,094,587
Total Liabilities	<u>\$2,095,500</u>

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

HILL COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

I. Summary of Significant Accounting Policies

A. Reporting entity

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

The government reports the following major governmental funds:

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

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

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

D. Assets, Liabilities, and Net position or Equity

1. Deposits and Investments

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

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

2. Receivables and Payables

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

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

All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to a total of 1 percent of the current outstanding property taxes at September 30, 2018 and 10 percent of the delinquent outstanding property taxes at September 30, 2018.

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

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

There were no restricted assets at September 30, 2018.

5. Capital Assets

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

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

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

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

	<i>Years</i>
Buildings	20-50
Building Improvements	20-50
System Infrastructure	35-50
Vehicles	5-20
Office Equipment	5-20
Computer Equipment	5-20

6. Compensated Absences

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

7. Long-Term Obligations

In the government-wide financial statements in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs and loss on refunding, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs and loss on refunding are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Balances – Governmental Funds

As of September 30, 2018, fund balances of the governmental funds are classified as follows:

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

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

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

**Unassigned** — all other spendable amounts.

As of September 30, 2018, fund balances are composed of the following:

Fund Balances:	
Restricted	
Administration	\$848,080
Construction	310,659
Culture and Recreation	6,021
Debt Service	107,603
Elections	22,843
Health and Welfare	385,758
Judicial	358,358
Legal	16,166
Public Safety	711,365
Public Transportation	2,948,189
Assigned	
Administration	345,865
Unassigned	5,779,323
Total Fund Balance	<u>\$11,840,230</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 three items that qualify for reporting in this category; Future Book Restoration monies, GASB 68, and GASB 75.

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

10. Net position flow assumption

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

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

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$5,639,555 difference are as follows:

Bonds Payable	\$3,610,000
Bond Premium	1,795
Capital Leases Payable	1,084,219
Accrued Interest Payable	22,860
Compensated Absences	723,264
Net OPEB Liability	197,417
	<u>\$5,639,555</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 \$24,197,148 difference are as follows:

Capital Assets Not Being Depreciated	\$62,977
Capital Assets Being Depreciated	45,431,180
Accumulated Depreciation	(21,297,009)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$24,197,148</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 \$1,059,914 difference are as follows:

Property Taxes Receivable	\$1,228,797
Allowance for Doubtful Accounts	<u>(168,883)</u>
Net	<u>\$1,059,914</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Justice of the Peace and Clerk fines and fees receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" Other elements of that reconciliation includes GASB 68, Net Pension Receivable, Deferred Charge on Refunding, and GASB 75 deferrals. The details of this \$627,657 difference are as follows:

Fines Receivable	\$1,269,028
Allowance for Doubtful Accounts	(1,037,800)
<b>GASB 75</b>	
Differences between expected and actual experience	(3,793)
Changes of assumptions	
<b>GASB 68</b>	
Deferred Outflow of Resources-Contributions (after 12/31/17)	798,068
Differences between expected and actual experience	(739,612)
Changes of assumptions	194,039
Net difference between projected and actual earnings	(370,460)
Net Pension Receivable	401,456
Deferred Charge on Refunding	<u>116,731</u>
Net	<u>\$627,657</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 \$117,881 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$0
Capital Outlay - Additions - Being Depreciated	2,413,849
Capital Outlay - Deletions - Net	(141,431)
Depreciation Expense	(2,154,537)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net assets of Governmental Activities	\$117,881

### III. Stewardship, Compliance, and Accountability

#### A. Budgetary Information

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

The final amended budget is used in this report.

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

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

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

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

Budgets for all budgeted General and Road and Bridge funds are adopted on a budgetary basis which is not in conformity with generally accepted accounting principles (GAAP).

B. Excess of Expenditures over Appropriations

Expenditures did not exceeded appropriations for the year ended September 30, 2018.

C. Deficit fund equity

The county had no deficit fund balances as of September 30, 2018 except for the jury fund which had a deficit of \$2,537. This deficit will be financed by future resources of the fund.

IV. Detailed Notes on All Funds

A. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments:

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

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

***Custodial Credit Risk - Deposits:*** In the case of deposits, this is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County has a deposit policy for custodial credit risk. The County's investment policy requires funds on deposit at the depository bank to be collateralized by securities and FDIC insurance. As of September 30, 2017, pledged securities that are in the County's name and FDIC insurance exceeded bank balances.

The government's bank balance of \$10,433,024 with Citizens State Bank was not exposed to custodial credit risk because it was fully insured and/or collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name; the total amount of the pledged securities was \$12,699,217 and the FDIC coverage is \$250,000.

The government's bank balance of \$4,309,636 with Wells Fargo Bank was not exposed to custodial credit risk because it was fully insured and/or collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name; the total amount of the pledged securities was \$4,107,439 and the FDIC coverage is \$250,000.

The amount of \$92,161 with Citizens State Bank was covered by the FDIC.

B. Receivables

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

	General	Road and Bridge	Other Govern- mental	Total
<u>Receivables</u>				
Ad Valorem Taxes	\$835,860	\$253,650	\$139,287	\$1,228,797
Sales Taxes	390,264	37,168	37,168	464,600
Grants	26,457	33,272		59,729
Accounts	40,740	88,187	102,666	231,593
Fines	1,269,028			1,269,028
Gross Receivables	<u>2,562,349</u>	<u>412,277</u>	<u>279,121</u>	<u>3,253,747</u>
Less: Allowance for Uncollectibles	1,121,386	25,365	13,929	1,160,680
Net Total Receivables	<u>\$1,440,963</u>	<u>\$386,912</u>	<u>\$265,192</u>	<u>\$2,093,067</u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2018 was as follows:

Governmental Activities:	Beginning			Ending
Capital Assets Not Being Depreciated:	Balances	Increases	Decreases	Balances
Land	62,977			62,977
Construction in Progress	0			0
Total Capital Assets Not Being Depreciated:	<u>62,977</u>	<u>0</u>	<u>0</u>	<u>62,977</u>
Capital Assets Being Depreciated:				
Building and Improvements	21,499,611	136,242	40,000	21,595,853
Machinery and Equipment	11,955,837	1,501,599	1,004,027	12,453,409
Infrastructure	10,605,910	776,008	0	11,381,918
Total Capital Assets Being Depreciated:	<u>44,061,358</u>	<u>2,413,849</u>	<u>1,044,027</u>	<u>45,431,180</u>
Less: Accumulated Depreciation for:				
Building and Improvements	9,019,908	580,844		9,600,752
Machinery and Equipment	7,813,513	1,024,351	902,596	7,935,268
Infrastructure	3,211,647	549,342	0	3,760,989
Total Accumulated Depreciation	<u>20,045,068</u>	<u>2,154,537</u>	<u>902,596</u>	<u>21,297,009</u>
Total Capital Assets Depreciated, Net	<u>24,016,290</u>	<u>259,312</u>	<u>141,431</u>	<u>24,134,171</u>
Governmental Activities Capital Assets, Net	<u>24,079,267</u>	<u>259,312</u>	<u>141,431</u>	<u>24,197,148</u>

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

Depreciation charged to the functions is as follows:

Governmental Activities	
General Administration	\$196,555
Financial Administration	2,057
Public Facilities	389,309
Public Safety	464,077
Public Transportation	<u>1,102,539</u>
Total Depreciation Expense - Governmental Activities	<u>\$2,154,537</u>



D. Interfund Receivables, Payables, and Transfers

The due to/from other funds at September 30, 2018 are as follows:

DUE TO	DUE FROM	
	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL
GENERAL FUND	\$10,563	\$10,563
TOTALS	\$10,563	\$10,563

These amounts are expected to be repaid during the 2019 fiscal year.

There were no advances at September 30, 2018.

The transfers are as follows:

TRANSFER OUT	TRANSFER IN			TOTAL
	GENERAL FUND	ROAD AND BRIDGE FUNDS	NON-MAJOR GOVERNMENTAL FUNDS	
GENERAL FUND			\$330,177	\$330,177
ROAD AND BRIDGE FUNDS	12,000	20,797		32,797
NON-MAJOR GOVERNMENTAL FUNDS	296,063		403	296,466
TOTALS	\$308,063	\$20,797	\$330,580	\$659,440

The above transfers are non-recurring.

