

COUNTY OF MILLS  
Annual Financial Report  
Year Ended September 30, 2014

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FINANCIAL SECTION

# Eckert & Company

**CERTIFIED PUBLIC ACCOUNTANTS**

A Limited Liability Partnership

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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, 2014, 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, 2014, 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 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 schedule of funding progress for the TCDRS retirement plan on pages 3 through 7, 27 through 31, and 32, 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 April 23, 2015, 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 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***

April 23, 2015

Commissioners' Court  
Mills County Courthouse  
P.O. Box 34  
Goldthwaite, Texas 76844

## 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, 2014, 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 \$8,822,696 (net position). Of this amount, \$1,652,732 (unrestricted) may be used to meet the County's ongoing obligations.

The County's total net position decreased by \$34,595 or less than 1% as a result of current year operations. The County's statement of activities shows total revenues of \$3,933,227 and total expenses of \$3,898,632.

The total fund balance of the General Fund is \$656,406, which is an increase of \$122,676 or 23% 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 Emergency Medical Services Fund, 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 resources which are collected by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County 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 own 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

	Governmental Activities	
	September 30,	
	2014	2013
Current and Other Assets	\$ 1,684,850	\$ 1,593,040
Capital Assets	8,325,211	8,574,428
Total Assets	\$ 10,010,061	\$ 10,167,468
Long-Term Liabilities Outstanding	\$ 1,135,000	\$ 1,285,000
Other Liabilities	52,365	94,367
Total Liabilities	\$ 1,187,365	\$ 1,379,367
Net Position		
Net Investment in Capital Assets	\$ 7,161,831	\$ 7,216,591
Restricted for Debt Service	8,133	19,976
Unrestricted	1,652,732	1,551,534
Total Net Position	\$ 8,822,696	\$ 8,788,101

A large portion of the County's net position resulting from modified cash basis transactions (\$7,161,831) 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 (\$8,133) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$1,652,732) 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 \$34,595 and \$2,311 for the fiscal years ended September 30, 2014 and 2013, respectively. Key elements of these increases are as follows:

#### CHANGES IN NET POSITION - MODIFIED CASH BASIS

	Governmental Activities	
	Year Ended September 30,	
	2014	2013
Revenues		
Program Revenues		
Charges for Services	\$ 956,137	\$ 943,009
Operating Grants and Contributions	239,168	166,102
General Revenues		
Maintenance and Operations Taxes	2,395,333	2,241,279
Debt Service Taxes	163,485	149,519
Investment Earnings	13,656	12,805
Other Revenues	165,448	93,658
Total Revenues	\$ 3,933,227	\$ 3,606,372
Expenses		
General Government	\$ 1,021,836	\$ 962,791
Roads and Bridges	873,149	848,241
Justice System	397,738	353,328
Public Safety	1,538,305	1,361,757
Public Health and Welfare	48,045	54,152
Culture and Recreation	14,572	14,707
Debt Service	4,987	9,085
Total Expenses	\$ 3,898,632	\$ 3,604,061
Change in Net Position	\$ 34,595	\$ 2,311
Net Position - Beginning	8,788,101	8,814,683
Prior Period Adjustment	0	(28,893)
Net Position - Ending	\$ 8,822,696	\$ 8,788,101



## 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 \$1,660,865, an increase of \$89,355 or 6% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$656,406. All of this balance is unassigned.

Special Revenue Funds \$996,326. All of these balances are committed to special programs.

Debt Service Fund \$8,133. This balance is restricted for payment of long-term debt principal and interest.

### General Fund Budget

The original budget for the General Fund was \$1,429,586, and the final amended budget was \$1,482,136, which represents a \$52,550 increase in appropriations. None of the variances between the original budget and the final amended budget were significant.

The County has adopted a budget for the General Fund in the amount of \$1,552,386 for the fiscal year 2015, which is an increase of \$70,250 from the fiscal year 2014.

### Capital Assets and Debt - Modified Cash Basis

**Capital Assets** - Financial statement footnote III., C. discloses the County's capital asset activity for the year ended September 30, 2014.

**Long-Term Debt** - Financial statement footnote III., F. discloses the County's debt activity for the year ended September 30, 2014.

