

***BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

**COUNTY OF GILLESPIE,
TEXAS**

Fredericksburg, Texas

**For the Year Ended
September 30, 2018**

GILLESPIE COUNTY, TEXAS

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2018

GILLESPIE COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gillespie County, Texas (the "County"), as of and for the year ended September 30, 2018, 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gillespie County, Texas, as of September 30, 2018, 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.

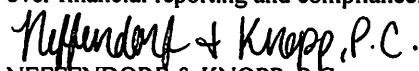
Other Information

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 February 28, 2019, on our consideration of Gillespie County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gillespie County's internal control over financial reporting and compliance.


NEFFENDORF & KNOPP, P.C.
Fredericksburg, Texas

February 28, 2019

GILLESPIE COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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, 2018. 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 \$33,703,534 (Net Position). Of this amount, \$14,192,160 (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 \$3,336,940 as a result of this year's operations.
- At September 30, 2018, the County's governmental funds reported combined ending fund balances of \$20,436,079, an increase of \$1,645,508 in comparison with the prior year.
- At September 30, 2018, the unassigned fund balance of the general fund was \$13,617,877 or 86 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 (General and Road & Bridge Funds) 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 \$30,366,592 to \$33,703,534. 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 \$14,192,160 at September 30, 2018. This increase in governmental Net Position was the result of five factors. First, the County's revenues exceeded the expenditures by \$1,645,508. Second, the County acquired capital assets in the amount of \$2,385,769. Third, the County retired principal on long-term debt of \$1,029,043. Fourth, the County recorded depreciation in the amounts of \$1,207,381. Fifth, the County issued capital lease proceeds in the amount of \$817,515.

Table I
Gillespie County, Texas

NET POSITION in thousands

	Governmental Activities	
	2018	2017
Current and Other Assets	\$ 22,239	\$ 20,247
Capital Assets	27,183	26,004
Total Assets	<u>\$ 49,422</u>	<u>\$ 46,251</u>
Deferred Outflow Related to Pension	<u>\$ 1,098</u>	<u>\$ 2,412</u>
Long-Term Liabilities	\$ 14,980	\$ 16,954
Other Liabilities	1,269	973
Total Liabilities	<u>\$ 16,249</u>	<u>\$ 17,927</u>
Deferred Inflow Related to Pension	<u>\$ 568</u>	<u>\$ 370</u>
Net Position:		
Net Investment in Capital Assets	\$ 15,678	\$ 11,426
Restricted	3,833	3,931
Unrestricted	14,192	15,009
Total Net Position	<u>\$ 33,703</u>	<u>\$ 30,366</u>

Table II
Gillespie County, Texas

CHANGES IN NET POSITION
in thousands

	Governmental Activities	
	2018	2017
Revenues:		
Charges for Services	\$ 2,943	\$ 2,814
Operating Grants and Contributions	408	503
Capital Grants and Contributions	284	946
Property Taxes	15,447	14,858
Sales Tax	2,616	2,384
Other Taxes	748	707
Penalty and Interest	135	121
Miscellaneous Revenue	670	526
Investment Earnings	368	162
Total Revenue	\$ 23,619	\$ 23,021
Expenses:		
Judicial	\$ 1,638	\$ 1,770
General Government	6,347	5,989
Public Safety	6,936	6,182
Road and Bridge	2,915	2,406
Health and Sanitation	221	229
Public Facilities	1,104	832
Libraries and Education	329	340
Agricultural Services	371	362
Debt Interest	420	436
Debt Fees	1	1
Total Expenses	\$ 20,282	\$ 18,547
Increase in Net Position	\$ 3,337	\$ 4,474
Net Position - Beginning	30,366	25,892
Prior Period Adjustment	-	-
Net Position - Ending	\$ 33,703	\$ 30,366

The cost of all governmental activities this year was \$20,282,882. However, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$15,447,736 because the other costs were paid by sales tax (\$2,615,705), capital and operating grants and contributions (\$691,664), user charges (\$2,942,783), other taxes (\$748,144), penalties and interest on taxes (\$135,445), investment earnings (\$368,214), and other miscellaneous (\$670,131).

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 \$20,436,079, which is more than last year's total of \$18,790,571. Included in this year's total change in fund balance is a decrease of \$1,066,953 in the County's General Fund, an increase of \$289,149 in the County's Road and Bridge Fund, and an increase of \$36,969 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 \$4,523,821 for the General Fund and a positive variance with final budget of \$1,082,021 for the Road and Bridge Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2018, the County had the following amounts invested in capital assets, net of depreciation:

CAPITAL ASSETS in thousands

	2018	2017
Land and Easements	\$ 2,735	\$ 2,060
Construction in Progress	302	1,899
Buildings & Improvements	20,224	20,224
Machinery & Equipment	10,908	9,827
Other Improvements	4,507	2,608
Total Capital Assets	\$ 38,676	\$ 36,618
Less Accumulated Depreciation	11,493	10,614
Capital Assets, Net	\$ 27,183	\$ 26,004

This year's major additions included:

Land	\$ 674,433
Vehicles & Equipment	1,409,180
Airport Improvements	302,156
TOTALS	\$ 2,385,769

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

DEBT

At September 30, 2018, the County had the following outstanding debt:

OUTSTANDING DEBT in thousands

	<u>2018</u>	<u>2017</u>
General Obligation Refunding Bonds – Series 2010	\$ 510	\$ 670
General Obligation Bonds – Series 2013	11,530	12,095
Net Pension Liability	239	1956
Capital Leases	1,592	1,078
Premium on GO Bonds – Series 2013	799	854
Compensated Absences	310	301
Total Outstanding Debt	<u>\$ 14,980</u>	<u>\$ 16,954</u>

For governmental activities, the County had \$14,980,136 in general obligation bonds and other long-term debt outstanding, a decrease of 12 percent. The County retired \$1,029,043 in principle on the outstanding long-term debt. The annual amortization for the bond premium was \$54,659 in fiscal year 2017-2018. The net decrease in compensated absences was \$9,326. The net decrease in net pension liability was \$1,716,587.

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 2019 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 2019. Amounts available for appropriation in the General Fund budget are \$18,519,315 and expenditures are estimated to be \$20,722,476. If these estimates are realized, the County's budgetary General fund balance is expected to decrease \$2,203,161 by the close of 2019. Amounts available for appropriation in the Road and Bridge Fund budget are \$3,335,273 and expenditures are estimated to be \$4,588,237. If these estimates are realized, the County's budgetary Road and Bridge fund balance is expected to decrease \$1,252,964 by the close of 2019.

