

REPORT OF EXAMINATION

**COUNTY OF BLANCO,
TEXAS**

Johnson City, Texas

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

BLANCO COUNTY, TEXAS

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2015

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

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis.....	4
 <u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Position	11
B-1 Statement of Activities.....	12
Governmental Fund Financial Statements:	
C-1 Balance Sheet	13
C-2 Reconciliation for C-1.....	15
C-3 Statement of Revenues, Expenditures and Changes in Fund Balance.....	16
C-4 Reconciliation for C-3.....	18
Fiduciary Funds:	
E-1 Statement of Fiduciary Net Position.....	19
E-2 Statement of Changes in Fiduciary Fund Net Position	20
Notes to the Financial Statements.....	21
 <u>Required Supplementary Information</u>	
G-1 Budgetary Comparison Schedule - General Fund.....	39
G-2 Budgetary Comparison Schedule - Road and Bridge Fund	40
G-3 Schedule of Changes in Net Pension Liability and Related Ratios.....	41
G-4 Schedule of Employer Contributions	42
G-5 Notes to the Schedule of Contributions.....	43
 <u>Supplementary Information</u>	
H-1 Combining Balance Sheet - Nonmajor Governmental Funds.....	44
H-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds.....	49
H-3 Statement of Changes in Assets and Liabilities - Agency Fund	54

NEFFENDORF & KNOPP, P.C.

Certified Public Accountants

P.O. BOX 874 · 736 S. WASHINGTON ST.

FREDERICKSBURG, TEXAS 78624-0874

(830) 997-3348

FAX: (830) 997-3333

Email: nkhd@austin.rr.com

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 4.A. to the financial statements, in 2015 the County adopted new accounting guidance prescribed by GASB #68 for its pension plan, a nontraditional defined benefit pension plan. Because GASB #68 implements new measurement criteria and reporting provisions, significant information has been added to the Government Wide Statements, Statement of Net Position and Governmental Funds Balance Sheet discloses the County's Net Pension Asset and some deferred resources inflows and deferred resources outflows related to the County's pension plan. The Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balance discloses the adjustment to the County's Beginning Net Position. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 10), budgetary comparison information (pages 39 and 40) and the Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of Employer Contributions on pages 41 through 43 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 June 30, 2016, 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

June 30, 2016

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, 2015. Please read it in conjunction with the independent auditors' report on page 1, and County's Basic Financial Statements which begin on page 10.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$12,296,187 (net position). Of this amount, \$3,763,181 (unrestricted net position) may be used to meet the County's ongoing obligations to citizen's and creditors.
- The County's net position decreased by \$143,267 as a result of this year's operations.
- At September 30, 2015, the County's governmental funds reported combined ending fund balances of \$3,961,225, a decrease of \$310,221 in comparison with the prior year.
- At September 30, 2015, the unreserved fund balance of the general fund was \$2,849,562, or 61 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) are presented as required supplementary information on pages 39-40. The combining statements (starting on page 44) for non-major 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 11 & 12 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 decreased from \$12,566,257 to \$12,296,187. 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 \$3,763,181 at September 30, 2015. This increase in governmental net position was the result of three factors. First, the County's expenditures exceeded the revenues by \$310,221. Second, the County retired long-term debt in the amount of \$335,000 and acquired capital assets in the amount of \$328,516. Third, the County recorded depreciation in the amount of \$537,193.

Table I
Blanco County, Texas

NET POSITION in thousands

	Governmental Activities	
	2015	2014
Current and Other Assets	\$ 4,599	\$ 4,222
Capital Assets	13,963	14,921
Total Assets	<u>\$ 18,562</u>	<u>\$ 19,143</u>
Deferred Outflow of Resources	\$ 1,269	\$ 1,080
Long-Term Liabilities	\$ 6,690	\$ 6,901
Other Liabilities	845	756
Total Liabilities	<u>\$ 7,535</u>	<u>\$ 7,657</u>
Net Position:		
Invested in Capital Assets		
Net of Related Debt	\$ 7,676	\$ 7,242
Restricted	857	972
Unrestricted	3,763	4,352
Total Net Position	<u>\$ 12,296</u>	<u>\$ 12,566</u>

Table II
Blanco County, Texas

CHANGES IN NET POSITION
in thousands

	Governmental Activities	
	2015	2014
Revenues:		
Charges for Services	\$ 1,001	\$ 1,117
Property Taxes	4,063	3,952
Sales Tax	450	416
Other Taxes	11	13
Penalty and Interest	48	68
Investment Earnings	3	3
Miscellaneous	120	120
Grants	114	85
Total Revenue	\$ 5,810	\$ 5,774
Expenses:		
Financial Administration	\$ 117	\$ 115
Public Safety	2,088	1,884
General Administration	577	560
Tax Administration	311	339
Facilities Management	198	194
Roads and Bridges	764	720
Sanitation	79	77
Justice System	1,163	1,116
Juvenile Services	54	51
Health and Human Services	207	257
Conservation and Development	83	87
Culture and Recreation	13	10
Debt Service	299	315
Total Expenses	\$ 5,953	\$ 5,725
Increase in Net Position	\$ (143)	\$ 49
Net Position - Beginning of Year	12,566	12,517
Prior Period Adjustment	(127)	-
Net Position - End of Year	\$ 12,296	\$ 12,566

The cost of all governmental activities this year was \$5,953,441. However, as shown in the Statement of Activities on page 11, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$4,111,537 because the other costs were paid by sales tax (\$449,646), operating grants (\$101,413), user charges (\$1,001,353), investment earnings (\$2,995) and other miscellaneous (\$134,230).

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a combined fund balance of \$3,961,225, which is less than last year's total of \$4,389,498. Included in this year's total change in fund balance is a decrease of \$133,282 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 were more than budgeted amounts, while actual revenues in the Road and Bridge Fund were less than budget amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2015, the County had \$20,755,144 invested in a broad range of capital assets, including land, buildings, vehicles and equipment and other improvements. This amount represents a net increase of \$255,966, or 1.2 percent, more than last year.

