

*BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION*

**COUNTY OF GILLESPIE,
TEXAS**

Fredericksburg, Texas

**For the Year Ended
September 30, 2015**

GILLESPIE COUNTY, TEXAS

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2015

GILLESPIE COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Honorable Judge and County Commissioners
Gillespie County, Texas
Fredericksburg, TX 78624

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gillespie County, Texas (the "County"), as of and for the year ended September 30, 2015, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gillespie County, Texas, as of September 30, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3.K. to the financial statements, in 2015, the County adopted new accounting guidance prescribed by GASB #68 for its pension plan a nontraditional defined benefit pension plan. Because GASB #68 implements new measurement criteria and reporting provisions, significant information has been added to the Government Wide Statements, Statement of Net Position and Governmental Funds Balance Sheet discloses the County's Net Pension Liability and some deferred resource outflows related to the County's pension plan. The Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balance discloses the adjustment to the County's Beginning Net Position. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of changes in net pension liability and related ratios and the schedule of employer contributions on pages 3 through 8, 42, 43, 44, 45 and 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gillespie County's basic financial statements. The combining nonmajor and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2016, on our consideration of Gillespie County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Gillespie County's internal control over financial reporting and compliance.



NEFFENDORF & KNOPP, P.C.
Fredericksburg, Texas

March 25, 2016

GILLESPIE COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2015

As management of Gillespie County, Texas, we offer readers of the County's financial statements this narrative overview and analysis of the financial statements of the County for the year ended September 30, 2015. Please read it in conjunction with the independent auditors' report on page 1, and County's Basic Financial Statements which begin on page 9.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$23,067,974 (Net Position). Of this amount, \$10,905,562 (unrestricted Net Position) may be used to meet the County's ongoing obligations to citizen's and creditors.
- The County's Net Position increased by \$2,941,252 as a result of this year's operations.
- At September 30, 2015, the County's governmental funds reported combined ending fund balances of \$14,343,966, a decrease of \$2,348,543 in comparison with the prior year.
- At September 30, 2015, the unassigned fund balance of the general fund was \$10,292,443 or 80 percent of total general fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 9 and 10). These provide information about the activities of the County as a whole and present a longer-term view of the County's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (on pages 12 & 15) report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 20) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedules (operating fund) are presented as required supplementary information on pages 42 and 43.

Reporting the County as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the County's overall financial condition and operations begins on page 9. Its primary purpose is to show whether the County is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the County's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the County's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the County's Net Position and changes in them. The County's Net Position (the difference between assets and liabilities) provides one measure of the County's financial health, or financial position. Over time, increases or decreases in the County's Net Position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the County, however, you should consider other factors as well, such as changes in the County's customers or its property tax base and the condition of the County's facilities.

In the Statement of Net Position and the Statement of Activities, the County reports one kind of activity:

➤ Governmental activity - Most of the County's basic services are reported here, including the general administration, public safety, roads and bridges, judicial system, health and sanitation services, public facilities, libraries and education, and agricultural services. Property taxes, user charges, sales tax and governmental grants and contributions finance most of these activities.

Reporting the County's Most Significant Funds

Fund Financial Statements

The fund financial statements on pages 12 & 15 provide detailed information about the most significant funds - not the County as a whole.

➤ Governmental funds - All of the County's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the County's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Note I to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position of the County's governmental activities increased from \$20,055,215 to \$23,067,974. Unrestricted Net Position - the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$10,905,562 at September 30, 2015. This increase in governmental Net Position was the result of five factors. First, the County's expenditures exceeded the revenues by \$2,348,543. Second, the County acquired capital assets in the amount of \$5,449,966. Third, the County retired principal on long-term debt of \$789,462 and issued new debt of \$576,301. Fourth, the County recorded depreciation in the amounts of \$740,861. Fifth, due to the implementation of GASB 68, a prior period adjustment was necessary, in the amount of \$71,507.

Table I
Gillespie County, Texas

NET POSITION
in thousands

	Governmental Activities	
	2015	2014
Current and Other Assets	\$ 15,639	\$ 18,848
Capital Assets	23,997	19,388
Total Assets	\$ 39,636	\$ 38,236
Deferred Outflow Related to Pension Plan	\$ 1,250	\$ -
Long-Term Liabilities	\$ 16,983	\$ 16,470
Other Liabilities	835	1,711
Total Liabilities	\$ 17,818	\$ 18,181
Net Position:		
Net Investment in Capital Assets	\$ 8,557	\$ 7,694
Restricted	3,605	2,912
Unrestricted	10,906	9,449
Total Net Position	\$ 23,068	\$ 20,055

Table II
Gillespie County, Texas

CHANGES IN NET POSITION
in thousands

	Governmental Activities	
	2015	2014
Revenues:		
Charges for Services	\$ 2,384	\$ 2,414
Operating Grants and Contributions	155	222
Capital Grants and Contributions	179	-
Property Taxes	11,888	10,784
Sales Tax	2,181	2,038
Other Taxes	474	407
Penalty and Interest	104	95
Grants and Contributions Not Restricted	204	476
Miscellaneous Revenue	700	151
Investment Earnings	46	49
Total Revenue	<u>\$ 18,315</u>	<u>\$ 16,636</u>
Expenses:		
Judicial	\$ 1,129	\$ 1,089
General Government	4,144	3,721
Public Safety	5,634	5,132
Road and Bridge	2,449	2,561
Health and Sanitation	241	208
Public Facilities	700	755
Libraries and Education	287	286
Agricultural Services	325	377
Debt Interest	464	571
Debt Fees	1	-
Total Expenses	<u>\$ 15,374</u>	<u>\$ 14,700</u>
Increase in Net Position	\$ 2,941	\$ 1,936
Net Position - Beginning	20,055	18,119
Prior Period Adjustment	72	-
Net Position - Ending	<u>\$ 23,068</u>	<u>\$ 20,055</u>

The cost of all governmental activities this year was \$15,373,396. However, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$11,887,516 because the other costs were paid by sales tax (\$1,179,615), capital and operating grants and contributions (\$333,807), user charges (\$2,384,185), other taxes (\$473,880), penalties and interest on taxes (\$103,937), investment earnings (\$45,623), and other miscellaneous (\$700,245).

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$14,343,966, which is less than last year's total of \$16,692,509. Included in this year's total change in fund balance is an increase of \$1,007,068 in the County's General Fund, an increase of \$80,223 in the County's Road and Bridge Fund, and a decrease of \$4,015,645 in the County's GOB Series 2013 Jail Project Fund. The primary reasons for the General Fund's increase mirror the governmental activities analysis highlighted on page 5.

The Commissioner's Court adopted the General Fund Budget and the Road and Bridge Budget. For both funds, actual revenues were more than the budgeted amounts, while actual expenditures were less than budgeted amounts. This resulted in a positive variance with final budget of \$3,918,491 for the General Fund and a positive variance with final budget of \$397,577 for the Road and Bridge Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2015, the County had the following amounts invested in capital assets, net of depreciation:

CAPITAL ASSETS		
in thousands		
	2015	2014
Land and Easements	\$ 2,060	\$ 1,780
Construction in Progress	198	10,526
Buildings & Improvements	20,182	5,805
Machinery & Equipment	8,616	7,679
Other Improvements	2,338	2,338
Total Capital Assets	\$ 33,394	\$ 28,128
Less Accumulated Depreciation	9,397	8,740
Capital Assets, Net	<u>\$ 23,997</u>	<u>\$ 19,388</u>

This year's major additions included:

County Yard Building	\$ 34,677
Equipment	839,070
Vehicles	181,093
Airport Improvements	198,385
County Jail Construction in Progress	3,816,741
Airport Land	380,000
TOTALS	<u>\$ 5,449,966</u>

More detailed information about the County's capital assets is presented in Note 3.E. to the financial statements.

DEBT

At September 30, 2015, the County had the following outstanding debt:

OUTSTANDING DEBT in thousands

	2015	2014
General Obligation Refunding Bonds – Series 2010	\$ 975	\$ 1,125
General Obligation Bonds – Series 2013	13,185	13,715
State Comptroller Obligation	11	21
Capital Leases	718	241
Premium on GO Bonds – Series 2013	963	1,018
Compensated Absences	350	350
Total Outstanding Debt	<u>\$ 16,202</u>	<u>\$ 16,470</u>

For governmental activities, the County had \$14,160,000 in general obligation bonds and other long-term debt outstanding, a decrease of 4.6 percent. The County retired \$680,000 in principle on the outstanding long-term debt, and issued a new capital lease for \$576,301. The annual amortization for the bond premium was \$54,659 in fiscal year 2014-2015. The net increase in compensated absences was \$400.

More detailed information about the County's long-term liabilities is presented in Note 3.G. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal-year 2016 budget and tax rates. The major factors are the economy, population growth, and assessed property valuation. These indicators were taken into account when adopting the General Fund budget for 2016. Amounts available for appropriation in the General Fund budget are \$13,866,900 and expenditures are estimated to be \$15,922,978. If these estimates are realized, the County's budgetary General fund balance is expected to decrease \$2,056,078 by the close of 2016 (use of prior year surplus). Amounts available for appropriation in the Road and Bridge Fund budget are \$2,650,138 and expenditures are estimated to be \$3,397,617. If these estimates are realized, the County's budgetary Road and Bridge fund balance is expected to decrease \$747,479 by the close of 2016 (use of prior year surplus).

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor or Commissioners' Court, at Gillespie County, Texas, Fredericksburg, Texas.

