

BLANCO COUNTY, TEXAS

BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2016

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

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

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### Independent Auditor's Report

Honorable Judge and County Commissioners  
County of Blanco, Texas  
Johnson City, TX 78636

#### **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 Blanco County, Texas (the "County"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

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

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



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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Blanco County, Texas, as of September 30, 2016, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 10), budgetary comparison information (pages 40 and 41) and the Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of Employer Contributions on pages 42-45 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 Blanco County's basic financial statements. The combining nonmajor and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2017, on our consideration of Blanco 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 Blanco County's internal control over financial reporting and compliance.

  
NEFFENDORF & KNOPP, P.C.  
Fredericksburg, Texas

March 23, 2017

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Blanco County, Texas, we offer readers of the County's financial statements this narrative overview and analysis of the financial statements of the County for the year ended September 30, 2016. Please read it in conjunction with the independent auditors' report on page 1, and County's Basic Financial Statements which begin on page 11.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$12,692,868 (net position). Of this amount, \$4,377,428 (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 \$396,681 as a result of this year's operations.
- At September 30, 2016, the County's governmental funds reported combined ending fund balances of \$3,992,795, an increase of \$31,570 in comparison with the prior year.
- At September 30, 2016, the unassigned fund balance of the general fund was \$3,024,027, or 62 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 11 and 12). 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 13 & 16) 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 remaining statements, fiduciary statements, provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the County.

The notes to the financial statements (starting on page 21) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedules (operating fund), the Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of Employer Contributions are presented as required supplementary information on pages 42-45. The combining statements (starting on page 46) for nonmajor funds contain even more information about the County's individual funds.

## **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 11. 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. The County's revenues are divided into those provided by outside parties who pay for the costs of some programs and grants provided by the outside parties and agencies (program revenues), and revenues provided by the taxpayers or other unrestricted sources (general revenues). 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) provide one measure of the County's financial health, or financial position. Over time, increases or decreases in the County's net position are 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 has one kind of activity:

➤ Governmental activity - Most of the County's basic services are reported here, including the public safety, roads and bridges, justice system, juvenile services, health and human services, culture and recreation, conservation and development and administration. Property taxes, grants, user charges, sales tax and other tax finance most of these activities.

## **Reporting the County's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements on pages 13 & 16 provide detailed information about the most significant funds - not the County as a whole. Laws and contracts require the County to establish some funds, such as grants received from a government agency. The County's administration establishes many other funds to help it control and manage money for particular purposes.

➤ Governmental funds - Most 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 reconciliation schedules following each of the fund financial statements.



**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the County's governmental activities.

Net position of the County's governmental activities increased from \$12,296,187 to \$12,692,868. 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 \$4,377,428 at September 30, 2016. This increase in governmental net position was the result of four factors. First, the County's expenditures exceeded the revenues by \$31,570. Second, the County retired long-term debt in the amount of \$350,000 and acquired capital assets in the amount of \$608,527. Third, the County recorded depreciation in the amount of \$551,279 and fourth, due to implementation of GASB Statement No. 68 a decrease in expenses was necessary in the amount of \$112,242.

**Table I**  
**Blanco County, Texas**

**NET POSITION**  
in thousands

	Governmental Activities	
	2016	2015
Current and Other Assets	\$ 4,540	\$ 4,599
Capital Assets	14,021	13,963
Total Assets	\$ 18,561	\$ 18,562
Deferred Outflow of Resources	\$ 1,681	\$ 1,269
Long-Term Liabilities	\$ 6,713	\$ 6,690
Other Liabilities	778	845
Total Liabilities	\$ 7,491	\$ 7,535
Deferred Inflow of Resources	\$ 58	\$
Net Position:		
Invested in Capital Assets		
Net of Related Debt	\$ 7,347	\$ 7,676
Restricted	969	857
Unrestricted	4,377	3,763
Total Net Position	\$ 12,693	\$ 12,296

**Table II**  
**Blanco County, Texas**

**CHANGES IN NET POSITION**  
in thousands

	Governmental Activities	
	2016	2015
<b>Revenues:</b>		
Charges for Services	\$ 1,026	\$ 1,001
Property Taxes	4,611	4,063
Sales Tax	497	450
Other Taxes	16	11
Penalty and Interest	52	48
Investment Earnings	11	3
Miscellaneous	223	120
Grants	180	114
<b>Total Revenue</b>	<b>\$ 6,616</b>	<b>\$ 5,810</b>
<b>Expenses:</b>		
Financial Administration	\$ 135	\$ 117
Public Safety	2,150	2,088
General Administration	687	577
Tax Administration	442	311
Facilities Management	216	198
Roads and Bridges	632	764
Sanitation	86	79
Justice System	1,206	1,163
Juvenile Services	56	54
Health and Human Services	207	207
Conservation and Development	104	83
Culture and Recreation	13	13
Debt Service	285	299
<b>Total Expenses</b>	<b>\$ 6,219</b>	<b>\$ 5,953</b>
<b>Increase in Net Position</b>	<b>\$ 397</b>	<b>\$ (143)</b>
Net Position - Beginning of Year	12,296	12,566
Prior Period Adjustment		(127)
<b>Net Position - End of Year</b>	<b>\$ 12,693</b>	<b>\$ 12,296</b>

The cost of all governmental activities this year was \$6,219,094. However, as shown in the Statement of Activities on page 12, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$4,610,339 because the other costs were paid by sales tax (\$496,206), operating grants (\$172,842), user charges (\$1,026,008), investment earnings (\$11,004) and other miscellaneous (\$223,102).

## THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$3,992,795, which is more than last year's total of \$3,961,225. Included in this year's total change in fund balance is an increase of \$177,785 in the County's General Fund.

The Commissioner's Court adopted the General Fund Budget and Road and Bridge Fund Budgets. Actual expenditures in the General Fund and Road and Bridge Fund were less than the budgeted amounts. Actual revenues in the General Fund budget were less than budgeted amounts and actual revenues in the Road and Bridge Fund were more than budgeted amounts.

## CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2016, the County had \$21,363,671 invested in a broad range of capital assets, including land, buildings, vehicles and equipment and other improvements. This amount represents a net increase of \$608,527, or 2.9 percent, more than last year.

### CAPITAL ASSETS in thousands

	Governmental Activities	
	2016	2015
Land	\$ 1,300	\$ 1,300
Buildings	11,109	11,109
Improvements	4,351	3,934
Machinery & Equipment	3,981	3,789
Vehicles	623	623
Total Capital Assets	\$ 21,364	\$ 20,755
Accumulated Depreciation	7,343	6,792
Capital Assets, Net	\$ 14,021	\$ 13,963



This year's major additions included:

2007 Motorgrader	\$ 58,710
(2) Vehicles W/Equip	79,765
Road Improvements	416,733
Miscellaneous Equip	<u>53,319</u>
 TOTAL	 \$ <u>608,527</u>

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

#### DEBT

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

#### OUTSTANDING DEBT in thousands

	Governmental Activities	
	<u>2016</u>	<u>2015</u>
Refunding Bonds	\$ 3,990	\$ 4,000
Certificates of Obligation	<u>2,225</u>	<u>2,565</u>
Total Outstanding Debt	<u>\$ 6,215</u>	<u>\$ 6,565</u>

At year-end the County had \$6,215,000 in certificates of obligation and refunding bonds outstanding, a decrease in total debt of \$350,000 from the previous year.