CAPITAL ASSETS
in thousands

	Governmental Activities	
	2015	2014
Land	\$ 1,300	\$ 1,300
Buildings	11,109	11,109
Improvements	3,934	3,672
Machinery & Equipment	3,789	3,750
Vehicles	623	595
Construction in Progress	-	73
Total Capital Assets	<u>\$ 20,755</u>	<u>\$ 20,499</u>
Accumulated Depreciation	<u>6,792</u>	<u>6,327</u>
Capital Assets, Net	<u><u>\$ 13,963</u></u>	<u><u>\$ 14,172</u></u>

This year's major additions included:

2 Ford F150 Pickups	\$ 71,046
Radio System	16,963
Road Improvements	262,012
RTS Workstation	1,500
Tractor & Attachments	42,475
Tasers	<u>7,800</u>
 TOTAL	 \$ <u>401,796</u>

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

DEBT

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

OUTSTANDING DEBT
in thousands

	Governmental Activities	
	<u>2015</u>	<u>2014</u>
Refunding Bonds	\$ 4,000	\$ 4,010
Certificates of Obligation	<u>2,565</u>	<u>2,890</u>
Total Outstanding Debt	<u>\$ 6,565</u>	<u>\$ 6,900</u>

At year-end the County had \$6,565,000 in certificates of obligation and refunding bonds outstanding, a decrease in total debt of \$335,000 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 2016 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 2016. Amounts available for appropriation in the General Fund budget are \$5,376,906 and expenditures are estimated to be \$6,031,055. Estimated revenues for the Road and Bridge Fund are \$551,000 (including transfer from the general fund of \$324,022) and expenditures are estimated to be \$875,022.

If these estimates are realized, the County's budgetary General Fund balance will decrease by \$654,149 and the Road and Bridge Fund balance will remain the same by the close of 2016.

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

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

EXHIBIT A-1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 740,801
Investments - Current	3,487,590
Receivables (net of allowance for uncollectibles)	295,306
Internal Balances	74,600
Capital Assets:	
Land	1,299,789
Buildings, net	8,016,918
Improvements other than Buildings, net	3,260,901
Machinery and Equipment, net	1,385,783
Total Assets	18,561,688
DEFERRED OUTFLOW OF RESOURCES	
Deferred Charge for Refunding	1,007,620
Deferred Outflow Related to Pension Plan	261,852
Total Deferred Outflows of Resources	1,269,472
LIABILITIES	
Accounts Payable	391,103
Intergovernmental Payable	37,705
Accrued Interest Payable	37,727
Unearned Revenues	28,333
Bonds Payable - Current	350,000
Noncurrent Liabilities	
Due in More Than One Year	6,526,472
Net Pension Liability	163,633
Total Liabilities	7,534,973
NET POSITION	
Net Investment in Capital Assets	7,675,692
Restricted for:	
Restricted for Special Revenue	478,138
Restricted for Capital Projects	13,543
Restricted for Debt Service	365,633
Unrestricted Net Position	3,763,181
Total Net Position	\$ 12,296,187

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

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

EXHIBIT B-1

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
Financial Administration	\$ 117,080	\$ -	-	\$ (117,080)
General Administration	577,426	11,126	19,851	(546,449)
Tax Administration	310,575	13,952	-	(296,623)
Facilities Management	198,316	-	-	(198,316)
Public Safety	2,088,207	156,576	10,584	(1,921,047)
Roads & Bridges	763,588	453,089	-	(310,499)
Sanitation	78,751	40,252	26,314	(12,185)
Justice System	1,164,029	326,358	33,746	(803,925)
Juvenile Services	53,716	-	-	(53,716)
Health & Human Services	207,201	-	3,970	(203,231)
Culture and Recreation	13,049	-	-	(13,049)
Conservation and Development	82,959	-	6,948	(76,011)
Bond Interest	297,594	-	-	(297,594)
Fiscal Agent's Fees	950	-	-	(950)
TOTAL PRIMARY GOVERNMENT:	\$ 5,953,441	\$ 1,001,353	\$ 101,413	(4,850,675)

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes	3,377,711
Property Taxes, Levied for Debt Service	685,338
Sales Taxes	449,646
Other Taxes	10,960
Penalty and Interest	48,488
Grants and Contributions Not Restricted	12,489
Miscellaneous Revenue	119,781
Investment Earnings	2,995
Total General Revenues	4,707,408

Change in Net Position

Net Assets - Beginning	12,566,257
Prior Period Adjustment	(126,803)
Net Position--Ending	\$ 12,296,187

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

COUNTY OF BLANCO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General Fund	Road and Bridge	Debt Service Fund
ASSETS			
Cash and Cash Equivalents	\$ 69,490	\$ 137,419	\$ 71,662
Investments - Current	3,202,990	-	-
Taxes Receivable	90,919	-	17,784
Allowance for Uncollectible Taxes (credit)	(4,546)	-	(889)
Receivables (Net)	80,814	25,984	886
Due from Other Funds	74,600	-	293,085
Total Assets	<u>\$ 3,514,267</u>	<u>\$ 163,403</u>	<u>\$ 382,528</u>
LIABILITIES			
Accounts Payable	\$ 65,635	\$ 147,482	\$ -
Wages and Salaries Payable	124,643	15,921	-
Intergovernmental Payable	37,705	-	-
Due to Other Funds	322,016	-	-
Unearned Revenues	28,333	-	-
Total Liabilities	<u>578,332</u>	<u>163,403</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	86,373	-	16,895
Total Deferred Inflows of Resources	<u>86,373</u>	<u>-</u>	<u>16,895</u>
FUND BALANCES			
Restricted for Special Revenue	2,593	-	-
Capital Acquisition and Contractual Obligation	-	-	-
Retirement of Long-Term Debt	-	-	365,633
Unassigned Fund Balance	2,846,969	-	-
Total Fund Balances	<u>2,849,562</u>	<u>-</u>	<u>365,633</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 3,514,267</u>	<u>\$ 163,403</u>	<u>\$ 382,528</u>