BASIC FINANCIAL STATEMENTS

GILLESPIE COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

EXHIBIT A-1

	Primary Government
	Governmental Activities
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 14,700,813
Receivables (net of allowance for uncollectibles)	905,812
Inventories	26,890
Prepaid Items	5,221
Capital Assets:	
Land	2,060,335
Infrastructure, net	2,095,199
Buildings, net	17,751,703
Improvements other than Buildings, net	133,580
Machinery and Equipment, net	1,758,054
Construction in Progress	198,585
Total Assets	<u>39,636,192</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred Outflow Related to Pension Plan	1,250,275
Total Deferred Outflows of Resources	<u>1,250,275</u>
LIABILITIES	
Accounts Payable	660,738
Intergovernmental Payable	74,266
Accrued Interest Payable	64,196
Unearned Revenues	36,292
Noncurrent Liabilities	
Due Within One Year	807,574
Due in More Than One Year	15,395,074
Net Pension Liability	780,353
Total Liabilities	<u>17,818,493</u>
NET POSITION	
Net Investment in Capital Assets	8,557,210
Restricted for:	
Restricted for Debt Service	229,695
Restricted for Special Revenue	3,375,507
Unrestricted Net Position	10,905,562
Total Net Position	<u><u>\$ 23,067,974</u></u>

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

GILLESPIE COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

		Program Revenues	
		Charges for Services	Operating Grants and Contributions
	Expenses		
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
Judicial	\$ 1,129,159	\$ 595,366	\$ 41,502
General Administration	4,143,611	630,274	20,504
Public Safety	5,634,146	86,510	26,137
Road and Bridge	2,449,359	900,075	26,533
Health and Sanitation	240,515	-	12,043
Public Facilities	699,706	171,960	27,982
Libraries and Education	287,223	-	-
Agriculture Services	324,548	-	-
Bond Interest	463,979	-	-
Fiscal Agent's Fees	1,150	-	-
TOTAL PRIMARY GOVERNMENT:	\$ 15,373,396	\$ 2,384,185	\$ 154,701

General Revenues:

Property Taxes, Levied for General Purposes
Property Taxes, Levied for Debt Service
Sales Taxes
Other Taxes
Penalty and Interest
Grants and Contributions Not Restricted
Miscellaneous Revenue
Investment Earnings

Total General Revenues

Change in Net Position

Net Assets - Beginning
Prior Period Adjustment
Net Position--Ending

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

Net (Expense) Revenue and Changes in Net Position		
	Capital Grants and Contributions	Primary Government Governmental
\$	-	\$ (492,291)
	-	(3,492,833)
	-	(5,521,499)
	-	(1,522,751)
	-	(228,472)
	179,106	(320,658)
	-	(287,223)
	-	(324,548)
	-	(463,979)
	-	(1,150)
\$	<u>179,106</u>	<u>(12,655,404)</u>

10,707,901
1,179,615
2,181,319
473,880
103,937
204,136
700,245
45,623
<u>15,596,656</u>
2,941,252
20,055,215
71,507
<u>\$ 23,067,974</u>

GILLESPIE COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General Fund	Road & Bridge Fund	Capital Projects
ASSETS			
Cash and Cash Equivalents	\$ 10,428,973	\$ 1,415,822	\$ 491,888
Taxes Receivable	235,170	41,501	-
Allowance for Uncollectible Taxes (credit)	(4,703)	(830)	-
Receivables (Net)	323,089	41,981	-
Intergovernmental Receivables	304	-	-
Due from Other Funds	2,255	-	-
Inventories	24,859	2,031	-
Prepaid Items	-	5,221	-
Total Assets	<u>\$ 11,009,947</u>	<u>\$ 1,505,726</u>	<u>\$ 491,888</u>
LIABILITIES			
Accounts Payable	\$ 151,867	\$ 236,593	\$ 15,702
Wages and Salaries Payable	298,228	22,893	-
Intergovernmental Payable	4,345	-	-
Due to Other Funds	-	2,245	-
Unearned Revenues	32,598	-	-
Total Liabilities	<u>487,038</u>	<u>261,731</u>	<u>15,702</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	230,466	40,671	-
Total Deferred Inflows of Resources	<u>230,466</u>	<u>40,671</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
Inventories	24,859	2,031	-
Prepaid Items	-	5,221	-
Restricted Fund Balance:			
Capital Acquisition and Contractual Obligation	-	-	476,186
Retirement of Long-Term Debt	-	-	-
Special Revenue	-	1,196,072	-
Unassigned Fund Balance	10,267,584	-	-
Total Fund Balances	<u>10,292,443</u>	<u>1,203,324</u>	<u>476,186</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 11,009,947</u>	<u>\$ 1,505,726</u>	<u>\$ 491,888</u>

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

		Total	
Other		Governmental	
Funds		Funds	
<hr/>		<hr/>	
\$	2,364,130	\$	14,700,813
	30,474		307,145
	(609)		(6,142)
	16,965		382,035
	-		304
	-		2,255
	-		26,890
	-		5,221
<hr/>		<hr/>	
\$	2,410,960	\$	15,418,521
<hr/>		<hr/>	
\$	2,055	\$	406,217
	3,323		324,444
	-		4,345
	10		2,255
	3,694		36,292
<hr/>		<hr/>	
	9,082		773,553
<hr/>		<hr/>	
	29,865		301,002
<hr/>		<hr/>	
	29,865		301,002
<hr/>		<hr/>	
	-		26,890
	-		5,221
<hr/>		<hr/>	
	-		476,186
	199,830		199,830
	2,172,183		3,368,255
	-		10,267,584
<hr/>		<hr/>	
	2,372,013		14,343,966
<hr/>		<hr/>	
\$	2,410,960	\$	15,418,521
<hr/>		<hr/>	

GILLESPIE COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Total Fund Balances - Governmental Funds	\$ 14,343,966
The implementation of GASB 68 for this fiscal year required that the county report their net pension liability in the Government Wide Statement of Net Position. The items reported as a result of this implementation included a net pension liability of \$780,353 and a Deferred Resource Outflow of \$1,250,275. The net effect of these is to increase net position by \$469,922.	469,922
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$28,128,643 and the accumulated depreciation was \$8,740,292. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	2,852,128
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to increase net position.	5,929,428
The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(740,861)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	213,391
Net Position of Governmental Activities	\$ 23,067,974

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

GILLESPIE COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Road & Bridge Fund	Capital Projects
REVENUES:			
Taxes:			
Property Taxes	\$ 9,080,198	\$ 1,603,279	\$ -
General Sales and Use Taxes	2,181,319	-	-
Other Taxes	11,074	-	-
Penalty and Interest on Taxes	80,948	14,193	-
Licenses and Permits	26,971	702,615	-
Intergovernmental Revenue and Grants	479,052	-	-
Charges for Services	946,681	-	-
Fines	81,713	199,943	-
Forfeits	-	-	-
Investment Earnings	35,645	3,747	3,831
Rents and Royalties	129,273	-	-
Other Revenue	200,074	9,779	179,106
Total Revenues	13,252,948	2,533,556	182,937
EXPENDITURES:			
Current:			
General Government:			
Judicial	1,081,574	-	-
General Administration	4,028,319	-	-
Public Safety	6,306,988	-	-
Road and Bridge	-	2,459,136	-
Health and Sanitation	237,410	-	-
Public Facilities	566,315	-	198,585
Libraries and Education	291,262	-	-
Agriculture Services	313,897	-	-
Debt Service:			
Bond Principal	-	-	-
Bond Interest	-	-	-
Fiscal Agent's Fees	-	-	-
Capital Outlay:			
Capital Outlay	-	-	4,019,476
Total Expenditures	12,825,765	2,459,136	4,218,061
Excess (Deficiency) of Revenues Over (Under)	427,183	74,420	(4,035,124)
OTHER FINANCING SOURCES (USES):			
Sale of Real and Personal Property	6,682	5,803	-
Proceeds from Capital Leases	576,301	-	-
Transfers In	-	-	19,479
Transfers Out (Use)	(3,098)	-	-
Total Other Financing Sources (Uses)	579,885	5,803	19,479
Net Change in Fund Balances	1,007,068	80,223	(4,015,645)
Fund Balance - October 1 (Beginning)	9,285,375	1,123,101	4,491,831
Fund Balance - September 30 (Ending)	\$ 10,292,443	\$ 1,203,324	\$ 476,186

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

	Other Funds	Total Governmental Funds
\$	1,174,169	\$ 11,857,646
	-	2,181,319
	462,806	473,880
	8,796	103,937
	-	729,586
	58,891	537,943
	123,830	1,070,511
	2,350	284,006
	11,960	11,960
	2,400	45,623
	158,847	288,120
	17,000	405,959
	<u>2,021,049</u>	<u>17,990,490</u>
	23,969	1,105,543
	450,392	4,478,711
	10,432	6,317,420
	19,900	2,479,036
	-	237,410
	117,465	882,365
	-	291,262
	-	313,897
	680,000	680,000
	520,328	520,328
	1,150	1,150
	-	4,019,476
	<u>1,823,636</u>	<u>21,326,598</u>
	197,413	(3,336,108)
	398,779	411,264
	-	576,301
	3,098	22,577
	<u>(19,479)</u>	<u>(22,577)</u>
	<u>382,398</u>	<u>987,565</u>
	579,811	(2,348,543)
	<u>1,792,202</u>	<u>16,692,509</u>
\$	<u><u>2,372,013</u></u>	<u><u>\$ 14,343,966</u></u>

GILLESPIE COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

Total Net Change in Fund Balances - Governmental Funds	\$ (2,348,543)
The implementation of the requirements for GASB 68 for this fiscal year resulted in a prior period adjustment to record the retroactive impact. This is NOT included in the explanation as to why the change in net position is different on Exhibit B-1 than the change in fund balance on exhibit C-3. The entries required by GASB 68 did require that some expenses on B-1 be adjusted. Total credits to expense were \$846,636 and total debits to expense were \$448,221. The net effect on the change in net position on Exhibit B-1 is an increase the change in net position.	398,415
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2015 capital outlays and debt principal payments is to increase the change in net position.	5,929,428
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 the change in net position.	(740,861)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.	(297,187)
Change in Net Position of Governmental Activities	<u>\$ 2,941,252</u>