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal-year 2017 budget and tax rates. The major factors are the economy and property tax valuations. These indicators were taken into account when adopting the General Fund and Road and Bridge Fund budgets for 2017. Amounts available for appropriation in the General Fund budget are \$6,184,047 and expenditures are estimated to be \$6,800,386. Estimated revenues for the Road and Bridge Fund are \$877,201 (including transfer from the general fund of \$222,201) and expenditures are estimated to be \$877,201.

If these estimates are realized, the County's budgetary General Fund balance will decrease by \$616,339 and the Road and Bridge Fund balance will remain the same by the close of 2017.

## 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 Treasurer's office, Johnson City, Texas.

BASIC FINANCIAL STATEMENTS



BLANCO COUNTY, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016

EXHIBIT A-1

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 939,789
Investments - Current	3,212,238
Receivables (net of allowance for uncollectibles)	313,972
Internal Balances	74,599
Capital Assets:	
Land	1,299,789
Buildings, net	7,794,738
Improvements other than Buildings, net	3,521,888
Machinery and Equipment, net	1,404,224
Total Assets	18,561,237
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred Charge for Refunding	934,780
Deferred Outflow Related to Pension Plan	745,880
Total Deferred Outflows of Resources	1,680,660
<b>LIABILITIES</b>	
Accounts Payable	304,884
Intergovernmental Payable	39,857
Accrued Interest Payable	34,920
Unearned Revenues	28,333
Bonds Payable - Current	370,000
Noncurrent Liabilities	
Due in More Than One Year	6,129,380
Net Pension Liability	583,859
Total Liabilities	7,491,233
<b>DEFERRED INFLOW OF RESOURCES</b>	
Unavailable Revenue - Property Taxes	8,017
Deferred Inflow Related to Pension Plan	49,779
Total Deferred Inflows of Resources	57,796
<b>NET POSITION</b>	
Net Investment in Capital Assets	7,346,672
Restricted for:	
Restricted for Special Revenue	478,955
Restricted for Debt Service	489,813
Unrestricted Net Position	4,377,428
Total Net Position	\$ 12,692,868

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

BLANCO COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT B-1

Net (Expense)  
Revenue and  
Changes in Net  
Position

	Program Revenues			Primary Gov. Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
Financial Administration	\$ 135,501	\$ -	-	\$ (135,501)
General Administration	686,826	12,706	23,138	(650,982)
Tax Administration	442,452	18,604	-	(423,848)
Facilities Management	216,242	-	-	(216,242)
Public Safety	2,149,676	185,988	5,785	(1,957,903)
Roads & Bridges	632,544	445,289	104,732	(82,523)
Sanitation	85,788	-	2,000	(83,788)
Justice System	1,206,237	363,421	24,791	(818,025)
Juvenile Services	56,486	-	-	(56,486)
Health & Human Services	207,189	-	12,396	(194,793)
Culture and Recreation	11,035	-	-	(11,035)
Conservation and Development	104,133	-	-	(104,133)
Bond Interest	282,935	-	-	(282,935)
Fiscal Agent's Fees	2,050	-	-	(2,050)
<b>TOTAL PRIMARY GOVERNMENT:</b>	<u>\$ 6,219,094</u>	<u>\$ 1,026,008</u>	<u>\$ 172,842</u>	<u>(5,020,244)</u>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes	3,918,748
Property Taxes, Levied for Debt Service	691,591
Sales Taxes	496,206
Other Taxes	16,051
Penalty and Interest	52,525
Grants and Contributions Not Restricted	7,698
Miscellaneous Revenue	223,102
Investment Earnings	11,004
<b>Total General Revenues</b>	<u>5,416,925</u>

Change in Net Position

	396,681
Net Position-- Beginning	12,296,187
<b>Net Position--Ending</b>	<u>\$ 12,692,868</u>

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

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

	General Fund	Debt Service Fund	Capital Projects
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 179,370	\$ 199,039	\$ 38,592
Investments - Current	3,212,238	-	-
Taxes Receivable	90,776	16,966	-
Allowance for Uncollectible Taxes (credit)	(4,539)	(848)	-
Receivables (Net)	110,476	-	-
Due from Other Funds	74,600	290,774	-
Total Assets	<u>\$ 3,662,921</u>	<u>\$ 505,931</u>	<u>\$ 38,592</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 43,751	\$ -	\$ 38,592
Wages and Salaries Payable	117,690	-	-
Intergovernmental Payable	39,857	-	-
Due to Other Funds	319,706	-	-
Unearned Revenues	28,333	-	-
Total Liabilities	<u>549,337</u>	<u>-</u>	<u>38,592</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	86,237	16,118	-
Total Deferred Inflows of Resources	<u>86,237</u>	<u>16,118</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
Restricted for Special Revenue	3,320	-	-
Retirement of Long-Term Debt	-	489,813	-
Unassigned Fund Balance	3,024,027	-	-
Total Fund Balances	<u>3,027,347</u>	<u>489,813</u>	<u>-</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 3,662,921</u>	<u>\$ 505,931</u>	<u>\$ 38,592</u>

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



Other Funds	Total Governmental Funds
\$ 522,788	\$ 939,789
-	3,212,238
-	107,742
-	(5,387)
28,769	139,245
28,931	394,305
<u>\$ 580,488</u>	<u>\$ 4,787,932</u>
\$ 89,329	\$ 171,672
15,524	133,214
-	39,857
-	319,706
-	28,333
<u>104,853</u>	<u>692,782</u>
-	102,355
-	102,355
475,635	478,955
-	489,813
-	3,024,027
<u>475,635</u>	<u>3,992,795</u>
<u>\$ 580,488</u>	<u>\$ 4,787,932</u>

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

<b>Total Fund Balances - Governmental Funds</b>	\$	3,992,795
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.		8,154,761
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2016 capital outlays and debt principal payments is to increase net position.		958,527
This is the second year of the implementation of GASB 68 for the TMRS Pension plan. This fiscal year required that the City report their net pension liability in the Government Wide Statement of Net Position. The items reported as a result of this implementation included a net pension liability of \$583,859, a Deferred Resource Outflow of \$745,880 and a Deferred Resource Inflow of \$49,779. The net effect of these was to increase the ending net position by \$112,242.		112,242
The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(551,279)
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, 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.		25,822
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>12,692,868</b>