### 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: Kirkland A. Fulk, 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, 2014

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Temporary Investments	\$ 1,655,706
Due from Fiduciary Funds	29,144
Capital Assets (Net of Accumulated Depreciation):	
Land	85,085
Buildings and Improvements	7,813,278
Machinery and Equipment	<u>426,848</u>
Total Assets	<u>\$ 10,010,061</u>
<u>LIABILITIES</u>	
TCDRS Payable	\$ 23,898
Other Payables	87
Short-Term Debt Payable	20,445
Deferred Gain on Refunding	7,935
Noncurrent Liabilities:	
Due Within One Year	150,000
Due in More Than One Year	<u>985,000</u>
Total Liabilities	<u>\$ 1,187,365</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 7,161,831
Restricted for Debt Service	8,133
Unrestricted	<u>1,652,732</u>
Total Net Position	<u><u>\$ 8,822,696</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF MILLS  
Statement of Activities - Modified Cash Basis  
Year Ended September 30, 2014

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
General Government	\$ 1,021,836	\$ 260,968	\$ 20,073	\$ (740,795)
Roads and Bridges	873,149	341,745	44,185	(487,219)
Justice System	397,738	85,121	80,870	(231,747)
Public Safety	1,538,305	264,791	94,040	(1,179,474)
Public Health and Welfare	48,045	3,512	0	(44,533)
Culture and Recreation	14,572	0	0	(14,572)
Debt Service	4,987	0	0	(4,987)
	<u>\$ 3,898,632</u>	<u>\$ 956,137</u>	<u>\$ 239,168</u>	<u>\$ (2,703,327)</u>
Total Governmental Activities				
General Revenues:				
				\$ 2,395,333
				163,485
				13,656
				157,386
				<u>8,062</u>
				<u>\$ 2,737,922</u>
				\$ 34,595
				<u>8,788,101</u>
				<u>\$ 8,822,696</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF MILLS  
Balance Sheet - Modified Cash Basis  
Governmental Funds  
September 30, 2014

	General	Road and Bridge	Law Enforcement	Emergency Medical Services	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash and Temporary Investments	\$ 637,295	\$ 680,866	\$ 96,766	\$ 40,624	\$ 200,155	\$ 1,655,706
Due from Other Funds	25,233	1,128	0	0	2,783	29,144
Total Assets	<u>\$ 662,528</u>	<u>\$ 681,994</u>	<u>\$ 96,766</u>	<u>\$ 40,624</u>	<u>\$ 202,938</u>	<u>\$ 1,684,850</u>
<u>LIABILITIES</u>						
TCDRS Payable	\$ 6,076	\$ 5,710	\$ 7,991	\$ 3,885	\$ 236	\$ 23,898
Other Payables	46	0	32	9	0	87
Total Liabilities	<u>\$ 6,122</u>	<u>\$ 5,710</u>	<u>\$ 8,023</u>	<u>\$ 3,894</u>	<u>\$ 236</u>	<u>\$ 23,985</u>
<u>FUND BALANCES</u>						
Restricted Fund Balance:						
Debt Service Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,133	\$ 8,133
Committed Fund Balance:						
Special Revenue Funds	0	676,284	88,743	36,730	194,569	996,326
Unassigned Fund Balance	656,406	0	0	0	0	656,406
Total Fund Balances	<u>\$ 656,406</u>	<u>\$ 676,284</u>	<u>\$ 88,743</u>	<u>\$ 36,730</u>	<u>\$ 202,702</u>	<u>\$ 1,660,865</u>
Total Liabilities and Fund Balances	<u>\$ 662,528</u>	<u>\$ 681,994</u>	<u>\$ 96,766</u>	<u>\$ 40,624</u>	<u>\$ 202,938</u>	<u>\$ 1,684,850</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF MILLS  
 Reconciliation of the Governmental Funds Balance Sheet to the  
 Statement of Net Position - Modified Cash Basis  
 September 30, 2014

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 1,660,865</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The net effect of including the beginning balances for capital assets (net of depreciation) is to increase net position.	8,574,428
Debt (including related issuance costs and deferred gain on refunding) that is not due and payable in the current period is not reported as a liability in the governmental fund statements. The net effect of including the beginning balances of debt is to decrease net position.	(1,357,837)
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase net position.	117,368
Current year debt principal payments are expenditures in the fund financial statements but are shown as reductions of debt in the government-wide financial statements. The net effect of including debt principal payments is to increase net position.	173,299
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(366,585)
Various reclassifications are necessary to record the amortization of deferred gain on refunding. The net effect of recording current year amortization is to increase net position.	<u>21,158</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ 8,822,696</u></u></b>

The accompanying notes are an integral part of this financial statement.