E. Leases

Operating Leases

The government leases equipment under non-cancelable operating leases. Total costs for such leases were \$249,172 for the year ended September 30, 2018. The future minimum lease payments for these leases are as follows:

Year Ending Sep. 30,	Amount
2019	\$188,882
2020	179,925
2021	16,744
2022	10,035
2023	4,588
Total	\$400,174

Rent expenditures were \$41,932 for the year ended September 30, 2018. Rental income was \$0 for the year ended September 30, 2018. Sublet rental income was \$0 for the year ended September 30, 2018.

F. Long-Term Debt

Capital Leases

The government has entered into lease agreements as lessee for financing two Sheriff vehicle leases, a tractor and mower for Precinct # 1, Capital Software, and a tractor and mower for Precinct # 4. Hill County Road and Bridge Precincts entered into four capital leases for FY 2018 which included JD Backhoe (P4), 2018 Freightliner (P2), JD Tractor & Mower (P4) and a Mini-Excavator (PI). 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 debt service for the capital leases are from the respective funds. The security pledged for the capital leases is the equipment financed.

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

Asset:	AMOUNT		Accumulated	
	FINANCED	Cost	Depreciation	Net
TRACTOR & MOWER	\$127,287	\$127,287	\$62,791	\$64,496
ODYSSEY - CAPITAL SOFTWARE	850,000	734,950	171,488	563,462
TRACTOR AND MOWER	142,777	142,027	25,362	116,665
2018 FREIGHTLINER GLIDER	125,150	124,400	16,290	108,110
2016 JOHN DEERE 75G EXCAVATOR 8310	104,000	104,000	6,933	97,067
2017 JOHN DEERE 410L BACKHOE	95,109	94,724	2,255	92,469
TRACTOR & MOWER	88,669	87,904	4,186	83,718
Total	\$1,532,992	\$1,415,292	\$289,305	\$1,125,987

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018, were as follows:

ASSET	2019	2020	2021	2022	2023	2024	TOTAL	NET	INTEREST
TRACTOR & MOWER	\$33,706						\$33,706	\$32,617	\$1,089
ODYSSEY - CAPITAL SOFTWARE	182,981	182,981	182,981				548,943	514,513	34,430
TRACTOR AND MOWER	22,943	22,943	22,943	22,943	22,943	22,943	137,655	124,161	13,495
2018 FREIGHTLINER GLIDER	28,688	28,688	28,688	28,688			114,751	104,000	10,751
2016 JOHN DEERE 75G EXCAVATOR 8310	20,045	20,045	20,045	20,045	20,045		100,226	88,669	11,557
2017 JOHN DEERE 410L BACKHOE	20,159	20,159	20,159	20,159	20,159	40,318	141,114	125,150	15,964
TRACTOR & MOWER	16,055	16,055	16,055	16,055	16,055	32,109	112,382	95,109	17,273
	\$324,577	\$290,870	\$290,870	\$107,889	\$79,201	\$95,370	\$1,188,778	\$1,084,219	\$104,559

### Limited Tax Refunding Bonds

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, 2018, the funds deposited into the irrevocable trust have been used to pay the bondholders thus the bonds are no longer defeased.

The reacquisition price exceeded the net carrying amount of the old debt by \$410,502. Of this amount, \$160,363 represented an early interest payment and \$250,139 was the loss on refunding. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The government advance refunded the 1997 and 2001 certificates of obligations to reduce its total debt service payments over 17 years by \$1,037,163 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt of \$628,719).

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Limited Tax Refunding Bonds	2.00% to 3.50%	3,610,000

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

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2019	\$500,000	\$121,919
2020	515,000	106,919
2021	535,000	90,825
2022	555,000	72,100
2023	575,000	52,675
2024 to 2025	930,000	44,275
<b>TOTALS</b>	<b>\$3,610,000</b>	<b>\$488,713</b>

Changes in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Due Within One Year</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
<u>Governmental Activities:</u>						
Certificates of Obligation	\$4,090,000		\$480,000	\$3,610,000	\$500,000	\$3,110,000
Premium on Bonds	2,051		256	1,795		1,795
Total Bonds Payable	<u>4,092,051</u>	<u>0</u>	<u>480,256</u>	<u>3,611,795</u>	<u>500,000</u>	<u>3,111,795</u>
Capital Leases Payable	905,908	412,928	234,617	1,084,219	286,519	797,700
Compensated Absences	602,932	723,264	602,932	723,264	180,841	542,423
Net OPEB Liability	182,111	15,306		197,417		197,417
Net Pension Liability	1,178,320		1,178,320	0		0
Grand Total	<u>\$6,961,322</u>	<u>\$1,151,498</u>	<u>\$2,496,125</u>	<u>\$5,616,695</u>	<u>\$967,360</u>	<u>\$4,649,335</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 \$723,264 are funded by the general and road and bridge funds and are considered current. The total interest expense was \$165,646.

The government-wide statement of activities includes \$967,360 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>09/30/18</u>	Year ended <u>09/30/17</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 and automobile liability.

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

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

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

2. Property and Casualty Insurance

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

3. Workers' Compensation Insurance

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

4. Group Health and Life Insurance

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

5. Unemployment Compensation Insurance

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

B. Related Party Transaction

The County Judge, Justin Lewis, owns interest in CEHA, LLC in which the limited liability corporation donated a piece of property for Pct. 2 barn.

The County purchased services from Gene's Auto Services in the amount of \$624.82 from the owner Rhonda Burkhardt, who is the Treasurer.

The Commissioner Pct. #1, Andrew Montgomery, used his personal tractor to spread sand.

The Commissioner Pct. #4's brother in law, Randy Sullins, proposed a bid that was accepted by the County to do work at the John Erwin Annex in the amount of \$9,300.00. Mr. Lake did not vote.

The JP No. 1, Martis Ward's daughter, Laura Ward is a dispatcher for the Sheriff's Department. The County purchased services, in the amount of \$1,236.03, from a paint and body repair shop that is owned by Martis Ward. The County reimbursed Martis Ward for office rent in the amount of \$1,680.00.

The DPS Secretary, Brenda Girsh's son, Justin Girsh works as a constable for Pct. #2.

The County purchased parts, in the amount of \$3,603.45, from a parts store that is owned by the JP No. 4, Charles Jones. The County reimbursed Charles Jones for office rent in the amount of \$3,300.00.

The Jail Administrator, Dianne Hammer's sister in law, Dana Allen works as a jailer.

C. Subsequent Events

On January 8, 2019 the County accepted a bid from Bane Machinery Fort Worth, L.P. in the amount of \$110,990.00 for a used Wheel Loader for Pct. 4.

On January 9, 2019, the County entered into a lease agreement with John Deere Financial for three (3) new motor graders in the amount of \$524,701.48. The County also accepted a FEMA Disaster Grant for an estimated amount of \$2-3 million.

On October 26, 2018, the County entered into a capital lease agreement with North Dallas Bank & Trust for toughbooks in the amount of \$118,250.08 and three (3) Mack Trucks in the amount of \$380,000.

On January 4, 2019, the County entered into a capital lease agreement with Southside Bank for an Asphalt Zipper in the amount of \$270,690.

On February 22, 2019, Senate Bill 2, the Texas Property Tax Reform and Transparency Act of 2019, amends session law and the Tax Code, Government Code, Health and Safety Code, Local Government Code, Special District Local Laws Code, and Water Code to revise the manner by which the property tax rates of a taxing unit, other than a special taxing unit as defined by the bill, are set by:

- reducing the amount that the property tax revenue collected may increase year over year from eight percent to 3.5 percent;
- requiring voter approval of an adopted tax rate that exceeds that 3.5 percent cap;
- providing for the imposition of an amount of taxes equal to \$500,000 before that cap applies; and
- providing for the rollover of unused revenue growth below the cap for up to three years.

The \$500,000 caveat will help ease the burden of the 3.5% cap to Hill County.