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

BLANCO COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Debt Service Fund	Capital Projects
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 3,910,115	\$ 709,424	\$ -
General Sales and Use Taxes	496,206	-	-
Other Taxes	16,051	-	-
Penalty and Interest on Taxes	52,525	-	-
Licenses and Permits	46,148	-	-
Intergovernmental Revenue and Grants	164,651	-	-
Charges for Services	357,634	-	-
Fines	57,953	-	-
Forfeits	-	-	-
Investment Earnings	10,272	-	732
Rents and Royalties	28,228	-	-
Other Revenue	78,004	-	-
Total Revenues	<u>5,217,787</u>	<u>709,424</u>	<u>732</u>
<b>EXPENDITURES:</b>			
Current:			
General Government:			
Financial Administration	123,369	-	-
General Administration	601,220	-	-
Tax Administration	402,342	-	-
Facilities Management	196,259	-	-
Public Safety	1,953,161	-	-
Roads & Bridges	-	-	-
Sanitation	78,119	-	-
Justice System	1,087,566	-	-
Juvenile Services	51,266	-	-
Health & Human Services	112,253	-	-
Culture and Recreation	10,000	-	-
Conservation and Development	94,770	-	-
Debt Service:			
Bond Principal	-	350,000	-
Bond Interest	-	233,194	-
Fiscal Agent's Fees	-	2,050	-
Capital Outlay:			
Capital Outlay	181,568	-	416,733
Total Expenditures	<u>4,891,893</u>	<u>585,244</u>	<u>416,733</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>325,894</u>	<u>124,180</u>	<u>(416,001)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	249,612	-	397,721
Transfers Out (Use)	(397,721)	-	(249,612)
Total Other Financing Sources (Uses)	<u>(148,109)</u>	<u>-</u>	<u>148,109</u>
Net Change in Fund Balances	177,785	124,180	(267,892)
Fund Balance - October 1 (Beginning)	2,849,562	365,633	267,892
Fund Balance - September 30 (Ending)	<u>\$ 3,027,347</u>	<u>\$ 489,813</u>	<u>\$ -</u>

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

Other Funds	Total Governmental Funds
\$ -	\$ 4,619,539
-	496,206
-	16,051
-	52,525
445,083	491,231
15,889	180,540
112,107	469,741
128,036	185,989
206	206
-	11,004
-	28,228
-	78,004
701,321	6,629,264
-	123,369
23,820	625,040
-	402,342
-	196,259
18,888	1,972,049
575,387	575,387
-	78,119
9,795	1,097,361
-	51,266
75,919	188,172
15	10,015
-	94,770
-	350,000
-	233,194
-	2,050
-	598,301
703,824	6,597,694
(2,503)	31,570
-	647,333
-	(647,333)
-	-
(2,503)	31,570
478,138	3,961,225
\$ 475,635	\$ 3,992,795

BLANCO COUNTY, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	31,570
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2016 capital outlays and debt principal payments is to increase the change in net position.		958,527
The implementation of the requirements of GASB 68 for this fiscal year resulted in a prior period adjustment to record the retroactive impact. This is not included in the explanation as to why the change in net position is different on Exhibit B-1 than the change in fund balance on Exhibit C-3. The entries required by GASB 68 did require that some expenses on B-1 be adjusted. Total credits to expenses were \$201,156 and total debits to expenses were \$186,863. The net effect on the change in net position on Exhibit B-1 is an increase of \$14,293.		14,293
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.		(551,279)
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, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.		(56,430)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>396,681</b>

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



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

	Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 90,846	\$ 180,779
Due from Other Governments	81,414	-
Total Assets	<u>172,260</u>	<u>\$ 180,779</u>
<b>LIABILITIES</b>		
Due to Other Funds	74,600	\$ -
Due to Others	-	180,779
Total Liabilities	<u>74,600</u>	<u>\$ 180,779</u>
<b>NET POSITION</b>		
Restricted for Schools	<u>97,660</u>	
Total Net Position	<u>\$ 97,660</u>	

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

BLANCO COUNTY, TEXAS  
 STATEMENT OF CHANGES IN NET POSITION  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Private Purpose Trust Fund
<hr/>	
ADDITIONS:	
Investment Earnings	\$ 58
Rents and Royalties	11,500
Total Additions	<u>11,558</u>
DEDUCTIONS:	
Other Operating Expenses	<u>11,558</u>
Total Deductions	<u>11,558</u>
Change in Net Position	-
Total Net Position -October 1 (Beginning)	<u>97,660</u>
Total Net Position September 30 (Ending)	<u><u>\$ 97,660</u></u>

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Blanco County have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

1.A. FINANCIAL REPORTING ENTITY

The County is an independent unit and is managed by a governing body of elected officials. The accompanying financial statements present the County's primary government.

In evaluating how to define the government, for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there were no component units identified that would require inclusion in this report.

1.B. BASIS OF PRESENTATION

***Government-wide Financial Statements:***

The Statement of Net Position and Statement of Activities 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 primary operating fund of the County, is always classified as a major fund. It is the basic fund of the County and covers all activities for which a separate fund has not been established.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Debt Service Funds

The Debt Service Fund accounts for the accumulation of financial resources for and the payment of principal and interest on general long-term debt of the County other than debt service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the County's debt.

Capital Projects Fund - To account for financial resources to be used for the acquisition and construction of major capital facilities.

**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 one agency fund. 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. The reporting entity includes one private purpose trust fund.

**Major and Nonmajor Funds**

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

<b>Major Fund</b>	<b>Brief Description</b>
General	See above for description.
Debt Service Fund	See above for description.
Capital Projects Fund	See above for description.

**Nonmajor funds** consist of special revenue 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 Permanent 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 agency 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, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

### **Cash and Cash Investments**

For the purpose of the Statement of Net Position, "Cash and Cash Equivalents" includes demand deposit accounts 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**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances of uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The major receivable balances for the governmental activities relate to property taxes and court fines and fees.



In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, grants, and other intergovernmental revenues since they are usually both measurable and available. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

## **Fixed Assets**

### Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable.

Donated assets are recorded at their estimated fair value at the date of donation.

Pursuant to GASB Statement Number 34, an extended period of deferral is available before the requirement to record and depreciate infrastructure assets (e.g., roads, bridges, and similar items) acquired before the implementation date becomes effective. Therefore, infrastructure assets acquired prior to October 1, 2002 have not yet been capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25 - 50 years
Improvements	10 - 50 years
Machinery and Equipment	3 - 20 years
Infrastructure	25 - 50 years

### Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

## **Long-term Debt**

All long term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bond and note payables and capital lease transactions.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

## **Compensated Absences**

Vacation and Sick Leave - Vacation and sick leave expenses are charged to operations when taken by the employees of the County. After one year of service an employee is entitled to two weeks of vacation. If the employee does not take the vacation within the year, they will lose the benefit. If an employee is terminated for any reason they will be entitled to payment for the vacation they have earned.

## **Fund Equity**

Beginning with fiscal year end September 30, 2016, 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).

#### **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 Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. 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.

