

*BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION*

**COUNTY OF GILLESPIE,  
TEXAS**

*Fredericksburg, Texas*

**For the Year Ended  
September 30, 2016**

GILLESPIE COUNTY, TEXAS

BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2016

GILLESPIE COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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# **NEFFENDORF & KNOPP, P.C.**

## ***Certified Public Accountants***

P.O. BOX 874 · 736 S. WASHINGTON ST.

FREDERICKSBURG, TEXAS 78624-0874

(830) 997-3348

FAX: (830) 997-3333

Email: nkhd@austin.rr.com

MEMBER

AMERICAN INSTITUTE OF  
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CERTIFIED PUBLIC ACCOUNTANTS

### **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, 2016, 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, 2016, 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.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (Pages 3 through 8), budgetary comparison information (pages 43 and 44), the schedule of changes in net pension liability and related ratios, schedule of employer contributions and notes to the schedule of contributions (pages 45 through 47) 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 24, 2017, 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.*  
NEFFENDORF & KNOPP, P.C.  
Fredericksburg, Texas

March 24, 2017

GILLESPIE COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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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, 2016. 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 \$25,892,635 (Net Position). Of this amount, \$12,117,106 (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 \$2,824,661 as a result of this year's operations.
- At September 30, 2016, the County's governmental funds reported combined ending fund balances of \$16,221,363, an increase of \$1,877,394 in comparison with the prior year.
- At September 30, 2016, the unassigned fund balance of the general fund was \$12,023,400 or 90 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 43 and 44.



## **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 \$23,067,974 to \$25,892,635. 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 \$12,117,106 at September 30, 2016. This increase in governmental Net Position was the result of four factors. First, the County's revenues exceeded the expenditures by \$1,877,394. Second, the County acquired capital assets in the amount of \$1,103,957. Third, the County retired principal on long-term debt of \$807,576. Fourth, the County recorded depreciation in the amounts of \$931,535.

**Table I**  
**Gillespie County, Texas**

**NET POSITION**  
in thousands

	Governmental Activities	
	2016	2015
Current and Other Assets	\$ 17,758	\$ 15,639
Capital Assets	24,170	23,997
Total Assets	\$ 41,928	\$ 39,636
Deferred Outflow Related to Pension Plan	\$ 2,878	\$ 1,250
Long-Term Liabilities	\$ 17,774	\$ 16,983
Other Liabilities	1,089	835
Total Liabilities	\$ 18,863	\$ 17,818
Deferred Inflow Related to Pension Plan	\$ 51	\$ -
Net Position:		
Net Investment in Capital Assets	\$ 9,868	\$ 8,557
Restricted	3,907	3,605
Unrestricted	12,117	10,906
Total Net Position	\$ 25,892	\$ 23,068

**Table II**  
**Gillespie County, Texas**

**CHANGES IN NET POSITION**  
in thousands

	Governmental Activities	
	2016	2015
Revenues:		
Charges for Services	\$ 2,416	\$ 2,384
Operating Grants and Contributions	423	155
Capital Grants and Contributions	155	179
Property Taxes	13,257	11,888
Sales Tax	2,291	2,181
Other Taxes	500	474
Penalty and Interest	126	104
Grants and Contributions Not Restricted	103	204
Miscellaneous Revenue	834	700
Investment Earnings	72	46
Total Revenue	<u>\$ 20,177</u>	<u>\$ 18,315</u>
Expenses:		
Judicial	\$ 1,286	\$ 1,129
General Government	5,453	4,144
Public Safety	6,006	5,634
Road and Bridge	2,500	2,449
Health and Sanitation	264	241
Public Facilities	778	700
Libraries and Education	298	287
Agricultural Services	317	325
Debt Interest	450	464
Debt Fees	1	1
Total Expenses	<u>\$ 17,353</u>	<u>\$ 15,374</u>
Increase in Net Position	\$ 2,824	\$ 2,941
Net Position - Beginning	23,068	20,055
Prior Period Adjustment	-	72
Net Position - Ending	<u>\$ 25,892</u>	<u>\$ 23,068</u>

The cost of all governmental activities this year was \$17,352,409. However, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$13,257,131 because the other costs were paid by sales tax (\$2,290,985), capital and operating grants and contributions (\$681,257), user charges (\$2,415,938), other taxes (\$500,296), penalties and interest on taxes (\$125,572), investment earnings (\$72,030), and other miscellaneous (\$833,861).



## 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 \$16,221,363, which is more than last year's total of \$14,343,966. Included in this year's total change in fund balance is an increase of \$1,747,021 in the County's General Fund, an increase of \$91,212 in the County's Road and Bridge Fund, and an increase of \$228,774 in the County's Debt Service Funds. 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 \$4,158,099 for the General Fund and a positive variance with final budget of \$461,093 for the Road and Bridge Fund.

## CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2016, the County had the following amounts invested in capital assets, net of depreciation:

	<b>CAPITAL ASSETS</b>	
	in thousands	
	2016	2015
Land and Easements	\$ 2,060	\$ 2,060
Construction in Progress	487	198
Buildings & Improvements	20,182	20,182
Machinery & Equipment	9,016	8,616
Other Improvements	2,578	2,338
Total Capital Assets	\$ 34,323	\$ 33,394
Less Accumulated Depreciation	10,153	9,397
Capital Assets, Net	<u>\$ 24,170</u>	<u>\$ 23,997</u>

This year's major additions included:

Equipment	\$ 202,627
Vehicles	372,675
Airport Improvements	288,692
County Jail	123,725
Other Improvements	116,238
TOTALS	<u>\$ 1,103,957</u>

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



## DEBT

At September 30, 2016, the County had the following outstanding debt:

### OUTSTANDING DEBT in thousands

	<u>2016</u>	<u>2015</u>
General Obligation Refunding Bonds –		
Series 2010	\$ 825	\$ 975
General Obligation Bonds – Series 2013	12,645	13,185
State Comptroller Obligation	-	11
Capital Leases	611	718
Premium on GO Bonds – Series 2013	909	963
Compensated Absences	387	350
Total Outstanding Debt	<u>\$ 15,377</u>	<u>\$ 16,202</u>

For governmental activities, the County had \$13,470 in general obligation bonds and other long-term debt outstanding, a decrease of 4.9 percent. The County retired \$690,000 in principle on the outstanding long-term debt. The annual amortization for the bond premium was \$54,659 in fiscal year 2015-2016. The net increase in compensated absences was \$36,740.