#### 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.

*Re: Gallia v. Girsh et al; Case No. 6:18-cv-00152-RP in the Western District Court, Waco Division*

On August 23, 2017, Hill County Precinct 2 Constable Justin Girsh, responded to a call related to a subject, later identified as Mr. Gallia, pointing a fire arm at an individual at his residence to repossess a vehicle. Mr. Gallia fled the scene prior to the Constable's arrival and the individual followed Mr. Gallia. Mr. Gallia was later located by Constable Girsh and taken into custody. Mr. Gallia admitted to having a pistol when he opened the door to speak to the individual but disputed that he pointed the weapon. Mr. Gallia claims that Hill County is notoriously known to act pursuant to unconstitutional behavior and blatant indifference to the law. Mr. Gallia alleges that he was falsely arrested.

Motions to dismiss were filed on August 24, 2018 and October 4, 2018, respectively. The Court dismissed Plaintiff's claims and entered Final Judgment on January 16, 2019. The deadline to appeal the Court's ruling was February 15, 2019. Plaintiff had failed to update the Court with a new address and the Notice of Final Judgment had been returned to the Court. The County received a Notice of Change of Address from the Plaintiff as well as, discovery requests. The Court sent a letter notifying the Plaintiff of dismissal and statement that the subpoenas requested are not necessary as the issue is now moot.

*Re: Rebecca Wilkins v. Hill County Commissioners Court and Hill County, Texas; Cause No. 51954 in the 66<sup>th</sup> Judicial District Court of Hill County, Texas*

This was a lawsuit for lost wages and compensation. The Plaintiff, Ms. Wilkins, was elected as Hill County Treasurer in 2010, for a term ending on December 31, 2014. In the spring of 2014, she sought election as the Republic Party's candidate for the County Treasurer but was defeated in the primary by Rhonda Burkhart. Because she could not be reelected as Hill County Treasurer, Ms. Wilkins sought and obtained a new job. She was appointed on or about July 1, 2014, by the City of Katy, Texas ("City" or "Katy") as the City Treasurer/Finance Director. On September 2, 2014, the Hill County Commissioners Court adopted an order declaring a vacancy in the Office of Hill County Treasurer and another order appointing a replacement to fill the vacancy. On September 4, 2014, Ms. Wilkins filed the instant lawsuit seeking reinstatement as the Hill County Treasurer. However, she did not obtain such relief prior to the commencement of her successor's current term in office. This case heard at a bench trial, and the vacancy declared by the Hill County Commissioners Court for the Office of County Treasurer was upheld by the judge. Plaintiffs counsel requested to file a Motion for reconsideration, which was left pending by the court. The clerk's office shows that this file is now closed. The County will continue to monitor this case.

*Re: Kalyn Caldera v. Hill County; TWCCRD Charge No: 1A18293; EEOC Charge*



In late April and early May 2017, Chief Deputy White advised that bidding for open slots in the patrol division were open. After several performance issues, Ms. Caldera requested a transfer from the Criminal Investigations Division to the Patrol Division of the Hill County Sheriff's Office on May 1, 2017. After submitting her letter, Captain Robinson informed Ms. Caldera that she would not be a Sergeant in that division and her pay would reflect her current rank. On May 5th, Ms. Caldera withdrew her letter of intent to transfer divisions as to avoid a change in rank and pay. Ms. Caldera had already been transferred to the patrol division.

On November 10, 2017, the TWC received Ms. Caldera's Charge of Discrimination. On December 20, 2017, Hill County provided its Position Statement related to the Charge of Discrimination. On July 31, 2018, the County received the TWC Notice of Dismissal and Right to File Civil Action

The 180-day deadline for Ms. Caldera to file a civil action expired January 27, 2019. Further, the County been advised that Ms. Caldera resigned from the Hill County Sheriff's Office and her last day of employment with Hill County was August 8, 2018.

RE: *Steve Perry, Leletia Smith O'Malley and Dr. Regina Smith, MD v. Shane Brassell et. al.*; Cause No. 6:18-cv-00062-RP-JCM in the Western District Court of Texas, Waco Division;

Plaintiffs claim that Defendants acted illegally when cattle were seized from Ms. O'Malley's property based on reports of animal cruelty. Specifically, Plaintiffs claim that Defendants "participated in the theft of cattle, extortionate credit transactions, false claims, racketeering and extortion, etc. All defendants acted outside the law as criminals. They failed to comply with administrative due process first by failing to take any controversy between them and Plaintiffs to court first, and instead took the law into their own hands and violated clearly established law, which constitutes treason and the overthrow of the United States government. Civil servant employee defendants violated their Oaths to uphold the Constitution, violated the Texas and U.S. Constitutions, violated clearly established state and federal law and perpetrated abuse of process upon Perry, O'Malley and Smith that interfered with business, defamed Plaintiffs' characters, violated Plaintiffs' rights. Defendant Humane Society of North Texas failed to take any controversy between them and Plaintiffs to court first, actively participated in theft and violated the Texas and U.S. Constitutions, violated clearly established state and federal law, and perpetrated abuse of process upon Perry, O'Malley and Smith that interfered with business, defamed Plaintiffs' characters, violated Plaintiffs' rights, and violated clearly established law which constitutes treason for overthrowing the government of the United States."

Plaintiffs filed their Original Complaint in Federal Court on March 5, 2018. County Defendants filed a Motion to Dismiss on March 26, 2018. On November 2, 2018, Mr. Perry filed an Opposition to the Order Dismissing Plaintiff Perry's Claims Without Prejudice and an Affidavit in Support of Motion for Reinstatement and Objections by Steve Perry on October 31, 2018. The Court denied the Motion for Reconsideration. Additionally, the Court dismissed the remaining claims by Plaintiffs Smith and O'Malley.

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 where by both governmental activities' Net Assets were restated as follows: The County had a prior period adjustment where by governmental activities' Net Assets were restated downward by \$134,948 due to the County implementing GASB 75. The restatements had the corresponding effect on the beginning net assets, as follows:

	Net Position, as Previously Reported	GASB 75 Restatement	Net Position As Restated
<b>Governmental Activities:</b>			
Net Assets	\$33,774,238	(\$134,948)	\$33,639,290
<b>Total Governmental Activities</b>	<u>\$33,774,238</u>	<u>(\$134,948)</u>	<u>\$33,639,290</u>

**F. Summary of TCDRS Funding Policy**

Net Pension Liability / (Asset)	Net Pension Liability / (Asset)	
	December 31, 2016	December 31, 2017
Total pension liability	\$22,477,665	\$23,614,080
Fiduciary net position	21,299,345	24,015,535
Net pension liability/(asset)	1,178,320	(401,456)
Fiduciary net position as a % of total pension liability	94.76%	101.70%
Pensionable covered payroll	\$7,513,289	\$7,741,686
Net Pension liability as a % of covered payroll	15.68%	(5.19%)

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

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

**Discount Rate**

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

**Other Key Actuarial Assumptions**

All actuarial assumptions that determined the total pension liability as of December 31, 2017 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, 2016	December 31, 2017
Measurement date	December 31, 2016	December 31, 2017
Employer's fiscal year	January 1, 2018	December 31, 2018

## Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 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	11.50 %	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	11.00%	4.55%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(8)</sup>	6.00%	6.25%
	Hedge Fund Research, Inc. (HFRI) Fund of Funds		
Hedge Funds	Composite Index	18.00%	4.10%

## 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	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expenses	Projected Investment Earnings	Projected Ending Fiduciary Net Position (a)+(b)-(c)-(d)+(e)
	(a)	(b)	(c)	(d)	(e)	
2018	\$24,015,535	\$1,002,436	\$1,608,144	\$24,016	\$1,920,251	\$25,306,063
2019	25,306,063	924,741	1,426,884	25,306	2,028,845	26,807,459
2020	26,807,459	875,289	1,521,307	26,807	2,144,685	28,279,319
2021	28,279,319	840,955	1,592,483	28,279	2,259,658	29,759,170
2022	29,759,170	811,344	1,666,496	29,759	2,375,352	31,249,610
2023	31,249,610	781,977	1,777,043	31,250	2,490,462	32,713,757
2024	32,713,757	762,537	1,910,933	32,714	2,602,911	34,135,558
2025	34,135,558	566,609	1,996,347	34,136	2,706,848	35,378,531
2026	35,378,531	540,073	2,085,764	35,379	2,802,874	36,600,336
2027	36,600,336	517,302	2,207,642	36,600	2,896,048	37,769,444
2037	46,123,559	316,947	3,223,812	46,124	3,618,741	46,789,311
2047	50,243,263	140,052	3,976,493	50,243	3,915,358	50,271,937
2057	49,335,720	35,385	3,933,149	49,336	3,839,448	49,228,069
2067	52,230,597	2,801	2,981,921	52,231	4,110,299	53,309,544
2077	75,162,955	0	1,715,725	75,163	6,017,080	79,389,147
2087	143,128,219	0	630,660	143,128	11,562,657	153,917,088
2097	303,307,971	0	89,613	303,308	24,552,342	327,467,393