#### **Deferred Inflows of Resources and Deferred Outflows of Resources**

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

#### **Net Position**

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

#### **Use of Estimates**

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



1.E. REVENUES, EXPENDITURES AND EXPENSES

**Property Taxes**

The County contracted with the Blanco County Appraisal District for the appraisal of properties and collection of taxes. Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the year in which imposed. On January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. For the 2015 tax roll, the total assessed valuation was \$1,301,551,268 and the taxes assessed amounted to \$4,615,429. The total tax rate was \$0.3617 per \$100 valuation and allocated \$0.3068 to the General Fund and \$0.0549 to the Debt Service Fund. 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.

**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 reallocation 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

By its nature as a local government unit, the County is subject to various federal, state and local laws and contractual regulations. An analysis of the County's compliance with significant laws and regulations and demonstration of its stewardship over County resources follows.

Budgetary Information

The County Judge and staff prepare the proposed budget, using revenue estimates furnished by the County Treasurer and submit the data to Commissioners Court. A public hearing is held on the budget by Commissioners Court. Before determining the final budget, Commissioners Court may increase or decrease the amounts requested by the various departments. In the final budget, which is usually adopted in September, expenditures for current operating funds cannot exceed the estimated available cash balances in such funds on October 1, plus the estimate of revenues for the ensuing year. At any time during the year, Commissioners Court may increase the budget for unexpected revenues. Commissioners Court may transfer amounts among individual budget line items within major expenditure categories during the year, but no such transfer may increase the overall total of the budget. Formal budgetary integration is employed for the General and Special Revenue operations. Budgets for these funds are prepared on a cash basis. Unused appropriations lapse at the end of each year.

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

3.A. Deposits and Investments

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

At September 30, 2016, the carrying amount of the County's deposits was \$1,030,635 and the bank balance was \$1,019,935. The County's cash deposits held at Blanco National Bank at September 30, 2016 and during the year ended September 30, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

The County's temporary investments at September 30, 2016 are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>FDIC Coverage</u>	<u>Pledged Securities</u>
Texpool *	\$ 3,212,238	\$ 3,212,238	\$ -	\$ -

\* The investment in TexPool is considered a government pool investment. Government pool investments are not categorized in accordance with GASB Statement No. 3, because they are not evidenced by securities that exist in physical or book entry form. Also, investments in government investment pools are not required to disclose custodial credit risk, concentration of credit risk and interest rate risk in accordance with GASB Statement #40.

TexPool's portfolio has low market (credit) risk due to restrictions on weighted average maturity and maximum maturity of any one investment. The investment manager is required to maintain a stable \$1.00 net asset value and must take immediate action if the net asset value of the portfolio falls below \$.995 or rises above \$1.005.

Policies Governing Deposits and Investments

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

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



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

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2016, the County was not exposed to concentration of credit risk or foreign currency risk.

3.B. AD VALOREM TAXES RECEIVABLE

Ad Valorem taxes have been reported in the financial statements net of the allowance for uncollectible taxes. Ad Valorem taxes are prorated between maintenance, debt service, and special revenues based on rates adopted for the year of the levy. Allowances for uncollectible within the General, Debt Service and Special Revenue Funds are based upon historical experience in collecting property taxes. The County is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

Ad Valorem tax payments, received throughout the year, are recognized as revenue in the year received, except for those received within 60 days after year-end, which are recognized as revenue as of September 30, 2016.

The following is a summary, by major and nonmajor funds, of the gross taxes, the allowance for uncollectible taxes, and net taxes receivable.

	Taxes Receivable	Allowance for Uncollectible Taxes	Net Taxes Receivable
General Fund	\$ 90,776	\$ 16,966	\$ 107,742
Nonmajor Fund - Debt Service	4,539	848	5,387
<b>TOTAL - ALL FUNDS</b>	<b>\$ 86,237</b>	<b>\$ 16,118</b>	<b>\$ 102,355</b>

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 \$482,491 which represents amounts owed and outstanding at September 30, 2016. Based on historical collection rates for the various courts, the County has booked an allowance for uncollectible court fines and fees of \$410,117, resulting in a net receivable of \$72,374.

3.D. CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended September 30, 2016.

	Balance 10/1/15	Additions	Deletions	Balance 9/30/16
<i>Governmental Activities:</i>				
Land	\$ 1,299,789	\$ -	\$ -	\$ 1,299,789
Buildings	11,108,989	-	-	11,108,989
Improvements	3,934,140	416,733	-	4,350,873
Machinery & Equipment	3,788,966	191,794		3,980,760
Vehicles	623,260			623,260
Totals at Historic Cost	\$ 20,755,144	\$ 608,527	\$ -	\$ 21,363,671
Less Accumulated Depreciation:				
Buildings	(3,092,070)	(222,180)		(3,314,250)
Improvements	(673,239)	(155,746)		(828,985)
Machinery & Equipment	(2,563,089)	(114,253)		(2,677,342)
Vehicles	(463,355)	(59,100)		(522,455)
Total Accumulated Depreciation	\$ (6,791,753)	\$ (551,279)	\$ -	\$ (7,343,032)
Capital Assets, Net	\$ 13,963,391	\$ 57,248	\$ -	\$ 14,020,639

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

<i>Governmental Activities:</i>	
Financial Administration	\$ 12,562
General Administration	63,643
Tax Administration	40,967
Facilities Management	19,983
Public Safety	200,798
Roads & Bridges	58,587
Sanitation	7,954
Justice System	111,735
Juvenile Services	5,220
Health & Human Services	19,160
Conservation & Development	9,650
Culture & Recreation	1,020
Total Depreciation Expense - Governmental Activities	\$ 551,279

3.E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2016, is as follows:

**Due to/from other funds**

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds	General	\$ 28,932
Debt Service	General	290,774
General	Trust	74,600
TOTAL		\$ 394,306

This balance results from the time lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures, and 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Interfund Transfers:

	Transfer In		
	Capital Projects Fund	General Fund	TOTAL
Transfer Out:			
General Fund	\$ 397,721		\$ 397,721
Capital Projects		249,612	249,612
TOTAL	\$ 397,721	249,612	\$ 647,333

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

3.F. LONG-TERM DEBT

**Governmental Activities**

As of September 30, 2016, the governmental long-term debt consisted of the following:

**Changes in Long-Term Debt**

	Balance 10/1/15	Issued	Retired	Balance 9/30/16	Due Within One Year
Certificates of Obligation Payable -					
Series 2009	\$ 1,105,000	\$ -	\$ 250,000	\$ 855,000	\$ 265,000
Series 2012	1,460,000	-	90,000	1,370,000	90,000
General Obligation Refunding Bonds -					
Series 2012	4,000,000	-	10,000	3,990,000	15,000
Subtotal	6,565,000	-	350,000	6,215,000	370,000

	Balance 10/1/15	Issued	Retired	Balance 9/30/16	Due Within One Year
Premium on Refunding Bonds	280,706	-	20,292	260,414	-
Comp Time	30,766	-	6,800	23,966	-
TOTAL LONG TERM DEBT	<u>\$ 6,876,472</u>	<u>\$ -</u>	<u>\$ 377,092</u>	<u>\$ 6,499,380</u>	<u>\$ 370,000</u>