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

Capital Projects	Other Funds	Total Governmental Funds
\$ 17,872	\$ 444,358	\$ 740,801
284,600	-	3,487,590
-	-	108,703
-	-	(5,435)
-	7,691	115,375
-	28,931	396,616
<u>\$ 302,472</u>	<u>\$ 480,980</u>	<u>\$ 4,843,650</u>
\$ 34,580	\$ 2,526	\$ 250,223
-	316	140,880
-	-	37,705
-	-	322,016
-	-	28,333
<u>34,580</u>	<u>2,842</u>	<u>779,157</u>
-	-	103,268
-	-	103,268
-	478,138	480,731
267,892	-	267,892
-	-	365,633
-	-	2,846,969
<u>267,892</u>	<u>478,138</u>	<u>3,961,225</u>
<u>\$ 302,472</u>	<u>\$ 480,980</u>	<u>\$ 4,843,650</u>

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

Total Fund Balances - Governmental Funds	\$	3,961,225
The implementation of GASB 68 for this fiscal year required that the county report their net pension liability in the Government Wide Statement of Net Position. The items reported as a result of this implementation included a net pension liability of \$163,633 and a Deferred Resource Outflow of \$261,852. The net effect of these is to increase net position.		98,219
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$20,499,178 and the accumulated depreciation was \$6,327,110. 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.		7,975,792
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to increase net position.		663,516
The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(537,193)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		134,628
Net Position of Governmental Activities	\$	12,296,187

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

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

	General Fund	Road and Bridge	Debt Service Fund
REVENUES:			
Taxes:			
Property Taxes	\$ 3,382,632	\$ -	\$ 686,336
General Sales and Use Taxes	449,646	-	-
Other Taxes	10,960	-	-
Penalty and Interest on Taxes	48,488	-	-
Licenses and Permits	34,541	453,089	-
Intergovernmental Revenue and Grants	93,067	15,892	-
Charges for Services	326,740	-	-
Fines	51,269	105,309	-
Investment Earnings	2,296	-	463
Rents and Royalties	18,000	-	-
Contributions & Donations from Private Sources	4,943	-	-
Other Revenue	44,330	-	-
Total Revenues	4,466,912	574,290	686,799
EXPENDITURES:			
Current:			
General Government:			
Financial Administration	116,124	-	-
General Administration	545,109	-	-
Tax Administration	291,749	-	16,550
Facilities Management	191,991	-	-
Public Safety	1,972,231	-	-
Roads & Bridges	-	735,245	-
Sanitation	75,264	-	-
Justice System	1,031,891	-	-
Juvenile Services	52,003	-	-
Health & Human Services	182,653	-	-
Culture and Recreation	10,000	-	-
Conservation and Development	84,109	-	-
Debt Service:			
Bond Principal	-	-	335,000
Bond Interest	-	-	247,706
Fiscal Agent's Fees	-	-	950
Capital Outlay:			
Capital Outlay	78,846	42,475	-
Total Expenditures	4,631,970	777,720	600,206
Excess (Deficiency) of Revenues Over (Under) Expenditures	(165,058)	(203,430)	86,593
OTHER FINANCING SOURCES (USES):			
Sale of Real and Personal Property	11,242	-	-
Transfers In	139,145	118,611	-
Transfers Out (Use)	(118,611)	-	(139,145)
Total Other Financing Sources (Uses)	31,776	118,611	(139,145)
Net Change in Fund Balances	(133,282)	(84,819)	(52,552)
Fund Balance - October 1 (Beginning)	3,105,816	84,819	418,185
Prior Period Adjustment	(122,972)	-	-
Fund Balance - September 30 (Ending)	\$ 2,849,562	\$ -	\$ 365,633

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

Capital Projects	Other Funds	Total Governmental Funds
\$ -	\$ -	\$ 4,068,968
-	-	449,646
-	-	10,960
-	-	48,488
-	-	487,630
-	-	108,959
-	91,631	418,371
-	-	156,578
236	-	2,995
-	-	18,000
-	-	4,943
-	100	44,430
<u>236</u>	<u>91,731</u>	<u>5,819,968</u>
-	-	116,124
-	27,014	572,123
-	-	308,299
-	-	191,991
-	12,748	1,984,979
-	-	735,245
-	-	75,264
-	16,145	1,048,036
-	-	52,003
-	18,333	200,986
-	279	10,279
-	-	84,109
-	-	335,000
-	-	247,706
-	-	950
<u>57,016</u>	<u>-</u>	<u>178,337</u>
<u>57,016</u>	<u>74,519</u>	<u>6,141,431</u>
<u>(56,780)</u>	<u>17,212</u>	<u>(321,463)</u>
-	-	11,242
-	-	257,756
-	-	(257,756)
-	-	11,242
<u>(56,780)</u>	<u>17,212</u>	<u>(310,221)</u>
<u>324,672</u>	<u>456,006</u>	<u>4,389,498</u>
<u>-</u>	<u>4,920</u>	<u>(118,052)</u>
<u>\$ 267,892</u>	<u>\$ 478,138</u>	<u>\$ 3,961,225</u>

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

Total Net Change in Fund Balances - Governmental Funds	\$	(310,221)
<p>The implementation 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 expense were \$225,166 and total debits to expense were \$118,196. The net effect on the change in net position on Exhibit B-1 is to increase the change in net position.</p>		
		106,970
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2015 capital outlays and debt principal payments is to increase the change in net position.</p>		
		663,516
<p>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.</p>		
		(537,193)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.</p>		
		(66,339)
Change in Net Position of Governmental Activities	\$	(143,267)

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

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

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 81,410	\$ 153,987
Due from Other Governments	90,850	-
Total Assets	<u>172,260</u>	<u>\$ 153,987</u>
LIABILITIES		
Due to Other Funds	74,600	\$ -
Due to Others	-	153,987
Total Liabilities	<u>74,600</u>	<u>\$ 153,987</u>
NET POSITION		
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.