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

<b>Changes in Net Pension Liability / (Asset)</b>	<b>Total</b>		
	<b>Pension</b>	<b>Fiduciary</b>	<b>Net Pension</b>
	<b>Liability</b>	<b>Net Position</b>	<b>Liability /</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
Balances as of December 31, 2016	\$22,477,665	\$21,299,345	\$1,178,320
Changes of the year:			
Service cost	758,112		758,112
Interest on total pension liability	1,828,219		1,828,219
Effect of plan changes	0		0
Effect of economic/demographic gains or losses	(213,836)		(213,836)
Effect of assumptions changes or inputs	120,687		120,687
Refund of contributions	(202,030)	(202,030)	0
Benefit payments	(1,154,736)	(1,154,736)	0
Administrative expenses		(15,971)	15,971
Member contributions		464,501	(464,501)
Net investment income		3,103,076	(3,103,076)
Employer contributions		526,404	(526,404)
Other	0	(5,054)	5,054
Balances as of December 31, 2017	\$23,614,080	\$24,015,535	(\$401,456)

**Sensitive Analysis**

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

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b>7.10%</b>	<b>8.10%</b>	<b>9.10%</b>
Total pension liability	\$26,573,563	\$23,614,080	\$21,123,612
Fiduciary net position	24,015,535	24,015,535	24,015,535
Net pension liability/(asset)	\$2,558,028	(\$401,456)	(\$2,891,923)

**Pension Expense / (Income)**

<b>Pension Expense / (Income)</b>	<b>January 1, 2017 to December 31, 2017</b>
Service cost	\$758,112
Interest on total pension liability	1,828,219
Effect of plan changes	0
Administrative expenses	15,971
Member contributions	(464,501)
Expected investment return net of investment expenses	(1,709,883)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(380,325)
Recognition of assumption changes or inputs	72,882
Recognition of investment gains or losses	106,092
Other	5,054
Pension expense	<u>\$231,620</u>

As of December 31, 2017, the deferred inflows and outflows of resources are as follows:

<b>Deferred Inflows/Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$739,612	\$0
Changes of assumptions	0	194,039
Net difference between projected and actual earnings	370,460	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:

2018	(\$148,065)
2019	(199,313)
2020	(271,387)
2021	(297,268)
2022	0
Thereafter	0

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

Expense / (Income) Calculation				Balances of Deferred Inflows and Outflows as of 12/31/2017	
Original Amount (a)	Date Established (b)	Original Recognition Period (c)	Amount Recognized for 2017 (a) / (c)	Inflows	Outflows
<b>Investment (gains) or losses</b>					
(\$1,393,193)	12/31/2017	5.0	(\$278,639)	\$1,114,554	\$0
129,409	12/31/2016	5.0	25,882	0	77,645
1,538,002	12/31/2015	5.0	307,600	0	615,201
256,243	12/31/2014	5.0	51,249	0	51,249
<b>Economic/demographic (gains) or losses</b>					
(213,836)	12/31/2017	5.0	(42,767)	171,069	0
(653,505)	12/31/2016	4.0	(163,376)	326,752	0
(604,476)	12/31/2015	5.0	(120,895)	241,790	0
(213,147)	12/31/2014	4.0	(53,287)	0	0
<b>Assumption changes or inputs</b>					
120,687	12/31/2017	5.0	24,137	0	96,550
0	12/31/2016	4.0	0	0	0
243,723	12/31/2015	5.0	48,745	0	97,489
0	12/31/2014	4.0	0	0	0

Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ended December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Total Pension Liability</b>										
Service cost	\$758,112	\$803,410	\$741,781	\$736,319	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	1,828,219	1,751,847	1,696,658	1,618,264	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	0	0	(128,791)	0	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	120,687	0	243,723	0	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	(213,835)	(653,505)	(604,476)	(213,147)	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	<u>(1,356,766)</u>	<u>(1,290,764)</u>	<u>(1,193,954)</u>	<u>(1,269,827)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net change in total pension liability	1,136,415	610,988	754,942	871,609	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	<u>22,477,665</u>	<u>21,866,676</u>	<u>21,111,735</u>	<u>20,240,126</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total pension liability, ending (a)	<u>\$23,614,080</u>	<u>\$22,477,665</u>	<u>\$21,866,676</u>	<u>\$21,111,735</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<b>Fiduciary Net Position</b>										
Employer contributions	\$526,404	\$571,008	\$580,880	\$582,857	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	464,501	450,797	444,556	432,819	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	3,103,076	1,493,867	124,531	1,323,214	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(1,356,766)	(1,290,764)	(1,193,954)	(1,269,827)	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(15,971)	(16,280)	(14,664)	(15,369)	N/A	N/A	N/A	N/A	N/A	N/A
Other	<u>(5,054)</u>	<u>(175,716)</u>	<u>(213,411)</u>	<u>84,215</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net change in fiduciary net position	2,716,191	1,032,912	(272,062)	1,137,910	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	<u>21,299,345</u>	<u>20,266,433</u>	<u>20,538,495</u>	<u>19,400,585</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position, ending (b)	<u>\$24,015,535</u>	<u>\$21,299,345</u>	<u>\$20,266,433</u>	<u>\$20,538,495</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net pension liability / (asset), ending = (a) - (b)	<u>(\$401,456)</u>	<u>\$1,178,320</u>	<u>\$1,600,244</u>	<u>\$573,240</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position as a % of total pension liability	101.70%	94.75%	92.68%	97.28%	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	\$7,741,686	\$7,513,289	\$7,409,269	\$7,213,645	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability/(asset) as % of covered payroll	-5.19%	15.68%	21.60%	7.95%	N/A	N/A	N/A	N/A	N/A	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
2008	\$487,652	\$487,652	0	\$7,388,673	6.6%
2009	472,428	472,428	0	7,234,734	6.5%
2010	513,489	513,489	0	7,441,865	6.9%
2011	485,343	486,713	(1370)	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%

## 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	8.3 years (based on contribution rate calculated in 12/31/2017 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.

## 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 2017 are shown in the Schedule of Employer Contributions.
- e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, [www.tcdrs.org](http://www.tcdrs.org).

### Membership Information

Members	Dec. 31, 2016	Dec. 31, 2017
Number of inactive employees entitled to but not yet receiving benefits:	146	148
Number of active employees:	198	214
Average monthly salary:	\$3,030	\$3,085
Average age:	46.75	46.24
Average length of service in years:	8.96	8.42
<b>Inactive Employees (or their Beneficiaries) Receiving Benefits</b>		
Number of benefit recipients:	124	123
Average monthly benefit:	\$766	\$767

## **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, 2017 funding valuation (see Appendix C, following, for details), except as noted below and throughout this report. Please see the Hill County December 31, 2017 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, 2016 financial reporting metrics are the same as those used in the December 31, 2017 actuarial valuation analysis for Hill County.

The following is a description of the assumptions used in the December 31, 2017 actuarial valuation analysis for Hill County. This information may also be found in the Hill County December 31, 2017 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	All Other Causes	Age	Work Related	All Other Causes
	Male and Female	Male and Female		Male and Female	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			

\* The probability of disablement from all other causes is applicable for members who are vested but not eligible for service retirement. Before a member is vested, only the work-related disability provisions are applicable.