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, 2018

EXHIBIT A-1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 21,112,881
Accounts Receivable (Net)	1,076,265
Due from Other Governments	39,585
Inventories	10,525
Capital Assets:	
Land	2,734,768
Infrastructure, Net	3,998,886
Buildings, Net	16,588,753
Improvements other than Buildings, Net	95,078
Furniture and Equipment, Net	3,463,025
Construction in Progress	302,156
Total Assets	<u>49,421,922</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred Outflow Related to Pension Plan	1,098,068
Total Deferred Outflows of Resources	<u>1,098,068</u>
LIABILITIES	
Accounts Payable	678,204
Wages and Salaries Payable	488,541
Intergovernmental Payable	7,702
Accrued Interest Payable	58,612
Unearned Revenues	35,056
Noncurrent Liabilities:	
Debt Due Within One Year	1,036,554
Bonds Payable - Noncurrent	13,704,321
Net Pension Liability	239,262
Total Liabilities	<u>16,248,252</u>
DEFERRED INFLOW OF RESOURCES	
Deferred Inflow Related to Pension Plan	568,204
Total Deferred Inflows of Resources	<u>568,204</u>
NET POSITION	
Net Investment in Capital Assets	15,678,185
Restricted for:	
Restricted for Special Revenue Funds	3,720,524
Restricted for Debt Service	112,665
Unrestricted Net Position	14,192,160
Total Net Position	<u>\$ 33,703,534</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, 2018

		Program Revenues	
		Charges for Services	Operating Grants and Contributions
	Expenses		
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
Judicial	\$ 1,638,276	\$ 458,977	\$ 50,135
General Administration	6,347,318	701,939	60,029
Public Safety	6,935,652	72,102	212,543
Road and Bridge	2,915,255	989,354	26,632
Health and Sanitation	220,858	720,411	15,278
Public Facilities	1,104,221	-	42,891
Libraries and Education	328,758	-	-
Agriculture Services	371,275	-	-
Interest on Debt	420,119	-	-
Fiscal Agent's Fees	1,150	-	-
TOTAL PRIMARY GOVERNMENT	\$ 20,282,882	\$ 2,942,783	\$ 407,508

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

General Sales and Use Taxes

Other Taxes

Penalty and Interest on Taxes

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
\$ -	\$ (1,129,164)
-	(5,585,350)
-	(6,651,007)
-	(1,899,269)
-	514,831
284,156	(777,174)
-	(328,758)
-	(371,275)
-	(420,119)
-	(1,150)
<u>\$ 284,156</u>	<u>(16,648,435)</u>

14,221,111
1,226,625
2,615,705
748,144
135,445
670,131
368,214
<u>19,985,375</u>
3,336,940
30,366,594
<u>\$ 33,703,534</u>

GILLESPIE COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund	Road and Bridge Fund	Debt Service Fund
ASSETS			
Cash and Cash Equivalents	\$ 14,030,377	\$ 2,489,912	\$ 111,636
Taxes Receivable	321,412	56,720	32,667
Allowance for Uncollectible Taxes (credit)	(6,428)	(1,134)	(653)
Accounts Receivable (Net)	390,791	63,344	1,029
Due from Other Governments	39,585	-	-
Due from Other Funds	2,255	-	-
Inventories	8,375	2,150	-
Total Assets	<u>\$ 14,786,367</u>	<u>\$ 2,610,992</u>	<u>\$ 144,679</u>
LIABILITIES			
Accounts Payable	\$ 365,038	\$ 254,017	\$ -
Wages and Salaries Payable	454,431	30,489	-
Intergovernmental Payable	7,702	-	-
Due to Other Funds	-	2,245	-
Unearned Revenues	26,335	-	-
Total Liabilities	<u>853,506</u>	<u>286,751</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	314,984	55,586	32,014
Total Deferred Inflows of Resources	<u>314,984</u>	<u>55,586</u>	<u>32,014</u>
FUND BALANCES			
Capital Acquisition & Contractual Obligation	-	-	-
Retirement of Long-Term Debt	-	-	112,665
Other Restricted Fund Balance	-	2,268,655	-
Unassigned Fund Balance	13,617,877	-	-
Total Fund Balances	<u>13,617,877</u>	<u>2,268,655</u>	<u>112,665</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 14,786,367</u>	<u>\$ 2,610,992</u>	<u>\$ 144,679</u>

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

Capital Projects	Other Funds	Total Governmental Funds
\$ 3,000,267	\$ 1,480,689	\$ 21,112,881
-	-	410,799
-	-	(8,215)
-	27,427	482,591
-	-	39,585
-	-	2,255
-	-	10,525
<u>\$ 3,000,267</u>	<u>\$ 1,508,116</u>	<u>\$ 22,050,421</u>
\$ 15,254	\$ 43,895	\$ 678,204
-	3,621	488,541
-	-	7,702
-	10	2,255
-	8,721	35,056
<u>15,254</u>	<u>56,247</u>	<u>1,211,758</u>
-	-	402,584
-	-	402,584
2,985,013	-	2,985,013
-	-	112,665
-	1,451,869	3,720,524
-	-	13,617,877
<u>2,985,013</u>	<u>1,451,869</u>	<u>20,436,079</u>
<u>\$ 3,000,267</u>	<u>\$ 1,508,116</u>	<u>\$ 22,050,421</u>

GILLESPIE COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Total Fund Balances - Governmental Funds	\$ 20,436,079
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 increase net position.	11,307,209
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 2018 capital outlays and debt principal payments is to increase net position.	3,469,471
The items reported as a result of GASB 68 implementation for the TCDRS plan included a net pension liability of \$239,262, a Deferred Resource Inflow of \$568,204 and a Deferred Resource Outflow of \$1,098,068. The net effect of these was to increase the ending net position by \$807,466.	290,602
The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(1,207,381)
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 capital leases as an increase in capital leases payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	(592,446)
Net Position of Governmental Activities	\$ 33,703,534

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

GILLESPIE COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Road and Bridge Fund	Debt Service Fund
REVENUES:			
Taxes:			
Property Taxes	\$ 12,071,225	\$ 2,130,209	\$ 1,224,914
General Sales and Use Taxes	2,615,705	-	-
Other Taxes	190,077	655	-
Penalty and Interest on Taxes	106,194	18,739	10,512
Licenses and Permits	59,162	721,275	-
Intergovernmental Revenue and Grants	333,331	-	-
Charges for Services	1,690,917	-	-
Fines	88,828	207,626	-
Forfeits	-	-	-
Investment Earnings	259,712	53,534	4,433
Rents and Royalties	89,934	-	-
Other Revenue	220,153	12,358	-
Total Revenues	<u>17,725,238</u>	<u>3,144,396</u>	<u>1,239,859</u>
EXPENDITURES:			
Current:			
General Government:			
Judicial	1,546,202	-	-
General Administration	5,642,379	-	-
Public Safety	7,047,652	-	-
Road and Bridge	-	3,760,400	-
Health and Sanitation	212,103	-	-
Public Facilities	800,310	-	-
Libraries and Education	315,633	-	-
Agriculture Services	352,950	-	-
Debt Service:			
Principal on Debt	-	-	725,000
Interest on Debt	-	-	476,740
Fiscal Agent's Fees	-	-	1,150
Capital Outlay:			
Capital Outlay	-	-	-
Total Expenditures	<u>15,917,229</u>	<u>3,760,400</u>	<u>1,202,890</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,808,009</u>	<u>(616,004)</u>	<u>36,969</u>
OTHER FINANCING SOURCES (USES):			
Sale of Real and Personal Property	1,128	87,638	-
Proceeds from Capital Leases	-	817,515	-
Transfers In	6,000	-	-
Other Resources	17,910	-	-
Transfers Out (Use)	(2,900,000)	-	-
Total Other Financing Sources (Uses)	<u>(2,874,962)</u>	<u>905,153</u>	<u>-</u>
Net Change in Fund Balances	<u>(1,066,953)</u>	<u>289,149</u>	<u>36,969</u>
Fund Balance - October 1 (Beginning)	<u>14,684,830</u>	<u>1,979,506</u>	<u>75,696</u>
Fund Balance - September 30 (Ending)	<u>\$ 13,617,877</u>	<u>\$ 2,268,655</u>	<u>\$ 112,665</u>