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 2017 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 2017. Amounts available for appropriation in the General Fund budget are \$16,030,286 and expenditures are estimated to be \$17,683,628. If these estimates are realized, the County's budgetary General fund balance is expected to decrease \$1,960,542 by the close of 2017 (use of prior year surplus). Amounts available for appropriation in the Road and Bridge Fund budget are \$3,810,926 and expenditures are estimated to be \$4,309,710. If these estimates are realized, the County's budgetary Road and Bridge fund balance is expected to decrease \$198,784 by the close of 2017 (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, 2016

EXHIBIT A-1

	Primary Government
	Governmental Activities
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 16,807,111
Receivables (net of allowance for uncollectibles)	932,307
Inventories	18,539
Capital Assets:	
Land	2,060,335
Infrastructure, net	2,085,534
Buildings, net	17,350,360
Improvements other than Buildings, net	281,094
Machinery and Equipment, net	1,905,278
Construction in Progress	487,277
Total Assets	<u>41,927,835</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred Outflow Related to Pension Plan	<u>2,878,030</u>
Total Deferred Outflows of Resources	<u>2,878,030</u>
LIABILITIES	
Accounts Payable	986,447
Intergovernmental Payable	4,493
Accrued Interest Payable	62,433
Unearned Revenues	35,312
Noncurrent Liabilities	
Due Within One Year	816,014
Due in More Than One Year	14,561,138
Net Pension Liability	<u>2,396,793</u>
Total Liabilities	<u>18,862,630</u>
DEFERRED INFLOW OF RESOURCES	
Deferred Inflow Related to Pension Plan	<u>50,600</u>
Total Deferred Inflows of Resources	<u>50,600</u>
NET POSITION	
Net Investment in Capital Assets	9,868,411
Restricted for:	
Restricted for Debt Service	428,604
Restricted for Special Revenue	3,478,514
Unrestricted Net Position	<u>12,117,106</u>
Total Net Position	<u>\$ 25,892,635</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, 2016

		Program Revenues	
		Charges for Services	Operating Grants and Contributions
	Expenses		
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
Judicial	\$ 1,286,343	\$ 299,949	\$ 64,841
General Administration	5,453,138	809,957	44,045
Public Safety	6,005,640	57,220	275,340
Road and Bridge	2,499,484	891,959	26,632
Health and Sanitation	264,178	190,775	9,842
Public Facilities	777,601	166,078	2,264
Libraries and Education	297,458	-	-
Agriculture Services	317,324	-	-
Bond Interest	450,093	-	-
Fiscal Agent's Fees	1,150	-	-
<b>TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 17,352,409</b>	<b>\$ 2,415,938</b>	<b>\$ 422,964</b>

General Revenues:

Taxes:

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 Position-- Beginning

Net Position--Ending

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

Net (Expense) Revenue and Changes in Net Position		
	Capital Grants and Contributions	Primary Government Governmental
\$	-	\$ (921,553)
	-	(4,599,136)
	-	(5,673,080)
	-	(1,580,893)
	-	(63,561)
	155,262	(453,997)
	-	(297,458)
	-	(317,324)
	-	(450,093)
	-	(1,150)
\$	<u>155,262</u>	<u>(14,358,245)</u>

11,838,807
1,418,324
2,290,985
500,296
125,572
103,031
833,861
72,030
<u>17,182,906</u>
2,824,661
23,067,974
<u>\$ 25,892,635</u>

GILLESPIE COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016

	General Fund	Road & Bridge Fund	Debt Service Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 12,337,694	\$ 1,552,608	\$ 427,396
Taxes Receivable	243,757	43,016	34,385
Allowance for Uncollectible Taxes (credit)	(4,875)	(860)	(688)
Receivables (Net)	361,069	44,793	1,209
Intergovernmental Receivables	593	-	-
Due from Other Funds	2,255	-	-
Inventories	16,064	2,475	-
Total Assets	<u>\$ 12,956,557</u>	<u>\$ 1,642,032</u>	<u>\$ 462,302</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 177,860	\$ 241,007	\$ -
Wages and Salaries Payable	466,074	62,088	-
Intergovernmental Payable	4,493	-	-
Due to Other Funds	-	2,245	-
Unearned Revenues	29,784	-	-
Total Liabilities	<u>678,211</u>	<u>305,340</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	238,882	42,156	33,698
Total Deferred Inflows of Resources	<u>238,882</u>	<u>42,156</u>	<u>33,698</u>
<b>FUND BALANCES</b>			
Inventories	16,064	-	-
Capital Acquisition & Contractual Obligation	-	-	-
Retirement of Long-Term Debt	-	-	428,604
Other Restricted Fund Balance	-	1,294,536	-
Unassigned Fund Balance	12,023,400	-	-
Total Fund Balances	<u>12,039,464</u>	<u>1,294,536</u>	<u>428,604</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 12,956,557</u>	<u>\$ 1,642,032</u>	<u>\$ 462,302</u>

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



		Total	
Other		Governmental	
Funds		Funds	
<hr/>		<hr/>	
\$	2,489,413	\$	16,807,111
	-		321,158
	-		(6,423)
	14,304		421,375
	-		593
	-		2,255
	-		18,539
<hr/>		<hr/>	
\$	2,503,717	\$	17,564,608
<hr/>		<hr/>	
\$	37,210	\$	456,077
	2,210		530,372
	-		4,493
	10		2,255
	5,528		35,312
<hr/>		<hr/>	
	44,958		1,028,509
<hr/>		<hr/>	
	-		314,736
<hr/>		<hr/>	
	-		314,736
<hr/>		<hr/>	
	-		16,064
	274,781		274,781
	-		428,604
	2,183,978		3,478,514
	-		12,023,400
<hr/>		<hr/>	
	2,458,759		16,221,363
<hr/>		<hr/>	
\$	2,503,717	\$	17,564,608
<hr/>		<hr/>	

GILLESPIE COUNTY, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 16,221,363</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. 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 decrease net position.	8,557,210
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 2016 capital outlays and debt principal payments is to increase net position.	1,911,533
This is the second year of the implementation of GASB 68 for the TCDRS Pension plan. 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 \$2,396,793, a Deferred Resource Outflow of \$2,878,030 and a Deferred Resource Inflow of \$50,600. The net effect of these was to increase the ending net position by \$430,637.	430,637
The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(931,535)
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 decrease net position.	(296,573)
<b>Net Position of Governmental Activities</b>	<b>\$ 25,892,635</b>

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, 2016

	General Fund	Road & Bridge Fund	Debt Service Fund
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 10,055,119	\$ 1,774,509	\$ 1,413,767
General Sales and Use Taxes	2,290,985	-	-
Other Taxes	10,400	-	-
Penalty and Interest on Taxes	96,760	16,896	11,916
Licenses and Permits	36,010	698,724	-
Intergovernmental Revenue and Grants	491,727	-	-
Charges for Services	950,714	-	-
Fines	80,181	193,703	-
Forfeits	-	-	-
Investment Earnings	55,712	7,741	756
Rents and Royalties	141,638	-	-
Other Revenue	822,368	2,883	-
Total Revenues	<u>15,031,614</u>	<u>2,694,456</u>	<u>1,426,439</u>
<b>EXPENDITURES:</b>			
Current:			
General Government:			
Judicial	1,191,681	-	-
General Administration	4,652,166	-	-
Public Safety	5,994,298	-	-
Road and Bridge	-	2,610,694	-
Health and Sanitation	248,945	-	-
Public Facilities	604,926	-	-
Libraries and Education	307,016	-	-
Agriculture Services	300,036	-	-
Debt Service:			
Bond Principal	-	-	690,000
Bond Interest	-	-	506,515
Fiscal Agent's Fees	-	-	1,150
Capital Outlay:			
Capital Outlay	-	-	-
Total Expenditures	<u>13,299,068</u>	<u>2,610,694</u>	<u>1,197,665</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,732,546</u>	<u>83,762</u>	<u>228,774</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of Real and Personal Property	14,475	7,450	-
Total Other Financing Sources (Uses)	<u>14,475</u>	<u>7,450</u>	<u>-</u>
Net Change in Fund Balances	1,747,021	91,212	228,774
Fund Balance - October 1 (Beginning)	<u>10,292,443</u>	<u>1,203,324</u>	<u>199,830</u>
Fund Balance - September 30 (Ending)	<u>\$ 12,039,464</u>	<u>\$ 1,294,536</u>	<u>\$ 428,604</u>