## 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**

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

HILL COUNTY  
RETIREE HEALTH VALUATION UNDER GASB #75

Changes in Net OPEB Liability FYE 2018

Discount Rate (Proj.) 3.64% FYE 9/30/2018  
Investment Return Rate (Proj.) N/A; Index will apply

	Total OPEB <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net OPEB <u>Liability</u>
Balances at 10/1/2017	182,111	0	182,111
Change	15,306	0	15,306
Balances at 9/30/2018	197,417	0	197,417

Total GASB #75 Expense for FYE 2018

A) GASB #75 Regular Expense

Service Cost	13,826
Interest Cost	6,614
Experience (Gain)/Loss Amort	(361)
Investment Loss Amort	0
 GASB #75 Annual OPEB Cost <u>Regular</u> Expense	 20,079

B) Prior Period Adjustment at 10/1/2017 (to Update to GASB #75)

Net OPEB Liability 10/1/2017	182,111
(Less) OPEB Obligation as of 9/30/2017 - GASB 45	(47,163)
 Prior Period Adjustment at 10/1/2017	 134,948 applies for GASB #75 FYE 2018

**C) TOTAL GASB #75 Expense for FYE 2018** 155,027

HILL COUNTY  
RETIREE HEALTH VALUATION UNDER GASB #75

Sensitivity - Discount Rate

	1% Decrease 2.64%	Discount Rate 3.64%	1% INCREASE 4.64%
Net OPEB Liability 9/30/2018	30,000	20,079	10,000
Prior Period Adjustment	160,000	134,948	110,000
TOTAL GASB #75 Expense for FYE 2018	190,000	155,027	120,000

Sensitivity - Health Care Trend Rate

	1% Decrease (7.0% decreasing to 4.0%)	Healthcare Trend Rates (8.0% decreasing to 5.0%)	1% INCREASE (9.0% decreasing to 6.0%)
Net OPEB Liability 9/30/2018	167,390	197,417	233,603
Regular Expense	20,000	20,079	30,000
Prior Period Adjustment	100,000	134,948	170,000
TOTAL Projected Expense for FYE 2018	120,000	155,027	200,000

NOTES

Have used a 3.64% discount rate, with sensitivity at 2.64% and 4.64%.

The S&P 20 AA Municipal Bond Index (an appropriate index for GASB #75 purposes was 3.64% on 9/30/2018, the Measurement Date.

Due to the small OPEB Trust level vs. Liabilities, the plan is not projected to have a Plan Fiduciary Net position in excess of benefit payments for any year, so the 3.64% Municipal Bond Rate will apply.

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

Membership Counts (at 9/30/2018)

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



HILL COUNTY  
RETIREE HEALTH VALUATION UNDER GASB #75

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

For the year ended September 30, 2018, the County recognized OPEB expense of \$20,079.  
At September 30, 2018, the County reported deferred outflows of resources and deferred  
inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$0	\$3,973
Changes of assumptions	0	0
Net difference between projected and actual earnings of OPEB plan Investments	0	0
Total	<u>\$0</u>	<u>\$3,973</u>

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

Year ended September 30:	
2019	(\$361)
2020	(\$361)
2021	(\$361)
2022	(\$361)
2023	(\$361)
Thereafter (6 yrs)	(\$361)

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 Three Years Illustrated)

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

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

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

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

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

1. MEDICAL BENEFITS

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

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

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

2. MEDICAL PART B PREMIUMS - Not applicable.

3. LIFE INSURANCE

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

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

4. ELIGIBILITY (various pension plan provisions)
  - a) The earlier of (i) Age 60 and completion of 8 years of vesting service, (ii) Rule of 75 years of total age + service, and (iii) completion of 30 years of service.
  
5. COUNTY SUBSIDY/FUNDING POLICY  
Retirees and Spouses may purchase medical coverage by paying 100% of the blended rate. Retirees and Spouses may also purchase dental and vision and life insurance coverage by paying 100% of the blended rate. As a result, the County's only "contribution" is the "implied subsidy." No pre-funding is performed.

Hill County  
Retiree Health Valuation Under GASB #75  
Actuarial Basis

ACTUARIAL FUNDING METHOD

Entry Age Normal, level % pay

ACTUARIAL ASSUMPTIONS

1. Valuation Date: 10/1/2017 (9/30/2018 disclosures)
2. Discount Rate: 3/64% per annum  
(2.64% and 3.64% are illustrated for Sensitivity)
3. Salary Scale: 3% per annum (for EAN)
4. Mortality: RP-2014 mortality table with MP 2016 projection.
5. Withdrawal: Sarasson T-5 Table.
6. Disability: N/A
7. Retirement Rates: 100% at age 60 and satisfaction of 8 year vesting requirement.

Hill County  
Retiree Health Valuation Under GASB #75  
Actuarial Basis

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

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

9. Marital-Actives: Wife is assumed to be same age as the husband. 70% of males and 50% of females are assumed married.

10. Participation Rate: 15% to elect to pay full premium for coverage.

11. Inflation Rate: 3% per annum.

ASSET VALUATION METHOD: Market value.

AMORTIZATION BASIS: For experience losses, over the average expected future working lifetime of the active group.

REQUIRED SUPPLEMENTARY INFORMATION



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

	Year Ended December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Total Pension Liability</b>										
Service cost	\$758,112	\$803,410	\$741,781	\$736,319	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	1,828,219	1,751,847	1,696,658	1,618,264	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	0	0	(128,791)	0	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	120,687	0	243,723	0	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	(213,836)	(653,505)	(604,476)	(213,147)	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(1,356,766)	(1,290,764)	(1,193,954)	(1,269,827)	N/A	N/A	N/A	N/A	N/A	N/A
<b>Net change in total pension liability</b>	<b>1,136,415</b>	<b>610,988</b>	<b>754,942</b>	<b>871,609</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Total pension liability, beginning</b>	<b>22,477,665</b>	<b>21,866,676</b>	<b>21,111,735</b>	<b>20,240,126</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Total pension liability, ending (a)</b>	<b>\$23,614,080</b>	<b>\$22,477,665</b>	<b>\$21,866,676</b>	<b>\$21,111,735</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Fiduciary Net Position</b>										
Employer contributions	\$526,404	\$571,008	\$580,880	\$582,857	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	464,501	450,797	444,556	432,819	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	3,103,076	1,493,867	124,531	1,323,214	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(1,356,766)	(1,290,764)	(1,193,954)	(1,269,827)	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(15,971)	(16,280)	(14,664)	(15,369)	N/A	N/A	N/A	N/A	N/A	N/A
Other	(5,054)	(175,716)	(213,411)	84,215	N/A	N/A	N/A	N/A	N/A	N/A
<b>Net change in fiduciary net position</b>	<b>2,716,191</b>	<b>1,032,912</b>	<b>(272,062)</b>	<b>1,137,910</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Fiduciary net position, beginning</b>	<b>21,299,345</b>	<b>20,266,433</b>	<b>20,538,495</b>	<b>19,400,585</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Fiduciary net position, ending (b)</b>	<b>\$24,015,535</b>	<b>\$21,299,345</b>	<b>\$20,266,433</b>	<b>\$20,538,495</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Net pension liability / (asset), ending = (a) - (b)</b>	<b>(\$401,456)</b>	<b>\$1,178,320</b>	<b>\$1,600,244</b>	<b>\$573,240</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Fiduciary net position as a % of total pension liability</b>	<b>101.70%</b>	<b>94.76%</b>	<b>92.68%</b>	<b>97.28%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Pensionable covered payroll</b>	<b>\$7,741,686</b>	<b>\$7,513,289</b>	<b>\$7,409,269</b>	<b>\$7,213,645</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Net pension liability/(asset) as % of covered payroll</b>	<b>-5.19%</b>	<b>15.68%</b>	<b>21.60%</b>	<b>7.95%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

**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
2008	\$487,652	\$487,652	0	\$7,388,673	6.6%
2009	472,428	472,428	0	7,234,734	6.5%
2010	513,489	513,489	0	7,441,865	6.9%
2011	485,343	486,713	(1370)	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%

## 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	8.3 years (based on contribution rate calculated in 12/31/2017 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.