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

GILLESPIE COUNTY, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2015

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 359,983	\$ 1,588,031
Other Receivables	605	250
Due from Other Governments	-	20,285
Total Assets	<u>360,588</u>	<u>\$ 1,608,566</u>
LIABILITIES		
Accounts Payable	13,638	\$ -
Due to Other Governments	-	716,529
Due to Others	-	892,037
Total Liabilities	<u>13,638</u>	<u>\$ 1,608,566</u>
NET POSITION		
Unrestricted Net Position	<u>346,950</u>	
Total Net Position	<u>\$ 346,950</u>	

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

GILLESPIE COUNTY, TEXAS
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Private Purpose Trust Funds
ADDITIONS:	
Charges for Services	\$ 11,410
Investment Earnings	667
Total Additions	<u>12,077</u>
DEDUCTIONS:	
Travel Expenses	6,036
Purchased Professional & Technical Services	5,559
Other Operating Expenses	3
Supplies	11,525
Interest Expense	71
Total Deductions	<u>23,194</u>
Change in Net Position	(11,117)
Total Net Position -October 1 (Beginning)	<u>358,067</u>
Total Net Position September 30 (Ending)	<u><u>\$ 346,950</u></u>

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

GILLESPIE COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Gillespie County have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The *Governmental Accounting Standards Board* (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

1.A. REPORTING ENTITY

The County has developed criteria to determine if the activities of any outside agencies or organizations should be included within its financial statements. The criteria includes the amount of oversight responsibility exercised by the County over the activities of an agency or organization, the scope of public service of an agency or organization, and the nature of any special financing relationships which may exist between the County and an agency or organization. Oversight responsibility includes financial interdependency, selection of the governing authority, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The County's financial statements include all funds over which the County exercises oversight responsibility. Also, the County is not included as a part of any other reporting entity.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The government-wide financial statements include the statement of Net Position and the statement of activities. Government-wide Financial Statements display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria.

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditure/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund, the main operating fund of the County, is always classified as a major fund. It is the primary fund of the County and is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specific purposes other than debt service or capital projects.

Capital Projects Funds

The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds

The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure of principal and interest on general long-term debt of the County. Ad valorem taxes are used for the payment of principal and interest on the County's debt.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

Agency funds account for assets held by the County in a purely custodial capacity. The reporting entity includes five agency funds. Since agency funds are custodial in nature (i.e. assets equal liabilities) they do not involve the measurement of results of operations.

Private Purpose Trust Funds

Private Purpose Trust Funds report trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor. The major funds are as follows:

Major Fund	Brief Description
General Fund	See above for description.
Special Revenue Fund: Road and Bridge	Accounts for all road and bridge construction and maintenance activity.
Capital Projects Fund: GOB Series 2013 Jail Project	Accounts for the jail construction project funded with General Obligation Bonds Series 2013.

Nonmajor funds consist of special revenue funds and debt service funds and are detailed in the Combining and Individual Fund Statements - Nonmajor Funds.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" 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

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. Agency and Private Purpose Trust Funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expense, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statement, governmental funds and fiduciary funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized revenues when both "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectable within the current period or within 60 days after year end. Also under the modified accrual basis of accounting, expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

1.D. ASSETS, LIABILITIES AND EQUITY

Cash and Cash Investments

For the purpose of the Statement of Net Position, "Cash and Cash Equivalents" includes demand deposit accounts, certificates of deposit and government investment pools. All amounts are considered available upon demand and are considered to be "cash equivalents."

Several funds may be invested in an investment account and each fund has an equity interest therein. Interest earned on the Investment of these monies is allocated based upon relative equity at month end.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Ad valorem property taxes attach as enforceable liens as of January 1. Taxes are levied prior to September 30, payable on October 1, and are delinquent on February 1. The majority of the County's property tax collections occur during December and early January each year. To the extent that County property tax revenue results in current receivables as defined by the Governmental Accounting Standards Board (GASB), they are recognized when levied.

Inventories

Inventories are valued at cost using the first-in, first-out method. Inventories in the General Fund consist of fuel and postage held for consumption. Inventories in the Special Revenue Fund consist of sign machine supplies. The cost of inventories is recorded as expenditures when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the governmental activities column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Buildings and Improvements	20 - 50
Vehicles	3 - 10
Machinery and Equipment	5 - 15
Infrastructure	5 - 50

Compensated Absences

Vacation pay and sick leave benefits are accrued by County employees according to guidelines set out in the County's personnel policy. The policy allows employees to accumulate vacation, sick leave and overtime within certain limitations. Employees accrue 10 to 18 days of vacation each year (depending upon their length of service) and are allowed to accumulate unused vacation for two years. Unused vacation is paid upon termination or retirement. The County's policy allows for accumulation of up to 480 hours of sick leave, but does not provide for payment of any unused sick leave. Also, in accordance with the Fair Labor Standards Act, as it applies to local governments, non-exempt County employees have been granted compensatory time for hours worked beyond their regular working hours since October 1, 1987. Accumulated compensatory time is also paid upon termination of employment. The estimated cost of unused vacation and compensatory time is recorded in the accompanying financial statements in the government-wide financial statements.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenditures in the year incurred.

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

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Statements

Beginning with fiscal year end September 30, 2011, the County implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance – amounts that are in non-spendable form (such as inventory and prepaids) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the County itself, using its highest level of decision-making authority (i.e. County Commissioners). To be reported as committed, amounts cannot be used for any other purpose unless the County takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the County intends to use for a specific purpose. Intent can be expressed by the County Commissioners or by an official or body to which the County Commissioners delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The County Commissioners establish (and modify or rescind) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the County Commissioners through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

The County's fund balance policy indicates that the County will typically use restricted, committed, and/or assigned fund balances, in that order, prior to using unassigned resources, but the County reserves the right to deviate from this general strategy.

Net Position

Net Position represent the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Use of Estimates

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

Deferred Inflows of Resources and Deferred Outflows of Resources

Beginning with fiscal year end September 30, 2013, the County implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, as well as GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Under GASB 63 amounts previously reported as deferred charges as a part of total assets have been reported in a separate section as deferred outflows of resources and amounts previously reported as a part of total liabilities have been reported in a separate section as deferred inflows of resources.

1.E. REVENUES, EXPENDITURES AND EXPENSES

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - by Character: Current (further classified by function)
 Debt Service
 Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets, as required by state statute, are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year-end.

For each budgeted fund, budgetary control is maintained at the expenditure line item level. This is the level at which expenditures cannot legally exceed appropriated amounts. The County Auditor is required to monitor the expenditures of the various funds and may make departmental budget transfers within each fund as needed. Any expenditures in excess of the total budgeted amount of a fund must be approved by the Commissioners' Court and the budget appropriately amended. It is the amended budget that is presented in the budget versus actual financial statement disclosure.

Encumbrance accounting, under which funds are reserved for purchase orders, contracts, and other commitments, is not utilized by Gillespie County.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

3.A. DEPOSITS AND INVESTMENTS

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2015, the carrying amount of the County's deposits was \$6,373,798 and the bank balance was \$6,936,456. The County's cash deposits held at Security State Bank & Trust at September 30, 2015 and during the year ended September 30, 2015 were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

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, (9) and 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, (10) and common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

The County's temporary investments consisted of certificates of deposit and local government investment pools at September 30, 2015 and are shown below:

Name	Carrying Amount	Market Value	FDIC Coverage	Pledged Securities
<u>Certificates of Deposit -</u>				
Blanco National Bank	\$ 2,400,000	\$ 2,400,000	\$ 250,000	\$ 3,350,698
Security State Bank & Trust	2,650,000	2,650,000	250,000	20,802,766
<u>Liquid Asset Portfolio -</u>				
TexPool	3,624,170	3,624,170	*	*
TexasClass	432,874	432,874	*	*
Total Governmental Activities	<u>\$ 9,107,044</u>	<u>\$ 9,107,044</u>		

- * TexPool and TexasClass are Local Government Investment Pools established in conformity with the Inter-local Cooperation Act, Chapter 791 of the Texas Government Code and the Public Investment Act, Chapter 2256 of the Code. TexPool and TexasClass are 2(a)7 like funds, meaning that they are structured similar to money market mutual funds. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are adjusted daily and the funds seek to maintain a constant net asset value of \$1.00, although this cannot be guaranteed. TexPool and TexasClass are rated AAAM and must maintain a weighted average maturity not to exceed 60 days.

At September 30, 2015, TexPool had a weighted average maturity of 48 days and TexasClass had a weighted average maturity of 43 days. The County considers the holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, short of a significant change in value. The State Comptroller oversees TexPool and TexasClass, with a third party managing the daily operations of the pool under contract.

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the County has adopted a deposit and investment policy. That policy does address the following risks:

Custodial Credit Risk - Deposits: This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County was not exposed to custodial credit risk since its deposits at year-end were covered by depository insurance or by pledged collateral held by the County's agent bank in the County's name.

Custodial Credit Risk - Investments: This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's investments (certificates of deposit) were secured by FDIC insurance and pledged securities.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2015, the County was not exposed to concentration of credit risk or foreign currency risk.