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

	Private Purpose Trust Fund
ADDITIONS:	
Investment Earnings	\$ 30
Rents and Royalties	11,500
Total Additions	<u>11,530</u>
DEDUCTIONS:	
Other Operating Expenses	11,530
Total Deductions	<u>11,530</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, 2015

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:

Major Fund	Brief Description
General	See above for description.
Special Revenue Fund: Road and Bridge	Accounts for all road and bridge construction and maintenance activity.
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. Accordingly, no accruals are reflected in the accounts for unpaid amounts of vacation and sick leave earned by employees. 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. The liabilities for accumulated vacation and sick leave at September 30, 2015 are estimated to be insignificant and are not reflected in the accompanying financial statements.

Fund Equity

Beginning with fiscal year end September 30, 2015, 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 County and District Retirement System (TCDRS) and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

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, 2015, the carrying amount of the County's deposits was \$822,211 and the bank balance was \$840,034. The County's cash deposits held at Blanco National Bank at September 30, 2015 and during the year ended September 30, 2015 were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

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

The County's temporary investments at September 30, 2015 are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>FDIC Coverage</u>	<u>Pledged Securities</u>
Texpool *	\$ 3,487,590	\$ 3,487,590	\$ -	\$ -

* 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, 2015, 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, 2015.

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	\$ 90,919	\$ 4,546	\$ 86,373
Nonmajor Fund - Debt Service	<u>17,784</u>	<u>889</u>	<u>16,895</u>
 TOTAL - ALL FUNDS	 <u>\$ 108,703</u>	 <u>\$ 5,435</u>	 <u>\$ 103,268</u>

3.C. COURT FINES AND FEES RECEIVABLE

With the implementation of GASB Statement Number 34, the County has determined the amount of court fines and fees receivable to be \$383,314 which represents amounts owed and outstanding at September 30, 2015. Based on historical collection rates for the various courts, the County has booked an allowance for uncollectible court fines and fees of \$306,651, resulting in a net receivable of \$76,663.

3.D. CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended September 30, 2015.

	Balance 10/1/14	Additions	Deletions	Balance 9/30/15
<i>Governmental Activities:</i>				
Land	\$ 1,299,789	\$ -	\$ -	\$ 1,299,789
Buildings	11,108,989	-	-	11,108,989
Improvements	3,672,128	262,012	-	3,934,140
Machinery & Equipment	3,750,228	68,738	30,000	3,788,966
Vehicles	594,764	71,046	42,550	623,260
Construction in Progress	73,280	-	73,280	-
Totals at Historic Cost	\$ 20,499,178	\$ 401,796	\$ 145,830	\$ 20,755,144
Less Accumulated Depreciation:				
Buildings	(2,869,890)	(222,180)	-	(3,092,070)
Improvements	(525,648)	(147,591)	-	(673,239)
Machinery & Equipment	(2,478,541)	(114,548)	30,000	(2,563,089)
Vehicles	(453,031)	(52,874)	42,550	(463,355)
Total Accumulated Depreciation	\$ (6,327,110)	\$ (537,193)	\$ 72,550	\$ (6,791,753)
Capital Assets, Net	\$ 14,172,068	\$ (135,397)	\$ 73,280	\$ 13,963,391

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

<i>Governmental Activities:</i>	
Financial Administration	\$ 3,825
General Administration	18,847
Tax Administration	10,156
Facilities Management	6,325
Public Safety	169,346
Roads & Bridges	172,290
Sanitation	4,861
Justice System	140,100
Juvenile Services	1,713
Health & Human Services	6,621
Conservation & Development	339
Culture & Recreation	2,770
Total Depreciation Expense - Governmental Activities	\$ 537,193

3.E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2015, is as follows:

Due to/from other funds

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds	General	\$ 28,931
Debt Service	General	293,085
General	Trust	74,600
TOTAL		<u>\$ 396,616</u>

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		
	Road & Bridge Fund	General Fund	TOTAL
Transfer Out:			
General Fund	\$ 118,611	-	\$ 118,611
Debt Service Fund	-	139,145	139,145
TOTAL	<u>\$ 118,611</u>	<u>139,145</u>	<u>\$ 257,756</u>

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, 2015, the governmental long-term debt consisted of the following:

Changes in Long-Term Debt

	Balance 10/1/14	Issued	Retired	Balance 9/30/15	Due Within One Year
Certificates of Obligation Payable -					
Series 2009	\$ 1,340,000	\$ -	\$ 235,000	\$ 1,105,000	\$ 250,000
Series 2012	1,550,000	-	90,000	1,460,000	90,000
General Obligation Refunding Bonds -					
Series 2012	<u>4,010,000</u>	<u>-</u>	<u>10,000</u>	<u>4,000,000</u>	<u>10,000</u>
Subtotal	6,900,000	-	335,000	6,565,000	350,000

	Balance 10/1/14	Issued	Retired	Balance 9/30/15	Due Within One Year
Premium on Refunding Bonds	300,998	-	20,292	280,706	-
Comp Time	35,351	-	4,585	30,766	-
TOTAL LONG TERM DEBT	\$ 7,236,349	\$ -	\$ 359,877	\$ 6,876,472	\$ 350,000

3.G. CERTIFICATES OF OBLIGATIONS AND TAX REFUNDING BONDS

Certificates of Obligation payable at September 30, 2015 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%.	\$ 1,105,000
\$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%.	4,000,000
\$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>1,460,000</u>
Total Long-Term Debt	\$ <u>6,565,000</u>

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

Year Ended September 30	Principal	Interest	Total
2016	\$ 350,000	\$ 231,394	\$ 581,394
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 – 2025	2,395,000	577,700	2,972,700
2026 – 2030	2,215,000	179,638	2,394,638
Totals	\$ <u>6,565,000</u>	\$ <u>1,730,383</u>	\$ <u>8,295,383</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 9/30/15
Certificates of Obligation - Series 2009	\$ 4,340,000	\$ 4,340,000

NOTE 4 - OTHER NOTES

4.A. EMPLOYEE RETIREMENT PLAN

Plan Description for TCDRS

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

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

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

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

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

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

Plan Provisions for Blanco County

The Blanco County plan provisions were adopted by the Commissioners Court, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum prior to retirement are not entitled to any amounts contributed by the County. The County allows partial lump sum distributions (of employee contributions and interest only) at retirement.