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

Capital Projects	Other Funds	Total Governmental Funds
\$ -	\$ -	\$ 15,426,348
-	-	2,615,705
-	557,412	748,144
-	-	135,445
-	-	780,437
284,156	74,179	691,666
-	156,291	1,847,208
-	1,998	298,452
-	16,686	16,686
36,618	13,917	368,214
-	185,563	275,497
-	26,625	259,136
<u>320,774</u>	<u>1,032,671</u>	<u>23,462,938</u>
-	19,161	1,565,363
-	590,744	6,233,123
-	26,376	7,074,028
-	26,633	3,787,033
-	-	212,103
307,205	883,438	1,990,953
-	-	315,633
-	-	352,950
-	-	725,000
-	-	476,740
-	-	1,150
<u>7,545</u>	<u>-</u>	<u>7,545</u>
<u>314,750</u>	<u>1,546,352</u>	<u>22,741,621</u>
<u>6,024</u>	<u>(513,681)</u>	<u>721,317</u>
-	-	88,766
-	-	817,515
2,800,000	100,000	2,906,000
-	-	17,910
-	(6,000)	(2,906,000)
<u>2,800,000</u>	<u>94,000</u>	<u>924,191</u>
<u>2,806,024</u>	<u>(419,681)</u>	<u>1,645,508</u>
<u>178,989</u>	<u>1,871,550</u>	<u>18,790,571</u>
<u>\$ 2,985,013</u>	<u>\$ 1,451,869</u>	<u>\$ 20,436,079</u>

GILLESPIE COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

Total Net Change in Fund Balances - Governmental Funds	\$ 1,645,508
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 2018 capital outlays and debt principal payments is to increase the change in net position.	3,469,471
The entries required by GASB 68 did require that some expenses on B-1 be adjusted. Total credits to expenses were \$1,473,573 and total debits to expenses were \$1,269,559. The net effect on the change in net position on Exhibit B-1 is an increase of \$204,014.	204,014
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.	(1,207,381)
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 capital leases, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase the change in net position.	(774,672)
Change in Net Position of Governmental Activities	\$ 3,336,940

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

GILLESPIE COUNTY, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2018

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 318,100	\$ 1,495,720
Accounts Receivable (Net)	1,386	53,552
Total Assets	<u>319,486</u>	<u>\$ 1,549,272</u>
LIABILITIES		
Accounts Payable	9,856	\$ -
Intergovernmental Payable	-	659,571
Due to Others	-	889,701
Total Liabilities	<u>9,856</u>	<u>\$ 1,549,272</u>
NET POSITION		
Unrestricted Net Position	<u>309,630</u>	
Total Net Position	<u>\$ 309,630</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, 2018

	Private Purpose Trust Funds
ADDITIONS:	
Charges for Services	\$ 9,422
Investment Earnings	4,828
Total Additions	<u>14,250</u>
DEDUCTIONS:	
Other Operating Costs	12,972
Books	5,440
Total Deductions	<u>18,412</u>
Change in Net Position	(4,162)
Total Net Position -October 1 (Beginning)	<u>313,792</u>
Total Net Position September 30 (Ending)	<u><u>\$ 309,630</u></u>

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

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

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:

I.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.

I.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

Capital Projects Funds

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

Debt Service Funds

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

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

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

Private Purpose Trust Funds

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

Major and Nonmajor Funds

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

Major Fund	Brief Description
General Fund	See above for description.
Special Revenue Fund: Road and Bridge	Accounts for all road and bridge construction and maintenance activity.
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:

<u>Assets</u>	<u>Years</u>
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, 2018, the carrying amount of the County's deposits was \$11,568,672 and the bank balance was \$11,915,134. The County's cash deposits held at Security State Bank & Trust at September 30, 2018 and during the year ended September 30, 2018 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, 2018 and are shown below:

Name	Carrying Amount	Market Value	FDIC Coverage	Pledged Securities
<u>Certificates of Deposit -</u>				
Texas Regional Bank	\$ 2,400,000	\$ 2,400,000	\$ 250,000	\$ 2,341,246
Security State Bank & Trust	1,600,000	1,600,000	250,000	23,848,270
Multi-Bank Securities, Inc	500,000	496,310	500,000	
Financial Northeastern	1,000,000	999,498	1,000,000	
<u>Liquid Asset Portfolio -</u>				
TexPool	3,070,085	3,070,085	*	*
TexasClass	1,669,114	1,669,114	*	*
Total Governmental Activities	<u>\$ 10,239,199</u>	<u>\$ 10,235,007</u>	<u>2,000,000</u>	<u>26,189,516</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, 2018, TexPool had a weighted average maturity of 28 days and TexasClass had a weighted average maturity of 55 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, 2018, the County was not exposed to concentration of credit risk or foreign currency risk.

3.B. RECEIVABLES

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

	<u>General</u>	<u>Road and Bridge</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>TOTAL</u>
Receivables:					
Property Taxes	\$ 321,412	\$ 56,720	\$ 32,667	\$ -	\$ 410,799
Other	390,791	63,344	1,028	27,427	482,590
Intergovernmental	<u>39,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,585</u>
Gross Receivables	\$ 751,788	\$ 120,064	\$ 33,695	\$ 27,427	\$ 932,974
Less: Allowance for Uncollectibles	<u>6,428</u>	<u>1,134</u>	<u>653</u>	<u>-</u>	<u>8,215</u>
Net Total Receivables	\$ <u>745,360</u>	\$ <u>118,930</u>	\$ <u>33,042</u>	\$ <u>27,427</u>	\$ <u>924,759</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	\$ 314,984
Unearned Revenue	26,335
Special Revenue Road and Bridge Fund -	
Unavailable Revenue - Property Taxes	55,586
Other Governmental Funds -	
Unavailable Revenue - Property Taxes	32,014
Unearned Revenue	<u>8,721</u>
TOTAL UNAVAILABLE AND UNEARNED REVENUES	\$ <u>437,640</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 \$636,965 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 \$445,876, resulting in a net receivable of \$191,089.