COUNTY OF MILLS  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis  
Governmental Funds  
Year Ended September 30, 2014

<u>REVENUES</u>	<u>General</u>	<u>Road and Bridge</u>	<u>Law Enforcement</u>	<u>Emergency Medical Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Taxes	\$ 1,124,949	\$ 390,569	\$ 879,815	\$ 0	\$ 163,485	\$ 2,558,818
Fees	105,808	341,745	0	249,068	67,102	763,723
Fines	192,414	0	0	0	0	192,414
Intergovernmental	90,073	27,190	94,040	0	27,865	239,168
Interest	6,283	5,139	1,776	0	458	13,656
Miscellaneous	65,405	7,729	3,682	2,663	80,969	160,448
<b>Total Revenues</b>	<b>\$ 1,584,932</b>	<b>\$ 772,372</b>	<b>\$ 979,313</b>	<b>\$ 251,731</b>	<b>\$ 339,879</b>	<b>\$ 3,928,227</b>

EXPENDITURES

Current:						
General Government	\$ 846,645	\$ 0	\$ 0	\$ 0	\$ 14,298	\$ 860,943
Roads and Bridges	0	792,877	0	0	16,995	809,872
Justice System	301,021	0	0	0	96,717	397,738
Public Safety	11,538	0	1,016,678	403,226	81,278	1,512,720
Public Health and Welfare	4,052	0	0	0	41,455	45,507
Culture and Recreation	0	0	0	0	12,648	12,648
Debt Service:						
Principal	0	0	0	23,299	150,000	173,299
Interest	0	0	0	744	25,401	26,145
<b>Total Expenditures</b>	<b>\$ 1,163,256</b>	<b>\$ 792,877</b>	<b>\$ 1,016,678</b>	<b>\$ 427,269</b>	<b>\$ 438,792</b>	<b>\$ 3,838,872</b>

Excess (Deficiency) of Revenues  
Over (Under) Expenditures

\$ 421,676      \$ (20,505)      \$ (37,365)      \$ (175,538)      \$ (98,913)      \$ 89,355

OTHER FINANCING SOURCES (USES)

Transfers In (Out)	<u>(299,000)</u>	<u>0</u>	<u>0</u>	<u>150,000</u>	<u>149,000</u>	<u>0</u>
Net Change in Fund Balances	\$ 122,676	\$ (20,505)	\$ (37,365)	\$ (25,538)	\$ 50,087	\$ 89,355
Fund Balances - Beginning	<u>533,730</u>	<u>696,789</u>	<u>126,108</u>	<u>62,268</u>	<u>152,615</u>	<u>1,571,510</u>
Fund Balances - Ending	<u>\$ 656,406</u>	<u>\$ 676,284</u>	<u>\$ 88,743</u>	<u>\$ 36,730</u>	<u>\$ 202,702</u>	<u>\$ 1,660,865</u>

The accompanying notes are an integral part of this financial statement.



COUNTY OF MILLS  
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and  
 Changes in Fund Balances to the Statement of Activities - Modified Cash Basis  
 Year Ended September 30, 2014

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 89,355</b>
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of removing capital outlays is to increase net position.	117,368
Current year debt principal payments are expenditures in the fund financial statements but are shown as reductions of debt in the government-wide financial statements. The net effect of removing debt principal payments is to increase net position.	173,299
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(366,585)
Various reclassifications are necessary to record the amortization of deferred gain on refunding. The net effect of recording current year amortization is to increase net position.	<u>21,158</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u><u>\$ 34,595</u></u></b>

The accompanying notes are an integral part of this financial statement.

COUNTY OF MILLS  
Statement of Fiduciary Net Position - Modified Cash Basis  
Fiduciary Funds  
September 30, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and Temporary Investments	<u>\$ 129,577</u>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 29,144
Due to Other Governments	68,906
Due to Others	<u>31,527</u>
Total Liabilities	<u>\$ 129,577</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF MILLS  
Notes to the Financial Statements  
September 30, 2014

**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, 2014

**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.

Emergency Medical Services Fund - This Fund is a special revenue fund and is used to account for revenues for the County's emergency medical activities.

Additionally, the government reports the following fund type:

Fiduciary Funds - These Funds are used to account for resources which are collected 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.

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**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.

