

COUNTY OF MILLS
Annual Financial Report
Year Ended September 30, 2020

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

The Honorable County Judge
and Commissioners' Court
County of Mills
P.O. Box 483
Goldthwaite, TX 76844-0483

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Section I., Note C.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County'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 County'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 modified cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Mills, Texas, as of September 30, 2020, and the respective changes in modified cash-basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Section I., Note C.

Basis of Accounting

We draw attention to Section I., Note C. of the notes to the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

The management's discussion and analysis, budgetary comparison information, and net pension liability and contributions information for the Texas County & District Retirement System on pages 3 through 7, 35 through 37, and 38 through 42, respectively, are presented to supplement the basic financial statements. We have applied certain limited procedures to this information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Mills' basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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

Eckert & Company, LLP

January 21, 2021

Precinct 1 - Mike Wright
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the County of Mills' financial performance provides an overview of the County's financial activities for the year ended September 30, 2020, within the limitations of the County's modified cash basis of accounting. It should be read in conjunction with the County's basic financial statements and independent auditor's report.

Financial Highlights - Modified Cash Basis of Accounting

The County's assets exceeded its liabilities at the end of the current year by \$10,553,149 (net position). Of this amount, \$2,736,415 (unrestricted) is available to meet the County's ongoing obligations.

The County's total net position increased by \$94,580 or 1% as a result of current year operations. The County's statement of activities shows total revenues of \$5,608,536 and total expenses of \$5,513,956.

The total fund balance of the General Fund is \$1,911,053, which is an increase of \$342,090 or 22% compared to the prior year.

Overview of the Financial Statements

The County's financial statements are presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's modified cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the County's assets and liabilities resulting from the use of the modified cash basis of accounting, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Overview of the Financial Statements - Continued

The statement of activities presents information showing how the County's net position changed during the current year while keeping in mind the limitations of the modified cash basis of accounting.

The governmental activities of the County include public transportation through roads and bridges, justice system, public safety, public health and welfare, culture and recreation, and debt service, as well as general administrative and support services.

The County has no component units.

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. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

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 County's near-term financing decisions. Both the governmental fund balance sheet - modified cash basis and the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet - modified cash basis and in the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis for the General Fund, the Road and Bridge Fund, the Law Enforcement Fund, and the Help America Vote Act Grant Fund (HAVA), all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The County adopts a budget for its General Fund, Debt Service Fund, and Special Revenue Funds.

Fiduciary Funds - Fiduciary funds are used to account for assets which are held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds. The County's fiduciary funds are agency funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs.

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.

MANAGEMENT’S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis

Net Position - A summary of the County’s net position is presented below:

NET POSITION - MODIFIED CASH BASIS

	<u>Governmental Activities</u>	
	<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>
Current and Other Assets	\$ 2,822,263	\$ 2,897,603
Capital Assets	<u>14,999,921</u>	<u>15,149,497</u>
 Total Assets	 <u>\$ 17,822,184</u>	 <u>\$ 18,047,100</u>
 Long-Term Liabilities Outstanding	 \$ 7,021,119	 \$ 7,322,473
Other Liabilities	<u>247,916</u>	<u>266,058</u>
 Total Liabilities	 <u>\$ 7,269,035</u>	 <u>\$ 7,588,531</u>
 Net Position		
Net Investment in Capital Assets	\$ 7,816,702	\$ 7,620,524
Restricted for Debt Service	32	42,609
Unrestricted	<u>2,736,415</u>	<u>2,795,436</u>
 Total Net Position	 <u>\$ 10,553,149</u>	 <u>\$ 10,458,569</u>

A portion of the County's net position resulting from modified cash basis transactions (\$7,816,702) reflects the County's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County’s net position (\$32) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$2,736,415) may be used to meet the County’s ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities increased the County's net position resulting from modified cash basis transactions by \$94,580 and \$463,068 for the fiscal years ended September 30, 2020 and 2019, respectively. Key elements of these increases are as follows:

CHANGES IN NET POSITION - MODIFIED CASH BASIS

	Governmental Activities	
	Year Ended September 30,	
	2020	2019
Revenues		
Program Revenues		
Charges for Services	\$ 620,829	\$ 685,648
Operating Grants and Contributions	422,456	485,577
Capital Grants and Contributions	102,460	0
General Revenues		
Maintenance and Operations Taxes	3,756,552	4,087,641
Debt Service Taxes	507,321	548,679
Investment Earnings	33,678	43,808
Other Revenues	165,240	74,046
	<u>\$ 5,608,536</u>	<u>\$ 5,925,399</u>
Total Revenues		
Expenses		
General Government	\$ 1,105,745	\$ 1,134,657
Roads and Bridges	1,339,767	1,435,295
Justice System	496,791	508,821
Public Safety	2,182,955	2,008,712
Public Health and Welfare	103,912	79,378
Culture and Recreation	33,715	37,814
Debt Service	251,071	257,654
	<u>\$ 5,513,956</u>	<u>\$ 5,462,331</u>
Total Expenses		
Change in Net Position	\$ 94,580	\$ 463,068
Net Position - Beginning	<u>10,458,569</u>	<u>9,995,501</u>
Net Position - Ending	<u>\$ 10,553,149</u>	<u>\$ 10,458,569</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Financial Analysis of the County's Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. The unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the current year within the limitations of the County's modified cash basis of accounting.

The County's governmental funds reported combined ending fund balances on the modified cash basis of accounting of \$2,736,447, a decrease of \$101,598 or 4% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$1,911,053. All of this balance is unassigned.

Special Revenue Funds \$825,362. All of this balance is committed to special programs.

Debt Service Fund \$32. This balance is restricted for payment of long-term debt principal and interest.