The County’s required contribution was determined as part of the December 31, 2014 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2014 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 3.5 percent. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2014 was 3.8 years.

Employees Covered By Benefit Terms

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

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

Contributions

The contribution rate payable by the employee members for calendar year 2014 was 7%. The County’s employer contributions to TCDRS for the fiscal year ended September 30, 2015 were \$225,107, and were equal to the required contributions.

Net Pension Liability

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

Actuarial Assumptions

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

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
Asset Valuation Method	
Smooth Period	5 years
Recognition Method	Non-asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	3.5%
Investment Rate of Return	8.10%

Cost of Living Adjustments	Cost-of-Living Adjustments for 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 2015 information for a 7-10 year time horizon.

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

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

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected Minus Inflation) (2)
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.00%
Commodities	Bloomberg Commodities Index	2.00%	-0.20%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	3.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.15%

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

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

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

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

Depletion of Plan Assets / GASB Discount Rate

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

Changes in Net Pension Liability/(Asset)	Increase/(Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of December 31, 2013	\$ 6,662,168	\$ 6,512,159	\$ 150,009
Changes for the Year:			
Service Cost	266,960	-	266,960
Interest on Total Pension Liability ⁽¹⁾	537,964	-	537,964
Effect of Plan Changes	-	-	-
Effects of Economic/Demographic Gains or Losses	32,334	-	32,334
Effect of Assumptions Changes or Inputs	-	-	-
Refund of Contributions	(24,511)	(24,511)	-
Benefit Payments	(284,543)	(284,543)	-
Administrative Expenses	-	(5,214)	5,214
Member Contributions	-	157,842	(157,842)
Net Investment Income	-	448,322	(448,322)
Employer Contributions	-	198,429	(198,429)
Other ⁽²⁾	-	24,255	(24,255)
Balances as of December 31, 2014	\$ 7,190,371	\$ 7,026,738	\$ 163,633

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

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

Sensitivity Analysis

The following presents the net pension liability of the County, calculated using the discount rate of 8.10%, as well as what the 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	\$ 7,998,423	\$ 7,190,371	\$ 6,517,398
Fiduciary Net Position	<u>7,026,738</u>	<u>7,026,738</u>	<u>7,026,738</u>
Net Pension Liability/(Asset)	<u>\$ 971,685</u>	<u>\$ 163,633</u>	<u>\$ (509,340)</u>

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

For the year ended September 30, 2015 the County recognized pension expense of \$118,196.

<u>Prepaid Expense/(Income)</u>	<u>January 1, 2014 to December 31, 2014</u>
Service Cost	\$ 266,960
Interest on Total Pension Liability ⁽¹⁾	537,964
Effect of Plan Changes	-
Administrative Expenses	5,214
Member Contributions	(157,842)
Expected Investment Return Net of Investment Expenses	(535,330)
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of Economic/Demographic Gains or Losses	8,084
Recognition of Assumption Changes or Inputs	-
Recognition of Investment Gains or Losses	17,401
Other ⁽²⁾	<u>(24,255)</u>
Pension Expense/(Income)	<u>\$ 118,196</u>

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

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

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

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 24,251
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	69,606
Contributions made subsequent to measurement date	-	167,995
	<u>\$ -</u>	<u>\$ 261,852</u>

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

<u>Year Ended December 31</u>	
2015	\$ 25,485
2016	25,485
2017	25,485
2018	17,401
2019	-
Thereafter ⁽³⁾	-

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

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. 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, 2015, 2014 and 2013, were \$21,069, \$18,675 and \$17,722, 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, 2015 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. PRIOR PERIOD ADJUSTMENTS

During fiscal year 2015, the County adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. Adoption of GASB Statement No. 68 required a prior period adjustment to report the effect of GASB Statement No. 68 retroactively. The amount of the prior period adjustment for GASB No. 68 in the governmental activities is \$8,751. In the Statement of Activities and the Statement of Revenues, Expenditures and changes in Fund Balance, Government Funds, the county reported a prior period adjustment of \$122,972 in the General Fund for an overpayment of distributions paid to the schools (approved by prior county judge). Also, a prior period adjustment of \$4,920 was made in a Special Revenue Fund (Supplemental Guardianship Fees Fund) to reclassify from the Trust and Agency Funds. The Restated beginning net position for the Statement of Activities is \$12,439,451 and the restated beginning Fund Balance of the Governmental Funds is \$4,271,446.