## 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, 2017 funding valuation (see Appendix C, following, for details), except as noted below and throughout this report. Please see the Hill County December 31, 2017 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 9/30/2018

	2018
<b>Total OPEB Liability</b>	
Service Cost	\$13,826
Interest	6,614
Changes of benefit terms	
Difference between expected and actual experience	(4,334)
Changes in assumptions	
Benefit payments -	(800)
<b>Net change in total OPEB liability</b>	15,306
<b>Total OPEB liability - beginning</b>	182,111
<b>Total OPEB liability - ending (a)</b>	\$197,417
<b>Plan Fiduciary net position</b>	
Contributions - employer	\$800
Net investment income	
Benefit payments	(800)
Administrative expense	-
<b>Net change in plan fiduciary net position</b>	-
<b>Plan fiduciary net position - beginning</b>	-
<b>Plan fiduciary net position - ending (b)</b>	-
<b>District's net OPEB liability - ending (a) - (b)</b>	\$197,417
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	0.00%
<b>Covered-employee payroll</b>	\$6,022,996
<b>District's net OPEB liability as a percentage of covered - employee payroll</b>	3.28%

**Notes to schedule:**

*Benefit changes - None*

Hill County  
Required Supplementary Information  
Schedule of Contributions and Assumptions  
FYE 9/30/2018

	2018
Actuarial determined contribution	\$20,079
Contributions in relating to the actuarially determined contribution	800
Contribution Excess/(deficiency)	(\$19,279)
Covered-employee payroll	\$6,022,996
Contributions as a percentage of covered-employee payroll	0.01%
Notes to Schedule	
Valuation date:	10/1/2017 (census 9/30/2018)
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age Normal
Amortization method	N/A
Amortization period	N/A
Asset valuation method	Market
Inflation	3.00%
Healthcare cost trend rates	8% decr to 5% ultimate
Salary increases	3.00%
Investment rate of return	3.64%
Retirement age	100% at age 60
Mortality	RP 2014 w/MP2016 proj
Other information:	
Participant at retirement	15%

Hill County  
Required Supplementary Information  
Investment Rate of Return Assumption  
September 30, 2018

To value the 9/30/2018 Total OPEB Liability under GASB 75  
the S&P Municipal Bond 20-year High Grade Bond index rate of 3.64% (9/30/2018) was utilized

There is no OPEB Trust

Hill County  
Required Supplementary Information  
Long-Term Expected REAL Rate of Return  
September 30, 2018

Asset Class  
N/A, no OPEB Trust

Long-Term Expected  
REAL Rate of Return



Hill County  
Retiree Health Valuation Under GASB #75  
Actuarial Basis

ACTUARIAL FUNDING METHOD

Entry Age Normal, level % pay

ACTUARIAL ASSUMPTIONS

- |    |                   |  |
|----|-------------------|--|
| 1. | Valuation Date:   | 10/1/2017 (9/30/2018 disclosures)                                    |
| 2. | Discount Rate:    | 3/64% per annum<br>(2.64% and 3.64% are illustrated for Sensitivity) |
| 3. | Salary Scale:     | 3% per annum (for EAN)   |
| 4. | Mortality:        | RP-2014 mortality table with MP 2016 projection.                     |
| 5. | Withdrawal:       | Sarasson T-5 Table.  |
| 6. | Disability:       | N/A  |
| 7. | Retirement Rates: | 100% at age 60 and satisfaction of 8 year vesting requirement.       |

Hill County  
Retiree Health Valuation Under GASB #75  
Actuarial Basis

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

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

9. Marital-Actives: Wife is assumed to be same age as the husband. 70% of males and 50% of females are assumed married.

10. Participation Rate: 15% to elect to pay full premium for coverage.

11. Inflation Rate: 3% per annum.

ASSET VALUATION METHOD: Market value.

AMORTIZATION BASIS: For experience losses, over the average expected future working lifetime of the active group.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

HILL COUNTY, TEXAS  
 COMBINING BALANCE SHEET - ROAD AND BRIDGE FUND  
 SEPTEMBER 30, 2018

	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
<b>ASSETS</b>						
Cash and Cash Equivalents	\$38,789	\$355,633	\$232,492	\$515,826	\$386,987	\$166,013
Receivables (net of allowance for uncollectibles)	33,272	27,181	112,420	31,234	26,165	38,299
<b>Total Assets</b>	<b>\$72,061</b>	<b>\$382,814</b>	<b>\$344,912</b>	<b>\$547,060</b>	<b>\$413,152</b>	<b>\$204,312</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts Payable	\$11,466	\$50,601	\$63,161	\$53,227	\$8,244	\$10,490
Accrued Wages Payable	1,195	7,076	5,395	5,947	6,266	
Deferred Revenues		91,794	16,691	19,061	16,142	36,632
<b>Total Liabilities</b>	<b>12,661</b>	<b>149,471</b>	<b>85,247</b>	<b>78,235</b>	<b>30,652</b>	<b>47,122</b>
<b>Fund Balances:</b>						
<b>Restricted</b>						
Public Transportation	59,400	233,343	247,618	468,825	382,500	157,190
<b>Assigned</b>						
Public Transportation			12,047			
<b>Total Fund Balance</b>	<b>59,400</b>	<b>233,343</b>	<b>259,665</b>	<b>468,825</b>	<b>382,500</b>	<b>157,190</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$72,061</b>	<b>\$382,814</b>	<b>\$344,912</b>	<b>\$547,060</b>	<b>\$413,152</b>	<b>\$204,312</b>

The accompanying notes are an integral part of this statement.

Lateral Road No. 2	Lateral Road No. 3	Lateral Road No. 4	Total Road and Bridge
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\$266,058	\$803,958	\$414,145	\$3,179,901
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38,064	43,467	36,810	386,912
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<u>\$304,122</u>	<u>\$847,425</u>	<u>\$450,955</u>	<u>\$3,566,813</u>
------------------	------------------	------------------	--------------------

	\$76,490	\$13,509	\$287,188
			25,879

36,407	41,575	35,208	293,510
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<u>36,407</u>	<u>118,065</u>	<u>48,717</u>	<u>606,577</u>
---------------	----------------	---------------	----------------

267,715	729,360	402,238	2,948,189
---------	---------	---------	-----------

			12,047
<u>267,715</u>	<u>729,360</u>	<u>402,238</u>	<u>2,960,236</u>

<u>\$304,122</u>	<u>\$847,425</u>	<u>\$450,955</u>	<u>\$3,566,813</u>
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HILL COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - ROAD AND BRIDGE FUNDS  
 YEAR ENDED SEPTEMBER 30, 2018

	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
<b>REVENUES</b>						
Taxes						
Property		\$204,433	\$203,181	\$232,026	\$196,489	\$448,080
Sales		42,434	42,174	48,161	40,785	
Other						
Intergovernmental	1,814,658	13,420	13,338	15,231	12,898	
Licenses and Permits		218,446	217,106	247,930	209,959	
Charges for Services	116,430					
Fines and Forfeitures						
Interest	623	8,318	3,329	16,374	10,148	8,762
Contributions and Donations		10,000	83,500	74,122		
Miscellaneous	5,939	1,358	176,779	1,041	7,714	
Total Revenues	<u>1,937,650</u>	<u>498,409</u>	<u>739,407</u>	<u>634,885</u>	<u>477,993</u>	<u>456,842</u>
<b>EXPENDITURES</b>						
Current:						
Public Transportation						
Road and Bridge	1,993,508	1,212,635	778,184	850,695	1,091,550	482,487
Debt Service						
Principal Retirement		31,893				
Interest and Fiscal Charges		1,811				
Total Expenditures	<u>1,993,508</u>	<u>1,246,339</u>	<u>778,184</u>	<u>850,695</u>	<u>1,091,550</u>	<u>482,487</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(55,858)</u>	<u>(747,930)</u>	<u>(38,777)</u>	<u>(215,810)</u>	<u>(613,557)</u>	<u>(25,645)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Sale of Capital assets		19,548	10,000	80,114	125,500	
Other Financing Sources - Capital Lease		88,669	104,000		220,259	
Operating Transfers In		20,797				
Operating Transfers Out		(20,752)	(3,000)	(3,000)	(3,000)	(3,045)
Total Other Financing Sources (Uses)	<u>0</u>	<u>108,262</u>	<u>111,000</u>	<u>77,114</u>	<u>342,759</u>	<u>(3,045)</u>
Net Changes in Fund Balances	<u>(55,858)</u>	<u>(639,668)</u>	<u>72,223</u>	<u>(138,696)</u>	<u>(270,798)</u>	<u>(28,690)</u>
Fund Balances - Beginning	115,258	873,011	187,442	607,521	653,298	185,880
Fund Balances - Ending	<u>\$59,400</u>	<u>\$233,343</u>	<u>\$259,665</u>	<u>\$468,825</u>	<u>\$382,500</u>	<u>\$157,190</u>

The accompanying notes are an integral part of this statement.