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

		Total	
Other		Governmental	
Funds		Funds	
<hr/>			
\$	-	\$	13,243,395
	-		2,290,985
	489,896		500,296
	-		125,572
	-		734,734
	189,530		681,257
	137,949		1,088,663
	2,167		276,051
	177		177
	7,821		72,030
	153,777		295,415
	20,471		845,722
<hr/>		<hr/>	
	1,001,788		20,154,297
<hr/>		<hr/>	
	22,464		1,214,145
	509,449		5,161,615
	11,157		6,005,455
	33,241		2,643,935
	-		248,945
	425,868		1,030,794
	-		307,016
	-		300,036
	-		690,000
	-		506,515
	-		1,150
<hr/>		<hr/>	
	203,198		203,198
<hr/>		<hr/>	
	1,205,377		18,312,804
<hr/>		<hr/>	
	(203,589)		1,841,493
<hr/>		<hr/>	
	13,976		35,901
<hr/>		<hr/>	
	13,976		35,901
<hr/>		<hr/>	
	(189,613)		1,877,394
	2,648,372		14,343,969
<hr/>		<hr/>	
\$	2,458,759	\$	16,221,363

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, 2016

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 1,877,394</b>
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 2016 capital outlays and debt principal payments is to increase the change in net position.	1,911,533
The implementation of the requirements of 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 expenses were \$971,613 and total debits to expenses were \$1,010,898. The net effect on the change in net position on Exhibit B-1 is an increase of \$39,285.	39,285
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.	(931,535)
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.	(72,016)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 2,824,661</b>

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



GILLESPIE COUNTY, TEXAS  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2016

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 321,928	\$ 1,119,522
Accounts Receivable-Net of Uncollectible Allowance	515	226
Due from Other Governments	-	17,435
Total Assets	<u>322,443</u>	<u>\$ 1,137,183</u>
<b>LIABILITIES</b>		
Accounts Payable	9,197	\$ -
Intergovernmental Payable	-	717,466
Due to Others	-	419,717
Total Liabilities	<u>9,197</u>	<u>\$ 1,137,183</u>
<b>NET POSITION</b>		
Unrestricted Net Position	<u>313,246</u>	
Total Net Position	<u>\$ 313,246</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, 2016

	Private Purpose Trust Funds
<hr/>	
ADDITIONS:	
Charges for Services	\$ 5,455
Investment Earnings	1,276
Total Additions	<u>6,731</u>
DEDUCTIONS:	
Other Operating Expenses	4,209
Travel	4,065
Postage	281
Books	3,130
Capital Outlay	28,750
Total Deductions	<u>40,435</u>
Change in Net Position	(33,704)
Total Net Position -October 1 (Beginning)	<u>346,950</u>
Total Net Position September 30 (Ending)	<u><u>\$ 313,246</u></u>

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

GILLESPIE COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

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:

<b>Major Fund</b>	<b>Brief Description</b>
General Fund	See above for description.
Special Revenue Fund: Road and Bridge	Accounts for all road and bridge construction and maintenance activity.
Debt Service Fund:	Accounts for the collection of taxes to pay principal and interest on bonds.

**Nonmajor funds** consist of special revenue funds and capital projects 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.

## **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## **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**

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, 2016, the carrying amount of the County's deposits was \$8,008,469 and the bank balance was \$8,747,696. The County's cash deposits held at Security State Bank & Trust at September 30, 2016 and during the year ended September 30, 2016 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, 2016 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	\$ 2,416,467
Security State Bank & Trust	2,650,000	2,650,000	250,000	17,609,733
<u>Liquid Asset Portfolio -</u>				
TexPool	3,495,668	3,495,668	*	*
TexasClass	252,974	252,974	*	*
Total Governmental Activities	<u>\$ 8,798,642</u>	<u>\$ 8,798,642</u>	<u>500,000</u>	<u>20,026,200</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, 2016, 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, 2016, 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:

	General	Road and Bridge	Debt Service	Other Govern- mental Funds	TOTAL
Receivables:					
Property Taxes	\$ 243,757	\$ 43,016	\$ 34,385	\$ -	\$ 321,158
Other	361,069	44,793	1,209	14,304	421,375
Intergovernmental	<u>593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>593</u>
Gross Receivables	\$ 605,419	\$ 87,809	\$ 35,594	\$ 14,304	\$ 743,126
Less: Allowance for Uncollectibles	<u>4,875</u>	<u>860</u>	<u>688</u>	<u>-</u>	<u>6,423</u>
Net Total Receivables	<u>\$ 600,544</u>	<u>\$ 86,949</u>	<u>\$ 34,906</u>	<u>\$ 14,304</u>	<u>\$ 736,703</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	\$ 238,882
Unearned Revenue	29,784
Special Revenue Road and Bridge Fund -	
Unavailable Revenue - Property Taxes	42,156
Other Governmental Funds -	
Unavailable Revenue - Property Taxes	33,698
Unearned Revenue	<u>5,528</u>
TOTAL UNAVAILABLE AND UNEARNED REVENUES	<u>\$ 350,048</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 \$396,162 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 \$200,556, resulting in a net receivable of \$195,606.

### 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 2015 tax roll, the total assessed valuation was \$3,511,597,899 and the taxes assessed amounted to \$13,246,135. The total tax rate was \$0.4147 per \$100 valuation and allocated \$0.3703 to maintenance and operations and \$0.0444 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, 2016, was as follows:

<b>Primary Government</b>	<u>Balance 10/1/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/16</u>
<i>Governmental Activities:</i>				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,475,265	\$ -	\$ -	\$ 1,475,265
Easements	585,070	-	-	585,070
Construction In Progress	198,585	288,692	-	487,277
Total Capital Assets, Not Being Depreciated	<u>\$ 2,258,920</u>	<u>\$ 288,692</u>	<u>\$ -</u>	<u>\$ 2,547,612</u>
Capital Assets, Being Depreciated:				
Buildings	20,001,973	-	-	20,001,973
Building Improvements	180,270	-	-	180,270
Machinery and Equipment	8,615,675	575,302	175,497	9,015,480
Other Improvements	2,337,805	239,963	-	2,577,768
Total Capital Assets Being Depreciated	<u>31,135,723</u>	<u>815,265</u>	<u>175,497</u>	<u>31,775,491</u>