3.B. RECEIVABLES

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

	<u>General</u>	<u>Road and Bridge</u>	<u>GOB Series 2013 Jail Project</u>	<u>Other Govern- mental Funds</u>	<u>TOTAL</u>
Receivables:					
Property Taxes	\$ 235,170	\$ 41,501	\$ -	\$ 30,475	\$ 307,146
Other	174,345	17,721	-	13,809	205,875
Intergovernmental	<u>148,744</u>	<u>24,260</u>	<u>-</u>	<u>3,156</u>	<u>176,160</u>
Gross Receivables	\$ 558,259	\$ 83,482	\$ -	\$ 47,440	\$ 689,181
Less: Allowance for Uncollectibles	<u>4,703</u>	<u>830</u>	<u>-</u>	<u>609</u>	<u>6,142</u>
Net Total Receivables	<u>\$ 553,556</u>	<u>\$ 82,652</u>	<u>\$ -</u>	<u>\$ 46,831</u>	<u>\$ 683,039</u>

Governmental funds report *Deferred Inflows of Resources - Unavailable Revenue* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report *Unearned Revenue* or defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, *Unavailable and Unearned Revenues* reported in the governmental funds were as follows:

General Fund -		
Unavailable Revenue - Property Taxes	\$	230,466
Unearned Revenue		32,598
Special Revenue Road and Bridge Fund -		
Unavailable Revenue - Property Taxes		40,671
Other Governmental Funds -		
Unavailable Revenue - Property Taxes		29,865
Unearned Revenue		<u>3,694</u>
TOTAL UNAVAILABLE AND		
UNEARNED REVENUES	\$	<u><u>337,294</u></u>

3.C. COURT FINES AND FEES RECEIVABLE

With the implementation of GASB Statement Number 34, the County has determined the amount of court fines and fees receivable to be \$1,711,316 which represents amounts owed and outstanding for the last 10 years. Based on historical collection rates for the various courts, the County has estimated an allowance for uncollectible court fines and fees of \$1,488,846, resulting in a net receivable of \$222,470.

3.D. PROPERTY TAXES

Property taxes are levied by October 1, 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. For the 2014 tax roll, the total assessed valuation was \$3,500,734,194 and the taxes assessed amounted to \$11,897,180. The total tax rate was \$0.3971 per \$100 valuation and allocated \$0.3577 to maintenance and operations and \$0.0394 to interest and sinking funds. The maximum tax levy allowed by State law for the above purposes is \$0.80 per \$100 valuation.

In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Due to the immaterial amount of additional property taxes receivable after the 60-day period, no additional accrual is made in the government-wide financial statements.

3.E. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

Primary Government	Balance 10/1/14	Increases	Decreases	Balance 9/30/15
<i>Governmental Activities:</i>				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,195,265	\$ 380,000	\$ (100,000)	\$ 1,475,265
Easements	585,070	-	-	585,070
Construction In Progress	10,525,597	198,585	(10,525,597)	198,585
Total Capital Assets, Not Being Depreciated	<u>\$ 12,305,932</u>	<u>\$ 578,585</u>	<u>\$ (10,625,597)</u>	<u>\$ 2,258,920</u>
Capital Assets, Being Depreciated:				
Buildings	5,625,158	14,376,815	-	20,001,973
Building Improvements	180,270	-	-	180,270
Machinery and Equipment	7,679,478	1,020,163	(83,966)	8,615,675
Other Improvements	2,337,805	-	-	2,337,805
Total Capital Assets Being Depreciated	<u>15,822,711</u>	<u>15,396,978</u>	<u>(83,966)</u>	<u>31,135,723</u>
Less Accumulated Depreciation:				
Buildings	(2,017,023)	(233,247)	-	2,250,270
Building Improvements	(33,568)	(13,122)	-	46,690
Machinery and Equipment	(6,529,503)	(412,084)	(83,966)	6,857,621
Other Improvements	(160,198)	(82,408)	-	242,606
Total Accumulated Depreciation	<u>(8,740,292)</u>	<u>(740,861)</u>	<u>(83,966)</u>	<u>9,397,187</u>
Total Capital Assets Being Depreciated, Net	<u>7,082,419</u>	<u>14,656,117</u>	<u>-</u>	<u>21,738,536</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,388,351</u>	<u>\$ 15,234,702</u>	<u>\$ (10,625,597)</u>	<u>\$ 23,997,456</u>

Depreciation expense was charged to functions/programs of the County as follows:

Governmental Activities:	
General Government	\$ 208,593
Public Safety	294,230
Judicial	51,490
Road and Bridge	115,459
Health and Sanitation	11,057
Public Facilities	31,847
Libraries and Education	13,565
Agricultural Services	14,620
Total Depreciation Expense - Governmental Activities	<u>\$ 740,861</u>

3.F. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at September 30, 2015, consisted of the following:

Due to/from other funds

	Due To	Due From
General Fund	\$ -	\$ 2,255
Road & Bridge Fund	2,245	-
Nonmajor Governmental Funds	10	-
TOTAL	<u>\$ 2,255</u>	<u>\$ 2,255</u>

Interfund transfers

During the year ended September 30, 2015 the County had the following transfers.

	Transfers In	Transfers Out
General Fund	\$ -	\$ 3,098
Capital Projects Fund	19,479	-
Nonmajor Special Revenue Funds	3,098	19,479
TOTAL	<u>\$ 22,577</u>	<u>\$ 22,577</u>

3.G. LONG-TERM LIABILITIES

The following is a summary of the long-term liability transactions of the County for the year ended September 30, 2015.

	Balance 10/01/14	Issued	Retired	Balance 9/30/15	Due Within One Year
General Obligation Refunding Bonds – Series 2010	\$ 1,125,000	\$ -	\$ 150,000	\$ 975,000	\$ 150,000
General Obligation Bonds – Series 2013	13,715,000	-	530,000	13,185,000	540,000
Premium on General Obligation Bonds Series 2013	1,018,017	-	54,659	963,358	-
State Comptroller Obligation	21,187	-	10,593	10,594	10,594
Capital Leases	240,837	576,301	98,868	718,270	106,980
Compensated Absences	350,296	207,692	207,562	350,426	-
TOTAL	<u>\$ 16,470,337</u>	<u>\$ 783,993</u>	<u>\$ 1,051,682</u>	<u>\$ 16,202,648</u>	<u>\$ 807,574</u>

Certificates of Obligation	Balance at 9/30/15	Due Within One Year
----------------------------	-----------------------	------------------------

General Obligation Refunding Bonds – Series 2010

Original issue amount \$1,590,000, interest rates of 0.80% to 3.40%,

With final maturity date February 15, 2021

975,000

150,000

Certificates of Obligation	Balance at 9/30/15	Due Within One Year
General Obligation Bonds – Series 2013		
Original issue amount \$14,110,000, interest rates of 2.0% to 4.0%, With final maturity date February 15, 2033	13,185,000	540,000
TOTAL CERTIFICATES OF OBLIGATION	\$ 14,160,000	\$ 690,000

Long Term Debt Advance Refunding

On December 16, 2010 the County issued \$1,590,000 of refunding bonds (Gillespie County, Texas General Obligation Refunding Bonds, Series 2010) to finance the remaining callable obligations from the County's Series 2001 Certificates of Obligation. The bonds were called and were redeemed by depositing \$1,151,254 into an escrow account on December 16, 2010. The following obligations are considered to be defeased and the liability removed from the accompanying financial statements:

Description	Refunded Amount	Balance 9/30/2015
Gillespie County Certificates of Obligation - Series 2001	\$ 1,515,000	\$ 1,375,000
Total Amount Refunded	\$ 1,515,000	\$ 1,375,000

General Obligation Bonds

On May 15, 2013, the County issued \$14,110,000 General Obligation Bonds, Series 2013 for the construction and equipping of a new County Jail. The bonds mature on February 15 in each of the years 2014 through 2033, bearing interest at rates from 2.0% to 4.0%.

Debt service requirements for the General Obligation Refunding Bonds - Series 2010 and the General Obligation Bonds – Series 2013 are as follows:

Year Ending September 30,	Principal	Interest	Annual Requirements
2016	\$ 690,000	\$ 506,515	\$ 1,196,515
2017	705,000	498,028	1,203,028
2018	725,000	476,740	1,201,740
2019	745,000	457,715	1,202,715
2020	765,000	434,895	1,199,895
2021-2025	3,535,000	1,610,225	5,145,225
2026-2030	4,110,000	1,001,400	5,111,400
2031-2035	2,885,000	176,100	3,061,100
TOTAL	\$ 14,160,000	\$ 5,161,618	\$ 19,321,618

State Comptroller Obligation

On November 15, 1995, Gillespie County was notified by the State Comptroller of Public Accounts that in the course of an ongoing audit of a major corporation doing business in Texas, it was discovered that the firm had incorrectly credited several million dollars in sales tax to state government, as well as to nearly 400 cities and counties across the state. As a result of the audit, it was determined that Gillespie County was overpaid \$211,870 in County sales tax over a four-year period and would be required to reimburse that amount to the State Comptroller. On October 21, 1996, the State Comptroller agreed to a repayment schedule of twenty (20) years with no interest. The first quarterly payment was due on January 1, 1997, with annual requirements of \$10,593 for the next twenty (20) years. All payments will be funded by the General Fund.

The annual requirements due to the State are as follows:

Year Ending September 30,	Amount Due
2016	\$ 10,594
TOTAL	\$ 10,594

Capital Leases

On October 29, 2013 Gillespie County executed a \$284,122 Capital Lease obligation with Government Capital – Southside Bank for the purchase of a Model RJ350 Broce Broom, a Ford Dump Truck, a PUP Trailer, a STCC Cross Conveyor, and three Ford F350 Pickup Trucks. The finance contract is dated September 23, 2013 and is due in sixty monthly installments of \$5,221.04 until 11/15/2018, with an interest rate of 3.849%.

A summary of the future minimum lease payments under the lease along with the present value of the minimum lease payments as of September 30, 2015 follows:

Year Ended September 30	
2016	\$ 131,221
2017	131,221
2018	131,221
2019	68,658
2020	78,921
2021 - 2025	279,988
Total Minimum Lease Payments	\$ 821,230
Less Amount Representing Interest	(102,960)
Present Value of Lease Payments	\$ 718,270

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery & Equipment	\$ 576,295
Less: Accumulated Depreciation	(9,605)
TOTAL	\$ 566,690

Operating Leases

Commitments under operating (non-capitalized) lease agreements for equipment provide for minimum future rental payments as of September 30, 2015, as follows:

Year Ended September 30	
2016	\$ 33,156
2017	33,156
2018	33,156
2019	17,234
Total Minimum Rentals	<u>\$ 116,702</u>
Rental Expenditures in Fiscal Year 2015	<u>\$ 58,190</u>

3.H. CLAIMS AND CONTINGENT LIABILITIES

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

The County is currently involved in one pending litigation suit and is subject to other various litigation and claims arising out of the normal course of operations. Although the outcome of this claim is not presently determinable, in the opinion County management, the resolution of this matter will not have a material adverse effect on the County's financial position. Therefore, no provision for any liability, if any, has been made in the accompanying financial statements.