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, 2014

**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.

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2014

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued**

**A. Budget - Continued**

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

**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. That policy addresses the following risks:

**Custodial Credit Risk - Deposits and Investments:** 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 and investments in certificates of deposit 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. At September 30, 2014, all of the County's investments are in certificates of deposit with its depository bank. 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, 2014, the County was not significantly exposed to credit risk.

**Interest Rate Risk:** The County's investment policy limits its investment portfolio to maturities of two years or less as a means of limiting its exposure to fair value losses arising from fluctuating interest rates.

**Foreign Currency Risk:** Not applicable

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2014

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**A. Deposits and Investments - Continued**

The carrying amount of the County's cash and temporary investments at September 30, 2014, approximates fair value and consisted of the following:

Cash in Bank	\$	937,105
Certificates of Deposit		<u>848,178</u>
Total Cash and Temporary Investments		<u><u>\$ 1,785,283</u></u>

**B. 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			
Fiduciary Funds	<u>\$ 25,233</u>	<u>\$ 0</u>	Unremitted Fees
Road and Bridge Fund			
Fiduciary Funds	<u>\$ 1,128</u>	<u>\$ 0</u>	Unremitted Fees
Nonmajor Governmental Funds			
Fiduciary Funds	<u>\$ 2,783</u>	<u>\$ 0</u>	Unremitted Fees
Fiduciary Funds			
General Fund	\$ 0	\$ 25,233	Unremitted Fees
Road and Bridge Fund	0	1,128	Unremitted Fees
Nonmajor Governmental Funds	0	2,783	Unremitted Fees
	<u>\$ 0</u>	<u>\$ 29,144</u>	
Totals	<u><u>\$ 29,144</u></u>	<u><u>\$ 29,144</u></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	Nonmajor Governmental Funds	\$ 149,000	To Cover Fund Deficit
General Fund	Emergency Medical Services Fund	<u>150,000</u>	To Cover Fund Deficit
Total		<u><u>\$ 299,000</u></u>	



COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2014

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**C. Capital Assets**

Capital asset activity for the year ended September 30, 2014, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets				
Land	\$ 85,085	\$ 0	\$ 0	\$ 85,085
Buildings and Improvements	9,694,698	0	0	9,694,698
Machinery and Equipment	2,182,275	117,368	25,941	2,273,702
<b>Total Capital Assets</b>	<b>\$ 11,962,058</b>	<b>\$ 117,368</b>	<b>\$ 25,941</b>	<b>\$ 12,053,485</b>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (1,638,508)	\$ (242,912)	\$ 0	\$ (1,881,420)
Machinery and Equipment	(1,749,122)	(123,673)	(25,941)	(1,846,854)
<b>Total Accumulated Depreciation</b>	<b>\$ (3,387,630)</b>	<b>\$ (366,585)</b>	<b>\$ (25,941)</b>	<b>\$ (3,728,274)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 8,574,428</b>	<b>\$ (249,217)</b>	<b>\$ 0</b>	<b>\$ 8,325,211</b>

Depreciation expense was charged to governmental activities functions as follows:

General Government	\$ 160,893
Roads and Bridges	123,261
Public Safety	77,969
Public Health and Welfare	2,538
Culture and Recreation	1,924
<b>Total</b>	<b>\$ 366,585</b>

**D. Capital Lease**

The County entered into a lease agreement to finance the acquisition of radio system equipment for the Sheriff's Office. This lease agreement qualifies as a capital lease for accounting purposes and is payable from the Law Enforcement Fund. The effective interest rate is 4.12%.

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2014

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**D. Capital Lease - Continued**

Future minimum lease payments are as follows:

Year Ending September 30,	Capital Lease Road and Bridge		Total
	Principal	Interest	
2015	\$ 37,925	\$ 6,647	\$ 44,572
2016	39,488	5,084	44,572
2017	41,114	3,458	44,572
2018	42,808	1,764	44,572
Totals	<u>\$ 161,335</u>	<u>\$ 16,953</u>	<u>\$ 178,288</u>

The following is a summary of the changes in capital leases for the year ended September 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Lease	<u>\$ 197,693</u>	<u>\$ 0</u>	<u>\$ 36,358</u>	<u>\$ 161,335</u>

**E. Short-Term Debt**

A loan of \$66,645 was renewed on September 4, 2014, for the purchase of an ambulance remount and chassis. This loan bears interest at 2.25%, is to be liquidated on August 4, 2015, and is payable from the Emergency Medical Services Fund. The unpaid balance of this note is \$20,445.