General Fund Budget

The original budget for the General Fund was \$3,251,498, and the final amended budget was \$3,249,998, which represents a \$1,500 decrease in appropriations. Variances between the original budget and the final amended budget are shown on page 35 in the other information section of the audit report.

County Budget

The County has adopted a budget for revenues (net of transfers) in the amount of \$5,576,321 for the fiscal year 2021, which is an increase of \$263,415 from the fiscal year 2020, and a budget for expenditures (net of transfers) in the amount of \$5,573,404 for the fiscal year 2021, which is an increase of \$253,245 from the fiscal year 2020.

Capital Assets and Debt - Modified Cash Basis

Capital Assets - Financial statement footnote III., D. discloses the County's capital asset activity for the year ended September 30, 2020.

Long-Term Debt - Financial statement footnote III., H. discloses the County's debt activity for the year ended September 30, 2020.

Other Information

The County does not necessarily agree with the assumptions used by the TCDRS related to its Defined Benefit Pension Plan but is merely incorporating and attributing these assumptions in the audit report for disclosure to readers of the financial statements.

Requests for Information

The financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Ed Smith, County Judge, County of Mills, P.O. Box 483, Goldthwaite, TX 76844-0483.

Basic Financial Statements

COUNTY OF MILLS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
SEPTEMBER 30, 2020

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 2,759,472
Due from Other Governments	3,227
Due from Fiduciary Funds	59,564
Capital Assets:	
Land	102,869
Buildings and Improvements, Net	13,709,623
Furniture and Equipoment, Net	1,187,429
Total Assets	17,822,184
LIABILITIES	
TCDRS Payable	60,973
Other Payables	1,411
Unearned Revenue	23,432
Short-Term Debt Payable	162,100
Noncurrent Liabilities:	
Debt Due Within One Year	285,000
Debt Due in More Than One Year	6,736,119
Total Liabilities	7,269,035
NET POSITION	
Net Investment in Capital Assets	7,816,702
Restricted for Debt Service	32
Unrestricted	2,736,415
Total Net Position	\$ 10,553,149

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

COUNTY OF MILLS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 1,105,745	\$ 210,512	\$ 35,821
Roads and Bridges	1,339,767	316,672	48,961
Justice System	496,791	75,282	18,462
Public Safety	2,182,955	13,076	319,212
Public Health and Welfare	103,912	5,287	-
Culture and Recreation	33,715	-	-
Interest on Debt	250,671	-	-
Fiscal Agent's Fees	400	-	-
TOTAL PRIMARY GOVERNMENT	\$ 5,513,956	\$ 620,829	\$ 422,456

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Investment Earnings

Miscellaneous Revenue

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenue and
Changes in Net Position

	<u>Capital</u>		<u>Primary Government</u>
	<u>Grants and</u>		<u>Governmental</u>
	<u>Contributions</u>		
\$	102,460	\$	(756,952)
	-		(974,134)
	-		(403,047)
	-		(1,850,667)
	-		(98,625)
	-		(33,715)
	-		(250,671)
	-		(400)
<u>\$</u>	<u>102,460</u>		<u>(4,368,211)</u>

3,756,552
507,321
33,678
<u>165,240</u>
<u>4,462,791</u>
94,580
<u>10,458,569</u>
<u>\$ 10,553,149</u>

COUNTY OF MILLS
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund	Road and Bridge	Law Enforcement
ASSETS			
Cash and Cash Equivalents	\$ 1,912,026	\$ 312,352	\$ 225,864
Due from Other Governments	-	-	-
Due from Other Funds	27,092	3,561	27,256
Total Assets	<u>\$ 1,939,118</u>	<u>\$ 315,913</u>	<u>\$ 253,120</u>
LIABILITIES			
TCDRS Payable	\$ 28,046	\$ 10,739	\$ 21,147
Other Payables	19	-	142
Due to Other Funds	-	-	-
Unearned Revenue	-	-	-
Total Liabilities	<u>28,065</u>	<u>10,739</u>	<u>21,289</u>
FUND BALANCES			
Restricted Fund Balance:			
Retirement of Long-Term Debt	-	-	-
Committed Fund Balance:			
Special Revenue Funds	-	305,174	231,831
Unassigned Fund Balance	1,911,053	-	-
Total Fund Balances	<u>1,911,053</u>	<u>305,174</u>	<u>231,831</u>
Total Liabilities and Fund Balances	<u>\$ 1,939,118</u>	<u>\$ 315,913</u>	<u>\$ 253,120</u>

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

HAVA Grant Fund	Other Funds	Total Governmental Funds
\$ 23,432	\$ 285,798	\$ 2,759,472
-	3,227	3,227
-	4,451	62,360
<u>\$ 23,432</u>	<u>\$ 293,476</u>	<u>\$ 2,825,059</u>
\$ -	\$ 1,041	\$ 60,973
-	1,250	1,411
-	2,796	2,796
23,432	-	23,432
<u>23,432</u>	<u>5,087</u>	<u>88,612</u>
-	32	32
-	288,357	825,362
-	-	1,911,053
-	288,389	2,736,447
<u>\$ 23,432</u>	<u>\$ 293,476</u>	<u>\$ 2,825,059</u>

COUNTY OF MILLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
SEPTEMBER 30, 2020

Total Fund Balances - Governmental Funds	\$	2,736,447
Capital assets net of accumulated depreciation used in governmental activities are not reported in governmental funds.		14,999,921
Short-term and long-term debt, including unamortized premiums, are not reported in governmental funds.		(7,183,219)
Net Position of Governmental Activities	<u>\$</u>	<u>10,553,149</u>