4.G. SUBSEQUENT EVENTS

The County has evaluated subsequent events through June 30, 2016, 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

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

EXHIBIT G-1

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 3,375,000	\$ 3,375,000	\$ 3,382,632	\$ 7,632
General Sales and Use Taxes	350,000	350,000	449,646	99,646
Other Taxes	6,500	6,500	10,960	4,460
Penalty and Interest on Taxes	60,000	60,000	48,488	(11,512)
Licenses and Permits	28,500	28,500	34,541	6,041
Intergovernmental Revenue and Grants	55,591	55,591	93,067	37,476
Charges for Services	322,968	322,968	326,740	3,772
Fines	89,700	89,700	51,269	(38,431)
Investment Earnings	2,000	2,000	2,296	296
Rents and Royalties	18,750	18,750	18,000	(750)
Contributions & Donations from Private Sources	1,500	1,500	4,943	3,443
Other Revenue	39,456	39,456	44,330	4,874
Total Revenues	<u>4,349,965</u>	<u>4,349,965</u>	<u>4,466,912</u>	<u>116,947</u>
EXPENDITURES:				
Current:				
General Government:				
Financial Administration	185,066	185,066	116,124	68,942
General Administration	578,722	578,722	545,109	33,613
Tax Administration	358,152	358,152	291,749	66,403
Facilities Management	240,966	240,966	191,991	48,975
Public Safety	2,053,068	2,053,068	1,972,231	80,837
Sanitation	86,915	86,915	75,264	11,651
Justice System	1,110,184	1,110,184	1,031,891	78,293
Juvenile Services	52,003	52,003	52,003	-
Health & Human Services	232,575	232,575	182,653	49,922
Culture and Recreation	10,500	10,500	10,000	500
Conservation and Development	96,118	96,118	84,109	12,009
Capital Outlay:				
Capital Outlay	83,554	83,554	78,846	4,708
Total Expenditures	<u>5,087,823</u>	<u>5,087,823</u>	<u>4,631,970</u>	<u>455,853</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(737,858)</u>	<u>(737,858)</u>	<u>(165,058)</u>	<u>572,800</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	3,000	3,000	11,242	8,242
Transfers In	-	-	139,145	139,145
Transfers Out (Use)	(298,157)	(298,157)	(118,611)	179,546
Total Other Financing Sources (Uses)	<u>(295,157)</u>	<u>(295,157)</u>	<u>31,776</u>	<u>326,933</u>
Net Change in Fund Balances	(1,033,015)	(1,033,015)	(133,282)	899,733
Fund Balance - October 1 (Beginning)	3,105,816	3,105,816	3,105,816	-
Prior Period Adjustment	-	-	(122,972)	(122,972)
Fund Balance - September 30 (Ending)	<u>\$ 2,072,801</u>	<u>\$ 2,072,801</u>	<u>\$ 2,849,562</u>	<u>\$ 776,761</u>

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

EXHIBIT G-2

	Budgeted Amounts		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final	GAAP BASIS (See Note)	
REVENUES:				
Licenses and Permits	\$ 458,000	\$ 458,000	\$ 453,089	\$ (4,911)
Intergovernmental Revenue and Grants	16,000	16,000	15,892	(108)
Fines	135,000	135,000	105,309	(29,691)
Total Revenues	<u>609,000</u>	<u>609,000</u>	<u>574,290</u>	<u>(34,710)</u>
EXPENDITURES:				
Current:				
Roads & Bridges	819,674	819,674	735,245	84,429
Capital Outlay:				
Capital Outlay	87,475	87,475	42,475	45,000
Total Expenditures	<u>907,149</u>	<u>907,149</u>	<u>777,720</u>	<u>129,429</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(298,149)</u>	<u>(298,149)</u>	<u>(203,430)</u>	<u>94,719</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	298,157	298,157	118,611	(179,546)
Total Other Financing Sources (Uses)	<u>298,157</u>	<u>298,157</u>	<u>118,611</u>	<u>(179,546)</u>
Change in Fund Balance	8	8	(84,819)	(84,827)
Fund Balance - October 1 (Beginning)	<u>84,819</u>	<u>84,819</u>	<u>84,819</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 84,827</u>	<u>\$ 84,827</u>	<u>\$ -</u>	<u>\$ (84,827)</u>

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

	<u>Year Ended December 31, 2014</u>
Total Pension Liability	
Service Cost	\$ 266,960
Interest on Total Pension Liability	537,964
Effect of Plan Changes	-
Effect of Assumption Changes or Inputs	-
Effect of Economic/Demographic (Gains) or Losses	32,334
Benefit Payments/Refunds of Contributions	<u>(309,055)</u>
Net Change in Total Pension Liability	\$ 528,203
Total Pension Liability, Beginning	<u>6,662,168</u>
Total Pension Liability, Ending (a)	<u>\$ 7,190,371</u>
Fiduciary Net Position	
Employer Contributions	198,429
Member Contributions	157,842
Investment Income Net of Investment Expenses	448,322
Benefit Payments/Refunds of Contributions	(309,055)
Administrative Expenses	(5,214)
Other	<u>24,255</u>
Net Change in Fiduciary Net Position	\$ 514,580
Fiduciary Net Position, Beginning	<u>6,512,159</u>
Fiduciary Net Position, Ending (b)	<u>\$ 7,026,738</u>
Net Pension Liability/(Asset), Ending = (a) – (b)	\$ 163,633
Fiduciary Net Position as a % of Total Pension Liability	97.72%
Pensionable Covered Payroll	\$ 2,254,881
Net Pension Liability as a % of Covered Payroll	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 one year of data is presented in accordance with GASB 68, Paragraph 138. "The information for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

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

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽¹⁾	Actual Contribution as a % of Covered Payroll
2005	Not Available	Not Available	Not Available	Not Available	Not Available
2006	\$ 108,768	\$ 108,768	\$ -	\$ 1,469,831	\$ 7.4%
2007	121,552	121,552	-	1,564,378	7.8%
2008	127,871	127,871	-	1,735,023	7.4%
2009	131,640	131,640	-	1,786,157	7.4%
2010	145,150	145,150	-	1,805,350	8.0%
2011	151,934	151,934	-	1,887,394	8.0%
2012	177,602	177,602	-	2,096,839	8.5%
2013	186,963	186,963	-	2,176,525	8.6%
2014	198,429	198,429	-	2,254,881	8.8%

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

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

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

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

Valuation Date:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal (1)
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	Same as funding valuation: See Appendix B
Salary Increases	Same as funding valuation: See Appendix B
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for 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	Same as funding valuation: See Appendix B
Turnover	Same as funding valuation: See Appendix B
Mortality	Same as funding valuation: See Appendix B

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

Other Information:

Notes There were no benefit changes during the year.