The following is a summary of changes in short-term debt for the year ended September 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance
Loan - Ambulance Remount and Chassis	<u>\$ 43,744</u>	<u>\$ 0</u>	<u>\$ 23,299</u>	<u>\$ 20,445</u>

**F. Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended September 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Limited Tax Refunding Bonds	<u>\$ 1,285,000</u>	<u>\$ 0</u>	<u>\$ 150,000</u>	<u>\$ 1,135,000</u>	<u>\$ 150,000</u>

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2014

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**F. Long-Term Debt - Continued**

The County's outstanding long-term debt is 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%.

\$ 1,135,000

The annual debt service requirements are as follows:

Year Ending September 30,	<u>Limited Tax Refunding Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$ 150,000	\$ 22,260	\$ 172,260
2016	155,000	19,057	174,057
2017	160,000	15,750	175,750
2018	160,000	12,390	172,390
2019	165,000	8,978	173,978
2020	170,000	5,460	175,460
2021	175,000	1,838	176,838
Totals	<u>\$ 1,135,000</u>	<u>\$ 85,733</u>	<u>\$ 1,220,733</u>

**IV. OTHER INFORMATION**

**A. Retirement Plan**

Plan Description - The County provides retirement, disability, and death benefits for its 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 656 nontraditional defined benefit pension plans. TCDRS in the aggregate issues on a calendar year basis a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information. This report is available at [www.tcdrs.org](http://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.

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2014

**IV. OTHER INFORMATION - Continued**

**A. Retirement Plan - Continued**

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 using the actuarially determined rate of 11.65% for the months of the accounting year in 2013 and 12.12% for the months of the accounting year in 2014.

The deposit rate payable by the employee members for calendar year 2014 is the rate of 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.

Annual Pension Cost - For the employer's accounting year ended September 30, 2014, the annual pension cost for the TCDRS plan for its employees was \$169,873, and the actual contributions were \$169,873.

Actuarial Valuation Information

Actuarial Valuation Date	12-31-11	12-31-12	12-31-13
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed
Amortization Period in Years	20	20	20
Asset Valuation Method	SAF: 10-Year Smoothed Value ESF: Fund Value	SAF: 10-Year Smoothed Value ESF: Fund Value	SAF: 5-Year Smoothed Value ESF: Fund Value
<b>Actuarial Assumptions:</b>			
Investment Return <sup>1</sup>	8.0%	8.0%	8.0%
Projected Salary Increases <sup>1</sup>	5.4%	5.4%	4.9%
Inflation	3.5%	3.5%	3.0%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%

<sup>1</sup> Includes Inflation at the Stated Rate

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2014

**IV. OTHER INFORMATION - Continued**

**A. Retirement Plan - Continued**

Trend Information			
<u>Accounting Year Ended,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9-30-12	\$ 151,946	100%	\$ 0
9-30-13	169,873	100%	0
9-30-14	189,526	100%	0

The required contribution was determined as part of the December 31, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2013, included (a) 8% investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.9%. Both (a) and (b) included an inflation component of 3%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2013, was 20 years.

Funded Status and Funding Progress - As of December 31, 2013, the most recent actuarial valuation date, the plan was 78.88% funded. The actuarial accrued liability for benefits was \$3,561,000, and the actuarial value of assets was \$2,808,848, resulting in an unfunded actuarial accrued liability (UAAL) of \$752,152. The covered payroll (annual payroll of active employees covered by the plan) was \$1,511,248 and the ratio of the UAAL to the covered payroll was 49.77%.

The schedule of funding progress, presented as Other Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**B. Other Postemployment 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 optional plan provides group term life insurance coverage to current eligible 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](http://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 contributions to the GTLF for the years ended September 30, 2014, 2013, and 2012, were \$4,684, \$4,720 and \$6,515, respectively, which equaled the contractually required contributions each year.

COUNTY OF MILLS  
Notes to the Financial Statements - Continued  
September 30, 2014

**IV. OTHER INFORMATION - Continued**

**C. Self-Insurance**

The County has entered into an interlocal participation agreement with the Texas Political Subdivision Joint Self-Insurance Fund (TPS). The TPS is a nonassessable risk sharing pool comprised of school districts, municipalities, hospital districts, counties, junior colleges, cities, housing authorities, appraisal districts, port authorities, municipal water districts and other political subdivisions formed in accordance with the terms of interlocal agreements among members. TPS was organized on September 22, 1983, under the authority of the Texas Workers' Compensation and State Interlocal Cooperation Acts, as the Texas Political Subdivisions Workers' Compensation Joint Self-Insurance Fund (WC Fund) to provide a vehicle for workers' compensation coverage. The purpose of TPS is to provide the membership with a program of self-insurance, lower costs for insurance coverage, and a comprehensive safety program.