3.I. RISK MANAGEMENT

Gillespie County is exposed to various risks of loss relating to general liability, the accidental loss of real and personal property, damage to County assets, error and omissions and personnel risks which relate to workers' compensation.

The County contracted with Wells Fargo Insurance Services, USA to provide the aforementioned types of insurance coverage through OneBeacon Insurance Group, LLC.

Gillespie County also provides a Blanket Accident Insurance Policy for Emergency Service Organizations covering the Gillespie County Rural Volunteer Departments; a property and liability insurance policy covering Gillespie County Rural Schools; a liability policy covering the Gillespie County Airport; and a Crime Policy through commercial insurance carriers.

3.J. HEALTH INSURANCE

The County provides group medical and basic life insurance coverage for full-time employees through the Texas Association of Counties (TAC). The county pays the premiums for these eligible employees. Employees, at their options, may authorize payroll withholdings to pay premiums for eligible family members or for other supplemental coverage.

3. K. EMPLOYEE RETIREMENT PLAN

Plan Description For TCDRS

Gillespie County is a member of the Texas County and District Retirement System (TCDRS), a statewide, agent multiple-employer, public-employee retirement system. The system serves 677 actively participating counties and districts throughout Texas. Each employer maintains its own customized plan of benefits. Plan provisions are adopted by the governing body of each employer, within the options available in the TCDRS Act. Because of that, employers have the flexibility and local control to select benefits and pay for those benefits based on their needs and budgets. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Each employer has a defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered qualified under Section 401(a) of the Internal Revenue Code. All employees (except temporary staff) of a participating employer must be enrolled in the plan.

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

A combination of three elements fund each employer's plan: employee deposits, employer contributions and investment income.

- The deposit rate for employees is 4%, 5%, 6% or 7% of compensation, as adopted by the employer's governing body.
- Participating employers are required, by law, to contribute at actuarially determined rates, which are determined annually.
- Investment income funds a large part of the benefits employees earn.

Employers have the option of paying more than the required contribution rate each year. Extra contributions can help employers "pre-fund" benefit increases, such as a cost-of-living adjustment to retirees, and they can be used to help offset or mitigate future increases in the required rate due to negative plan experience. There are two approaches for making extra contributions: (a) paying an elected contribution rate higher than the required rate and (b) making an extra lump-sum contribution to the employer account.

Plan Provisions for Gillespie County

The Gillespie County plan provisions were adopted by the Commissioners Court, 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 contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum prior to retirement are not entitled to any amounts contributed by the County. The County allows partial lump sum distributions (of employee contributions and interest only) at retirement.

The County's required contribution was determined as part of the December 31, 2014 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2014 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 3.5 percent. Both (a) and (b) included an inflation component of 3.0 percent. 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 ten-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, 2014 was 3.8 years.

Employees Covered By Benefit Terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	71
Inactive employees entitled to but not yet receiving benefits	73
Active employees	<u>148</u>
	292

Contributions

The contribution rate payable by the employee members for calendar year 2014 was 7%. The County's employer contributions to TCDRS for the fiscal year ended September 30, 2015 were \$846,636, and were equal to the required contributions.

Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Timing	Actuarially determined contribution rates are calculated 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 ⁽¹⁾
Asset Valuation Method	
Smooth Period	5 years
Recognition Method	Non-asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	3.5%
Investment Rate of Return	8.10%
Cost of Living Adjustments	Cost-of-Living Adjustments for Gillespie 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	Deferred members are assumed to retire (100% probability) at the later of: a) age 60; b) earliest retirement eligibility.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	RP-2000 Mortality Tables

(1) Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2015 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 – December 31, 2013 for more details.

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected Minus Inflation) (2)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	16.50%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	12.00%	8.35%
Global Equities	MSCI World (Net) Index	1.50%	5.65%
International Equities – Developed	50% MSCI World Ex USA (Net) + 50% MSCI World Ex USA 100% Hedged to USD (Net) Index	11.00%	5.35%
International Equities – Emerging	50% MSCI EM Standard (Net) Index + 50% MSCI EM 100% Hedged to USD (Net) Index	9.00%	6.35%
Investment – Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.55%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.75%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.00%	5.54%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.80%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.75%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.00%

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected Minus Inflation) (2)
Commodities	Bloomberg Commodities Index	2.00%	-0.20%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	3.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.15%

⁽¹⁾ Target asset allocation adopted at the April 2015 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 1.7%, per Cliffwater's 2015 capital market assumptions.

⁽³⁾ Includes vintage years 2006 – present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2007 – present of Quarter Pooled Horizon IRRs.

Depletion of Plan Assets / GASB Discount Rate

The discount rate used to measure the Total Pension Liability was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	Increase/(Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances as of December 31, 2013	\$ 20,613,533	\$ 20,113,278	\$ 500,254
Changes for the Year:			
Service Cost	632,865	-	632,865
Interest on Total Pension Liability ⁽¹⁾	1,670,406	-	1,670,406
Effect of Plan Changes	112,591	-	112,591
Effects of Economic/Demographic Gains or Losses	522,846	-	522,846
Effect of Assumptions Changes or Inputs	-	-	-
Refund of Contributions	(34,821)	(34,821)	-
Benefit Payments	(692,770)	(692,770)	-
Administrative Expenses	-	(16,254)	16,254
Member Contributions	-	371,068	(371,068)
Net Investment Income	-	1,373,943	(1,373,943)
Employer Contributions	-	795,145	(795,145)
Other ⁽²⁾	-	134,709	(134,709)
Balances as of December 31, 2014	\$ 22,824,650	\$ 22,044,297	\$ 780,353

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

⁽²⁾ Relates to allocation of system-wide items.

Sensitivity Analysis

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total Pension Liability	\$ 25,566,987	\$ 22,824,650	\$ 20,535,054
Fiduciary Net Position	<u>22,044,297</u>	<u>22,044,297</u>	<u>22,044,297</u>
Net Pension Liability/(Asset)	\$ <u>3,522,690</u>	\$ <u>780,353</u>	\$ <u>(1,509,243)</u>

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

For the year ended September 30, 2015 the County recognized pension expense of \$448,221.

<u>Prepaid Expense/(Income)</u>	<u>January 1, 2014 to December 31, 2014</u>
Service Cost	\$ 632,865
Interest on Total Pension Liability ⁽¹⁾	1,670,406
Effect of Plan Changes	112,591
Administrative Expenses	16,254
Member Contributions	(371,068)
Expected Investment Return Net of Investment Expenses	(1,667,552)
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of Economic/Demographic Gains or Losses	130,712
Recognition of Assumption Changes or Inputs	-
Recognition of Investment Gains or Losses	58,722
Other ⁽²⁾	<u>(134,709)</u>
Pension Expense/(Income)	\$ <u>448,221</u>

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

⁽²⁾ Relates to allocation of system-wide items.

As of December 31, 2014, the deferred inflows and outflows of resources are as follows:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 392,135
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	234,888
Contributions made subsequent to measurement date	-	623,252
	\$ <u>-</u>	\$ <u>1,250,275</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:

Year Ended December 31

2015	\$ 189,433
2016	189,433
2017	189,433
2018	58,722
2019	-
Thereafter ⁽³⁾	-

⁽³⁾ *Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.*

3.L. POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Retired County employees and their dependents are eligible to elect continued coverage under the County's healthcare program upon retirement if they were carrying the healthcare coverage at the time of their retirement and they have at least 8 years of continuous service upon retirement with the County. The County currently contributes 50% (or up to \$100/month) of the premium charged for such benefits for qualifying retirees. The County does not contribute any amount for continued dependent coverage. The Commissioners' Court, as the governing body of the County, approves such Other Postemployment Benefits (OPEB) on a year-to-year basis during the annual budget process and has not created a constitutionally valid obligation for OPEB beyond fiscal year 2015. As of September 30, 2015, there are 12 retirees who qualify for the \$100/month OPEB benefit. The cost of OPEB for the year ended September 30, 2015 was \$15,800 and the amount projected to be incurred in the year ending September 30, 2016 is \$18,000.

3.M. DEFERRED COMPENSATION PLAN

The County offers all its employees deferred compensation programs through Nationwide Retirement Solutions, Inc. and the Variable Annuity Life Insurance Company (VALIC). The plan, created in accordance with Internal Revenue Code Section 457(B), permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the County, subject only to the claims of the County's general creditors. Participants' rights under the plan are equal to those of general creditors of the County in an amount equal to the fair market value of the deferred account for each participant.

The County has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The County believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

At September 30, 2015, the participant balances were \$164,941 in Nationwide and \$77,076 in VALIC.

3.N. TAX ASSESSOR COLLECTOR CASH SHORTAGE

The Tax Assessor-Collector collects and remits tax collections to local taxing entities including Gillespie County. In January 2014, the County Treasurer notified the County Auditor that the County had not received tax revenue due to the County for the last two days of December. The County Treasurer and the County Auditor made numerous requests to the Tax Assessor-Collector requesting the balance of the tax revenue due to the County.

In April 2014, the Tax Assessor-Collector submitted a large portion of the tax revenue to the County Treasurer, leaving a balance of \$75,889.60 still due to the County as of the date of this report.

Because of the shortage, the County Auditor had begun analyzing the bank account activity of the Tax Office in comparison with the collection and payment activity source documents. This analysis raised significant concerns and questions regarding the collections of taxes, payment of taxes, and reporting of tax collections.