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 2017 tax roll, the total assessed valuation was \$4,167,733,682 and the taxes assessed amounted to \$16,158,177. The total tax rate was \$0.3999 per \$100 valuation and allocated \$0.3681 to maintenance and operations and \$0.0318 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, 2018, was as follows:

Primary Government

	Balance 10/01/17	Increases	Decreases	Balance 09/30/18
<i>Governmental Activities:</i>				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,475,265	\$ 674,433	\$	\$ 2,149,698
Easements	585,070			585,070
Construction In Progress	1,899,441	302,156	1,899,441	302,156
Total Capital Assets, Not Being Depreciated	\$ 3,959,776	\$ 976,589	\$ 1,899,441	\$ 3,036,924
Capital Assets, Being Depreciated:				
Buildings	20,043,692			20,043,692
Building Improvements	180,270			180,270
Machinery and Equipment	9,827,175	1,409,180	328,676	10,907,679
Other Improvements	2,608,077	1,899,441		4,507,518
Total Capital Assets Being Depreciated	32,659,214	3,308,621	328,676	35,639,159
Less Accumulated Depreciation:				
Buildings	3,053,026	401,913		3,454,939
Building Improvements	72,933	12,259		85,192
Machinery and Equipment	7,051,941	721,389	328,676	7,444,654
Other Improvements	436,812	71,820		508,632
Total Accumulated Depreciation	10,614,712	1,207,381	328,676	11,493,417
Total Capital Assets Being Depreciated, Net	22,044,502	2,101,240	-	24,145,742
Governmental Activities Capital Assets, Net	\$ 26,004,278	\$ 3,077,829	\$ 1,899,441	\$ 27,182,666

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

Governmental Activities:		
General Government	\$	346,305
Public Safety		397,694
Judicial		88,532
Road and Bridge		212,903
Health and Sanitation		11,924
Public Facilities		111,929
Libraries and Education		18,251
Agricultural Services		<u>19,843</u>
Total Depreciation Expense -		
Governmental Activities	\$	<u><u>1,207,381</u></u>

3.F. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at September 30, 2018, 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	<u>10</u>	<u>-</u>
TOTAL	\$ <u><u>2,255</u></u>	\$ <u><u>2,255</u></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, 2018.

	Balance 10/01/17	Issued	Retired	Balance 09/30/18	Due Within One Year
General Obligation Refunding Bonds – Series 2010	\$ 670,000	\$	\$ 160,000	\$ 510,000	\$ 165,000
General Obligation Bonds – Series 2013	12,095,000		565,000	11,530,000	580,000
Premium on General Obligation Bonds Series 2013	854,040		54,659	799,381	-
Capital Leases	<u>1,078,029</u>	<u>817,515</u>	<u>304,043</u>	<u>1,591,501</u>	<u>291,554</u>
Subtotal	\$ 14,697,069	\$ 817,515	\$ 1,083,702	\$ 14,430,882	\$ 1,036,554
Net Pension Liability	1,955,849	839,185	2,555,772	239,262	
Compensated Absences	<u>300,666</u>	<u>233,118</u>	<u>223,792</u>	<u>309,992</u>	
TOTAL	\$ 16,953,584	\$ 1,889,818	\$ 3,863,266	\$ 14,980,136	\$ 1,036,554

Certificates of Obligation	Balance at 9/30/18	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	510,000	165,000
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	<u>11,530,000</u>	<u>580,000</u>
TOTAL CERTIFICATES OF OBLIGATION	\$ <u>12,040,000</u>	\$ <u>745,000</u>

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 9/30/2018
Gillespie County Certificates of Obligation - Series 2001	\$ <u>1,151,000</u>	\$ <u>535,000</u>
Total Amount Refunded	\$ <u>1,151,000</u>	\$ <u>535,000</u>

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:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual</u> <u>Requirements</u>
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	645,000	376,500	1,021,500
2023	670,000	350,200	1,020,200
2024-2028	3,790,000	1,317,200	5,107,200
2029-2033	4,630,000	477,400	5,107,400
TOTAL	\$ 12,040,000	\$ 3,820,235	\$ 15,860,235

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%.

In April 2017, Gillespie County executed a \$602,250 Capital Lease obligation with Government Capital Corporation- Southside Bank for the purchase of a John Deere 770D Motor Grader, a Bush Hog Rotary Cutter, a Chipspreader, a Kalyn Siebert Trailer, a 2008 Peterbilt Truck, a 2007 3500 Chevrolet Silverado, a 2015 Ford F750, a STCC Cross Conveyor, and two 2002 International Water Trucks. The finance contract is dated April 10, 2017 and is due in sixty monthly installments of \$11,084.19 until 6/28/2022, with an interest rate of 3.761%.

In October 2017, Gillespie County executed a \$817,515 Capital Lease obligation with Government Capital Corporation- Southside Bank for the purchase of three 2018 Peterbilt 337 Dump Truck, a 2017 John Deere 310L Backhoe, a Noram 65E Motorgrader, and a 2017 Distributor Truck. The finance contract is dated October 9, 2017 and is due in eighty-four monthly installments of \$11,102.96 until 12/15/2024, with an interest rate of 3.724%.

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, 2018 follows:

Year Ended September 30,	
2019	\$ 345,257
2020	334,813
2021	334,814
2022	301,561
2023	201,805
2024-2028	<u>240,826</u>
Total Minimum Lease Payments	\$ 1,759,076
Less Amount Representing Interest	<u>(167,575)</u>
Present Value of Lease Payments	<u>\$ 1,591,501</u>

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery & Equipment	\$ 2,298,973
Less: Accumulated Depreciation	<u>529,836</u>
NET	<u>\$ 1,769,137</u>

Operating Leases

Commitments under operating (non-capitalized) lease agreements for equipment provide for minimum future rental payments as of September 30, 2018, as follows:

Year Ended September 30	
2019	\$ 183,992
2020	130,633
2021	112,899
2022	58,151
2023	<u>23,243</u>
Total Minimum Rentals	<u>\$ 137,905</u>
Rental Expenditures in Fiscal Year 2018	<u>\$ 173,996</u>

3.H. CLAIMS AND CONTINGENT LIABILITIES

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

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

3.I. RISK MANAGEMENT

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

The County contracted with USI Southwest, Inc. 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%. Contributions to the pension plan from the county for 2017 are shown in the Schedule of Employer Contributions.
- e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, www.tcdrs.org.

Members covered by benefit terms.

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	84
Inactive employees entitled to but not yet receiving benefits	85
Active employees	<u>156</u>
	325

Contributions

TCDRS is a model for responsible, disciplined funding. TCDRS does not receive any state funding. As an agent, multiple-employer plan, each participating employer in the system funds its plan independently. 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 2017 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, 2018 were \$1,089,323, and were equal to the required contributions.

Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 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	2.75%
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 3.25% (made up of 2.75% inflation and .5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% 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-2014 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 2018 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 – December 31, 2016 for more details.

Asset Class	Benchmark	Target Allocation (2)	Geometric Real Rate of Return (Expected Minus Inflation) (2)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	16.00%	7.55%
Global Equities	MSCI World (Net) Index	1.50%	4.85%
International Equities – Developed	MSCI World Ex USA (Net)	11.00%	4.55%
International Equities – Emerging	MSCI Emerging Markets (Net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

⁽¹⁾ Target asset allocation adopted at the April 2018 TCERS Board meeting

⁽²⁾ Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.95% per Cliffwater's 2018 capital market assumptions.