Members participate in the workers' compensation fund through a guaranteed-cost plan. Guaranteed-cost members, who are nonassessable, combine their contributions to cover pooled losses and expenses. The required contribution for each guaranteed-cost member is based upon the members' expenses and the rated manual contribution affected by a factor for individual loss experience. As required by interlocal agreement, TPS obtains specific excess of loss coverage over and above the self-insured retention stated in the interlocal agreement so that members will not have joint or several liability other than their required contribution.

TPS Members own and control the Funds. The Members elect a Board of Trustees from its membership to govern the Fund. The Board adopts bylaws and policies to operate the Funds and has created Sub-Committees to provide guidance in Claims/Loss Control, Underwriting/Member Relations and Finance/MIS. The Board continuously monitors the financial integrity of the Funds and commissions an independent audit firm to perform an annual audit, using generally accepted accounting principles that fully comply with the General Accounting Standards Board Statement Number Ten. The Board also commissions an annual independent actuarial review of reserves to ensure funding of all outstanding claims.

**D. Subsequent Events**

On December 12, 2014, 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 three years beginning January 1, 2015. A subsidy of \$4,167 per month will be paid to the Hospital District to supplement its emergency medical services in the County. All equipment, supplies, furniture, and ambulances will be sold to the Hospital District for \$59,438. The Emergency Medical Services furnished by the County will cease operations on January 1, 2015.

The County's management has evaluated subsequent events through April 23, 2015, the date which the financial statements were available for issue.

Other Information

COUNTY OF MILLS  
Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Modified Cash Basis - Budget and Actual  
General Fund  
Year Ended September 30, 2014

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Taxes	\$ 1,102,469	\$ 1,102,469	\$ 1,124,949	\$ 22,480
Fees	90,000	90,000	105,808	15,808
Fines	144,000	144,000	192,414	48,414
Intergovernmental	50,000	50,000	90,073	40,073
Interest	3,000	3,000	6,283	3,283
Miscellaneous	56,500	56,500	65,405	8,905
Total Revenues	<u>1,445,969</u>	<u>\$ 1,445,969</u>	<u>\$ 1,584,932</u>	<u>\$ 138,963</u>
<u>EXPENDITURES</u>				
Current:				
General Government	\$ 833,167	\$ 859,667	\$ 846,645	\$ 13,022
Justice System	301,969	306,019	301,021	4,998
Public Safety	13,600	13,600	11,538	2,062
Public Health and Welfare	3,850	3,850	4,052	(202)
Total Expenditures	<u>\$ 1,152,586</u>	<u>\$ 1,183,136</u>	<u>\$ 1,163,256</u>	<u>\$ 19,880</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 293,383	\$ 262,833	\$ 421,676	\$ 158,843
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In (Out)	(277,000)	(299,000)	(299,000)	0
Net Change in Fund Balances	\$ 16,383	\$ (36,167)	\$ 122,676	\$ 158,843
Fund Balances - Beginning	533,730	533,730	533,730	0
Fund Balances - Ending	<u>\$ 550,113</u>	<u>\$ 497,563</u>	<u>\$ 656,406</u>	<u>\$ 158,843</u>



COUNTY OF MILLS  
Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Modified Cash Basis - Budget and Actual  
Road and Bridge Fund  
Year Ended September 30, 2014