In August of 2014, the County Auditor brought these issues to the attention of the County Commissioners and it was determined that a forensic consultant would be engaged. The forensic consultant found that the transaction recording and financial reporting processes of the Tax Assessor-Collector Office were seriously deficient. The forensic consultant determined that the net unfunded shortage due to all taxing entities (including Gillespie County) was \$89,528.27 and recommended a necessary update and overhaul of the Tax Assessor-Collector Office transactional processing system.

The forensic consultant was engaged to redesign procedures in the Tax Assessor-Collector's office and to provide processes for proper transition of all tax collection responsibilities to the Gillespie Central Appraisal District. The County filed for recovery of the shortage through the Tax Assessor-Collector's bond. The bonding company has not paid the claim.

3.O. PRIOR PERIOD ADJUSTMENT

During fiscal year 2015, the County adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. Adoption of GASB Statement No. 68 required a prior period adjustment to report the effect of GASB Statement No. 68 retroactively. The amount of the prior period adjustment is \$71,507. The restated beginning net position for the Governmental Activities is \$20,126,722.

3.P. SUBSEQUENT EVENTS

The County has evaluated subsequent events through March 25, 2016, the date which the financial statements were available to be issued.

In February, 2016, the County filed a lawsuit in District Court against the Tax Assessor-Collector and bonding company for failure to pay the claim. The case is still pending.

The County is not aware of any other subsequent events that materially impact the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

GILLESPIE COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 9,005,273	\$ 9,005,273	\$ 9,080,198	\$ 74,925
General Sales and Use Taxes	1,751,000	1,751,000	2,181,319	430,319
Other Taxes	-	-	11,074	11,074
Penalty and Interest on Taxes	60,000	60,000	80,948	20,948
Licenses and Permits	20,000	20,000	26,971	6,971
Intergovernmental Revenue and Grants	405,700	405,700	479,052	73,352
Charges for Services	738,730	738,730	946,681	207,951
Fines	65,000	65,000	81,713	16,713
Investment Earnings	30,000	30,000	35,645	5,645
Rents and Royalties	120,000	120,000	129,273	9,273
Other Revenue	319,200	319,200	200,074	(119,126)
Total Revenues	12,514,903	12,514,903	13,252,948	738,045
EXPENDITURES:				
Current:				
General Government:				
Judicial	1,116,843	1,141,183	1,081,574	59,609
General Administration	4,986,190	4,865,035	4,028,319	836,716
Public Safety	6,965,336	7,058,551	6,306,988	751,563
Health and Sanitation	1,176,317	1,176,317	237,410	938,907
Public Facilities	739,698	739,698	566,315	173,383
Libraries and Education	310,037	310,037	291,262	18,775
Agriculture Services	327,905	331,505	313,897	17,608
Total Expenditures	15,622,326	15,622,326	12,825,765	2,796,561
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,107,423)	(3,107,423)	427,183	3,534,606
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	6,682	6,682
Proceeds from Capital Leases	577,000	577,000	576,301	(699)
Transfers Out (Use)	(385,000)	(385,000)	(3,098)	381,902
Total Other Financing Sources (Uses)	192,000	192,000	579,885	387,885
Net Change	(2,915,423)	(2,915,423)	1,007,068	3,922,491
Fund Balance - October 1 (Beginning)	9,285,375	9,285,375	9,285,375	-
Fund Balance - September 30 (Ending)	\$ 6,369,952	\$ 6,369,952	\$ 10,292,443	\$ 3,922,491

GILLESPIE COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD AND BRIDGE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT G-2

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ 1,588,431	\$ 1,588,431	\$ 1,603,279	\$ 14,848
Penalty and Interest on Taxes	8,000	8,000	14,193	6,193
Licenses and Permits	625,000	625,000	702,615	77,615
Fines	164,000	164,000	199,943	35,943
Investment Earnings	2,325	2,325	3,747	1,422
Other Revenue	1,000	1,000	9,779	8,779
Total Revenues	2,388,756	2,388,756	2,533,556	144,800
EXPENDITURES:				
Current:				
Road and Bridge	3,056,110	3,056,110	2,459,136	596,974
Total Expenditures	3,056,110	3,056,110	2,459,136	596,974
Excess (Deficiency) of Revenues Over (Under) Expenditures	(667,354)	(667,354)	74,420	741,774
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	5,803	5,803
Transfers In	2,970,000	2,970,000	-	(2,970,000)
Transfers Out (Use)	(2,620,000)	(2,620,000)	-	2,620,000
Total Other Financing Sources (Uses)	350,000	350,000	5,803	(344,197)
Change in Fund Balance	(317,354)	(317,354)	80,223	397,577
Fund Balance - October 1 (Beginning)	1,123,101	1,123,101	1,123,101	-
Fund Balance - September 30 (Ending)	\$ 805,747	\$ 805,747	\$ 1,203,324	\$ 397,577

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

GILLESPIE COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Year Ended December 31, 2014
Total Pension Liability	
Service Cost	\$ 632,865
Interest on Total Pension Liability	1,670,406
Effect of Plan Changes	112,591
Effect of Assumption Changes or Inputs	-
Effect of Economic/Demographic (Gains) or Losses	522,846
Benefit Payments/Refunds of Contributions	(727,591)
Net Change in Total Pension Liability	\$ 2,211,117
Total Pension Liability, Beginning	20,613,533
Total Pension Liability, Ending (a)	\$ 22,824,650
Fiduciary Net Position	
Employer Contributions	795,145
Member Contributions	371,068
Investment Income Net of Investment Expenses	1,373,943
Benefit Payments/Refunds of Contributions	(727,591)
Administrative Expenses	(16,254)
Other	134,709
Net Change in Fiduciary Net Position	\$ 1,931,018
Fiduciary Net Position, Beginning	20,113,278
Fiduciary Net Position, Ending (b)	\$ 22,044,297
 Net Pension Liability/(Asset), Ending = (a) – (b)	 \$ 780,353
 Fiduciary Net Position as a % of Total Pension Liability	 96.58%
 Pensionable Covered Payroll	 \$ 5,300,965
 Net Pension Liability as a % of Covered Payroll	 14.72%

Note: GASB 68, Paragraph 46, a and b 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.

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "The information for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

GILLESPIE COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>Year Ending December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll ⁽¹⁾</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2005	Not Available	Not Available	Not Available	Not Available	Not Available
2006	\$ 317,217	\$ 333,554	\$ (16,337)	\$ 3,403,614	\$ 9.8%
2007	350,427	359,601	(9,173)	3,669,397	9.8%
2008	389,634	440,831	(51,196)	3,988,068	11.1%
2009	456,597	459,221	(2,624)	4,373,531	10.5%
2010	521,389	701,420	(180,031)	4,676,134	15.0%
2011	500,172	720,021	(219,848)	4,800,119	15.0%
2012	517,139	735,268	(218,129)	4,901,795	15.0%
2013	525,243	737,012	(211,769)	4,913,407	15.0%
2014	571,974	795,145	(223,171)	5,300,965	15.0%

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

Note: GASB 68, Paragraph 46, c and d requires that the data in this schedule be presented as of the governmental entity's current fiscal year as opposed to the time period covered by the measurement date.

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "The information for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

GILLESPIE COUNTY
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
SEPTEMBER 30, 2015

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal (1)
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	Same as funding valuation: See Appendix B
Salary Increases	Same as funding valuation: See Appendix B
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Gillespie County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation
Retirement Age	Same as funding valuation: See Appendix B
Turnover	Same as funding valuation: See Appendix B
Mortality	Same as funding valuation: See Appendix B

(1) *Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation*

Other Information:

Notes There were no benefit changes during the year.

SUPPLEMENTARY INFORMATION

GILLESPIE COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	11	20	21
	Grants	Law	Lateral
	Fund	Library	Road
	Fund	Fund	Fund
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 7,760	\$ 6,633
Taxes Receivable	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-
Receivables (Net)	-	1,749	-
Total Assets	<u>\$ -</u>	<u>\$ 9,509</u>	<u>\$ 6,633</u>
LIABILITIES			
Accounts Payable	\$ -	\$ 405	\$ -
Wages and Salaries Payable	-	-	-
Due to Other Funds	-	-	-
Unearned Revenues	-	-	-
Total Liabilities	<u>-</u>	<u>405</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
Retirement of Long-Term Debt	-	-	-
Special Revenue	-	9,104	6,633
Total Fund Balances	<u>-</u>	<u>9,104</u>	<u>6,633</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ -</u>	<u>\$ 9,509</u>	<u>\$ 6,633</u>

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

24 Probate Training Fund	25 Court Reporter Service Fund	28 County Records Management	29 County Clerk Records Management	30 Sheriff Seizure Fund	31 Justice Courthouse Security Fund	32 Courthouse Security Fund	34 District Clerk Records Management
\$ 29,772	\$ 468	\$ 91,506	\$ 103,515	\$ 39,578	\$ 29,523	\$ 2,097	\$ 7,114
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
230	570	982	5,694	-	178	1,449	235
<u>\$ 30,002</u>	<u>\$ 1,038</u>	<u>\$ 92,488</u>	<u>\$ 109,209</u>	<u>\$ 39,578</u>	<u>\$ 29,701</u>	<u>\$ 3,546</u>	<u>\$ 7,349</u>
\$ -	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ 1	\$ -
-	-	-	511	-	-	1,062	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	513	-	-	1,063	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
30,002	1,038	92,488	108,696	39,578	29,701	2,483	7,349
<u>30,002</u>	<u>1,038</u>	<u>92,488</u>	<u>108,696</u>	<u>39,578</u>	<u>29,701</u>	<u>2,483</u>	<u>7,349</u>
<u>\$ 30,002</u>	<u>\$ 1,038</u>	<u>\$ 92,488</u>	<u>\$ 109,209</u>	<u>\$ 39,578</u>	<u>\$ 29,701</u>	<u>\$ 3,546</u>	<u>\$ 7,349</u>