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

⁽⁴⁾ Includes vintage years 2005 – present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage year 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 pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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, 2016	\$ 26,389,982	\$ 24,434,133	\$ 1,955,849
Changes for the Year:			
Service Cost	899,249		899,249
Interest on Total Pension Liability ⁽¹⁾	2,167,752		2,167,752
Effect of Plan Changes ⁽²⁾	-		-
Effects of Economic/Demographic Gains or Losses	46,679		46,679
Effect of Assumptions Changes or Inputs	253,577		253,577
Refund of Contributions	(42,187)	(42,187)	-
Benefit Payments	(1,032,457)	(1,032,457)	-
Administrative Expenses		(18,916)	18,916
Member Contributions		484,648	(484,648)
Net Investment Income		3,573,745	(3,573,745)
Employer Contributions		1,038,533	(1,038,533)
Other ⁽³⁾		5,833	(5,833)
Balances as of December 31, 2017	\$ 28,682,594	\$ 28,443,332	\$ 239,262

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

⁽²⁾ No plan changes valued.

⁽³⁾ 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	Current Discount Rate	1% Increase
	7.10%	8.10%	9.10%
Total Pension Liability	\$ 32,202,748	\$ 28,682,594	\$ 25,683,593
Fiduciary Net Position	28,443,332	28,443,332	28,443,332
Net Pension	\$ 3,759,416	\$ 239,262	\$ (2,759,739)

Pension Expense / (Income)

<u>Prepaid Expense/(Income)</u>	<u>January 1, 2017 to December 31, 2017</u>
Service Cost	\$ 899,249
Interest on Total Pension Liability ⁽¹⁾	2,167,752
Effect of Plan Changes	-
Administrative Expenses	18,916
Member Contributions	(484,648)
Expected Investment Return Net of Investment Expenses	(1,996,457)
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of Economic/Demographic Gains or Losses	11,203
Recognition of Assumption Changes or Inputs	110,965
Recognition of Investment Gains or Losses	164,161
Other ⁽²⁾	<u>(5,833)</u>
Pension Expense/(Income)	<u>\$ 885,307</u>

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

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

As of December 31, 2017, 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	\$ 240,824	\$ 37,344
Changes of assumptions	-	263,111
Net difference between projected and actual earnings	327,380	-
Contributions made subsequent to measurement date ⁽³⁾	N/A	797,613

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	
2018	\$ 155,617
2019	53,512
2020	(221,471)
2021	(255,406)
2022	-
Thereafter ⁽⁴⁾	-

⁽³⁾ *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.*

⁽⁴⁾ *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 2019. As of September 30, 2018, there are 19 retirees who qualify for the \$100/month OPEB benefit. The cost of OPEB for the year ended September 30, 2018 was \$21,500 and the amount projected to be incurred in the year ending September 30, 2019 is \$22,800.

Governmental Accounting Standards Board (GASB) Statement No. 75 (Accounting and Financial Reporting for Postemployment Benefits Other than Pensions) establishes accounting and financial reporting for OPEB that are provided to the employees of state and local governmental employers. For purposes of projecting benefit payments, this Statement carries forward from Statement 45 a requirement to consider the established pattern of sharing benefit-related costs with benefit recipients. Since the Commissioners' Court (governing body of the County) approves the other postemployment benefit (OPEB) on a year to year basis during the annual budget process and has not created a constitutionally valid obligation beyond the current budget period, the provisions of GASB No. 75 do not apply for recognition of the total OPEB liability, deferred inflows/outflows of resources, and total OPEB expense.

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, 2018, the participant balances were \$159,598 in Nationwide and \$46,248 in VALIC.

3.O. SUBSEQUENT EVENTS

The County has evaluated subsequent events through February 28, 2019, 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, 2018

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 12,180,052	\$ 12,180,052	\$ 12,071,225	\$ (108,827)
General Sales and Use Taxes	2,358,576	2,358,576	2,615,705	257,129
Other Taxes	66,000	66,000	190,077	124,077
Penalty and Interest on Taxes	70,000	70,000	106,194	36,194
Licenses and Permits	30,000	30,000	59,162	29,162
Intergovernmental Revenue and Grants	472,308	472,308	333,331	(138,977)
Charges for Services	1,351,750	1,351,750	1,690,917	339,167
Fines	60,500	60,500	88,828	28,328
Investment Earnings	40,000	40,005	259,712	219,707
Rents and Royalties	87,920	87,920	89,934	2,014
Other Revenue	30,000	30,000	220,153	190,153
Total Revenues	16,747,106	16,747,111	17,725,238	978,127
EXPENDITURES:				
Current:				
General Government:				
Judicial	1,705,299	1,705,299	1,546,202	159,097
General Administration	6,632,838	6,632,838	5,642,379	990,459
Public Safety	7,651,833	7,651,833	7,047,652	604,181
Health and Sanitation	1,595,380	1,595,380	212,103	1,383,277
Public Facilities	1,019,093	1,019,093	800,310	218,783
Libraries and Education	352,526	352,526	315,633	36,893
Agriculture Services	372,496	372,916	352,950	19,966
Total Expenditures	19,329,465	19,329,885	15,917,229	3,412,656
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,582,359)	(2,582,774)	1,808,009	4,390,783
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	1,128	1,128
Transfers In	-	-	6,000	6,000
Other Resources	-	-	17,910	17,910
Transfers Out (Use)	(3,008,000)	(3,008,000)	(2,900,000)	108,000
Total Other Financing Sources (Uses)	(3,008,000)	(3,008,000)	(2,874,962)	133,038
Net Change	(5,590,359)	(5,590,774)	(1,066,953)	4,523,821
Fund Balance - October 1 (Beginning)	14,684,830	14,684,830	14,684,830	-
Fund Balance - September 30 (Ending)	\$ 9,094,471	\$ 9,094,056	\$ 13,617,877	\$ 4,523,821

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, 2018

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Taxes:				
Property Taxes	\$ 2,150,303	\$ 2,150,303	\$ 2,130,209	\$ (20,094)
Other Taxes	-	-	655	655
Penalty and Interest on Taxes	10,000	10,000	18,739	8,739
Licenses and Permits	645,000	645,000	721,275	76,275
Fines	151,500	151,500	207,626	56,126
Investment Earnings	6,225	6,225	53,534	47,309
Other Revenue	1,200	1,200	12,358	11,158
Total Revenues	2,964,228	2,964,228	3,144,396	180,168
EXPENDITURES:				
Road and Bridge	4,617,920	4,617,500	3,760,400	857,100
Total Expenditures	4,617,920	4,617,500	3,760,400	857,100
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,653,692)	(1,653,272)	(616,004)	1,037,268
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	87,638	87,638
Proceeds from Capital Leases	860,400	860,400	817,515	(42,885)
Transfers In	3,042,000	3,042,000	-	(3,042,000)
Transfers Out (Use)	(3,042,000)	(3,042,000)	-	3,042,000
Total Other Financing Sources (Uses)	860,400	860,400	905,153	44,753
Change in Fund Balance	(793,292)	(792,872)	289,149	1,082,021
Fund Balance - October 1 (Beginning)	1,979,506	1,979,506	1,979,506	-
Fund Balance - September 30 (Ending)	\$ 1,186,214	\$ 1,186,634	\$ 2,268,655	\$ 1,082,021