Lateral Road No. 2	Lateral Road No. 3	Lateral Road No. 4	Total Road and Bridge
\$445,332	\$508,559	\$430,670	\$2,668,771
			173,554
			0
			1,869,545
			893,441
			116,430
			0
8,707	9,944	8,420	74,625
			167,622
			192,831
<u>454,040</u>	<u>518,503</u>	<u>439,090</u>	<u>6,156,819</u>

367,958	504,020	441,164	7,722,201
		18,616	50,509
		4,326	6,137
<u>367,958</u>	<u>504,020</u>	<u>464,106</u>	<u>7,778,847</u>

<u>86,082</u>	<u>14,483</u>	<u>(25,016)</u>	<u>(1,622,028)</u>
---------------	---------------	-----------------	--------------------

			235,162
			412,928
			20,797
			(32,797)
<u>0</u>	<u>0</u>	<u>0</u>	<u>636,090</u>
86,082	14,483	(25,016)	(985,938)
181,633	714,877	427,254	3,946,174
<u>\$267,715</u>	<u>\$729,360</u>	<u>\$402,238</u>	<u>\$2,960,236</u>

HILL COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2018

	COUNTY ATTORNEY ADULT PROBATION	COUNTY HOT CHECK FUND	CHILD WELFARE BOARD	COUNTY CLERK	COUNTY CLERK COURT PRESERVATION	COUNTY HISTORICAL COMMISSION	COURTHOUSE SECURITY
<b>ASSETS</b>							
Cash and Cash Equivalents	\$574,665	\$16,166	\$361	\$664,773	\$1,350	\$6,051	\$16,893
Receivables (net of allowance for uncollectibles)							
Due from Other Funds							
<b>TOTAL ASSETS</b>	<b>\$574,665</b>	<b>\$16,166</b>	<b>\$361</b>	<b>\$664,773</b>	<b>\$1,350</b>	<b>\$6,051</b>	<b>\$16,893</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts Payable	\$21,282		\$361	\$11,777		\$30	
Bank Overdraft							
Accrued Wages Payable	12,704			289			
Deferred Revenues							
<b>Total Liabilities</b>	<b>33,986</b>	<b>0</b>	<b>361</b>	<b>12,066</b>	<b>0</b>	<b>30</b>	<b>0</b>
<b>Fund Balances:</b>							
Restricted							
Administration				652,707	1,350		
Construction							
Culture and Recreation						6,021	
Debt Service							
Elections							
Health and Welfare							
Judicial							16,893
Legal		16,166					
Public Safety	540,679						
<b>Total Fund Balances</b>	<b>540,679</b>	<b>16,166</b>	<b>0</b>	<b>652,707</b>	<b>1,350</b>	<b>6,021</b>	<b>16,893</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$574,665</b>	<b>\$16,166</b>	<b>\$361</b>	<b>\$664,773</b>	<b>\$1,350</b>	<b>\$6,051</b>	<b>\$16,893</b>

(continued)

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



SPECIAL REVENUE

CRIME VICTIM ASSISTANCE	DISTRICT ATTORNEY FORFEITED PROPERTY	DISTRICT CLERK ARCHIVE FUND	ECONOMIC DEVELOPMENT FUND	ELECTION CHAPTER 19 FUNDS	ELECTION CONTRACT FUND	ELECTION MACHINE LEASE	HILL COUNTY TOURISM	HOT CHECK RESTITUTION	INDIGENT HEALTH CARE
	\$285,928	\$8,359	\$56,776	\$204	\$783	\$9,118	\$82,346	\$6,881	\$355,331
7,143					12,918				110,047
\$7,143	\$285,928	\$8,359	\$56,776	\$204	\$13,701	\$9,118	\$82,346	\$6,881	\$465,378
\$504				\$180					\$10,099
4,919									
860	596								833
									68,688
6,283	596	0	0	180	0	0	0	0	79,620
		8,359	56,776				82,346		
				24	13,701	9,118			385,758
	285,332							6,881	
860									
860	285,332	8,359	56,776	24	13,701	9,118	82,346	6,881	385,758
\$7,143	\$285,928	\$8,359	\$56,776	\$204	\$13,701	\$9,118	\$82,346	\$6,881	\$465,378

HILL COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2018  
 (continued)

	JUSTICE COURT				PROBATE	RECORDS PRESERVATION	
	JURY	TECH-NOLOGY	JUVENILE PROBATION	LAW LIBRARY	RECORDS MANAGEMENT	AND MANAGEMENT	SHERIFF DEPARTMENT
<b>ASSETS</b>							
Cash and Cash Equivalents	\$60,071	\$18,285	\$47,609	\$34,713	\$23,840	\$22,716	\$132,246
Receivables (net of allowance for uncollectibles)	8,022		73,349				
Due from Other Funds			10,000				563
<b>TOTAL ASSETS</b>	<b>\$68,093</b>	<b>\$18,285</b>	<b>\$130,958</b>	<b>\$34,713</b>	<b>\$23,840</b>	<b>\$22,716</b>	<b>\$132,809</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts Payable	70,630		\$68,827	\$1,209		\$14	\$100
Bank Overdraft			18,716				
Accrued Wages Payable			6,298				
Deferred Revenues							
<b>Total Liabilities</b>	<b>70,630</b>	<b>0</b>	<b>93,841</b>	<b>1,209</b>	<b>0</b>	<b>14</b>	<b>100</b>
<b>Fund Balances:</b>							
Restricted							
Administration					23,840	22,702	
Construction							
Culture and Recreation							
Debt Service							
Elections							
Health and Welfare							
Judicial	(2,537)	18,285		33,504			
Legal							
Public Safety			37,117				132,709
<b>Total Fund Balances</b>	<b>(2,537)</b>	<b>18,285</b>	<b>37,117</b>	<b>33,504</b>	<b>23,840</b>	<b>22,702</b>	<b>132,709</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$68,093</b>	<b>\$18,285</b>	<b>\$130,958</b>	<b>\$34,713</b>	<b>\$23,840</b>	<b>\$22,716</b>	<b>\$132,809</b>

(continued)

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

DEBT SERVICE FUND	CAPITAL PROJECTS FUND	NON-MAJOR GOVERN- MENTAL FUNDS
\$105,386	\$310,659	\$2,841,510
53,713		265,192
		10,563
<u>\$159,099</u>	<u>\$310,659</u>	<u>\$3,117,265</u>

		\$185,013
		23,635
		21,580
51,496		120,184
<u>51,496</u>	<u>0</u>	<u>350,412</u>

		848,080
	310,659	310,659
		6,021
107,603		107,603
		22,843
		385,758
		358,358
		16,166
		711,365
<u>107,603</u>	<u>310,659</u>	<u>2,766,853</u>
<u>\$159,099</u>	<u>\$310,659</u>	<u>\$3,117,265</u>

HILL COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018  
 (continued)

	ADULT PROBATION	C.A. HOT CHECK FUND	CHILD WELFARE BOARD	COUNTY CLERK	CC COURT PRESERVATION	COUNTY HISTORICAL COMMISSION	COURTHOUSE SECURITY
<b>REVENUES</b>							
Taxes							
Property							
Sales							
Intergovernmental	447,718						
Charges for Services	423,518	503		163,850	1,350		23,930
Interest	1,485			3,116		3	139
Contributions						6,118	
Miscellaneous	176		2,217				
Total Revenues	872,897	503	2,217	166,966	1,350	6,121	24,069
<b>EXPENDITURES</b>							
Current:							
General Administration				45,737			
Legal							
Judicial							
Public Safety	864,558						
Culture and Recreation						100	
Health and Welfare			2,217				
Debt Service							
Principal Retirement							
Interest and Fiscal Charges							
Total Expenditures	864,558	0	2,217	45,737	0	100	0
Excess (Deficiency) of Revenues Over (Under)							
Expenditures	8,339	503	0	121,229	1,350	6,021	24,069
<b>OTHER FINANCING SOURCES (USES):</b>							
Sale of Capital assets							
Operating Transfers In							
Operating Transfers Out							(25,000)
Total Other Financing Sources (Uses)	0	0	0	0	0	0	(25,000)
Net Changes in Fund Balances	8,339	503	0	121,229	1,350	6,021	(931)
Fund Balances - Beginning	532,340	15,663	0	531,478			17,824
Fund Balances - Ending	\$540,679	\$16,166	\$0	\$652,707	\$1,350	\$6,021	\$16,893