GILLESPIE COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	35	36	37	51
	County and District Crt. Technology	Hotel Occupancy Tax Fund	Pretrial Intervention Fund	Justice Court Technology Fund
ASSETS				
Cash and Cash Equivalents	\$ 16,756	\$ 538,177	\$ 123,026	\$ 112,120
Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-	-
Receivables (Net)	450	-	-	727
Total Assets	<u>\$ 17,206</u>	<u>\$ 538,177</u>	<u>\$ 123,026</u>	<u>\$ 112,847</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Wages and Salaries Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Unearned Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
Retirement of Long-Term Debt	-	-	-	-
Special Revenue	17,206	538,177	123,026	112,847
Total Fund Balances	<u>\$ 17,206</u>	<u>\$ 538,177</u>	<u>\$ 123,026</u>	<u>\$ 112,847</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 17,206</u>	<u>\$ 538,177</u>	<u>\$ 123,026</u>	<u>\$ 112,847</u>

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

54 Pioneer Memorial Library Grant	72 Airport Operations Fund	78 LEOSE Training Fund	81 Tax Assessor M V I Fund	93 Sheriff Abandoned Vehicles	Total Nonmajor Special Revenue Funds	53 Interest & Sinking Fund	62 GOB Series 2013 Interest and Sinking
\$ 470	\$ 1,037,772	\$ 18,050	\$ 107	\$ 1,201	\$ 2,165,645	\$ 22,394	\$ 176,091
-	-	-	-	-	-	3,960	26,514
-	-	-	-	-	-	(79)	(530)
-	3,356	-	-	-	15,620	188	1,157
<u>\$ 470</u>	<u>\$ 1,041,128</u>	<u>\$ 18,050</u>	<u>\$ 107</u>	<u>\$ 1,201</u>	<u>\$ 2,181,265</u>	<u>\$ 26,463</u>	<u>\$ 203,232</u>
\$ -	\$ 1,647	\$ -	\$ -	\$ -	\$ 2,055	\$ -	\$ -
-	1,750	-	-	-	3,323	-	-
-	10	-	-	-	10	-	-
-	3,694	-	-	-	3,694	-	-
<u>-</u>	<u>7,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,082</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	3,881	25,984
-	-	-	-	-	-	3,881	25,984
-	-	-	-	-	-	22,582	177,248
470	1,034,027	18,050	107	1,201	2,172,183	-	-
470	1,034,027	18,050	107	1,201	2,172,183	22,582	177,248
<u>\$ 470</u>	<u>\$ 1,041,128</u>	<u>\$ 18,050</u>	<u>\$ 107</u>	<u>\$ 1,201</u>	<u>\$ 2,181,265</u>	<u>\$ 26,463</u>	<u>\$ 203,232</u>

GILLESPIE COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2015

	Total Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ 198,485	\$ 2,364,130
Taxes Receivable	30,474	30,474
Allowance for Uncollectible Taxes (credit)	(609)	(609)
Receivables (Net)	1,345	16,965
Total Assets	<u>\$ 229,695</u>	<u>\$ 2,410,960</u>
LIABILITIES		
Accounts Payable	\$ -	\$ 2,055
Wages and Salaries Payable	-	3,323
Due to Other Funds	-	10
Unearned Revenues	-	3,694
Total Liabilities	<u>-</u>	<u>9,082</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Property Taxes	29,865	29,865
Total Deferred Inflows of Resources	<u>29,865</u>	<u>29,865</u>
FUND BALANCES		
Restricted Fund Balance:		
Retirement of Long-Term Debt	199,830	199,830
Special Revenue	-	2,172,183
Total Fund Balances	<u>199,830</u>	<u>2,372,013</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 229,695</u>	<u>\$ 2,410,960</u>

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

GILLESPIE COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	11	20	21
	Grants	Law	Lateral
	Fund	Library	Road
	Fund	Fund	Fund
REVENUES:			
Taxes:			
Property Taxes	\$ -	\$ -	\$ -
Other Taxes	-	-	-
Penalty and Interest on Taxes	-	-	-
Intergovernmental Revenue and Grants	-	-	26,533
Charges for Services	-	14,322	-
Fines	-	-	-
Forfeits	-	-	-
Investment Earnings	-	-	-
Rents and Royalties	-	-	-
Other Revenue	-	-	-
Total Revenues	-	14,322	26,533
EXPENDITURES:			
Current:			
General Government:			
Judicial	-	20,520	-
General Administration	-	-	-
Public Safety	-	-	-
Road and Bridge	-	-	19,900
Public Facilities	-	-	-
Debt Service:			
Bond Principal	-	-	-
Bond Interest	-	-	-
Fiscal Agent's Fees	-	-	-
Total Expenditures	-	20,520	19,900
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(6,198)	6,633
OTHER FINANCING SOURCES (USES):			
Sale of Real and Personal Property	-	-	-
Transfers In	3,098	-	-
Transfers Out (Use)	-	-	-
Total Other Financing Sources (Uses)	3,098	-	-
Net Change in Fund Balance	3,098	(6,198)	6,633
Fund Balance - October 1 (Beginning)	(3,098)	15,302	-
Fund Balance - September 30 (Ending)	\$ -	\$ 9,104	\$ 6,633

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

24 Probate Training Fund	25 Court Reporter Service Fund	28 County Records Management	29 County Clerk Records Management	30 Sheriff Seizure Fund	31 Justice Courthouse Security Fund	32 Courthouse Security Fund	34 District Clerk Records Management
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,024	3,402	7,802	65,205	-	-	16,191	1,391
-	-	-	-	-	2,350	-	-
-	-	-	-	11,960	-	-	-
-	-	-	-	50	-	-	-
-	-	-	-	-	-	-	-
453	-	-	-	-	-	-	-
<u>3,477</u>	<u>3,402</u>	<u>7,802</u>	<u>65,205</u>	<u>12,010</u>	<u>2,350</u>	<u>16,191</u>	<u>1,391</u>
-	3,449	-	-	-	-	-	-
-	-	-	48,202	-	-	26,705	-
-	-	-	-	8,563	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	3,449	-	48,202	8,563	-	26,705	-
<u>3,477</u>	<u>(47)</u>	<u>7,802</u>	<u>17,003</u>	<u>3,447</u>	<u>2,350</u>	<u>(10,514)</u>	<u>1,391</u>
-	-	-	-	18,779	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	18,779	-	-	-
3,477	(47)	7,802	17,003	22,226	2,350	(10,514)	1,391
<u>26,525</u>	<u>1,085</u>	<u>84,686</u>	<u>91,693</u>	<u>17,352</u>	<u>27,351</u>	<u>12,997</u>	<u>5,958</u>
<u>\$ 30,002</u>	<u>\$ 1,038</u>	<u>\$ 92,488</u>	<u>\$ 108,696</u>	<u>\$ 39,578</u>	<u>\$ 29,701</u>	<u>\$ 2,483</u>	<u>\$ 7,349</u>

GILLESPIE COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	35 County and District Crt. Technology	36 Hotel Occupancy Tax Fund	37 Pretrial Intervention Fund	51 Justice Court Technology Fund
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	462,806	-	-
Penalty and Interest on Taxes	-	-	-	-
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	3,019	-	-	9,474
Fines	-	-	-	-
Forfeits	-	-	-	-
Investment Earnings	-	874	-	-
Rents and Royalties	-	-	-	-
Other Revenue	-	2,881	-	-
Total Revenues	<u>3,019</u>	<u>466,561</u>	<u>-</u>	<u>9,474</u>
EXPENDITURES:				
Current:				
General Government:				
Judicial	-	-	-	-
General Administration	-	375,485	-	-
Public Safety	-	-	-	-
Road and Bridge	-	-	-	-
Public Facilities	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Fiscal Agent's Fees	-	-	-	-
Total Expenditures	<u>-</u>	<u>375,485</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,019</u>	<u>91,076</u>	<u>-</u>	<u>9,474</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	-	-
Transfers In	-	-	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	3,019	91,076	-	9,474
Fund Balance - October 1 (Beginning)	<u>14,187</u>	<u>447,101</u>	<u>123,026</u>	<u>103,373</u>
Fund Balance - September 30 (Ending)	<u>\$ 17,206</u>	<u>\$ 538,177</u>	<u>\$ 123,026</u>	<u>\$ 112,847</u>

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

54 Pioneer Memorial Library Grant	72 Airport Operations Fund	78 LEOSE Training Fund	81 Tax Assessor M V I Fund	93 Sheriff Abandoned Vehicles	Total Nonmajor Special Revenue Funds	53 Interest & Sinking Fund	62 GOB Series 2013 Interest and Sinking
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 169,881	\$ 1,004,288
-	-	-	-	-	462,806	-	-
-	-	-	-	-	-	1,727	7,069
-	27,982	4,376	-	-	58,891	-	-
-	-	-	-	-	123,830	-	-
-	-	-	-	-	2,350	-	-
-	-	-	-	-	11,960	-	-
-	1,270	-	-	2	2,196	22	182
-	158,847	-	-	-	158,847	-	-
-	13,666	-	-	-	17,000	-	-
-	201,765	4,376	-	2	837,880	171,630	1,011,539
-	-	-	-	-	23,969	-	-
-	-	-	-	-	450,392	-	-
-	-	1,869	-	-	10,432	-	-
-	-	-	-	-	19,900	-	-
-	117,465	-	-	-	117,465	-	-
-	-	-	-	-	-	150,000	530,000
-	-	-	-	-	-	29,378	490,950
-	-	-	-	-	-	750	400
-	117,465	1,869	-	-	622,158	180,128	1,021,350
-	84,300	2,507	-	2	215,722	(8,498)	(9,811)
-	380,000	-	-	-	398,779	-	-
-	-	-	-	-	3,098	-	-
-	(19,479)	-	-	-	(19,479)	-	-
-	360,521	-	-	-	382,398	-	-
-	444,821	2,507	-	2	598,120	(8,498)	(9,811)
470	589,206	15,543	107	1,199	1,574,063	31,080	187,059
\$ 470	\$ 1,034,027	\$ 18,050	\$ 107	\$ 1,201	\$ 2,172,183	\$ 22,582	\$ 177,248