	Balance 10/1/15	Increases	Decreases	Balance 9/30/16
Less Accumulated Depreciation:				
Buildings	2,250,270	401,343	-	2,651,613
Building Improvements	46,690	9,665	-	56,355
Machinery and Equipment	6,857,621	428,078	175,497	7,110,202
Other Improvements	242,606	92,449	-	335,055
Total Accumulated Depreciation	<u>9,397,187</u>	<u>931,535</u>	<u>175,497</u>	<u>10,153,225</u>
Total Capital Assets Being Depreciated, Net	<u>21,738,536</u>	<u>(116,270)</u>	<u>-</u>	<u>21,622,266</u>
Governmental Activities Capital Assets, Net	<u>\$ 23,997,456</u>	<u>\$ 172,422</u>	<u>\$ -</u>	<u>\$ 24,169,878</u>

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

Governmental Activities:	
General Government	\$ 284,309
Public Safety	330,790
Judicial	66,877
Road and Bridge	145,632
Health and Sanitation	13,712
Public Facilities	56,778
Libraries and Education	16,911
Agricultural Services	<u>16,526</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 931,535</u>

### 3.F. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at September 30, 2016, 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>

### 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, 2016.

	Balance 10/01/15	Issued	Retired	Balance 9/30/16	Due Within One Year
General Obligation Refunding Bonds – Series 2010	\$ 975,000	\$ -	\$ 150,000	\$ 825,000	\$ 155,000
General Obligation Bonds – Series 2013	13,185,000	-	540,000	12,645,000	550,000
Premium on General Obligation Bonds Series 2013	963,358	-	54,659	908,699	-
State Comptroller Obligation	10,594	-	10,594	-	-
Capital Leases	718,270	-	106,983	611,287	111,014
Compensated Absences	350,426	299,521	262,781	387,166	-
<b>TOTAL</b>	<b>\$ 16,202,648</b>	<b>\$ 299,521</b>	<b>\$ 1,125,017</b>	<b>\$ 15,377,152</b>	<b>\$ 816,014</b>

Certificates of Obligation	Balance at 9/30/16	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	825,000	155,000
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	12,645,000	550,000
<b>TOTAL CERTIFICATES OF OBLIGATION</b>	<b>\$ 13,470,000</b>	<b>\$ 705,000</b>

#### 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 9/30/2016
Gillespie County Certificates of Obligation - Series 2001	\$ 1,515,000	\$ 850,000
<b>Total Amount Refunded</b>	<b>\$ 1,515,000</b>	<b>\$ 850,000</b>



## 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
2017	\$ 705,000	\$ 492,028	\$ 1,197,028
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	795,000	406,325	1,201,325
2022-2026	3,495,000	1,608,500	5,103,500
2027-2031	4,280,000	833,600	5,113,600
2032-2036	1,960,000	79,200	2,039,200
TOTAL	<u>\$ 13,470,000</u>	<u>\$ 4,789,003</u>	<u>\$ 18,259,003</u>

## 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. The obligation was paid off in this fiscal year.

## 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%.

In October 2014, the County executed a \$576,301 Capital Lease obligation with Government Capital – Extraco Bank for the purchase of two LCRA radio sites and mobile radios. The finance contract is due in 120 monthly installments of \$5,714 until 10/28/2024 with an interest rate of 3.548%.

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, 2016 follows:

<u>Year Ended September 30</u>	
2017	\$ 131,221
2018	131,222
2019	79,010
2020	68,568
2021	68,569
2022 - 2026	<u>211,419</u>
Total Minimum Lease Payments	\$ 690,009
Less Amount Representing Interest	<u>(78,719)</u>
Present Value of Lease Payments	<u>\$ 611,290</u>

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Machinery & Equipment	\$ 860,423
Less: Accumulated Depreciation	<u>158,540</u>
NET	<u>\$ 701,883</u>

### **Operating Leases**

Commitments under operating (non-capitalized) lease agreements for equipment provide for minimum future rental payments as of September 30, 2016, as follows:

<u>Year Ended September 30</u>	
2017	\$ 33,156
2018	33,156
2019	<u>17,234</u>
Total Minimum Rentals	<u>\$ 83,546</u>

Rental Expenditures in Fiscal Year 2016    \$ 33,156

### **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**

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

- a. Gillespie County participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:
  - 1) All full-and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
  - 2) The plan provides retirement, disability and survivor benefits.
  - 3) TCDRS is a savings-based plan. For the county's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 225%) and is then converted to an annuity.
  - 4) There are no automatic COLAs. Each year, the county may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
  - 5) Benefit terms are established under the TCDRS Act. They may be amended as of January 1 each year, but must remain in conformity with the Act.
- c. Membership information is shown in the chart below.
- d. The county's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Gillespie County contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the county and are currently 7%.
- e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, [www.tcdrs.org](http://www.tcdrs.org).



*Members covered by benefit terms.*

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	77
Inactive employees entitled to but not yet receiving benefits	84
Active employees	<u>152</u>
	313

**Contributions**

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 to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees..
- Investment income funds a large part of the benefits employees earn.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

The contribution rate payable by the employee members for calendar year 2015 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act. The County's contributions to TCDRS for the year ended September 30, 2016 were \$971,614, and were equal to the required contributions.

**Net Pension Liability**

The County's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 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)
Amortization Method	
Recognition of Economic/Demographic Gains or Losses	Straight-Line amortization over Expected Working Life
Recognition of Assumptions, Changes or Inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smooth Period	5 years
Recognition Method	Non-asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and .5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.
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 2016 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, 2012 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	14.50%	5.45%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	14.00%	8.45%
Global Equities	MSCI World (Net) Index	1.50%	5.75%
International Equities – Developed	MSCI World Ex USA (Net)	10.00%	5.45%
International Equities – Emerging	MSCI World Ex USA (Net)	8.00%	6.45%
Investment – Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	1.00%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	5.10%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.09%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	5.00%	6.40%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	8.10%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	3.00%	4.00%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.80%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(4)</sup>	5.00%	6.90%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.25%

<sup>(1)</sup> Target asset allocation adopted at the April 2016 TCDFS Board meeting

<sup>(2)</sup> Geometric real rates of return in addition to assumed inflation of 1.6%, per Cliffwater's 2016 capital market assumptions.

<sup>(3)</sup> Includes vintage years 2006 – present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> Includes vintage years 2007 – present of Quarter Pooled Horizon IRRs.

## 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 pensions 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.

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

Changes in Net Pension Liability / (Asset)	Increase/(Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances as of December 31, 2014	\$ 22,824,650	\$ 22,044,297	\$ 780,353
Changes for the Year:			
Service Cost	785,760	-	785,760
Interest on Total Pension Liability <sup>(1)</sup>	1,858,411	-	1,858,411
Effect of Plan Changes <sup>(2)</sup>	15,653	-	15,653
Effects of Economic/Demographic			
Gains or Losses	(67,466)	-	(67,466)
Effect of Assumptions Changes or Inputs	240,999	-	240,999
Refund of Contributions	(41,173)	(41,173)	-
Benefit Payments	(759,124)	(759,124)	-
Administrative Expenses	-	(16,042)	16,042
Member Contributions	-	412,076	(412,076)
Net Investment Income	-	(112,177)	112,177
Employer Contributions	-	883,020	(883,020)
Other <sup>(3)</sup>	-	50,041	(50,041)
Balances as of December 31, 2015	<u>\$ 24,857,710</u>	<u>\$ 22,460,917</u>	<u>\$ 2,396,793</u>

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

<sup>(2)</sup> Reflects new annuity purchase rates applicable to all TCDRS employers effective January 1, 2018.