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

GILLESPIE COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
A. Total Pension Liability				
Service Cost	\$ 899,249	\$ 896,841	\$ 785,760	\$ 632,865
Interest (on the Total Pension Liability)	2,167,752	2,012,203	1,858,411	1,670,406
Changes of Benefit Terms	-0-	-0-	15,653	112,591
Difference between Expected and Actual Experience	253,577	(447,913)	(67,466)	522,846
Changes of Assumptions	46,679	-0-	240,999	-0-
Benefit Payments, including refunds of employee contributions	(1,074,644)	(928,859)	(800,297)	(727,591)
A. Total Pension Liability				
Net change in Total Pension Liability	\$ 2,292,612	\$ 1,532,272	\$ 2,033,060	\$ 2,211,117
Total Pension Liability - Beginning	26,389,982	24,857,710	22,824,650	20,613,533
Total Pension Liability - Ending	\$ 28,682,594	\$ 26,389,982	\$ 24,857,710	\$ 22,824,650
B. Total Fiduciary Net Position				
Contributions - Employer	\$ 1,038,533	\$ 997,228	\$ 883,020	\$ 795,145
Contributions - Employee	484,648	465,375	412,076	371,068
Net Investment Income	3,573,745	1,662,016	(112,177)	1,373,943
Benefit Payments, including refunds of employee contributions	(1,074,644)	(928,859)	(800,297)	(727,591)
Administrative Expense	(18,916)	(18,103)	(16,042)	(16,254)
Other	5,833	(204,441)	50,041	134,709
B. Total Fiduciary Net Position				
Net Change in Plan Fiduciary Net Position	\$ 4,009,199	\$ 1,973,216	\$ 416,620	\$ 1,931,018
Plan Fiduciary Net Position - Beginning	24,434,133	22,460,917	22,044,297	20,113,278
Plan Fiduciary Net Position - Ending	\$ 28,443,332	\$ 24,434,133	\$ 22,460,917	\$ 22,044,296
C. Net Pension Liability	\$ 239,262	\$ 1,955,849	\$ 2,396,793	\$ 780,353
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	99.17%	92.59%	90.36%	96.58%
E. Covered Payroll	\$ 6,923,537	\$ 6,648,208	\$ 5,886,800	\$ 5,300,965
F. Net Pension Liability as a Percentage of Covered Payroll	3.46%	29.42%	40.71%	14.72%

Note: GASB 68, Paragraph 46, a and b requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

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

GILLESPIE COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Year Ending December 31	Actuarially Determined Contribution ⁽¹⁾	Actual Employer Contribution ⁽¹⁾	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽²⁾	Actual Contribution as a % of Covered Payroll
2008	389,634	440,831	(51,196)	3,988,068	11.10%
2009	456,597	459,221	(2,624)	4,373,531	10.50%
2010	521,389	701,420	(180,031)	4,676,134	15.00%
2011	500,172	720,021	(219,848)	4,800,119	15.00%
2012	517,139	735,268	(218,129)	4,901,795	15.00%
2013	525,243	737,012	(211,769)	4,913,407	15.00%
2014	571,974	795,145	(223,171)	5,300,965	15.00%
2015	664,031	883,020	(218,989)	5,886,800	15.00%
2016	771,192	997,228	(226,036)	6,648,208	15.00%
2017	769,205	1,038,533	(269,328)	6,923,537	15.00%

⁽¹⁾ 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.

⁽²⁾ Payroll is calculated based on contributions as reported to TCDRS.

GILLESPIE COUNTY
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
SEPTEMBER 30, 2018

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	2.8 years (based on contribution rate calculated in 12/31/2017 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: Employer contributions reflect that the current service matching rate was increased to 200%. 2016: Employer contributions reflect that the current service matching rate was increased to 225%. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

* Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to the Schedule

Supplementary Information

SUPPLEMENTARY INFORMATION

GILLESPIE COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	11	20	21	24
	Grants	Law	Lateral	Probate
	Fund	Library	Road	Training
	Fund	Fund	Fund	Fund
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 4,496	\$ 25	\$ 41,347
Accounts Receivable (Net)	-	3,958	-	783
Total Assets	<u>\$ -</u>	<u>\$ 8,454</u>	<u>\$ 25</u>	<u>\$ 42,130</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 2,602	\$ -	\$ -
Wages and Salaries Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Unearned Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>2,602</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Other Restricted Fund Balance	-	5,852	25	42,130
Total Fund Balances	<u>-</u>	<u>5,852</u>	<u>25</u>	<u>42,130</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 8,454</u>	<u>\$ 25</u>	<u>\$ 42,130</u>

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

EXHIBIT H-1 (Cont'd)

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	35 County & District Crt Technology
\$ 1,962	\$ 37,668	\$ 159,802	\$ 37,535	\$ 5,624	\$ 51,270	\$ 12,048	\$ 28,047
1,096	2,355	13,074	-	312	3,121	431	944
<u>\$ 3,058</u>	<u>\$ 40,023</u>	<u>\$ 172,876</u>	<u>\$ 37,535</u>	<u>\$ 5,936</u>	<u>\$ 54,391</u>	<u>\$ 12,479</u>	<u>\$ 28,991</u>
\$ 50	\$ -	\$ 31,304	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	507	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>50</u>	<u>-</u>	<u>31,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3,008	40,023	141,065	37,535	5,936	54,391	12,479	28,991
<u>3,008</u>	<u>40,023</u>	<u>141,065</u>	<u>37,535</u>	<u>5,936</u>	<u>54,391</u>	<u>12,479</u>	<u>28,991</u>
<u>\$ 3,058</u>	<u>\$ 40,023</u>	<u>\$ 172,876</u>	<u>\$ 37,535</u>	<u>\$ 5,936</u>	<u>\$ 54,391</u>	<u>\$ 12,479</u>	<u>\$ 28,991</u>

GILLESPIE COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	36 Hotel Occupancy Tax Fund	37 Pretrial Intervention Fund	51 Justice Court Technology Fund	54 Pioneer Memorial Library Grant
ASSETS				
Cash and Cash Equivalents	\$ 755,192	\$ 147,026	\$ 138,064	\$ -
Accounts Receivable (Net)	-	-	1,353	-
Total Assets	<u>\$ 755,192</u>	<u>\$ 147,026</u>	<u>\$ 139,417</u>	<u>\$ -</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Wages and Salaries Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Unearned Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Other Restricted Fund Balance	755,192	147,026	139,417	-
Total Fund Balances	<u>755,192</u>	<u>147,026</u>	<u>139,417</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 755,192</u>	<u>\$ 147,026</u>	<u>\$ 139,417</u>	<u>\$ -</u>