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

COUNTY OF MILLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Road and Bridge	Law Enforcement
REVENUES:			
Taxes	\$ 3,142,338	\$ 614,214	\$ -
Fees	97,265	316,672	-
Fines	143,179	-	-
Intergovernmental	1,904	48,961	319,212
Interest	27,984	-	3,952
Miscellaneous	103,964	19,086	28,127
Total Revenues	<u>3,516,634</u>	<u>998,933</u>	<u>351,291</u>
EXPENDITURES:			
Current:			
General Government	888,294	-	-
Roads and Bridges	-	1,426,245	-
Justice System	372,515	-	-
Public Safety	248,196	-	1,734,314
Public Health and Welfare	11,238	-	-
Culture and Recreation	-	-	-
Debt Service:			
Principal on Debt	-	-	-
Interest on Debt	-	-	-
Fiscal Agent's Fees	-	-	-
Total Expenditures	<u>1,520,243</u>	<u>1,426,245</u>	<u>1,734,314</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,996,391</u>	<u>(427,312)</u>	<u>(1,383,023)</u>
OTHER FINANCING SOURCES (USES):			
Sale of Real and Personal Property	-	1,445	-
Transfers In	-	470,000	910,000
Transfers Out (Use)	(1,654,301)	-	-
Total Other Financing Sources (Uses)	<u>(1,654,301)</u>	<u>471,445</u>	<u>910,000</u>
Net Change in Fund Balances	342,090	44,133	(473,023)
Fund Balance - October 1 (Beginning)	<u>1,568,963</u>	<u>261,041</u>	<u>704,854</u>
 Fund Balance - September 30 (Ending)	 <u>\$ 1,911,053</u>	 <u>\$ 305,174</u>	 <u>\$ 231,831</u>

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

HAVA Grant Fund	Other Funds	Total Governmental Funds
\$ -	\$ 507,321	\$ 4,263,873
-	63,712	477,649
-	-	143,179
102,460	52,379	524,916
72	1,670	33,678
-	4,474	155,651
<u>102,532</u>	<u>629,556</u>	<u>5,598,946</u>
118,970	51,440	1,058,704
-	-	1,426,245
-	124,276	496,791
-	17,671	2,000,181
-	92,674	103,912
-	64,876	64,876
-	280,000	280,000
-	272,025	272,025
-	400	400
<u>118,970</u>	<u>903,362</u>	<u>5,703,134</u>
<u>(16,438)</u>	<u>(273,806)</u>	<u>(104,188)</u>
-	1,145	2,590
16,438	257,863	1,654,301
-	-	(1,654,301)
<u>16,438</u>	<u>259,008</u>	<u>2,590</u>
-	(14,798)	(101,598)
-	303,187	2,838,045
<u>\$ -</u>	<u>\$ 288,389</u>	<u>\$ 2,736,447</u>

COUNTY OF MILLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
& CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Total Net Change in Fund Balances - Governmental Funds	\$	(101,598)
Capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements.		450,622
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources.		(600,198)
Short-term and long-term debt principal payments are expenditures in governmental funds but are shown as reductions in long-term debt in the government-wide financial statements.		324,400
Amortization of bond premium is not recorded in the governmental funds but is shown as a reduction in long-term debt in the government-wide financial statements.		21,354
Change in Net Position of Governmental Activities	\$	94,580

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

COUNTY OF MILLS
STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
SEPTEMBER 30, 2020

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 289,342
Total Assets	<u>\$ 289,342</u>
LIABILITIES	
Due to Other Funds	\$ 59,564
Due to State	81,331
Due to Others	148,447
Total Liabilities	<u>\$ 289,342</u>

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

COUNTY OF MILLS
Notes to the Financial Statements
September 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Mills, Texas, prepares its basic financial statements on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America.

A. Reporting Entity

The County of Mills, Texas, was organized by an Act of the Texas Legislature in 1887. The County is governed by the Commissioners' Court, a five-member group consisting of an elected County Judge and four County Commissioners elected from individual precincts. Services provided by the County include public transportation through roads and bridges, justice system, public safety, public health and welfare, culture and recreation, and debt service, as well as general administrative and support services. There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the County and (2) grants and contributions - payments from organizations outside the County that are restricted to meeting the operational or capital requirements of a particular function or segment of the County. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as interfund receivables and payables on the government-wide statement of net position.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as are the fiduciary fund financial statements.

The fund financial statements are reported using the current financial resources measurement focus as applied to the modified cash basis of accounting.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting - Continued

Governmental funds utilize a current financial resources measurement focus. Current financial assets and liabilities are generally the only items included on their balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. Fund balance is used to measure available spendable financial resources at the end of the period.

Basis of Accounting

The government-wide financial statements and the fund financial statements are presented using the modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net position, fund equity, revenues, expenditures, and expenses when they result from cash transactions with a provision for depreciation in the government-wide financial statements. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America.

The use of the modified cash basis of accounting results in certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable, expenses for goods or services received but not yet paid, and accrued expenses and liabilities) not being recorded in these financial statements.

The government reports the following major governmental funds:

General Fund - This Fund is the general operating fund of the County. It is used to account for all revenues except those required to be accounted for in other funds.

Road and Bridge Fund - This Fund is a special revenue fund and is used to account for revenues for the road and bridge precincts.

Law Enforcement Fund - This Fund is a special revenue fund and is used to account for revenues for the County's law enforcement activities.

Help America Vote Act Grant Fund (HAVA) - This Fund is a special revenue fund and is used to account for revenues for the Help America Vote Act grant to Texas counties.

Additionally, the government reports the following fund type:

Fiduciary Funds - These Funds are used to account for assets which are held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds.