<sup>(3)</sup> Relates to allocation of system-wide items.

### Sensitivity Analysis

The following presents the net pension liability of the county/district, 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	\$ 27,886,209	\$ 24,857,710	\$ 22,308,141
Fiduciary Net Position	<u>22,460,917</u>	<u>22,460,917</u>	<u>22,460,917</u>
Net Pension Liability/(Asset)	<u>\$ 5,425,292</u>	<u>\$ 2,396,793</u>	<u>\$ (152,776)</u>



### Pension Expense / (Income)

<u>Prepaid Expense/(Income)</u>	<u>January 1, 2015 to December 31, 2015</u>
Service Cost	\$ 785,760
Interest on Total Pension Liability <sup>(1)</sup>	1,858,411
Effect of Plan Changes	15,653
Administrative Expenses	16,042
Member Contributions	(412,076)
Expected Investment Return Net of Investment Expenses	(1,822,629)
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of Economic/Demographic Gains or Losses	113,845
Recognition of Assumption Changes or Inputs	60,250
Recognition of Investment Gains or Losses	445,683
Other <sup>(2)</sup>	<u>(50,041)</u>
Pension Expense/(Income)	<u>\$ 1,010,898</u>

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

<sup>(2)</sup> Relates to allocation of system-wide items.

As of December 31, 2015, the deferred inflows and outflows of resources are as follows:

<u>Deferred Inflows / Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 50,600	\$ 261,423
Changes of assumptions	-	180,750
Net difference between projected and actual earnings	-	1,724,011
Contributions made subsequent to measurement date <sup>(3)</sup>	N/A	711,846

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

2016	\$ 619,778
2017	619,778
2018	489,067
2019	386,961
2020	-
Thereafter <sup>(4)</sup>	-

<sup>(3)</sup> Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end should be reflected as outlined in Appendix D of this report.

<sup>(4)</sup> 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, 2016, there are 17 retirees who qualify for the \$100/month OPEB benefit. The cost of OPEB for the year ended September 30, 2016 was \$17,500 and the amount projected to be incurred in the year ending September 30, 2017 is \$24,900.

### 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, 2016, the participant balances were \$159,516 in Nationwide and \$87,301 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. 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.

### 3.O. SUBSEQUENT EVENTS

The County has evaluated subsequent events through March 24, 2017, the date which the financial statements were available to be issued. The County is not aware of any 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, 2016

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 10,378,250	\$ 10,378,250	\$ 10,055,119	\$ (323,131)
General Sales and Use Taxes	1,750,000	1,750,000	2,290,985	540,985
Other Taxes	1,000	1,000	10,400	9,400
Penalty and Interest on Taxes	65,000	65,000	96,760	31,760
Licenses and Permits	20,000	20,000	36,010	16,010
Intergovernmental Revenue and Grants	245,000	245,000	491,727	246,727
Charges for Services	648,650	648,650	950,714	302,064
Fines	71,000	71,000	80,181	9,181
Investment Earnings	30,000	30,000	55,712	25,712
Rents and Royalties	120,000	120,000	141,638	21,638
Other Revenue	538,000	538,000	822,368	284,368
Total Revenues	13,866,900	13,866,900	15,031,614	1,164,714
EXPENDITURES:				
Current:				
General Government:				
Judicial	1,256,305	1,239,530	1,191,681	47,849
General Administration	5,405,567	5,411,327	4,652,166	759,161
Public Safety	6,505,901	6,488,011	5,994,298	493,713
Health and Sanitation	1,335,439	1,330,883	248,945	1,081,938
Public Facilities	783,728	784,118	604,926	179,192
Libraries and Education	326,335	329,641	307,016	22,625
Agriculture Services	342,501	344,468	300,036	44,432
Total Expenditures	15,955,776	15,927,978	13,299,068	2,628,910
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,088,876)	(2,061,078)	1,732,546	3,793,624
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	14,475	14,475
Transfers Out (Use)	(350,000)	(350,000)	-	350,000
Total Other Financing Sources (Uses)	(350,000)	(350,000)	14,475	364,475
Net Change	(2,438,876)	(2,411,078)	1,747,021	4,158,099
Fund Balance - October 1 (Beginning)	10,292,443	10,292,443	10,292,443	-
Fund Balance - September 30 (Ending)	\$ 7,853,567	\$ 7,881,365	\$ 12,039,464	\$ 4,158,099

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  
BUDGET AND ACTUAL - ROAD AND BRIDGE  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT G-2

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 1,832,338	\$ 1,832,338	\$ 1,774,509	\$ (57,829)
Penalty and Interest on Taxes	10,000	10,000	16,896	6,896
Licenses and Permits	650,000	650,000	698,724	48,724
Fines	154,000	154,000	193,703	39,703
Investment Earnings	2,800	2,800	7,741	4,941
Other Revenue	1,000	1,000	2,883	1,883
Total Revenues	2,650,138	2,650,138	2,694,456	44,318
<b>EXPENDITURES:</b>				
Current:				
Road and Bridge	3,395,417	3,370,019	2,610,694	759,325
Total Expenditures	3,395,417	3,370,019	2,610,694	759,325
Excess (Deficiency) of Revenues Over (Under) Expenditures	(745,279)	(719,881)	83,762	803,643
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	-	-	7,450	7,450
Transfers In	2,997,200	2,997,200	2,387,636	(609,564)
Transfers Out (Use)	(2,647,200)	(2,647,200)	(2,387,636)	259,564
Total Other Financing Sources (Uses)	350,000	350,000	7,450	(342,550)
Change in Fund Balance	(395,279)	(369,881)	91,212	461,093
Fund Balance - October 1 (Beginning)	1,203,324	1,203,324	1,203,324	-
Fund Balance - September 30 (Ending)	\$ 808,045	\$ 833,443	\$ 1,294,536	\$ 461,093

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, 2016

	2015	2014
<b>Total Pension Liability</b>		
Service Cost	\$ 785,760	\$ 632,865
Interest on Total Pension Liability	1,858,411	1,670,406
Effect of Plan Changes	15,653	112,591
Effect of Assumption Changes or Inputs	240,999	-
Effect of Economic/Demographic (Gains) or Losses	(67,466)	522,846
Benefit Payments/Refunds of Contributions	(800,297)	(727,591)
Net Change in Total Pension Liability	\$ 2,033,060	\$ 2,211,117
Total Pension Liability, Beginning	22,824,650	20,613,533
Total Pension Liability, Ending (a)	\$ 24,857,710	\$ 22,824,650
<b>Fiduciary Net Position</b>		
Employer Contributions	883,020	795,145
Member Contributions	412,076	371,068
Investment Income Net of Investment Expenses	(112,177)	1,373,943
Benefit Payments/Refunds of Contributions	(800,297)	(727,591)
Administrative Expenses	(16,042)	(16,254)
Other	50,041	134,709
Net Change in Fiduciary Net Position	\$ 416,620	\$ 1,931,018
Fiduciary Net Position, Beginning	22,044,297	20,113,278
Fiduciary Net Position, Ending (b)	\$ 22,460,917	\$ 22,044,297
Net Pension Liability/(Asset), Ending = (a) – (b)	\$ 2,396,793	\$ 780,353
Fiduciary Net Position as a % of Total Pension Liability	90.36%	96.58%
Pensionable Covered Payroll	\$ 5,886,800	\$ 5,300,965
Net Pension Liability as a % of Covered Payroll	40.71%	14.72%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.*