(continued)

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

SPECIAL REVENUE

CRIME VICTIM ASSISTANCE	D.A. FORFEITED PROPERTY	DISTRICT CLERK ARCHIVE FUND	ECONOMIC DEVELOPMENT FUND	ELECTION CHAPTER 19 FUNDS	ELECTION CONTRACT FUND	ELECTION MACHINE LEASE	HILL COUNTY TOURISM	HOT CHECK RESTITUTION	INDIGENT HEALTH CARE
									\$819,452
42,240		3,375							173,555
	957	7				8	25,703	3,662	
							356		5,287
	48,414		33,599		13,450	3,680			42,230
42,240	49,371	3,382	33,599	0	13,450	3,688	26,059	3,662	1,040,524
					8,008		30,190		
								259	
41,380	69,813								
									686,632
41,380	69,813	0	0	0	8,008	0	30,190	259	686,632
860	(20,442)	3,382	33,599	0	5,442	3,688	(4,131)	3,403	353,892
	109								
			23,177						
									(250,000)
0	109	0	23,177	0	0	0	0	0	(250,000)
860	(20,333)	3,382	56,776	0	5,442	3,688	(4,131)	3,403	103,892
	305,665	4,977	0	24	8,259	5,430	86,477	3,478	281,866
\$860	\$285,332	\$8,359	\$56,776	\$24	\$13,701	\$9,118	\$82,346	\$6,881	\$385,758

HILL COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018  
 (continued)

	JUSTICE COURT				PROBATE RECORDS MANAGEMENT	RECORDS PRESERVATION AND MANAGEMENT	SHERIFF DEPARTMENT
	JURY	TECH-NOLOGY	JUVENILE PROBATION	LAW LIBRARY			
<b>REVENUES</b>							
Taxes							
Property							
Sales							
Intergovernmental	34,788		595,583				7,255
Charges for Services	324,865	19,237	43,318	22,717	1,047	25,056	
Interest	43	53	123	175	134	337	266
Contributions						15,000	
Miscellaneous	15,225		1,821				
Total Revenues	<u>374,921</u>	<u>19,290</u>	<u>640,845</u>	<u>22,892</u>	<u>1,181</u>	<u>40,393</u>	<u>7,521</u>
<b>EXPENDITURES</b>							
Current:							
General Administration							
Legal							
Judicial	568,281			15,777		48,992	
Public Safety			786,452				22,266
Culture and Recreation							
Health and Welfare							
Debt Service							
Principal Retirement							
Interest and Fiscal Charges							
Total Expenditures	<u>568,281</u>	<u>0</u>	<u>786,452</u>	<u>15,777</u>	<u>0</u>	<u>48,992</u>	<u>22,266</u>
Excess (Deficiency) of Revenues Over (Under)							
Expenditures	<u>(193,360)</u>	<u>19,290</u>	<u>(145,607)</u>	<u>7,115</u>	<u>1,181</u>	<u>(8,599)</u>	<u>(14,745)</u>
<b>OTHER FINANCING SOURCES (USES):</b>							
Sale of Capital assets							13,141
Operating Transfers In	199,000		108,403				
Operating Transfers Out		(10,000)	(403)				
Total Other Financing Sources (Uses)	<u>199,000</u>	<u>(10,000)</u>	<u>108,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,141</u>
Net Changes in Fund Balances	5,640	9,290	(37,607)	7,115	1,181	(8,599)	(1,604)
Fund Balances - Beginning	(8,177)	8,995	74,724	26,389	22,659	31,301	134,313
Fund Balances - Ending	<u>(\$2,537)</u>	<u>\$18,285</u>	<u>\$37,117</u>	<u>\$33,504</u>	<u>\$23,840</u>	<u>\$22,702</u>	<u>\$132,709</u>

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

DEBT SERVICE FUND	CAPITAL PROJECTS FUND	NON-MAJOR GOVERN- MENTAL FUNDS
\$621,417		\$1,440,869
		173,555
		1,130,959
		1,078,756
2,444	4,930	19,863
		21,118
		160,812
<u>623,861</u>	<u>4,930</u>	<u>4,025,932</u>
		83,935
		259
		702,863
		1,714,656
		100
		688,849
480,000		480,000
136,319		136,319
<u>616,319</u>	<u>0</u>	<u>3,806,981</u>
7,542	4,930	218,951
		13,250
		330,580
	(11,063)	(296,466)
<u>0</u>	<u>(11,063)</u>	<u>47,364</u>
7,542	(6,133)	266,315
100,061	316,792	2,500,538
<u>\$107,603</u>	<u>\$310,659</u>	<u>\$2,766,853</u>

SINGLE AUDIT SECTION



HILL COUNTY, TEXAS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

SOURCE AND TITLE OF GRANT	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PASS-THROUGH TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDI- TURES
<b>U.S. Department of Homeland Security</b>				
Passed Through				
Texas Dept of Public Safety - Division of Emergency Management Homeland Security Grant Program (HSGP)	97.067	2953301	NONE	\$0
Total U.S. Department of Homeland Security				<u>0</u>
<b>U.S. Department of Agriculture</b>				
Passed Through				
Texas Dept of Public Safety - Division of Emergency Management Emergency Watershed Protection Program - M Floodplain Easements U Disaster Relief Appropriations Act	10.928	NRCS: Project Agmt #66-7442-17-202	NONE	1,352,952
Total U.S. Department of Agriculture				<u>1,352,952</u>
<b>U.S. Department of Justice</b>				
Direct				
State Criminal Alien Assistance Program	16.606	NONE	NONE	12,134
Equitable Sharing Program - Justice Funds (NM)	16.922	NONE	NONE	0
Passed Through				
Office of the Governor -				
Texas Criminal Justice Division				
HOTCOG- JJDP-Alloc to States	16.540	None	NONE	5,158
Juvenile Resource Officer	16.540	28598-02	NONE	53,655
				<u>58,813</u>
Office of the Governor - Rifle Vest	16.UNKNOWN	3495101	NONE	<u>26,010</u>
Total U.S. Department of Justice				<u>96,957</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Passed Through				
Office of the Attorney General				
Child Support Enforcement-Title IV-D (NM) Fiscal Year 2018	93.563			
District Clerk		NONE	NONE	47,403
Sheriff		NONE	NONE	5,217
Constable		NONE	NONE	673
				<u>53,293</u>
Passed Through				
Texas Department of Health				
Title IV-E - Federal Foster Care Reimbursement (TJPC)	93.658	NONE	NONE	4,566
Total U.S. Department of Health and Human Services				<u>57,859</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<u><u>\$1,507,768</u></u>

See Accompanying Notes to Schedule of Federal Financial Assistance

**BEYER & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS

Wayne R. Beyer, C.P.A.

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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 County Judge and Commissioners' Court  
Hill County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hill County, Texas, as of and for the year ended September 30, 2018, 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 26, 2019.

**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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did not identify any deficiencies in internal control.

### **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 26, 2019

**BEYER & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS

Wayne R. Beyer, C.P.A.

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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 Commissioners' 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, 2018. 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 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, 2018.

### **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.

Hill County, Texas' response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Hill County, Texas' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **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.

*Wayne R. Beyer*

BEYER & COMPANY  
Certified Public Accountants  
June 26, 2019

HILL COUNTY, TEXAS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

NOTE A-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state award activity of Hill County, Texas under programs of the federal and state government for the year ended September 30, 2018. 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) and the standards applicable to financial audits contained in Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter 1 - Comptroller. 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, 2018

*Federal and state*

There were no prior audit findings for Federal and state Awards.

HILL COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the Hill County, Texas.
2. There was no significant deficiency disclosed during the audit. There was no material weakness disclosed during the audit.
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: Emergency Watershed Protection Program - Floodplain Easements U Disaster Relief Appropriations Act - CFDA 10.928.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Hill County did qualify as a low-risk auditee.