### 3.G. CERTIFICATES OF OBLIGATIONS AND TAX REFUNDING BONDS

Certificates of Obligation payable at September 30, 2016 consists of the following:

\$6,500,000 Combination Tax and Revenue Certificates of Obligation, Series 2009 due in annual installments of principal and interest through August 1, 2019; interest on remaining outstanding bonds at 6.09%.	\$ 855,000
\$4,020,000 General Obligation Refunding Bonds, Series 2012 due in annual installments of principal and interest through August 1, 2029; interest at 2% to 3.25%.	3,990,000
\$1,730,000 Combination and Tax Revenue Certificates of Obligation, Series 2012 due in annual installments of principal and interest through August 1, 2029; interest at 2.0% to 3.0%.	<u>1,370,000</u>
Total Long-Term Debt	<u>\$ 6,215,000</u>

The annual requirements for principal and interest on the outstanding certificates of obligation are as follows:

Year Ended September 30	Principal	Interest	Total
2017	\$ 370,000	214,170	\$ 584,170
2018	390,000	195,931	585,931
2019	415,000	176,474	591,474
2020	430,000	155,076	585,076
2021	450,000	142,650	592,650
2022 – 2026	2,475,000	505,850	2,980,850
2027 – 2031	1,685,000	108,838	1,793,838
Totals	<u>\$ 6,215,000</u>	<u>\$ 1,498,989</u>	<u>\$ 7,713,989</u>

### 3.H. LONG-TERM DEBT ADVANCE REFUNDING

During 2013, the County advance refunded a portion of the Series 2009 Certificates of Obligation by issuing \$4,020,000 general obligation refunding bonds – Series 2012. The certificates of obligation were called and were redeemed by depositing \$5,656,057 into an escrow account on July 26, 2012 (including the County's contribution of \$1,500,000). The certificates of obligation have been defeased and removed as a liability of the County. The Series 2012 refunding bonds mature on August 1, in each of the years 2014 through 2029. The refunding bonds resulted in a gross debt service savings of \$863,864 and the net present value savings of \$468,034. The following obligations are considered to be defeased and the liability removed from the accompanying financial statements:



Description	Refunded Amount	Balance 9/30/16
Certificates of Obligation - Series 2009	\$ 4,340,000	\$ 4,340,000

NOTE 4 - OTHER NOTES

4.A. EMPLOYEE RETIREMENT PLAN

**Plan Description**

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

- a. Blanco 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 150%) 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 Blanco County contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the county and are currently 7%.
- e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, [www.tcdrs.org](http://www.tcdrs.org).

*Members covered by benefit terms.*

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

Inactive employees or beneficiaries currently receiving benefits	41
Inactive employees entitled to but not yet receiving benefits	38
Active employees	<u>63</u>
	142

**Contributions**

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

- The deposit rate for employees is 4%, 5%, 6% or 7% of compensation, as adopted by the employer's governing body.
- Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees.
- Investment income funds a large part of the benefits employees earn.

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

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

The contribution rate payable by the employee members for calendar year 2015 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act. The County's contributions to TCDRS for the year ended September 30, 2016 were \$201,155, and were equal to the required contributions.

**Net Pension Liability**

The County's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions:*

The Total Pension Liability in December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal (1)
Amortization Method	
Recognition of Economic/Demographic Gains or Losses	Straight-Line amortization over Expected Working Life
Recognition of Assumptions, Changes or Inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smooth Period	5 years
Recognition Method	Non-asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and .5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.
Investment Rate of Return	8.10%
Cost of Living Adjustments	Cost-of-Living Adjustments for Blanco County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Deferred members are assumed to retire (100% probability) at the later of: a) age 60; b) earliest retirement eligibility.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	RP-2000 Mortality Tables

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

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2016 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 – December 31, 2012 for more details.



Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected Minus Inflation) (2)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.45%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	14.00%	8.45%
Global Equities	MSCI World (Net) Index	1.50%	5.75%
International Equities – Developed	MSCI World Ex USA (Net)	10.00%	5.45%
International Equities – Emerging	MSCI World Ex USA (Net)	8.00%	6.45%
Investment – Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	1.00%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	5.10%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.09%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	5.00%	6.40%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	8.10%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	3.00%	4.00%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.80%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(4)</sup>	5.00%	6.90%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.25%

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

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

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

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

### Discount Rate

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



Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability / (Asset)	Increase/(Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances as of December 31, 2014	\$ 7,190,371	\$ 7,026,738	\$ 163,633
Changes for the Year:			
Service Cost	277,626		277,626
Interest on Total Pension Liability <sup>(1)</sup>	580,585		580,585
Effect of Plan Changes <sup>(2)</sup>	(26,977)		(26,977)
Effects of Economic/Demographic			
Gains or Losses	(66,371)		(66,371)
Effect of Assumptions Changes or Inputs	92,199		92,199
Refund of Contributions	(33,157)	(33,157)	
Benefit Payments	(355,903)	(355,903)	
Administrative Expenses	-	(5,075)	5,075
Member Contributions	-	166,982	(166,982)
Net Investment Income	-	21,582	(21,582)
Employer Contributions	-	203,480	(203,480)
Other <sup>(3)</sup>	-	49,865	(49,865)
Balances as of December 31, 2015	<u>\$ 7,658,373</u>	<u>\$ 7,074,514</u>	<u>\$ 583,859</u>

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

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

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

**Sensitivity Analysis**

The following presents the net pension liability of the county/district, calculated using the discount rate of 8.10%, as well as what the Blanco 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 <u>7.10%</u>	Current Discount Rate <u>8.10%</u>	1% Increase <u>9.10%</u>
Total Pension Liability	\$ 8,531,755	\$ 7,658,373	\$ 6,922,855
Fiduciary Net Position	<u>7,074,514</u>	<u>7,074,514</u>	<u>7,074,514</u>
Net Pension Liability/(Asset)	<u>\$ 1,457,242</u>	<u>\$ 583,859</u>	<u>\$ (151,659)</u>

**Pension Expense / (Income)**

<u>Prepaid Expense/(Income)</u>	<u>January 1, 2015 to December 31, 2015</u>
Service Cost	\$ 277,626
Interest on Total Pension Liability <sup>(1)</sup>	580,585
Effect of Plan Changes	(26,977)
Administrative Expenses	5,075
Member Contributions	(166,982)
Expected Investment Return Net of Investment Expenses	(575,281)
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of Economic/Demographic Gains or Losses	(8,509)
Recognition of Assumption Changes or Inputs	23,050
Recognition of Investment Gains or Losses	128,141
Other <sup>(2)</sup>	<u>(49,865)</u>
Pension Expense/(Income)	<u>\$ 186,862</u>

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

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

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

Deferred Inflows / Outflows of Resources	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 49,779	\$ 16,167
Changes of assumptions	-	69,149
Net difference between projected and actual earnings	-	495,163
Contributions made subsequent to measurement date <sup>(3)</sup>	N/A	165,401

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>	
2016	\$ 142,682
2017	142,682
2018	134,598
2019	110,740
2020	-
Thereafter <sup>(4)</sup>	-

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

<sup>(4)</sup> Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

4.B. GASB 45: ACCOUNTING AND FINANCIAL REPORTING BY EMPLOYERS FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The County of Blanco participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits (OPEB). Retired employees are insured for \$5,000.