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

72 Airport Operations Fund	78 LEOSE Training Fund	81 Tax Assessor M V I Fund	93 Sheriff Abandoned Vehicles	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 37,642	\$ 21,598	\$ 107	\$ 1,236	\$ 1,480,689	\$ 1,480,689
-	-	-	-	27,427	27,427
<u>\$ 37,642</u>	<u>\$ 21,598</u>	<u>\$ 107</u>	<u>\$ 1,236</u>	<u>\$ 1,508,116</u>	<u>\$ 1,508,116</u>
\$ 9,939	\$ -	\$ -	\$ -	\$ 43,895	\$ 43,895
3,114	-	-	-	3,621	3,621
10	-	-	-	10	10
8,721	-	-	-	8,721	8,721
<u>21,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,247</u>	<u>56,247</u>
15,858	21,598	107	1,236	1,451,869	1,451,869
<u>15,858</u>	<u>21,598</u>	<u>107</u>	<u>1,236</u>	<u>1,451,869</u>	<u>1,451,869</u>
<u>\$ 37,642</u>	<u>\$ 21,598</u>	<u>\$ 107</u>	<u>\$ 1,236</u>	<u>\$ 1,508,116</u>	<u>\$ 1,508,116</u>

GILLESPIE COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	11	20	21	24
	Grants	Law	Lateral	Probate
	Fund	Library	Road	Training
	Fund	Fund	Fund	Fund
REVENUES:				
Taxes:				
Other Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue and Grants	-	-	26,633	-
Charges for Services	-	17,474	-	3,838
Fines	-	-	-	-
Forfeits	-	-	-	-
Investment Earnings	-	-	-	-
Rents and Royalties	-	-	-	-
Other Revenue	-	-	-	1,575
Total Revenues	<u>-</u>	<u>17,474</u>	<u>26,633</u>	<u>5,413</u>
EXPENDITURES:				
Current:				
General Government:				
Judicial	-	17,319	-	-
General Administration	-	-	-	263
Public Safety	-	-	-	-
Road and Bridge	-	-	26,633	-
Public Facilities	-	-	-	-
Total Expenditures	<u>-</u>	<u>17,319</u>	<u>26,633</u>	<u>263</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>155</u>	<u>-</u>	<u>5,150</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	155	-	5,150
Fund Balance - October 1 (Beginning)	<u>-</u>	<u>5,697</u>	<u>25</u>	<u>36,980</u>
Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ 5,852</u>	<u>\$ 25</u>	<u>\$ 42,130</u>

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

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	35 County & District Crt Technology
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
4,265	10,899	77,555	-	-	17,607	1,776	4,119
-	-	-	-	1,998	-	-	-
-	-	-	16,686	-	-	-	-
-	-	-	558	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>4,265</u>	<u>10,899</u>	<u>77,555</u>	<u>17,244</u>	<u>1,998</u>	<u>17,607</u>	<u>1,776</u>	<u>4,119</u>
1,842	-	-	-	-	-	-	-
-	17,101	66,929	-	5,780	-	-	-
-	-	-	22,425	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,842</u>	<u>17,101</u>	<u>66,929</u>	<u>22,425</u>	<u>5,780</u>	<u>-</u>	<u>-</u>	<u>-</u>
2,423	(6,202)	10,626	(5,181)	(3,782)	17,607	1,776	4,119
-	-	-	-	-	-	-	-
-	-	-	(6,000)	-	-	-	-
-	-	-	(6,000)	-	-	-	-
2,423	(6,202)	10,626	(11,181)	(3,782)	17,607	1,776	4,119
585	46,225	130,439	48,716	9,718	36,784	10,703	24,872
<u>\$ 3,008</u>	<u>\$ 40,023</u>	<u>\$ 141,065</u>	<u>\$ 37,535</u>	<u>\$ 5,936</u>	<u>\$ 54,391</u>	<u>\$ 12,479</u>	<u>\$ 28,991</u>

GILLESPIE COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	36 Hotel Occupancy Tax Fund	37 Pretrial Intervention Fund	51 Justice Court Technology Fund	54 Pioneer Memorial Library Grant
REVENUES:				
Taxes:				
Other Taxes	\$ 557,412	\$ -	\$ -	\$ -
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	-	10,500	8,258	-
Fines	-	-	-	-
Forfeits	-	-	-	-
Investment Earnings	10,473	-	-	-
Rents and Royalties	-	-	-	-
Other Revenue	4,023	-	-	-
Total Revenues	<u>571,908</u>	<u>10,500</u>	<u>8,258</u>	<u>-</u>
EXPENDITURES:				
Current:				
General Government:				
Judicial	-	-	-	-
General Administration	500,671	-	-	-
Public Safety	-	-	-	-
Road and Bridge	-	-	-	-
Public Facilities	-	-	-	-
Total Expenditures	<u>500,671</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>71,237</u>	<u>10,500</u>	<u>8,258</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	71,237	10,500	8,258	-
Fund Balance - October 1 (Beginning)	<u>683,955</u>	<u>136,526</u>	<u>131,159</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 755,192</u>	<u>\$ 147,026</u>	<u>\$ 139,417</u>	<u>\$ -</u>

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

72 Airport Operations Fund	78 LEOSE Training Fund	81 Tax Assessor M V I Fund	93 Sheriff Abandoned Vehicles	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 557,412	\$ 557,412
42,891	4,655	-	-	74,179	74,179
-	-	-	-	156,291	156,291
-	-	-	-	1,998	1,998
-	-	-	-	16,686	16,686
2,866	-	-	20	13,917	13,917
185,563	-	-	-	185,563	185,563
21,027	-	-	-	26,625	26,625
<u>252,347</u>	<u>4,655</u>	<u>-</u>	<u>20</u>	<u>1,032,671</u>	<u>1,032,671</u>
-	-	-	-	19,161	19,161
-	-	-	-	590,744	590,744
-	3,951	-	-	26,376	26,376
-	-	-	-	26,633	26,633
<u>883,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>883,438</u>	<u>883,438</u>
<u>883,438</u>	<u>3,951</u>	<u>-</u>	<u>-</u>	<u>1,546,352</u>	<u>1,546,352</u>
<u>(631,091)</u>	<u>704</u>	<u>-</u>	<u>20</u>	<u>(513,681)</u>	<u>(513,681)</u>
100,000	-	-	-	100,000	100,000
-	-	-	-	(6,000)	(6,000)
<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,000</u>	<u>94,000</u>
<u>(531,091)</u>	<u>704</u>	<u>-</u>	<u>20</u>	<u>(419,681)</u>	<u>(419,681)</u>
<u>546,949</u>	<u>20,894</u>	<u>107</u>	<u>1,216</u>	<u>1,871,550</u>	<u>1,871,550</u>
<u>\$ 15,858</u>	<u>\$ 21,598</u>	<u>\$ 107</u>	<u>\$ 1,236</u>	<u>\$ 1,451,869</u>	<u>\$ 1,451,869</u>