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Taxes	\$ 383,703	\$ 383,703	\$ 390,569	\$ 6,866
Fees	328,000	328,000	341,745	13,745
Intergovernmental	12,000	12,000	27,190	15,190
Interest	3,000	3,000	5,139	2,139
Miscellaneous	0	0	7,729	7,729
	<u>0</u>	<u>0</u>	<u>7,729</u>	<u>7,729</u>
Total Revenues	\$ 726,703	\$ 726,703	\$ 772,372	\$ 45,669
<u>EXPENDITURES</u>				
Roads and Bridges				
Precinct Employees	\$ 395,948	\$ 395,948	\$ 376,425	\$ 19,523
Medical Expense	105,012	105,012	100,891	4,121
Social Security	30,714	30,714	28,569	2,145
Retirement	49,905	49,905	46,686	3,219
Parts and Repairs	52,000	66,170	58,379	7,791
Fuel	70,257	73,125	69,101	4,024
Tires and Batteries	12,000	17,800	17,740	60
Office	650	650	10	640
Utilities	5,050	5,050	5,567	(517)
Conference	3,500	3,500	2,308	1,192
Road Material	22,000	24,555	21,692	2,863
Equipment Purchase	101,000	83,975	63,001	20,974
Miscellaneous	12,178	3,810	2,508	1,302
	<u>12,178</u>	<u>3,810</u>	<u>2,508</u>	<u>1,302</u>
Total Expenditures	\$ 860,214	\$ 860,214	\$ 792,877	\$ 67,337
Net Change in Fund Balance	\$ (133,511)	\$ (133,511)	\$ (20,505)	\$ 113,006
Fund Balance - Beginning	<u>696,789</u>	<u>696,789</u>	<u>696,789</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 563,278</u>	<u>\$ 563,278</u>	<u>\$ 676,284</u>	<u>\$ 113,006</u>

COUNTY OF MILLS  
Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Modified Cash Basis - Budget and Actual  
Law Enforcement Fund  
Year Ended September 30, 2014

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Taxes	\$ 866,225	\$ 866,225	\$ 879,815	\$ 13,590
Intergovernmental	97,455	97,455	94,040	(3,415)
Interest	200	200	1,776	1,576
Miscellaneous	4,600	4,600	3,682	(918)
 Total Revenues	 \$ 968,480	 \$ 968,480	 \$ 979,313	 \$ 10,833
<u>EXPENDITURES</u>				
Salaries	\$ 507,509	\$ 520,469	\$ 518,430	\$ 2,039
Social Security and Retirement	95,068	101,825	103,830	(2,005)
Repairs and Supplies	17,000	15,400	15,964	(564)
Utilities and Telephone	32,600	33,100	33,055	45
Inmate Expense	22,000	17,500	17,086	414
Medical Expense	113,765	109,865	107,663	2,202
Fuel	30,000	34,300	34,230	70
Office Expense	13,400	10,400	11,625	(1,225)
Bonds and Dues	900	900	565	335
New Equipment	36,000	34,000	33,204	796
Conventions	4,000	2,500	2,545	(45)
Radio Communications	4,000	4,000	2,249	1,751
Schools and Training	5,200	5,200	3,568	1,632
Boarding Prisoners	40,000	85,000	75,247	9,753
Sheriff Expense	3,800	3,800	2,233	1,567
Impound Expense	3,000	3,000	1,800	1,200
DPS Expense	1,000	1,000	26	974
Records Management	5,000	5,000	5,043	(43)
Miscellaneous	3,500	2,400	3,743	(1,343)
Capital Lease	44,655	44,655	44,572	83
 Total Expenditures	 \$ 982,397	 \$ 1,034,314	 \$ 1,016,678	 \$ 17,636
 Net Change in Fund Balance	 \$ (13,917)	 \$ (65,834)	 \$ (37,365)	 \$ 28,469
 Fund Balance - Beginning	 126,108	 126,108	 126,108	 0
 Fund Balance - Ending	 \$ 112,191	 \$ 60,274	 \$ 88,743	 \$ 28,469

COUNTY OF MILLS  
Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Modified Cash Basis - Budget and Actual  
Emergency Medical Services Fund  
Year Ended September 30, 2014