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

Funding Policy

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. Blanco County contributions to the GTLF for the years ended September 30, 2016, 2015 and 2014, were \$18,624, \$21,069 and \$18,675, respectively, which equaled the contractually required contributions each year.

4.C. RISK MANAGEMENT

The 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 carries commercial insurance through the Texas Association of Counties in order to manage the above listed risks. The County also provides group health insurance coverage for full time employees through the Texas Association of Counties Insurance Trust (Blue Cross - Blue Shield).

4.D. PERMANENT SCHOOL TRUST FUND

The Blanco County Permanent School Fund was established by State statute to receive and disburse funds earned from State lands and other investments granted to the County for educational purposes. Administration of the Fund vests in the office of the County Judge. Allocation of available funds to the County's independent school districts is according to the scholastic population of each district. The land owned by the Fund (738.96 acres located in Bailey County, Texas) was patented to Blanco County by certificate issued by the Commissioner of the General Land Office on January 4, 1906.

On December 31, 1978, the effective date of the abolition of the County School Administrative Offices, the "corpus" of the nature amounted to \$36,416. The remaining fund balance at September 30, 2016 in excess of the permanent portion is carried forward to the subsequent fiscal periods as a State required reserve of sufficient amount to pay the ad valorem taxes.

In addition to the regular distribution of annual net revenues to the school districts each year, distributions of previously undistributed funds in excess of the permanent corpus and reserved ad valorem tax money may be distributed to each district.

4.E. CONTINGENT LIABILITIES

The County is involved in a lawsuit alleging violations of the Texas Open Meetings Act relating to the purchase of real property. Although the outcome of this lawsuit is not presently determinable, the County expects the liability, if any, not to have a material effect on the County's financial position.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal 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 agency cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

#### 4.F. SUBSEQUENT EVENTS

The County has evaluated subsequent events through March 23, 2017, the date which the financial statements were available to be issued. The County is not aware of any subsequent events that materially impact the financial statements.



REQUIRED SUPPLEMENTARY INFORMATION

BLANCO COUNTY, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT G-1

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 4,429,856	\$ 4,429,856	\$ 3,910,115	\$ (519,741)
General Sales and Use Taxes	444,000	444,000	496,206	52,206
Other Taxes	6,000	6,000	16,051	10,051
Penalty and Interest on Taxes	60,000	60,000	52,525	(7,475)
Licenses and Permits	28,500	28,500	46,148	17,648
Intergovernmental Revenue and Grants	71,468	71,878	164,651	92,773
Charges for Services	269,450	269,450	357,634	88,184
Fines	42,700	42,700	57,953	15,253
Investment Earnings	1,000	1,000	10,272	9,272
Rents and Royalties	18,000	18,000	28,228	10,228
Contributions & Donations from Private Sources	3,000	3,000	-	(3,000)
Other Revenue	10,375	20,912	78,004	57,092
Total Revenues	<u>5,384,349</u>	<u>5,395,296</u>	<u>5,217,787</u>	<u>(177,509)</u>
<b>EXPENDITURES:</b>				
Current:				
General Government:				
Financial Administration	188,922	186,922	123,369	63,553
General Administration	695,940	708,860	601,220	107,640
Tax Administration	387,669	387,669	402,342	(14,673)
Facilities Management	237,500	247,884	196,259	51,625
Public Safety	2,033,449	2,032,974	1,953,161	79,813
Sanitation	84,472	86,971	78,119	8,852
Justice System	1,198,950	1,159,332	1,087,566	71,766
Juvenile Services	53,303	53,303	51,266	2,037
Health & Human Services	182,183	242,983	112,253	130,730
Culture and Recreation	56,100	10,500	10,000	500
Conservation and Development	96,397	98,397	94,770	3,627
Debt Service:				
Bond Principal	581,394	581,394	-	581,394
Fiscal Agent's Fees	1,000	1,000	-	1,000
Capital Outlay:				
Capital Outlay	188,775	190,775	181,568	9,207
Total Expenditures	<u>5,986,054</u>	<u>5,988,964</u>	<u>4,891,893</u>	<u>1,097,071</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(601,705)</u>	<u>(593,668)</u>	<u>325,894</u>	<u>919,562</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	3,000	3,000	-	(3,000)
Transfers In	-	-	249,612	249,612
Transfers Out (Use)	(369,022)	(369,022)	(397,721)	(28,699)
Total Other Financing Sources (Uses)	<u>(366,022)</u>	<u>(366,022)</u>	<u>(148,109)</u>	<u>217,913</u>
Net Change in Fund Balances	<u>(967,727)</u>	<u>(959,690)</u>	<u>177,785</u>	<u>1,137,475</u>
Fund Balance - October 1 (Beginning)	2,849,562	2,849,562	2,849,562	-
Fund Balance - September 30 (Ending)	<u>\$ 1,881,835</u>	<u>\$ 1,889,872</u>	<u>\$ 3,027,347</u>	<u>\$ 1,137,475</u>

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

BLANCO COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - SPECIAL REVENUE FUND-ROAD & BRIDGE  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT G-2

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
<b>REVENUES:</b>				
Licenses and Permits	\$ 440,000	\$ 440,000	\$ 445,083	\$ 5,083
Intergovernmental Revenue and Grants	15,000	15,000	15,889	889
Fines	96,000	96,000	128,036	32,036
Total Revenues	551,000	551,000	589,008	38,008
<b>EXPENDITURES:</b>				
Current:				
Roads & Bridges	875,022	883,060	575,387	307,673
Total Expenditures	875,022	883,060	575,387	307,673
Excess (Deficiency) of Revenues Over (Under) Expenditures	(324,022)	(332,060)	13,621	345,681
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	324,022	324,022	-	(324,022)
Total Other Financing Sources (Uses)	324,022	324,022	-	(324,022)
Change in Fund Balance	-	(8,038)	13,621	21,659
Fund Balance - October 1 (Beginning)	-	84,819	-	(84,819)
Fund Balance - September 30 (Ending)	\$ -	\$ 76,781	\$ 13,621	\$ (63,160)

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

BLANCO COUNTY, TEXAS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM  
SEPTEMBER 30, 2016