D. Interfund Receivables and Payables

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

E. Capital Assets

In the government-wide financial statements, capital assets arising from modified cash basis transactions are reported in the statement of net position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Capital Assets - Continued

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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15-40
Machinery and Equipment	5-10

In the fund financial statements, capital assets arising from modified cash basis transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

F. Long-Term Debt

Long-term debt arising from modified cash basis transactions to be repaid from governmental resources is reported as liabilities in the government-wide financial statements.

Long-term debt arising from modified cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures.

G. Compensated Absences

County employees are entitled to vacation and sick leave based on their length of employment. Vacation does not accumulate or vest. Employees may accumulate up to 320 hours of sick leave. Employees are not paid for unused sick leave upon separation from service. Employees are paid only for the current year's unused vacation, not to exceed 80 hours, and provided proper notice was given, they are not under disciplinary action or suspension, and they have been a fulltime employee a minimum of 12 months.

H. Net Position on the Statement of Net Position

Net position on the statement of net position includes the following:

Net Investment in Capital Assets- This component of net position represents the difference between capital assets net of accumulated depreciation and the outstanding balance of debt, excluding any unspent debt proceeds, that is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Debt Service - This component of net position represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Unrestricted - This is the difference between assets and liabilities that is not reported as Net Investment in Capital Assets or Restricted for Debt Service.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

I. Fund Balances

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Commissioners' Court, the County's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Commissioners' Court.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

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

J. Property Tax Revenues

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Property taxes are recognized as revenues when they are collected.

Taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy.

K. Interfund Transfers

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

The County prepares and adopts a budget for governmental funds prior to the beginning of each fiscal year. The County holds public meetings for the purpose of obtaining comments from citizens prior to adopting the budget. Once a budget is approved, it can be amended only by approval of a majority of the members of the Commissioners' Court. The budget was amended during the year.

Budgets for the General Fund, Special Revenue Funds, and Debt Service Fund are adopted on a modified cash basis and cover a one-year period. Appropriations lapse at year end.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2020

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) 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: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) 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 substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy.

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits and investments in certificates of deposit may not be returned to it. The County's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The County is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the County's name.

Concentration of Credit Risk: The investment policy of the County contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. The County is not exposed to this risk as described in the preceding paragraph.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2020, the County was not significantly exposed to credit risk.

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

B. Due from Other Governments

The County participates in various grant programs. Amounts due from these programs are summarized as follows:

Coronavirus Relief Fund	<u>\$ 3,227</u>
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COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2020

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Interfund Receivables, Payables, and Transfers

1. The following is a summary of amounts due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Nonmajor Governmental Funds	\$ 2,796	\$ 0	Reimbursements
Fiduciary Funds	24,296	0	Unremitted Fees
	<u>\$ 27,092</u>	<u>\$ 0</u>	
Road and Bridge Fund			
Fiduciary Funds	<u>\$ 3,561</u>	<u>\$ 0</u>	Unremitted Fees
Law Enforcement Fund			
Fiduciary Funds	<u>\$ 27,256</u>	<u>\$ 0</u>	Unremitted Fees
Nonmajor Governmental Funds			
General Fund	\$ 0	\$ 2,796	Reimbursements
Fiduciary Funds	4,451	0	Unremitted Fees
	<u>\$ 4,451</u>	<u>\$ 2,796</u>	
Fiduciary Funds			
General Fund	\$ 0	\$ 24,296	Unremitted Fees
Road and Bridge Fund	0	3,561	Unremitted Fees
Law Enforcement Fund	0	27,256	Unremitted Fees
Nonmajor Governmental Funds	0	4,451	Unremitted Fees
	<u>\$ 0</u>	<u>\$ 59,564</u>	
Totals	<u>\$ 62,360</u>	<u>\$ 62,360</u>	

All amounts due are expected to be repaid within one year.

2. Interfund transfers consist of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Road and Bridge Fund	\$ 470,000	To Cover Fund Deficit
General Fund	Law Enforcement Fund	910,000	To Cover Fund Deficit
General Fund	HAVA Grant Fund	16,438	To Cover Fund Deficit
General Fund	Nonmajor Governmental Funds	257,863	To Cover Fund Deficit
Total		<u>\$ 1,654,301</u>	

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2020

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Capital Assets					
Land	\$ 102,869	\$ 0	\$ 0	\$ 0	\$ 102,869
Buildings and Improvements	17,349,566	0	0	0	17,349,566
Machinery and Equipment	<u>2,540,936</u>	<u>450,622</u>	<u>101,457</u>	<u>0</u>	<u>2,890,101</u>
Total Capital Assets	<u>\$ 19,993,371</u>	<u>\$ 450,622</u>	<u>\$ 101,457</u>	<u>\$ 0</u>	<u>\$ 20,342,536</u>
Less Accumulated Depreciation					
Buildings and Improvements	\$ (3,209,938)	\$ (430,005)	\$ 0	\$ 0	\$ (3,639,943)
Machinery and Equipment	<u>(1,633,936)</u>	<u>(170,193)</u>	<u>(101,457)</u>	<u>0</u>	<u>(1,702,672)</u>
Total Accumulated Depreciation	<u>\$ (4,843,874)</u>	<u>\$ (600,198)</u>	<u>\$ (101,457)</u>	<u>\$ 0</u>	<u>\$ (5,342,615)</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,149,497</u>	<u>\$ (149,576)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 14,999,921</u>

Depreciation expense was charged to governmental activities functions as follows:

General Government	\$ 159,866
Roads and Bridges	146,822
Public Safety	280,271
Culture and Recreation	<u>13,239</u>
Total	<u>\$ 600,198</u>

E. Unearned Revenue

Unearned revenue at year end consisted of the following:

HAVA Grant Fund	<u>\$ 23,432</u>
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F. Capital Leases/Government Obligation Contracts

The County entered into a lease agreement to finance the acquisition of equipment for the Road and Bridge Department. This lease agreement qualifies as a capital lease for accounting purposes and is payable from the Road and Bridge Fund. The effective interest rate is 6%.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2020

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

F. Capital Leases/Government Obligation Contracts - Continued

Future minimum lease payments are as follows:

Year Ending September 30,	Capital Lease		Total
	Principal	Interest	
2021	\$ 15,846	\$ 3,546	\$ 19,392

The following is a summary of the changes in capital leases and government obligation contracts for the year ended September 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Leases	\$ 176,091	\$ 0	\$ 160,245	\$ 15,846
Government Obligation Contracts	43,380	0	43,380	0
Totals	\$ 219,471	\$ 0	\$ 203,625	\$ 15,846

G. Short-Term Debt

A loan of \$332,500 was issued on September 15, 2016, to construct a Senior Center building for use by the residents of Mills County that qualifies for services provided by the Center. The first draw on the construction loan occurred on October 6, 2016. The loan was liquidated on September 15, 2017, and was renewed on September 15, 2017, for \$293,500. That loan was liquidated on September 15, 2018, and was renewed on September 15, 2018, for \$251,800. That loan was liquidated on September 15, 2019, and was renewed on September 15, 2019, for \$210,500. Subsequent to the renewal a \$4,000 principal payment was made on September 23, 2019. That loan was liquidated on September 15, 2020, and was renewed on September 15, 2020, for \$162,100. The current loan bears interest at 2.1125%, is to be liquidated on September 15, 2021, and is payable from the Senior Citizens Fund. The unpaid balance on the note is \$162,100.

The following is a summary of changes in short-term debt for the year ended September 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance
Loan - Senior Center Building	\$ 206,500	\$ 0	\$ 44,400	\$ 162,100

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2020

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

H. Long-Term Debt

The County's long-term liabilities consist of bonded indebtedness and bond premium/discount. The current requirements for general obligation bonds principal and interest are accounted for in the Interest and Sinking Fund.

The following is a summary of changes in long-term debt for the year ended September 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Limited Tax Refunding Bonds	\$ 345,000	\$ 0	\$ 170,000	\$ 175,000	\$ 175,000
Limited Tax Bonds	6,545,000	0	110,000	6,435,000	110,000
Bond Premium (Net)	432,473	0	21,354	411,119	0
Totals	<u>\$ 7,322,473</u>	<u>\$ 0</u>	<u>\$ 301,354</u>	<u>\$ 7,021,119</u>	<u>\$ 285,000</u>

The County's outstanding bond issues, which are payable from the Interest and Sinking Fund are as follows:

Mills County, Texas, Limited Tax Refunding Bonds, Series 2012. Issued to currently refund \$1,495,000 of Mills County, Texas, Tax Notes, Series 2008. Due in variable installments through the fiscal year ending September 30, 2021, with an interest of 2.1%. ¹	\$ 175,000
Mills County, Texas, Limited Tax Bonds, Series 2015. Issued to purchase, design, renovate, construct, reconstruct, improve, or equip a building or buildings for a law enforcement center, including purchasing technology; to purchase the necessary sites therefor; and to pay the costs of issuance related thereto in the original amount of \$6,850,000. Due in variable installments through February 15, 2040, with interest rates of 2% to 4.5%. ¹	<u>6,435,000</u>
Total Bonds Payable	<u>\$ 6,610,000</u>

¹ During each year while bonds are outstanding, the County is required to levy and collect sufficient ad valorem taxes, within the limits prescribed by law on all taxable property within the County as provided in the Order, to provide for the payment of principal and interest as it becomes due. If the County defaults in the payment of principal, interest, or redemption price on the bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set for in the Order, the registered owners may seek a writ of mandamus to compel County officials to carry out their legally imposed duties with respect to the bonds, if there is no other available remedy at law to compel performance of the bonds or Order and the County's obligations are not uncertain or disputed.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2020

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

H. Long-Term Debt - Continued

The combined annual debt service requirements are as follows:

Year Ending September 30,	Limited Tax Refunding Bonds		Limited Tax Bonds		Total
	Principal	Interest	Principal	Interest	
2021	\$ 175,000	\$ 1,837	\$ 110,000	\$ 263,275	\$ 550,112
2022	0	0	225,000	258,250	483,250
2023	0	0	235,000	250,175	485,175
2024	0	0	245,000	240,575	485,575
2025	0	0	255,000	230,575	485,575
2026-2030	0	0	1,435,000	988,475	2,423,475
2031-2035	0	0	1,755,000	670,475	2,425,475
2036-2040	0	0	2,175,000	253,688	2,428,688
Totals	<u>\$ 175,000</u>	<u>\$ 1,837</u>	<u>\$ 6,435,000</u>	<u>\$ 3,155,488</u>	<u>\$ 9,767,325</u>

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan Description - The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County & District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 1-800-823-7782.

The plan provisions are adopted by the governing body of the employer within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

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

Funding Policy - The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed the actuarially determined rate of 11.5% for the months of the accounting year in 2019 and 12.3% for the months of the accounting year in 2020.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2020

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

The deposit rate payable by the employee members for calendar year 2020 is 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Actuarial Assumptions - All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2019 funding valuation, except as noted below and throughout this report. Please see the County's December 31, 2019 Summary Valuation Report for further details.