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
<u>REVENUES</u>				
Fees	\$ 295,000	\$ 295,000	\$ 249,068	\$ (45,932)
Miscellaneous	0	2,450	2,663	213
 Total Revenues	 <u>\$ 295,000</u>	 <u>\$ 297,450</u>	 <u>\$ 251,731</u>	 <u>\$ (45,719)</u>
<u>EXPENDITURES</u>				
Salaries	\$ 249,508	\$ 249,508	\$ 253,171	\$ (3,663)
Social Security and Retirement	50,122	50,122	49,642	480
Repairs and Supplies	6,500	9,870	11,115	(1,245)
Utilities and Telephone	7,800	7,800	7,967	(167)
Medical Expense	43,756	43,756	43,203	553
Fuel	15,000	12,200	12,152	48
Office Expense	4,750	4,550	3,597	953
Bonds and Dues	0	0	150	(150)
New Equipment	2,500	3,130	3,143	(13)
Schools and Training	2,000	200	170	30
Medical Supplies	17,700	18,500	17,699	801
Uniforms	600	600	157	443
Radio Communications	600	600	0	600
Miscellaneous	1,200	3,650	1,060	2,590
Debt Service	24,000	24,000	24,043	(43)
 Total Expenditures	 <u>\$ 426,035</u>	 <u>\$ 428,486</u>	 <u>\$ 427,269</u>	 <u>\$ 1,217</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>\$ (131,035)</u>	 <u>\$ (131,036)</u>	 <u>\$ (175,538)</u>	 <u>\$ (44,502)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	150,000	150,000	150,000	0
 Net Change in Fund Balance	 \$ 18,965	 \$ 18,964	 \$ (25,538)	 \$ (44,502)
 Fund Balance - Beginning	 <u>62,268</u>	 <u>62,268</u>	 <u>62,268</u>	 <u>0</u>
 Fund Balance - Ending	 <u>\$ 81,233</u>	 <u>\$ 81,232</u>	 <u>\$ 36,730</u>	 <u>\$ (44,502)</u>

COUNTY OF MILLS  
 Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Modified Cash Basis - Budget and Actual  
 Debt Service Fund  
 Year Ended September 30, 2014

	Budget Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Taxes	\$ 160,010	\$ 160,010	\$ 163,485	\$ 3,475
Interest	50	50	73	23
Total Revenues	<u>\$ 160,060</u>	<u>\$ 160,060</u>	<u>\$ 163,558</u>	<u>\$ 3,498</u>
<u>EXPENDITURES</u>				
Debt Service:				
Principal	\$ 150,000	\$ 150,000	\$ 150,000	\$ 0
Interest	25,410	25,410	25,401	9
Total Expenditures	<u>\$ 175,410</u>	<u>\$ 175,410</u>	<u>\$ 175,401</u>	<u>\$ 9</u>
Net Change in Fund Balance	\$ (15,350)	\$ (15,350)	\$ (11,843)	\$ 3,507
Fund Balance - Beginning	19,976	19,976	19,976	0
Fund Balance - Ending	<u>\$ 4,626</u>	<u>\$ 4,626</u>	<u>\$ 8,133</u>	<u>\$ 3,507</u>

COUNTY OF MILLS  
Schedule of Funding Progress for the TCDRS Retirement Plan  
September 30, 2014  
(Unaudited)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll<sup>1</sup></u>	<u>UAAL as a Percentage of Covered Payroll</u>
12-31-11	\$ 2,293,183	\$ 3,004,453	\$ 711,270	76.33 %	\$ 1,392,189	51.09 %
12-31-12	2,460,168	3,200,557	740,389	76.87 %	1,449,672	51.07 %
12-31-13	2,808,848	3,561,000	752,152	78.88 %	1,511,248	49.77 %

<sup>1</sup> The annual covered payroll is based on the employee deposits received by TCDRS for the year ending with the valuation date.

Supplementary Information

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COUNTY OF MILLS  
Schedule of Certificates of Deposit  
September 30, 2014

Description	Identifying Number	Interest Rate %	Maturity Date	Amount
<u>GOVERNMENTAL FUNDS</u>				
General Fund				
Mills County State Bank	163460	1.10	7/9/15	\$ 150,744
Mills County State Bank	163497	1.05	8/20/15	75,000
Mills County State Bank	163500	0.95	9/4/15	21,000
Mills County State Bank	163506	0.25	10/30/14	150,871
				<u>\$ 397,615</u>
Road and Bridge Fund				
Mills County State Bank	163261	1.10	11/10/14	\$ 203,635
Mills County State Bank	163470	1.05	7/20/15	70,000
Mills County State Bank	163399	1.00	10/19/14	103,578
				<u>\$ 377,213</u>
Courthouse Security Fund				
Mills County State Bank	163359	0.95	12/12/14	\$ 45,594
Total Governmental Funds				<u><u>\$ 820,422</u></u>
<u>FIDUCIARY FUNDS</u>				
County and District Clerk				
Mills County State Bank	162662	0.37	8/17/15	\$ 11,757
Mills County State Bank	162377	0.37	11/23/15	12,813
Mills County State Bank	163485	0.48	8/4/16	3,186
Total Fiduciary Funds				<u><u>\$ 27,756</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 County of Mills, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 23, 2015.

### 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) 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 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 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*.

The Honorable County Judge  
and Commissioners' Court  
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**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*

April 23, 2015