SUPPLEMENTARY INFORMATION

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

	Hot Check Fee Fund	Records Management County Clerk	Records Preservation	Courthouse Security
ASSETS				
Cash and Cash Equivalents	\$ 8,176	\$ 10,128	\$ 70,696	\$ 42,381
Receivables (Net)	-	219	3,218	865
Due from Other Funds	-	2,804	10,790	5,355
Total Assets	<u>\$ 8,176</u>	<u>\$ 13,151</u>	<u>\$ 84,704</u>	<u>\$ 48,601</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 1,336	\$ 150	\$ -
Wages and Salaries Payable	-	-	-	316
Total Liabilities	<u>-</u>	<u>1,336</u>	<u>150</u>	<u>316</u>
FUND BALANCES				
Restricted for Special Revenue	8,176	11,815	84,554	48,285
Total Fund Balances	<u>8,176</u>	<u>11,815</u>	<u>84,554</u>	<u>48,285</u>
Total Liabilities and Fund Balances	<u>\$ 8,176</u>	<u>\$ 13,151</u>	<u>\$ 84,704</u>	<u>\$ 48,601</u>

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

Child Safety Program	Records Management Dist Clerk	Countywide Emergency Radio	DistrictClerk Records Management	JP #1 Technology	JP #2 Technology	County Clerk Archive	Vital Statistics Preservation
\$ 135,416	\$ 299	\$ 5,000	\$ 1,891	\$ 15,296	\$ (324)	\$ 127,008	\$ 2,212
791	-	-	73	309	133	1,600	18
9,982	-	-	-	-	-	-	-
<u>\$ 146,189</u>	<u>\$ 299</u>	<u>\$ 5,000</u>	<u>\$ 1,964</u>	<u>\$ 15,605</u>	<u>\$ (191)</u>	<u>\$ 128,608</u>	<u>\$ 2,230</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 890	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	890	-
146,189	299	5,000	1,964	15,605	(191)	127,718	2,230
146,189	299	5,000	1,964	15,605	(191)	127,718	2,230
<u>\$ 146,189</u>	<u>\$ 299</u>	<u>\$ 5,000</u>	<u>\$ 1,964</u>	<u>\$ 15,605</u>	<u>\$ (191)</u>	<u>\$ 128,608</u>	<u>\$ 2,230</u>

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

	Third Court of Appeals	Family Protection Plan	Chapter 19 Funds	Tower Maintenance & Repair
ASSETS				
Cash and Cash Equivalents	\$ 775	\$ 6,800	\$ 897	\$ -
Receivables (Net)	55	60	-	-
Due from Other Funds	-	-	-	-
Total Assets	<u>\$ 830</u>	<u>\$ 6,860</u>	<u>\$ 897</u>	<u>\$ -</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Wages and Salaries Payable	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted for Special Revenue	<u>830</u>	<u>6,860</u>	<u>897</u>	<u>-</u>
Total Fund Balances	<u>830</u>	<u>6,860</u>	<u>897</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 830</u>	<u>\$ 6,860</u>	<u>\$ 897</u>	<u>\$ -</u>

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

Supplemental Guardianship Fees	Child Abuse Prevention	District Court Technology	County Clerk Technology	District Court Record Preservation	County Court Record Preservation	District Court Civil Tech Fee	Blanco County Historical Commission
\$ 5,800	\$ 239	\$ 547	\$ 498	\$ 2,741	\$ 3,230	\$ 4,174	\$ 150
60	-	11	10	110	30	61	-
-	-	-	-	-	-	-	-
<u>\$ 5,860</u>	<u>\$ 239</u>	<u>\$ 558</u>	<u>\$ 508</u>	<u>\$ 2,851</u>	<u>\$ 3,260</u>	<u>\$ 4,235</u>	<u>\$ 150</u>
\$ -	\$ -	\$ -	\$ -	\$ 150	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	150	-	-	-
5,860	239	558	508	2,701	3,260	4,235	150
5,860	239	558	508	2,701	3,260	4,235	150
<u>\$ 5,860</u>	<u>\$ 239</u>	<u>\$ 558</u>	<u>\$ 508</u>	<u>\$ 2,851</u>	<u>\$ 3,260</u>	<u>\$ 4,235</u>	<u>\$ 150</u>

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

	Sheriff Seized Asset	E-Filing Service Fee	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 290	\$ 38	\$ 444,358	\$ 444,358
Receivables (Net)	-	68	7,691	7,691
Due from Other Funds	-	-	28,931	28,931
Total Assets	<u>\$ 290</u>	<u>\$ 106</u>	<u>\$ 480,980</u>	<u>\$ 480,980</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 2,526	\$ 2,526
Wages and Salaries Payable	-	-	316	316
Total Liabilities	<u>-</u>	<u>-</u>	<u>2,842</u>	<u>2,842</u>
FUND BALANCES				
Restricted for Special Revenue	290	106	478,138	478,138
Total Fund Balances	<u>290</u>	<u>106</u>	<u>478,138</u>	<u>478,138</u>
Total Liabilities and Fund Balances	<u>\$ 290</u>	<u>\$ 106</u>	<u>\$ 480,980</u>	<u>\$ 480,980</u>

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

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

	Hot Check Fee Fund	Records Management County Clerk	Records Preservation	Courthouse Security
REVENUES:				
Charges for Services	\$ 420	\$ 2,052	\$ 33,627	\$ 9,781
Other Revenue	-	-	-	-
Total Revenues	<u>420</u>	<u>2,052</u>	<u>33,627</u>	<u>9,781</u>
EXPENDITURES:				
Current:				
General Government:				
General Administration	-	8,587	18,427	-
Public Safety	-	-	-	9,042
Justice System	1,379	-	-	-
Health & Human Services	-	-	-	-
Culture and Recreation	-	-	-	-
Total Expenditures	<u>1,379</u>	<u>8,587</u>	<u>18,427</u>	<u>9,042</u>
Net Change in Fund Balance	(959)	(6,535)	15,200	739
Fund Balance - October 1 (Beginning)	9,135	18,350	69,354	47,546
Prior Period Adjustment	-	-	-	-
Fund Balance - September 30 (Ending)	<u>\$ 8,176</u>	<u>\$ 11,815</u>	<u>\$ 84,554</u>	<u>\$ 48,285</u>