EXHIBIT G-3

	2016	2015
<b>A. Total Pension Liability</b>		
Service Cost	\$ 277,626	\$ 266,960
Interest (on the Total Pension Liability)	580,585	537,964
Changes of Benefit Terms	(26,977)	-0-
Difference between Expected and Actual Experience	(66,371)	32,334
Changes of Assumptions	92,199	-0-
Benefit Payments, including refunds of employee contributions	(389,059)	(309,055)
Net change in Total Pension Liability	\$ 468,002	\$ 528,203
Total Pension Liability - Beginning	7,190,371	6,662,168
Total Pension Liability - Ending	\$ 7,658,373	\$ 7,190,371
<b>B. Total Fiduciary Net Position</b>		
Contributions - Employer	\$ 203,480	\$ 198,429
Contributions - Employee	166,982	157,842
Net Investment Income	21,582	448,322
Benefit Payments, including refunds of employee contributions	(389,059)	(309,055)
Administrative Expense	(5,075)	(5,214)
Other	49,865	24,255
Net Change in Plan Fiduciary Net Position	\$ 47,776	\$ 514,580
Plan Fiduciary Net Position - Beginning	7,026,738	6,512,159
Plan Fiduciary Net Position - Ending	\$ 7,074,514	\$ 7,026,739
<b>C. Net Pension Liability</b>	\$ 583,859	\$ 163,633
<b>D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	92.38%	97.72%
<b>E. Covered Employee Payroll</b>	\$ 2,385,462	\$ 2,254,881
<b>F. Net Pension Liability as a Percentage of Covered Employee Payroll</b>	24.48%	7.26%

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 two 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."



BLANCO COUNTY, TEXAS  
SCHEDULE OF CONTRIBUTIONS  
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM  
SEPTEMBER 30, 2016

	2016	2015	2014
Actuarially Determined Contribution	\$ 201,155	\$ 203,480	\$ 198,429
Contributions in Relation to the Actuarially Determined Contributions	201,155	203,480	198,429
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-
Covered Employee Payroll	\$ 2,362,325	\$ 2,385,462	\$ 2,254,881
Contributions as a Percentage of Covered Employee Payroll	8.52%	8.50%	8.80%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "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."

	2013	2012	2011	2010	2009	2008	2007
\$	186,963	\$ 177,602	\$ 151,934	\$ 145,150	\$ 131,640	\$ 127,871	\$ 121,552
	186,963	177,602	151,934	145,150	131,640	127,871	121,552
\$	-0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
\$	2,176,525	\$ 2,096,839	\$ 1,887,394	\$ 1,805,350	\$ 1,786,157	\$ 1,735,023	\$ 1,564,378
	8.60%	8.50%	8.00%	8.00%	7.40%	7.40%	7.80%

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

**Valuation Date:**

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

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

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of payroll, closed
Remaining Amortization Period	13.5 years (based on contribution rate calculated in 12/31/2015 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	3.0%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.0%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions Reflected in the Schedule*	No changes in plan provisions are reflected in the Schedule of Employer Contributions.

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

SUPPLEMENTARY INFORMATION



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

	Hot Check Fund	Road and Bridge	Records Management County Clerk
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 8,175	\$ 94,570	\$ 6,591
Receivables (Net)	180	23,286	2
Due from Other Funds	-	-	2,804
Total Assets	<u>\$ 8,355</u>	<u>\$ 117,856</u>	<u>\$ 9,397</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ 89,245	\$ -
Wages and Salaries Payable	54	14,990	-
Total Liabilities	<u>54</u>	<u>104,235</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
Restricted for Special Revenue	8,301	13,621	9,397
Total Fund Balances	<u>8,301</u>	<u>13,621</u>	<u>9,397</u>
Total Liabilities and Fund Balances	<u>\$ 8,355</u>	<u>\$ 117,856</u>	<u>\$ 9,397</u>

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

Records Preservation	Courthouse Security	Child Safety Program	Records Management Dist Clerk	Countywide Emergency Radio	District Clerk Records Management	JP #1 Technology	JP #2 Technology
\$ 95,975	\$ 35,757	\$ 79,777	\$ 374	\$ 5,000	\$ 2,814	\$ 14,447	\$ 1,328
1,680	480	467	-	-	82	370	88
10,790	5,355	9,982	-	-	-	-	-
<u>\$ 108,445</u>	<u>\$ 41,592</u>	<u>\$ 90,226</u>	<u>\$ 374</u>	<u>\$ 5,000</u>	<u>\$ 2,896</u>	<u>\$ 14,817</u>	<u>\$ 1,416</u>
\$ 84	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	480	-	-	-	-	-	-
<u>84</u>	<u>480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
108,361	41,112	90,226	374	5,000	2,896	14,817	1,416
<u>108,361</u>	<u>41,112</u>	<u>90,226</u>	<u>374</u>	<u>5,000</u>	<u>2,896</u>	<u>14,817</u>	<u>1,416</u>
<u>\$ 108,445</u>	<u>\$ 41,592</u>	<u>\$ 90,226</u>	<u>\$ 374</u>	<u>\$ 5,000</u>	<u>\$ 2,896</u>	<u>\$ 14,817</u>	<u>\$ 1,416</u>

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

	County Clerk Archive	Vital Statistics Preservation	Third Court of Appeals	Family Protection Plan
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 144,832	\$ 2,524	\$ 950	\$ 7,505
Receivables (Net)	1,705	9	80	165
Due from Other Funds	-	-	-	-
Total Assets	<u>\$ 146,537</u>	<u>\$ 2,533</u>	<u>\$ 1,030</u>	<u>\$ 7,670</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Wages and Salaries Payable	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
Restricted for Special Revenue	146,537	2,533	1,030	7,670
Total Fund Balances	<u>\$ 146,537</u>	<u>\$ 2,533</u>	<u>\$ 1,030</u>	<u>\$ 7,670</u>
Total Liabilities and Fund Balances	<u>\$ 146,537</u>	<u>\$ 2,533</u>	<u>\$ 1,030</u>	<u>\$ 7,670</u>

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

Chapter 19 Funds	Tower Maintenance & Repair	Supplemental Guardianship Fees	Child Abuse Prevention	District Court Technology	County Clerk Technology	District Court Record Preservation	County Court Record Preservation
\$ 897	\$ -	\$ 7,020	\$ 389	\$ 695	\$ 674	\$ 2,671	\$ 3,930
-	-	40	-	-	23	-	30
-	-	-	-	-	-	-	-
<u>\$ 897</u>	<u>\$ -</u>	<u>\$ 7,060</u>	<u>\$ 389</u>	<u>\$ 695</u>	<u>\$ 697</u>	<u>\$ 2,671</u>	<u>\$ 3,960</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
897	-	7,060	389	695	697	2,671	3,960
897	-	7,060	389	695	697	2,671	3,960
<u>\$ 897</u>	<u>\$ -</u>	<u>\$ 7,060</u>	<u>\$ 389</u>	<u>\$ 695</u>	<u>\$ 697</u>	<u>\$ 2,671</u>	<u>\$ 3,960</u>



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

	District Court Civil Tech Fee	Blanco County Historical Commission	Sheriff Seized Asset	E-Filing Service Fee
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 5,080	\$ 135	\$ 496	\$ 182
Receivables (Net)	82	-	-	-
Due from Other Funds	-	-	-	-
Total Assets	<u>\$ 5,162</u>	<u>\$ 135</u>	<u>\$ 496</u>	<u>\$ 182</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Wages and Salaries Payable	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
Restricted for Special Revenue	5,162	135	496	182
Total Fund Balances	<u>5,162</u>	<u>135</u>	<u>496</u>	<u>182</u>
Total Liabilities and Fund Balances	<u>\$ 5,162</u>	<u>\$ 135</u>	<u>\$ 496</u>	<u>\$ 182</u>