GILLESPIE COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Total Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
REVENUES:		
Taxes:		
Property Taxes	\$ 1,174,169	\$ 1,174,169
Other Taxes	-	462,806
Penalty and Interest on Taxes	8,796	8,796
Intergovernmental Revenue and Grants	-	58,891
Charges for Services	-	123,830
Fines	-	2,350
Forfeits	-	11,960
Investment Earnings	204	2,400
Rents and Royalties	-	158,847
Other Revenue	-	17,000
Total Revenues	<u>1,183,169</u>	<u>2,021,049</u>
EXPENDITURES:		
Current:		
General Government:		
Judicial	-	23,969
General Administration	-	450,392
Public Safety	-	10,432
Road and Bridge	-	19,900
Public Facilities	-	117,465
Debt Service:		
Bond Principal	680,000	680,000
Bond Interest	520,328	520,328
Fiscal Agent's Fees	1,150	1,150
Total Expenditures	<u>1,201,478</u>	<u>1,823,636</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(18,309)</u>	<u>197,413</u>
OTHER FINANCING SOURCES (USES):		
Sale of Real and Personal Property	-	398,779
Transfers In	-	3,098
Transfers Out (Use)	-	(19,479)
Total Other Financing Sources (Uses)	<u>-</u>	<u>382,398</u>
Net Change in Fund Balance	(18,309)	579,811
Fund Balance - October 1 (Beginning)	<u>218,139</u>	<u>1,792,202</u>
Fund Balance - September 30 (Ending)	<u><u>\$ 199,830</u></u>	<u><u>\$ 2,372,013</u></u>

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

GILLESPIE COUNTY, TEXAS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	BALANCE OCTOBER 1 2014	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 2015
STATE COURT COSTS, FEES, FINES				
Assets:				
Cash and Cash Equivalents	\$ 56,439	\$ 54,333	\$ 56,439	\$ 54,333
Due From Other Governments	23,480	20,285	23,480	20,285
Total Assets	\$ 79,919	\$ 74,618	\$ 79,919	\$ 74,618
Liabilities:				
Due to Other Governments	\$ 79,919	\$ 74,618	\$ 79,919	\$ 74,618
WASTE WATER (STATE FEE)				
Assets:				
Cash and Cash Equivalents	\$ 610	\$ 520	\$ 480	\$ 650
Liabilities:				
Due to Other Governments	\$ 610	\$ 520	\$ 480	\$ 650
APPELLATE JUDICIAL SYSTEM				
Assets:				
Cash and Cash Equivalents	\$ 704	\$ 2,127	\$ 2,054	\$ 777
Other Receivables	334	249	333	250
Total Assets	\$ 1,038	\$ 2,376	\$ 2,387	\$ 1,027
Liabilities:				
Due to Others	\$ 1,038	\$ 2,376	\$ 2,387	\$ 1,027
UNCLAIMED MONEY FUND				
Assets:				
Cash and Cash Equivalents	\$ 55,949	\$ -	\$ 1,738	\$ 54,211
Liabilities:				
Due to Others	\$ 55,949	\$ -	\$ 1,738	\$ 54,211
OFFICIALS' FEES ACCOUNTS				
Assets:				
Cash and Cash Equivalents	\$ 1,505,929	\$ 111,882,153	\$ 111,910,021	\$ 1,478,060
Liabilities:				
Due to Other Governments	\$ 727,975	\$ 111,675,285	\$ 111,761,999	\$ 641,261
Due to Others	777,954	206,868	148,023	836,799
Total Liabilities	\$ 1,505,929	\$ 111,882,153	\$ 111,910,021	\$ 1,478,060
TOTAL AGENCY FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 1,619,631	\$ 111,939,133	\$ 111,970,732	\$ 1,588,031
Other Receivables	334	249	333	250
Due From Other Governments	23,480	20,285	23,480	20,285
Total Assets	\$ 1,643,445	\$ 111,959,667	\$ 111,994,545	\$ 1,608,566
Liabilities:				
Due to Other Governments	\$ 808,504	\$ 111,750,423	\$ 111,842,398	\$ 716,529
Due to Others	834,941	209,244	152,148	892,037
Total Liabilities	\$ 1,643,445	\$ 111,959,667	\$ 111,994,545	\$ 1,608,566

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

GILLESPIE COUNTY, TEXAS
COMBINING STATEMENT OF NET POSITION
PRIVATE PURPOSE TRUST FUNDS

	80	84	89	92
	County Atty	Alternative	McDermott	Breiten
	Hot Check	Dispute	Building	Fund
	Fund	Resolution	Fund	(PML)
<hr/>				
ASSETS				
Cash and Cash Equivalents	\$ 11,834	\$ 2,196	\$ 138,722	\$ 207,231
Other Receivables	-	605	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	11,834	2,801	138,722	207,231
	<hr/>	<hr/>	<hr/>	<hr/>
LIABILITIES				
Accounts Payable	10,183	2,801	-	654
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	10,183	2,801	-	654
	<hr/>	<hr/>	<hr/>	<hr/>
NET POSITION				
Unrestricted Net Position	1,651	-	138,722	206,577
	<hr/>	<hr/>	<hr/>	<hr/>
Total Net Position	\$ 1,651	\$ -	\$ 138,722	\$ 206,577
	<hr/>	<hr/>	<hr/>	<hr/>

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

99 Light Up The Block Fund	Total Private Purpose Trust Funds
\$ -	\$ 359,983
-	605
<u>\$ -</u>	<u>\$ 360,588</u>
 \$ -	 \$ 13,638
<u>\$ -</u>	<u>\$ 13,638</u>
 -	 346,950
<u>\$ -</u>	<u>\$ 346,950</u>

GILLESPIE COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

Data Control Codes	80 County Atty Hot Check Fund	84 Alternative Dispute Resolution	89 McDermott Building Fund	92 Breiten Fund (PML)
ADDITIONS:				
Charges for Services	\$ 5,851	\$ 5,559	\$ -	\$ -
Investment Earnings	-	-	267	400
Total Additions	<u>5,851</u>	<u>5,559</u>	<u>267</u>	<u>400</u>
DEDUCTIONS:				
Travel Expenses	6,036	-	-	-
Purchased Professional & Technical	-	5,559	-	-
Other Operating Expenses	-	-	-	-
Supplies	336	-	3,734	7,455
Interest Expense	71	-	-	-
Total Deductions	<u>6,443</u>	<u>5,559</u>	<u>3,734</u>	<u>7,455</u>
Change in Net Position	(592)	-	(3,467)	(7,055)
Total Net Position - October 1 (Beginning)	<u>2,243</u>	<u>-</u>	<u>142,189</u>	<u>213,632</u>
Total Net Position - September 30 (Ending)	<u>\$ 1,651</u>	<u>\$ -</u>	<u>\$ 138,722</u>	<u>\$ 206,577</u>

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

99 Light Up The Block Fund	Total Private Purpose Trust Funds
\$ -	\$ 11,410
-	667
-	12,077
-	6,036
-	5,559
3	3
-	11,525
-	71
3	23,194
(3)	(11,117)
3	358,067
\$ -	\$ 346,950

NEFFENDORF & KNOPP, P.C.
Certified Public Accountants

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

To the Honorable Judge and Members
of the Commissioners' Court
Gillespie County, Texas
Fredericksburg, TX 78624

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 Gillespie County, Texas (the "County"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 25, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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

Tax Assessor-Collector

Serious deficiencies were found in the internal control system of the Tax Assessor-Collector's office regarding the transaction recording and financial reporting of the tax collection function. The County Auditor and a forensic consultant determined a shortage of funds in the tax collections for various entities. Most of the shortage is due to the County and appears to be due from improper accounting and processing of refunds.

Compliance and Other Matters

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

Purpose of this Report

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

We noted certain matters that we reported to management of the County of Gillespie, Texas, in a separate letter dated March 25, 2016.

Sincerely,



NEFFENDORF & KNOPP, P.C.
Fredericksburg, Texas

March 25, 2016

NEFFENDORF & KNOPP, P.C.

Certified Public Accountants

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March 25, 2016

Honorable Judge and Commissioners
County of Gillespie, Texas
Fredericksburg, TX 78624

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gillespie County, Texas for the year ended September 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 15, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Gillespie County, Texas are described in Note I to the financial statements. GASB Statement No. 68 *Accounting and Reporting for Pensions* was adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by Gillespie County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant accounting estimates.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 25, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis; Budgetary Comparison Schedule - General Fund; Budgetary Comparison Schedule – Road and Bridge Fund; and the Schedule of Funding Progress for the Retirement Plan, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining Balance Sheet – Nonmajor Governmental Funds; Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds; Combining Statement of Changes in Assets and Liabilities – All Agency Funds; Combining Statement of Net Position – Private Purpose Trust Funds; and Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Private Purpose Trust Funds, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restrictions on Use

This information is intended solely for the use of the Commissioner's Court and management of the County of Gillespie and is not intended to be, and should not be, used by anyone other than these specified parties.

Other Comments and Recommendations

Recording TxDOT Grants in General Ledger

The County participated in an airport project with TxDOT. The grant revenues and expenditures were not recorded in the general ledger. Although the County did not receive the funds and pay invoices under this agreement, the County should record the amounts in the general ledger.

Prior Year Recommendations

Tax Assessor-Collector

The tax collection functions were transferred to the Appraisal District.

District Clerk Monthly Reports

Monthly reports now are being filed on a more timely basis.

Sincerely,

Neffendorf & Knopp, P.C.

NEFFENDORF & KNOPP, P.C.
Fredericksburg, Texas

March 25, 2016