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	
Smoothing Period	5 Years
Recognition Method	Non-Asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	4.90%
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the 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	Members eligible for service retirement are assumed to retire at various rates based upon age and gender. Deferred members are assumed to retire (100% probability) at the later of age 60 or earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	Mortality rates for depositing members are based on 90% of the gender-distinct RP-2014 Active Employee Mortality Table. Service retirees, beneficiaries, and non-depositing members are based on 130% for males and 110% for females of the RP-2014 Healthy Annuitant Mortality Table. Disabled retirees are based on 130% for males and 115% for females of the RP-2014 Disabled Annuitant Mortality Table. All of the rates are projected with 110% of the MP-2014 Ultimate scale after 2014.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2020

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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

Note 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.

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	20.00%	8.20%
Global Equities	MSCI World (Net) Index	2.50%	5.50%
International Equities - Developed Markets	MSCI World Ex USA (Net) Index	7.00%	5.20%
International Equities - Emerging Markets	MSCI Emerging Markets (Net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	6.90%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (Net) Index	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2020

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2020

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefits 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 8.1%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8%, net of all expenses, increased by 0.1% to be gross of administrative expenses.

Changes in Net Pension Liability (Asset) - The following presents the increases (decreases) in net pension liability (asset) of the County of Mills:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance as of December 31, 2018	\$ 6,888,387	\$ 5,900,309	\$ 988,078
Changes for the Year:			
Service Cost	\$ 247,295	\$ 0	\$ 247,295
Interest on Total Pension Liability	563,821	0	563,821
Effect of Plan Changes	0	0	0
Effect of Economic/Demographic Gains or Losses	98,227	0	98,227
Effect of Assumptions Changes or Inputs	0	0	0
Refund of Contributions	0	0	0
Benefit Payments	(356,811)	(356,811)	0
Administrative Expenses	0	(5,234)	5,234
Member Contributions	0	136,489	(136,489)
Net Investment Income (Loss)	0	968,944	(968,944)
Employer Contributions	0	224,232	(224,232)
Other	0	1,091	(1,091)
Net Changes	\$ 552,532	\$ 968,711	\$ (416,179)
Balance as of December 31, 2019	\$ 7,440,919	\$ 6,869,020	\$ 571,899

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2020

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Sensitivity Analysis - The following presents the net pension liability (asset) of the County, calculated using the discount rate of 8.1%, as well as what the County's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (7.1%) or 1 percentage point higher (9.1%) than the current rate.

	1% Decrease in Discount Rate (7.1%)	Current Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
Total Pension Liability	\$ 8,336,574	\$ 7,440,919	\$ 6,685,404
Fiduciary Net Position	6,869,020	6,869,020	6,869,020
Net Pension Liability (Asset)	\$ 1,467,554	\$ 571,899	\$ (183,616)

Pension Expense (Income) - The following presents the components of pension expense (income):

<u>Pension Expense (Income)</u>	<u>January 1, 2019 to December 31, 2019</u>
Service Cost	\$ 247,295
Interest on Total Pension Liability	563,821
Effect of Plan Changes	0
Administrative Expenses	5,234
Member Contributions	(136,489)
Expected Investment Return Net of Investment Expenses	(477,916)
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of Economic/Demographic Gains or Losses	44,476
Recognition of Assumption Changes or Inputs	10,241
Recognition of Investment Gains or Losses	41,243
Other	(1,091)
Total Pension Expense (Income)	\$ 296,814

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2020

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Deferred Outflows/Deferred Inflows of Resources -As of September 30, 2020, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 77,218	\$ -
Changes in Assumptions	10,242	-
Net Differences Between Projected and Actual Earnings	-	161,357
Contributions Made Subsequent to Measurement Date	<u>184,112</u>	<u>-</u>
Totals	<u>\$ 271,572</u>	<u>\$ 161,357</u>

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:

<u>Year Ending September 30,</u>	<u>Pension Expense Amount</u>
2020	\$ 15,789
2021	(13,033)
2022	21,552
2023	(98,205)
2024	0
Thereafter	0

B. Other Benefits

Plan Description - The County participates in a cost-sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GTLF). This plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The County has not elected to cover retired employees.

The GTLF is a separate trust administered by the TCDRS' Board of Trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 1-800-823-7782.

Funding Policy - Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed, and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The County's contributions to the GTLF for the years ended September 30, 2020, 2019, and 2018, were \$5,254, \$4,822, and \$5,393, respectively, which equaled the contractually required contributions each year.

COUNTY OF MILLS
Notes to the Financial Statements - Continued
September 30, 2020

IV. OTHER INFORMATION - Continued

C. Self-Insurance

The County has coverage through the Texas Association of Counties Risk Management Pool for workers' compensation, employer's liability, and property and casualty coverage.

D. Tax Abatements

The County has entered into contractual agreements with property owners in which the County has agreed to reduce the amount of ad valorem taxes payable on certain improvements constructed after the date the agreements were reached in accordance with Chapter 312 of the State of Texas Tax Code. The terms of the agreements are limited by the guidelines and criteria established by the County Commissioners. At September 30, 2020, the County had established abatement agreements with the following property owners:

Property Owner	Date of Abatement Agreement	First Year of Abatement	Final Year of Abatement	2019 Appraised Values	2019 Taxable Values	2019 Abated Values	2019 Taxes Levied	2019 Taxes Abated
Goldthwaite Wind Energy, LLC	12/12/2011	2014	2023	\$ 110,833,550	\$ 66,500,130	\$ 44,333,420	\$ 468,094	\$ 312,063
McCasland Family Partnership, LP/Pecans. com	05/29/2018	2019	2020	588,140	235,256	352,884	1,656	2,484
Flat Top Wind I, LLC	12/14/2015	2019	2028	183,240,940	73,296,376	109,944,564	515,934	773,900

During fiscal year 2020, the total amount of abated property value was \$154,630,868. Based on the county tax rate of \$0.7039 per \$100 of value, the foregone tax levy due to abatement agreements was \$1,088,447.