GILLESPIE COUNTY  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

<u>Year Ending December 31</u>	<u>Actuarially Determined Contribution<sup>(1)</sup></u>	<u>Actual Employer Contribution<sup>(1)</sup></u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll <sup>(2)</sup></u>	<u>Actual Contribution as a % of Covered Payroll</u>
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%
2015	664,031	883,020	(218,989)	5,886,800	15.0%

<sup>(1)</sup> TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

<sup>(2)</sup> Payroll is calculated based on contributions as reported to TCDRS.



GILLESPIE COUNTY  
NOTES TO THE SCHEDULE OF CONTRIBUTIONS  
SEPTEMBER 30, 2016

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

**Methods and assumptions used to determine contribution rates:**

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	4.2 years (based on contribution rate calculated in 12/31/2015 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	3.0%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions Reflected in the Schedule*	Effective with the 2015 calendar year, employer contributions reflect that the current service matching rate was increased to 200% for future benefits.

\* Only changes effective 2015 and later are shown in the Notes to Schedule.

## SUPPLEMENTARY INFORMATION

GILLESPIE COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016

	Grants Fund	Law Library Fund	Lateral Road Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ -	\$ 2,467	\$ 19,975
Receivables (Net)	-	1,436	-
Total Assets	<u>\$ -</u>	<u>\$ 3,903</u>	<u>\$ 19,975</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ 419	\$ 19,950
Wages and Salaries Payable	-	-	-
Due to Other Funds	-	-	-
Unearned Revenues	-	-	-
Total Liabilities	<u>-</u>	<u>419</u>	<u>19,950</u>
<b>FUND BALANCES</b>			
Capital Acquisition & Contractual Obligation	-	-	-
Other Restricted Fund Balance	-	3,484	25
Total Fund Balances	<u>-</u>	<u>3,484</u>	<u>25</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 3,903</u>	<u>\$ 19,975</u>

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



Probate Training Fund	Court Reporter Service Fund	County Records Management	County Clerk Records Management	Sheriff Seizure Fund	Justice Courthouse Security Fund	Courthouse Security Fund	District Clerk Records Management
\$ 32,528	\$ 3,248	\$ 69,004	\$ 117,868	\$ 43,707	\$ 31,720	\$ 17,774	\$ 8,791
346	375	993	6,385	-	147	1,420	147
<u>\$ 32,874</u>	<u>\$ 3,623</u>	<u>\$ 69,997</u>	<u>\$ 124,253</u>	<u>\$ 43,707</u>	<u>\$ 31,867</u>	<u>\$ 19,194</u>	<u>\$ 8,938</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
32,874	3,623	69,997	124,253	43,707	31,867	19,194	8,938
<u>32,874</u>	<u>3,623</u>	<u>69,997</u>	<u>124,253</u>	<u>43,707</u>	<u>31,867</u>	<u>19,194</u>	<u>8,938</u>
<u>\$ 32,874</u>	<u>\$ 3,623</u>	<u>\$ 69,997</u>	<u>\$ 124,253</u>	<u>\$ 43,707</u>	<u>\$ 31,867</u>	<u>\$ 19,194</u>	<u>\$ 8,938</u>

GILLESPIE COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016

	County and District Crt Technology	Hotel Occupancy Tax Fund	Pretrial Intervention Fund	Justice Court Technology Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 20,361	\$ 608,413	\$ 127,526	\$ 121,167
Receivables (Net)	374	-	-	615
Total Assets	<u>\$ 20,735</u>	<u>\$ 608,413</u>	<u>\$ 127,526</u>	<u>\$ 121,782</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ ° -
Wages and Salaries Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Unearned Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Capital Acquisition & Contractual Obligation	-	-	-	-
Other Restricted Fund Balance	20,735	608,413	127,526	121,782
Total Fund Balances	<u>\$ 20,735</u>	<u>\$ 608,413</u>	<u>\$ 127,526</u>	<u>\$ 121,782</u>
Total Liabilities and Fund Balances	<u>\$ 20,735</u>	<u>\$ 608,413</u>	<u>\$ 127,526</u>	<u>\$ 121,782</u>

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

Pioneer Memorial Library Grant	Airport Operations Fund	LEOSE Training Fund	Tax Assessor M V I Fund	Sheriff Abandoned Vehicles	Total Nonmajor Special Revenue Funds	GOB Series 2013 Jail Project	Airport Capital Projects Fund
\$ 470	\$ 952,258	\$ 20,788	\$ 107	\$ 1,207	\$ 2,199,379	\$ 290,019	\$ 15
-	2,066	-	-	-	14,304	-	-
<u>\$ 470</u>	<u>\$ 954,324</u>	<u>\$ 20,788</u>	<u>\$ 107</u>	<u>\$ 1,207</u>	<u>\$ 2,213,683</u>	<u>\$ 290,019</u>	<u>\$ 15</u>
\$ -	\$ 1,588	\$ -	\$ -	\$ -	\$ 21,957	\$ 15,253	\$ -
-	2,210	-	-	-	2,210	-	-
-	10	-	-	-	10	-	-
-	5,528	-	-	-	5,528	-	-
-	9,336	-	-	-	29,705	15,253	-
-	-	-	-	-	-	274,766	15
470	944,988	20,788	107	1,207	2,183,978	-	-
<u>470</u>	<u>944,988</u>	<u>20,788</u>	<u>107</u>	<u>1,207</u>	<u>2,183,978</u>	<u>274,766</u>	<u>15</u>
<u>\$ 470</u>	<u>\$ 954,324</u>	<u>\$ 20,788</u>	<u>\$ 107</u>	<u>\$ 1,207</u>	<u>\$ 2,213,683</u>	<u>\$ 290,019</u>	<u>\$ 15</u>



GILLESPIE COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2016

	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 290,034	\$ 2,489,413
Receivables (Net)	-	14,304
Total Assets	<u>\$ 290,034</u>	<u>\$ 2,503,717</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ 15,253	\$ 37,210
Wages and Salaries Payable	-	2,210
Due to Other Funds	-	10
Unearned Revenues	-	5,528
Total Liabilities	<u>15,253</u>	<u>44,958</u>
<b>FUND BALANCES</b>		
Capital Acquisition & Contractual Obligation	274,781	274,781
Other Restricted Fund Balance	-	2,183,978
Total Fund Balances	<u>274,781</u>	<u>2,458,759</u>
Total Liabilities and Fund Balances	<u>\$ 290,034</u>	<u>\$ 2,503,717</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, 2016