GILLESPIE COUNTY, TEXAS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	BALANCE OCTOBER 1 2017	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2018
STATE COURT COSTS, FEES, FINES				
Assets:				
Cash and Cash Equivalents	\$ 68,043	\$ 31,170	\$ 68,043	\$ 31,170
Other Receivables	21,774	52,987	21,774	52,987
Total Assets	<u>\$ 89,817</u>	<u>\$ 84,157</u>	<u>\$ 89,817</u>	<u>\$ 84,157</u>
Liabilities:				
Due to Other Governments	<u>\$ 89,817</u>	<u>\$ 84,157</u>	<u>\$ 89,817</u>	<u>\$ 84,157</u>
WASTE WATER (STATE FEE)				
Assets:				
Cash and Cash Equivalents	<u>\$ 970</u>	<u>\$ 1,070</u>	<u>\$ 970</u>	<u>\$ 1,070</u>
Liabilities:				
Due to Other Governments	<u>\$ 970</u>	<u>\$ 1,070</u>	<u>\$ 970</u>	<u>\$ 1,070</u>
APPELLATE JUDICIAL SYSTEM				
Assets:				
Cash and Cash Equivalents	\$ 1,594	\$ 784	\$ 1,594	\$ 784
Other Receivables	280	565	280	565
Total Assets	<u>\$ 1,874</u>	<u>\$ 1,349</u>	<u>\$ 1,874</u>	<u>\$ 1,349</u>
Liabilities:				
Due to Others	<u>\$ 1,874</u>	<u>\$ 1,349</u>	<u>\$ 1,874</u>	<u>\$ 1,349</u>
OFFICIAL FEE ACCOUNTS				
Assets:				
Cash and Cash Equivalents	<u>\$ 1,081,388</u>	<u>\$ 15,904,957</u>	<u>\$ 15,556,898</u>	<u>\$ 1,429,447</u>
Liabilities:				
Due to Other Governments	\$ 304,843	\$ 15,026,903	\$ 14,757,402	\$ 574,344
Due to Others	776,545	878,054	799,496	855,103
Total Liabilities	<u>\$ 1,081,388</u>	<u>\$ 15,904,957</u>	<u>\$ 15,556,898</u>	<u>\$ 1,429,447</u>
UNCLAIMED MONEY FUND				
Assets:				
Cash and Cash Equivalents	<u>\$ 57,076</u>	<u>\$ 33,249</u>	<u>\$ 57,076</u>	<u>\$ 33,249</u>
Liabilities:				
Due to Others	<u>\$ 57,076</u>	<u>\$ 33,249</u>	<u>\$ 57,076</u>	<u>\$ 33,249</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, 2018

	BALANCE OCTOBER 1 2017	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2018
TOTAL AGENCY FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 1,209,071	\$ 15,971,230	\$ 15,684,581	\$ 1,495,720
Other Receivables	22,054	53,552	22,054	53,552
Total Assets	<u>\$ 1,231,125</u>	<u>\$ 16,024,782</u>	<u>\$ 15,706,635</u>	<u>\$ 1,549,272</u>
Liabilities:				
Due to Other Governments	\$ 395,630	\$ 15,112,130	\$ 14,848,189	\$ 659,571
Due to Others	835,495	912,652	858,446	889,701
Total Liabilities	<u>\$ 1,231,125</u>	<u>\$ 16,024,782</u>	<u>\$ 15,706,635</u>	<u>\$ 1,549,272</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, 2018

	Co Attorney Hot Check Fund	Alternative Dispute Resolution	McDermott Building (Library)	Breiten Fund (PML)
ASSETS				
Cash and Cash Equivalents	\$ 16,677	\$ 250	\$ 113,196	\$ 187,977
Accounts Receivable (Net)	-	1,386	-	-
Total Assets	<u>16,677</u>	<u>1,636</u>	<u>113,196</u>	<u>187,977</u>
LIABILITIES				
Accounts Payable	8,220	1,636	-	-
Total Liabilities	<u>8,220</u>	<u>1,636</u>	<u>-</u>	<u>-</u>
NET POSITION				
Unrestricted Net Position	<u>8,457</u>	<u>-</u>	<u>113,196</u>	<u>187,977</u>
Total Net Position	<u>\$ 8,457</u>	<u>\$ -</u>	<u>\$ 113,196</u>	<u>\$ 187,977</u>

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

Light Up the Block Fund	Total Private Purpose Trust Funds
\$	-
	\$ 318,100
-	1,386
\$	-
	\$ 319,486
\$	-
	\$ 9,856
\$	-
	\$ 9,856
-	309,630
\$	-
	\$ 309,630

GILLESPIE COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

Data Control Codes	Co Attorney Hot Check Fund	Alternative Dispute Resolution	McDermott Building (Library)	Breiten Fund (PML)
ADDITIONS:				
Charges for Services	\$ 2,735	\$ 6,687	\$ -	\$ -
Investment Earnings	-	-	1,802	3,026
Total Additions	<u>2,735</u>	<u>6,687</u>	<u>1,802</u>	<u>3,026</u>
DEDUCTIONS:				
Other Operating Costs	170	-	9,242	3,560
Books	-	-	-	5,440
Total Deductions	<u>170</u>	<u>-</u>	<u>9,242</u>	<u>9,000</u>
Change in Net Position	2,565	6,687	(7,440)	(5,974)
Total Net Position - October 1 (Beginning)	<u>5,892</u>	<u>2,555</u>	<u>111,394</u>	<u>193,951</u>
Total Net Position - September 30 (Ending)	<u>\$ 8,457</u>	<u>\$ 9,242</u>	<u>\$ 103,954</u>	<u>\$ 187,977</u>

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

Light Up the Block Fund	Total Private Purpose Trust Funds
\$ -	\$ 9,422
-	4,828
-	14,250
-	12,972
-	5,440
-	18,412
-	(4,162)
-	313,792
\$ -	\$ 309,630

NEFFENDORF & KNOPP, P.C.
Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gillespie County, Texas (the "County"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 28, 2019.

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.

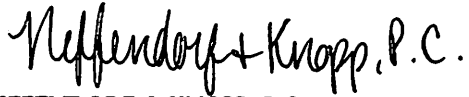
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gillespie County's 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.

Sincerely,

A handwritten signature in black ink that reads "Neffendorf & Knopp, P.C." in a cursive, flowing script.

NEFFENDORF & KNOPP, P.C.
Fredericksburg, Texas

February 28, 2019

NEFFENDORF & KNOPP, P.C.

Certified Public Accountants

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TEXAS SOCIETY OF
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February 28, 2019

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, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 15, 2018. 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, 2018. 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 February 28, 2019.

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; Schedule of Changes in Net Pension Liability and Related Ratio and Schedule of Employer Contributions, 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

Outstanding Checks

Several old outstanding checks are being carried on the bank reconciliations on several of the officials' accounts. We recommend that the checks be researched for proper disposition (cleared or re-issued).

Recording TxDOT Grants in General Ledger

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

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

February 28, 2019