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

Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 522,788	\$ 522,788
28,769	28,769
28,931	28,931
<u>\$ 580,488</u>	<u>\$ 580,488</u>
\$ 89,329	\$ 89,329
15,524	15,524
<u>104,853</u>	<u>104,853</u>
<u>475,635</u>	<u>475,635</u>
<u>475,635</u>	<u>475,635</u>
<u>\$ 580,488</u>	<u>\$ 580,488</u>

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

	Hot Check Fund	Road and Bridge	Records Management County Clerk
<b>REVENUES:</b>			
Licenses and Permits	\$ -	\$ 445,083	\$ -
Intergovernmental Revenue and Grants	-	15,889	-
Charges for Services	150	-	3,051
Fines	-	128,036	-
Forfeits	-	-	-
Total Revenues	150	589,008	3,051
<b>EXPENDITURES:</b>			
Current:			
General Government:			
General Administration	-	-	5,469
Public Safety	-	-	-
Roads & Bridges	-	575,387	-
Justice System	25	-	-
Health & Human Services	-	-	-
Culture and Recreation	-	-	-
Total Expenditures	25	575,387	5,469
Net Change in Fund Balance	125	13,621	(2,418)
Fund Balance - October 1 (Beginning)	8,176	-	11,815
Fund Balance - September 30 (Ending)	\$ 8,301	\$ 13,621	\$ 9,397

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

Records Preservation	Courthouse Security	Child Safety Program	Records Management Dist Clerk	Countywide Emergency Radio	District Clerk Records Management	JP #1 Technology	JP #2 Technology
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
42,158	11,715	19,956	75	-	932	4,406	1,607
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>42,158</u>	<u>11,715</u>	<u>19,956</u>	<u>75</u>	<u>-</u>	<u>932</u>	<u>4,406</u>	<u>1,607</u>
18,351	-	-	-	-	-	-	-
-	18,888	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	75,919	-	-	-	5,194	-
-	-	-	-	-	-	-	-
<u>18,351</u>	<u>18,888</u>	<u>75,919</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,194</u>	<u>-</u>
23,807	(7,173)	(55,963)	75	-	932	(788)	1,607
84,554	48,285	146,189	299	5,000	1,964	15,605	(191)
<u>108,361</u>	<u>41,112</u>	<u>90,226</u>	<u>374</u>	<u>5,000</u>	<u>2,896</u>	<u>14,817</u>	<u>1,416</u>



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

	County Clerk Archive	Vital Statistics Preservation	Third Court of Appeals	Family Protection Plan
<b>REVENUES:</b>				
Licenses and Permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	20,915	303	1,030	810
Fines	-	-	-	-
Forfeits	-	-	-	-
Total Revenues	20,915	303	1,030	810
<b>EXPENDITURES:</b>				
Current:				
General Government:				
General Administration	-	-	-	-
Public Safety	-	-	-	-
Roads & Bridges	-	-	-	-
Justice System	2,096	-	830	-
Health & Human Services	-	-	-	-
Culture and Recreation	-	-	-	-
Total Expenditures	2,096	-	830	-
Net Change in Fund Balance	18,819	303	200	810
Fund Balance - October 1 (Beginning)	127,718	2,230	830	6,860
Fund Balance - September 30 (Ending)	\$ 146,537	\$ 2,533	\$ 1,030	\$ 7,670

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

Chapter 19 Funds	Tower Maintenance & Repair	Supplemental Guardianship Fees	Child Abuse Prevention	District Court Technology	County Clerk Technology	District Court Record Preservation	County Court Record Preservation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	1,200	150	137	189	1,620	700
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,200	150	137	189	1,620	700
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,650	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,650	-
-	-	1,200	150	137	189	(30)	700
897	-	5,860	239	558	508	2,701	3,260
<u>\$ 897</u>	<u>\$ -</u>	<u>\$ 7,060</u>	<u>\$ 389</u>	<u>\$ 695</u>	<u>\$ 697</u>	<u>\$ 2,671</u>	<u>\$ 3,960</u>

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

	District Court Civil Tech Fee	Blanco County Historical Commission	Sheriff Seized Asset	E-Filing Service Fee
<b>REVENUES:</b>				
Licenses and Permits	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	927	-	-	76
Fines	-	-	-	-
Forfeits	-	-	206	-
Total Revenues	<u>927</u>	<u>-</u>	<u>206</u>	<u>76</u>
<b>EXPENDITURES:</b>				
Current:				
General Government:				
General Administration	-	-	-	-
Public Safety	-	-	-	-
Roads & Bridges	-	-	-	-
Justice System	-	-	-	-
Health & Human Services	-	-	-	-
Culture and Recreation	-	15	-	-
Total Expenditures	<u>-</u>	<u>15</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	927	(15)	206	76
Fund Balance - October 1 (Beginning)	<u>4,235</u>	<u>150</u>	<u>290</u>	<u>106</u>
Fund Balance - September 30 (Ending)	<u>\$ 5,162</u>	<u>\$ 135</u>	<u>\$ 496</u>	<u>\$ 182</u>

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

Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 445,083	\$ 445,083
15,889	15,889
112,107	112,107
128,036	128,036
206	206
701,321	701,321
23,820	23,820
18,888	18,888
575,387	575,387
9,795	9,795
75,919	75,919
15	15
703,824	703,824
(2,503)	(2,503)
478,138	478,138
\$ 475,635	\$ 475,635



BLANCO COUNTY, TEXAS  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	BALANCE OCTOBER 1 2015	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2016
<b>OFFICIALS FEES</b>				
Assets:				
Cash and Cash Equivalents	\$ 153,987	\$ 3,247,101	\$ 3,220,309	\$ 180,779
Liabilities:				
Due to Others	\$ 153,987	\$ 3,247,101	\$ 3,220,309	\$ 180,779
 <b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Cash Equivalents	\$ 153,987	\$ 3,247,101	\$ 3,220,309	\$ 180,779
Liabilities:				
Due to Others	\$ 153,987	\$ 3,247,101	\$ 3,220,309	\$ 180,779

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

***NEFFENDORF & KNOPP, P.C.***  
***Certified Public Accountants***

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MEMBER  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER  
TEXAS SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Judge and Commissioners  
County of Blanco, Texas  
Johnson City, TX 78636

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of Blanco, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 23, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether County of Blanco'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.

We noted certain matters that we reported to management of the County of Blanco, in a separate letter dated March 23, 2017.

Sincerely,

A handwritten signature in blue ink that reads "Neffendorf & Knopp, P.C." in a cursive style.

NEFFENDORF & KNOPP, P.C.  
Fredericksburg, Texas

March 23, 2017