	11	20	21
	Grants	Law	Lateral
	Fund	Library	Road
	Fund	Fund	Fund
<b>REVENUES:</b>			
Taxes:			
Other Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenue and Grants	-	-	26,633
Charges for Services	-	15,472	-
Fines	-	-	-
Forfeits	-	-	-
Investment Earnings	-	-	-
Rents and Royalties	-	-	-
Other Revenue	-	-	-
Total Revenues	<u>-</u>	<u>15,472</u>	<u>26,633</u>
<b>EXPENDITURES:</b>			
Current:			
General Government:			
Judicial	-	21,092	-
General Administration	-	-	-
Public Safety	-	-	-
Road and Bridge	-	-	33,241
Public Facilities	-	-	-
Capital Outlay:			
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>21,092</u>	<u>33,241</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(5,620)</u>	<u>(6,608)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of Real and Personal Property	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	(5,620)	(6,608)
Fund Balance - October 1 (Beginning)	<u>-</u>	<u>9,104</u>	<u>6,633</u>
Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ 3,484</u>	<u>\$ 25</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
3,128	3,958	8,623	71,505	-	-	16,711	1,589
-	-	-	-	-	2,167	-	-
-	-	-	-	177	-	-	-
-	-	-	-	174	-	-	-
-	-	-	-	-	-	-	-
472	-	-	-	-	-	-	-
<u>3,600</u>	<u>3,958</u>	<u>8,623</u>	<u>71,505</u>	<u>351</u>	<u>2,167</u>	<u>16,711</u>	<u>1,589</u>
-	1,372	-	-	-	-	-	-
729	-	31,114	55,948	-	-	-	-
-	-	-	-	8,523	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>729</u>	<u>1,372</u>	<u>31,114</u>	<u>55,948</u>	<u>8,523</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,871</u>	<u>2,586</u>	<u>(22,491)</u>	<u>15,557</u>	<u>(8,172)</u>	<u>2,167</u>	<u>16,711</u>	<u>1,589</u>
-	-	-	-	12,301	-	-	-
-	-	-	-	12,301	-	-	-
<u>2,871</u>	<u>2,586</u>	<u>(22,491)</u>	<u>15,557</u>	<u>4,129</u>	<u>2,167</u>	<u>16,711</u>	<u>1,589</u>
<u>30,003</u>	<u>1,037</u>	<u>92,488</u>	<u>108,696</u>	<u>39,578</u>	<u>29,700</u>	<u>2,483</u>	<u>7,349</u>
<u>\$ 32,874</u>	<u>\$ 3,623</u>	<u>\$ 69,997</u>	<u>\$ 124,253</u>	<u>\$ 43,707</u>	<u>\$ 31,867</u>	<u>\$ 19,194</u>	<u>\$ 8,938</u>

GILLESPIE COUNTY, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	35 County and District Crt Technology	36 Hotel Occupancy Tax Fund	37 Pretrial Intervention Fund	51 Justice Court Technology Fund
REVENUES:				
Taxes:				
Other Taxes	\$ -	\$ 489,896	\$ -	\$ -
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	3,528	-	4,500	8,935
Fines	-	-	-	-
Forfeits	-	-	-	-
Investment Earnings	-	1,998	-	-
Rents and Royalties	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	<u>3,528</u>	<u>491,894</u>	<u>4,500</u>	<u>8,935</u>
EXPENDITURES:				
Current:				
General Government:				
Judicial	-	-	-	-
General Administration	-	421,658	-	-
Public Safety	-	-	-	-
Road and Bridge	-	-	-	-
Public Facilities	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>421,658</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,528</u>	<u>70,236</u>	<u>4,500</u>	<u>8,935</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	3,528	70,236	4,500	8,935
Fund Balance - October 1 (Beginning)	<u>17,207</u>	<u>538,177</u>	<u>123,026</u>	<u>112,847</u>
Fund Balance - September 30 (Ending)	<u>\$ 20,735</u>	<u>\$ 608,413</u>	<u>\$ 127,526</u>	<u>\$ 121,782</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	61 GOB Series 2013 Jail Project	71 Airport Capital Projects Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 489,896	\$ -	\$ -
-	2,264	5,371	-	-	34,268	-	155,262
-	-	-	-	-	137,949	-	-
-	-	-	-	-	2,167	-	-
-	-	-	-	-	177	-	-
-	3,851	-	-	5	6,028	1,793	-
-	153,777	-	-	-	153,777	-	-
-	19,999	-	-	-	20,471	-	-
-	179,891	5,371	-	5	844,733	1,793	155,262
-	-	-	-	-	-	-	-
-	-	-	-	-	22,464	-	-
-	-	-	-	-	509,449	-	-
-	-	2,634	-	-	11,157	-	-
-	-	-	-	-	33,241	-	-
-	270,606	-	-	-	270,606	-	155,262
-	-	-	-	-	-	203,198	-
-	270,606	2,634	-	-	846,917	203,198	155,262
-	(90,715)	2,737	-	5	(2,184)	(201,405)	-
-	1,675	-	-	-	13,976	-	-
-	1,675	-	-	-	13,976	-	-
-	(89,040)	2,737	-	5	11,792	(201,405)	-
470	1,034,028	18,051	107	1,202	2,172,186	476,171	15
\$ 470	\$ 944,988	\$ 20,788	\$ 107	\$ 1,207	\$ 2,183,978	\$ 274,766	\$ 15

GILLESPIE COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
<b>REVENUES:</b>		
Taxes:		
Other Taxes	\$ -	\$ 489,896
Intergovernmental Revenue and Grants	155,262	189,530
Charges for Services	-	137,949
Fines	-	2,167
Forfeits	-	177
Investment Earnings	1,793	7,821
Rents and Royalties	-	153,777
Other Revenue	-	20,471
Total Revenues	<u>157,055</u>	<u>1,001,788</u>
<b>EXPENDITURES:</b>		
Current:		
General Government:		
Judicial	-	22,464
General Administration	-	509,449
Public Safety	-	11,157
Road and Bridge	-	33,241
Public Facilities	155,262	425,868
Capital Outlay:		
Capital Outlay	<u>203,198</u>	<u>203,198</u>
Total Expenditures	<u>358,460</u>	<u>1,205,377</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(201,405)</u>	<u>(203,589)</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Sale of Real and Personal Property	<u>-</u>	<u>13,976</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>13,976</u>
Net Change in Fund Balance	(201,405)	(189,613)
Fund Balance - October 1 (Beginning)	<u>476,186</u>	<u>2,648,372</u>
Fund Balance - September 30 (Ending)	<u>\$ 274,781</u>	<u>\$ 2,458,759</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, 2016