E. Emergency Medical Services Agreement

On February 19, 2019, the County Commissioners approved an interlocal government contract with The Hamilton County Hospital District whereby said Hospital District will provide emergency medical services for the residents of Mills County for a period of fifty-seven months beginning January 1, 2019. The interlocal agreement's fee schedule is as follows:

Year Ending September 30,	Fee Schedule
2020	\$ 225,000
2021	250,000
2022	250,000
2023	250,000

During the fiscal year ended September 30, 2020, \$225,000 was recorded as an expenditure.

F. Subsequent Events

Management has evaluated the impact of all subsequent events on the County through January 21, 2021, the date of the financial statements issuance and has determined that there were no subsequent events requiring recognition or disclosure in the financial statements.

Other Information

COUNTY OF MILLS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 3,374,155	\$ 3,374,155	\$ 3,142,338	\$ (231,817)
Fees	100,600	100,600	97,265	(3,335)
Fines	140,000	140,000	143,179	3,179
Intergovernmental	66,000	69,500	1,904	(67,596)
Interest	15,010	15,010	27,984	12,974
Miscellaneous	45,600	45,600	103,964	58,364
Total Revenues	<u>3,741,365</u>	<u>3,744,865</u>	<u>3,516,634</u>	<u>(228,231)</u>
EXPENDITURES:				
Current:				
General Government	978,538	948,637	888,294	60,343
Justice System	374,520	381,119	372,515	8,604
Public Safety	251,840	255,841	248,196	7,645
Public Health and Welfare	12,100	12,100	11,238	862
Total Expenditures	<u>1,616,998</u>	<u>1,597,697</u>	<u>1,520,243</u>	<u>77,454</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,124,367</u>	<u>2,147,168</u>	<u>1,996,391</u>	<u>(150,777)</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out (Use)	(1,634,500)	(1,652,301)	(1,654,301)	(2,000)
Total Other Financing Sources (Uses)	<u>(1,634,500)</u>	<u>(1,652,301)</u>	<u>(1,654,301)</u>	<u>(2,000)</u>
Net Change	489,867	494,867	342,090	(152,777)
Fund Balance - October 1 (Beginning)	<u>1,568,963</u>	<u>1,568,963</u>	<u>1,568,963</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 2,058,830</u>	<u>\$ 2,063,830</u>	<u>\$ 1,911,053</u>	<u>\$ (152,777)</u>

COUNTY OF MILLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - ROAD AND BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 659,309	\$ 659,309	\$ 614,214	\$ (45,095)
Fees	326,000	326,000	316,672	(9,328)
Intergovernmental	47,200	47,200	48,961	1,761
Interest	200	200	-	(200)
Miscellaneous	-	-	19,086	19,086
Total Revenues	1,032,709	1,032,709	998,933	(33,776)
EXPENDITURES:				
Roads and Bridges:				
Precinct Number One	385,492	385,492	369,967	15,525
Precinct Number Two	309,092	309,092	295,923	13,169
Precinct Number Three	464,655	464,655	421,222	43,433
Precinct Number Four	298,319	298,319	292,874	5,445
Road and Bridge Special	49,820	49,820	46,259	3,561
Total Expenditures	1,507,378	1,507,378	1,426,245	81,133
Excess (Deficiency) of Revenues Over (Under) Expenditures	(474,669)	(474,669)	(427,312)	47,357
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	1,445	1,445
Transfers In	470,000	470,000	470,000	-
Total Other Financing Sources (Uses)	470,000	470,000	471,445	1,445
Change in Fund Balance	(4,669)	(4,669)	44,133	48,802
Fund Balance - October 1 (Beginning)	261,041	261,041	261,041	-
Fund Balance - September 30 (Ending)	\$ 256,372	\$ 256,372	\$ 305,174	\$ 48,802

COUNTY OF MILLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - LAW ENFORCEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 459,592	\$ 501,609	\$ 319,212	\$ (182,397)
Interest	-	-	3,952	3,952
Miscellaneous	11,000	11,000	28,127	17,127
Total Revenues	470,592	512,609	351,291	(161,318)
EXPENDITURES:				
Public Safety	1,867,374	1,903,841	1,734,314	169,527
Total Expenditures	1,867,374	1,903,841	1,734,314	169,527
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,396,782)	(1,391,232)	(1,383,023)	8,209
OTHER FINANCING SOURCES (USES):				
Transfers In	910,000	910,000	910,000	-
Total Other Financing Sources (Uses)	910,000	910,000	910,000	-
Change in Fund Balance	(486,782)	(481,232)	(473,023)	8,209
Fund Balance - October 1 (Beginning)	704,854	704,854	704,854	-
Fund Balance - September 30 (Ending)	\$ 218,072	\$ 223,622	\$ 231,831	\$ 8,209