	BALANCE OCTOBER 1 2015	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2016
<b>STATE COURT COSTS, FEES, FINES</b>				
Assets:				
Cash and Cash Equivalents	\$ 54,333	\$ 54,933	\$ 54,333	\$ 54,933
Due From Other Governments	20,285	17,435	20,285	17,435
Total Assets	<u>\$ 74,618</u>	<u>\$ 72,368</u>	<u>\$ 74,618</u>	<u>\$ 72,368</u>
Liabilities:				
Due to Other Governments	<u>\$ 74,618</u>	<u>\$ 72,368</u>	<u>\$ 74,618</u>	<u>\$ 72,368</u>
<b>WASTE WATER (STATE FEE)</b>				
Assets:				
Cash and Cash Equivalents	<u>\$ 650</u>	<u>\$ 730</u>	<u>\$ 650</u>	<u>\$ 730</u>
Liabilities:				
Due to Other Governments	<u>\$ 650</u>	<u>\$ 730</u>	<u>\$ 650</u>	<u>\$ 730</u>
<b>APPELLATE JUDICIAL SYSTEM</b>				
Assets:				
Cash and Cash Equivalents	\$ 777	\$ 1,156	\$ 777	\$ 1,156
Other Receivables	250	205	250	205
Total Assets	<u>\$ 1,027</u>	<u>\$ 1,361</u>	<u>\$ 1,027</u>	<u>\$ 1,361</u>
Liabilities:				
Due to Others	<u>\$ 1,027</u>	<u>\$ 1,361</u>	<u>\$ 1,027</u>	<u>\$ 1,361</u>
<b>OFFICIALS' FEE ACCOUNTS</b>				
Assets:				
Cash and Cash Equivalents	<u>\$ 1,478,060</u>	<u>\$ 13,518,831</u>	<u>\$ 13,991,246</u>	<u>\$ 1,005,645</u>
Liabilities:				
Due to Other Governments	\$ 641,261	\$ 13,365,967	\$ 13,362,860	\$ 644,368
Due to Others	836,799	152,865	628,387	361,277
Total Liabilities	<u>\$ 1,478,060</u>	<u>\$ 13,518,832</u>	<u>\$ 13,991,247</u>	<u>\$ 1,005,645</u>
<b>UNCLAIMED MONEY FUND</b>				
Assets:				
Cash and Cash Equivalents	\$ 54,211	\$ 57,058	\$ 54,211	\$ 57,058
Other Receivables	-	21	-	21
Total Assets	<u>\$ 54,211</u>	<u>\$ 57,079</u>	<u>\$ 54,211</u>	<u>\$ 57,079</u>
Liabilities:				
Due to Others	<u>\$ 54,211</u>	<u>\$ 57,079</u>	<u>\$ 54,211</u>	<u>\$ 57,079</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, 2016

	BALANCE OCTOBER 1 2015	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2016
<b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Cash Equivalents	\$ 1,588,031	\$ 13,632,708	\$ 14,101,217	\$ 1,119,522
Other Receivables	250	226	250	226
Due From Other Governments	20,285	17,435	20,285	17,435
Total Assets	<u>\$ 1,608,566</u>	<u>\$ 13,650,369</u>	<u>\$ 14,121,752</u>	<u>\$ 1,137,183</u>
Liabilities:				
Due to Other Governments	\$ 716,529	\$ 13,439,065	\$ 13,438,128	\$ 717,466
Due to Others	892,037	211,305	683,625	419,717
Total Liabilities	<u>\$ 1,608,566</u>	<u>\$ 13,650,370</u>	<u>\$ 14,121,753</u>	<u>\$ 1,137,183</u>

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  
SEPTEMBER 30, 2016

	80 County Atty Hot Check Fund	84 Alternative Dispute Resolution	89 McDermott Building Fund	92 Breiten Fund (PML)
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 7,628	\$ 1,857	\$ 110,472	\$ 201,971
Accounts Receivable-Net of Uncollectible Allowance	-	515	-	-
Total Assets	<u>7,628</u>	<u>2,372</u>	<u>110,472</u>	<u>201,971</u>
<b>LIABILITIES</b>				
Accounts Payable	5,683	2,372	-	1,142
Total Liabilities	<u>5,683</u>	<u>2,372</u>	<u>-</u>	<u>1,142</u>
<b>NET POSITION</b>				
Unrestricted Net Position	<u>1,945</u>	<u>-</u>	<u>110,472</u>	<u>200,829</u>
Total Net Position	<u>\$ 1,945</u>	<u>\$ -</u>	<u>\$ 110,472</u>	<u>\$ 200,829</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
\$	-	\$	321,928
	-	\$	515
\$	-	\$	322,443
\$	-	\$	9,197
\$	-	\$	9,197
	-	\$	313,246
\$	-	\$	313,246

GILLESPIE COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

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	\$ 5,455	\$ -	\$ -	\$ -
Investment Earnings	-	-	500	776
Total Additions	5,455	-	500	776
DEDUCTIONS:				
Other Operating Expenses	815	-	-	3,394
Travel	4,065	-	-	-
Postage	281	-	-	-
Books	-	-	-	3,130
Capital Outlay	-	-	28,750	-
Total Deductions	5,161	-	28,750	6,524
Change in Net Position	294	-	(28,250)	(5,748)
Total Net Position - October 1 (Beginning)	1,651	-	138,722	206,577
Total Net Position - September 30 (Ending)	\$ 1,945	\$ -	\$ 110,472	\$ 200,829

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

99		Total	
Light Up		Private	
The Block		Purpose	
Fund		Trust Funds	
\$		-	\$ 5,455
		-	1,276
		-	6,731
		-	4,209
		-	4,065
		-	281
		-	3,130
		-	28,750
		-	40,435
		-	(33,704)
		-	346,950
\$		-	\$ 313,246



# NEFFENDORF & KNOPP, P.C.

## Certified Public Accountants

P.O. BOX 874 · 736 S. WASHINGTON ST.

FREDERICKSBURG, TEXAS 78624-0874

(830) 997-3348

FAX: (830) 997-3333

Email: nkhd@austin.rr.com

MEMBER

AMERICAN INSTITUTE OF

CERTIFIED PUBLIC ACCOUNTANTS

MEMBER

TEXAS SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

### 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, 2016, 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 24, 2017.

#### 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.

#### 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 24, 2017.

Sincerely,

*Neffendorf & Knopp, P.C.*

NEFFENDORF & KNOPP, P.C.  
Fredericksburg, Texas

March 24, 2017



# ***NEFFENDORF & KNOPP, P.C.***

## ***Certified Public Accountants***

P.O. BOX 874 · 736 S. WASHINGTON ST.

FREDERICKSBURG, TEXAS 78624-0874

(830) 997-3348

FAX: (830) 997-3333

Email: [nkhd@austin.rr.com](mailto:nkhd@austin.rr.com)

MEMBER

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CERTIFIED PUBLIC ACCOUNTANTS

March 24, 2017

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, 2016. 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. 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. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2016. 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.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. 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 24, 2017.

### *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*

#### *Prior Year Recommendations*

#### Recording TxDOT Grants in General Ledger

The County did record the grant revenues and expenditures of the TxDOT airport grant in the general ledger in the current fiscal year.

We appreciate the cooperation of the County Auditor’s office and the various officials and employees of the County.  
Sincerely,

  
NEFFENDORF & KNOPP, P.C.  
Fredericksburg, Texas

March 24, 2017