COUNTY OF MILLS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
A. Total Pension Liability			
Service Cost	\$ 247,295	\$ 255,083	\$ 252,747
Interest (on the Total Pension Liability)	563,821	527,092	488,747
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	98,227	27,698	10,003
Changes of Assumptions	-	-	40,966
Benefit Payments, Including Refunds of Employee Contributions	(356,811)	(340,783)	(302,780)
Net Change in Total Pension Liability	\$ 552,532	\$ 469,090	\$ 489,683
Total Pension Liability - Beginning	6,888,387	6,419,297	5,929,614
Total Pension Liability - Ending	\$ 7,440,919	\$ 6,888,387	\$ 6,419,297
B. Total Fiduciary Net Position			
Contributions - Employer	\$ 224,232	\$ 216,549	\$ 230,209
Contributions - Employee	136,489	130,339	125,994
Net Investment Income (Loss)	968,944	(111,898)	759,828
Benefit Payments, Including Refunds of Employee Contributions	(356,811)	(340,783)	(302,780)
Administrative Expense	(5,234)	(4,739)	(3,997)
Other	1,091	786	1,197
Net Change in Plan Fiduciary Net Position	\$ 968,711	\$ (109,746)	\$ 810,451
Plan Fiduciary Net Position - Beginning	5,900,309	6,010,055	5,199,604
Plan Fiduciary Net Position - Ending	\$ 6,869,020	\$ 5,900,309	\$ 6,010,055
C. Net Pension Liability	\$ 571,899	\$ 988,078	\$ 409,242
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.31%	85.66%	93.62%
E. Covered Payroll	\$ 1,949,844	\$ 1,861,990	\$ 1,799,913
F. Net Pension Liability as a Percentage of Covered Payroll	29.33%	53.07%	22.74%

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
\$	223,432	\$ 230,066	\$ 224,001
	455,587	442,558	408,005
	25,648	(30,437)	-
	(113,998)	(215,193)	70,178
	-	66,557	-
	(320,705)	(327,762)	(266,028)
\$	269,964	\$ 165,789	\$ 436,156
	5,659,650	5,493,861	5,057,705
\$	5,929,614	\$ 5,659,650	\$ 5,493,861
\$	222,275	\$ 171,946	\$ 195,672
	113,280	100,806	113,012
	358,262	(1,323)	315,301
	(320,705)	(327,762)	(266,027)
	(3,897)	(3,515)	(3,646)
	(19,498)	(15,631)	26,767
\$	349,717	\$ (75,479)	\$ 381,079
	4,849,887	4,925,366	4,544,287
\$	5,199,604	\$ 4,849,887	\$ 4,925,366
\$	730,010	\$ 809,763	\$ 568,495
	87.69%	85.69%	89.65%
\$	1,618,287	\$ 1,440,086	\$ 1,614,455
	45.11%	56.23%	35.21%

COUNTY OF MILLS
SCHEDULE OF CONTRIBUTIONS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2020

	2020	2019	2018
Actuarially Determined Contribution	\$ 249,368	\$ 219,314	\$ 220,056
Contributions in Relation to the Actuarially Determined Contributions	(249,368)	(219,314)	(220,056)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 2,064,292	\$ 1,901,211	\$ 1,842,349
Contributions as a Percentage of Covered Employee Payroll	12.08%	11.54%	11.94%

Note: GASB Codification, Vol. 2, P20.146 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

As required by GASB 68, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

	2017	2016	2015	2014
\$	223,763	\$ 187,916	\$ 179,507	\$ 189,526
	(223,763)	(187,916)	(179,507)	(189,526)
\$	-	\$ -	\$ -	\$ -
\$	1,773,152	\$ 1,553,636	\$ 1,496,408	\$ 1,580,431
	12.62%	12.10%	12.00%	12.00%

COUNTY OF MILLS
Notes to the Other Information
September 30, 2020

Note A - Net Pension Liability

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	
Smoothing Period	5 Years
Recognition Method	Non-Asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	4.90%
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the 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	Members eligible for service retirement are assumed to retire at various rates based upon age and gender. Deferred members are assumed to retire (100% probability) at the later of age 60 or earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	Mortality rates for depositing members are based on 90% of the gender-distinct RP-2014 Active Employee Mortality Table. Service retirees, beneficiaries, and non-depositing members are based on 130% for males and 110% for females of the RP-2014 Healthy Annuitant Mortality Table. Disabled retirees are based on 130% for males and 115% for females of the RP-2014 Disabled Annuitant Mortality Table. All of the rates are projected with 110% of the MP-2014 Ultimate scale after 2014.

Supplementary Information

COUNTY OF MILLS
SCHEDULE OF CERTIFICATES OF DEPOSIT
SEPTEMBER 30, 2020

<u>Description</u>	<u>Identifying Number</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Amount</u>
<u>GOVERNMENTAL FUNDS</u>				
Certificates of Deposit				
General Fund				
Mills County State Bank	164830	1.10	2/20/21	\$ 150,824
Mills County State Bank	164853	1.10	4/20/21	401,097
Mills County State Bank	164856	1.00	10/24/20	350,000
Mills County State Bank	164857	1.00	11/24/20	350,000
Mills County State Bank	164883	1.00	12/15/20	300,756
Mills County State Bank	164969	1.10	9/17/21	<u>125,000</u>
Total				\$ 1,677,677
Road and Bridge Fund				
Mills County State Bank	164858	0.95	10/24/20	75,000
Records Archive Fund				
Mills County State Bank	164970	1.05	9/18/21	34,059
Courthouse Security Fund				
Mills County State Bank	164966	1.05	9/12/21	30,144
Indigent Health Fund				
Mills County State Bank	164956	1.05	8/25/21	<u>50,475</u>
Total Governmental Funds				<u><u>\$ 1,867,355</u></u>
<u>FIDUCIARY FUNDS</u>				
Certificates of Deposit				
County and District Clerk				
Mills County State Bank	162377	0.52	11/23/20	\$ 13,195
Mills County State Bank	163485	0.40	8/4/22	3,299
Mills County State Bank	164256	0.42	4/21/21	29,452
Mills County State Bank	164257	0.42	4/21/21	<u>23,261</u>
Total Fiduciary Funds				<u><u>\$ 69,207</u></u>

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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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*

The Honorable County Judge
and Commissioners' Court
County of Mills
P.O. Box 483
Goldthwaite, TX 76844-0483

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Mills' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Mills' internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Mills' 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 County's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of This Report

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

Eckert & Company, LLP

January 21, 2021