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

Child Safety Program	Records Management Dist Clerk	Countywide Emergency Radio	DistrictClerk Records Management	JP #1 Technology	JP #2 Technology	County Clerk Archive	Vital Statistics Preservation
\$ 19,048	\$ -	\$ -	\$ 862	\$ 2,672	\$ 1,507	\$ 15,840	\$ 264
-	-	-	-	-	-	-	-
<u>19,048</u>	<u>-</u>	<u>-</u>	<u>862</u>	<u>2,672</u>	<u>1,507</u>	<u>15,840</u>	<u>264</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
18,333	-	-	-	9,778	-	890	556
-	-	-	-	-	-	-	-
<u>18,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,778</u>	<u>-</u>	<u>890</u>	<u>556</u>
715	-	-	862	(7,106)	1,507	14,950	(292)
145,474	299	5,000	1,102	22,711	(1,698)	112,768	2,522
-	-	-	-	-	-	-	-
<u>\$ 146,189</u>	<u>\$ 299</u>	<u>\$ 5,000</u>	<u>\$ 1,964</u>	<u>\$ 15,605</u>	<u>\$ (191)</u>	<u>\$ 127,718</u>	<u>\$ 2,230</u>

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

	Third Court of Appeals	Family Protection Plan	Chapter 19 Funds	Tower Maintnance & Repair
REVENUES:				
Charges for Services	\$ 760	\$ 675	\$ -	\$ -
Other Revenue	-	-	-	-
Total Revenues	<u>760</u>	<u>675</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Current:				
General Government:				
General Administration	-	-	-	-
Public Safety	-	-	-	-
Justice System	1,492	-	270	-
Health & Human Services	-	-	-	-
Culture and Recreation	-	-	-	-
Total Expenditures	<u>1,492</u>	<u>-</u>	<u>270</u>	<u>-</u>
Net Change in Fund Balance	(732)	675	(270)	-
Fund Balance - October 1 (Beginning)	1,562	6,185	1,167	-
Prior Period Adjustment	-	-	-	-
Fund Balance - September 30 (Ending)	<u>\$ 830</u>	<u>\$ 6,860</u>	<u>\$ 897</u>	<u>\$ -</u>

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

Supplemental Guardianship Fees	Child Abuse Prevention	District Court Technology	County Clerk Technology	District Court Record Preservation	County Court Record Preservation	District Court Civil Tech Fee	Blanco County Historical Commission
\$ 940	\$ 50	\$ 436	\$ 65	\$ 1,253	\$ 530	\$ 743	\$ -
-	-	-	-	-	-	-	100
<u>940</u>	<u>50</u>	<u>436</u>	<u>65</u>	<u>1,253</u>	<u>530</u>	<u>743</u>	<u>100</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	130	1,650	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	279
-	-	-	<u>130</u>	<u>1,650</u>	-	-	<u>279</u>
940	50	436	(65)	(397)	530	743	(179)
-	189	122	573	3,098	2,730	3,492	329
4,920	-	-	-	-	-	-	-
<u>\$ 5,860</u>	<u>\$ 239</u>	<u>\$ 558</u>	<u>\$ 508</u>	<u>\$ 2,701</u>	<u>\$ 3,260</u>	<u>\$ 4,235</u>	<u>\$ 150</u>

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

	Sheriff Seized Asset	E-Filing Service Fee	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
REVENUES:				
Charges for Services	\$ -	\$ 106	\$ 91,631	\$ 91,631
Other Revenue	-	-	100	100
Total Revenues	<u>-</u>	<u>106</u>	<u>91,731</u>	<u>91,731</u>
EXPENDITURES:				
Current:				
General Government:				
General Administration	-	-	27,014	27,014
Public Safety	3,706	-	12,748	12,748
Justice System	-	-	16,145	16,145
Health & Human Services	-	-	18,333	18,333
Culture and Recreation	-	-	279	279
Total Expenditures	<u>3,706</u>	<u>-</u>	<u>74,519</u>	<u>74,519</u>
Net Change in Fund Balance	(3,706)	106	17,212	17,212
Fund Balance - October 1 (Beginning)	3,996	-	456,006	456,006
Prior Period Adjustment	-	-	4,920	4,920
Fund Balance - September 30 (Ending)	<u>\$ 290</u>	<u>\$ 106</u>	<u>\$ 478,138</u>	<u>\$ 478,138</u>

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

COUNTY OF BLANCO, TEXAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	BALANCE OCTOBER 1 2014	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2015
OFFICIALS FEES				
Assets:				
Cash and Cash Equivalents	\$ 126,005	\$ 2,798,928	\$ 2,770,946	\$ 153,987
Liabilities:				
Due to Others	\$ 126,005	\$ 2,798,928	\$ 2,770,946	\$ 153,987
 TOTAL AGENCY FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 126,005	\$ 2,798,928	\$ 2,770,946	\$ 153,987
Liabilities:				
Due to Others	\$ 126,005	\$ 2,798,928	\$ 2,770,946	\$ 153,987

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

NEFFENDORF & KNOPP, P.C.
Certified Public Accountants

P.O. BOX 874 · 736 S. WASHINGTON ST.
FREDERICKSBURG, TEXAS 78624-0874
(830) 997-3348

FAX: (830) 997-3333
Email: nkhd@austin.rr.com

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 30, 2016.

Internal Control Over Financial Reporting

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

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

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

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 June 30, 2016.

Sincerely,


NEFFENDORF & KNOPP, P.C.
Fredericksburg, Texas

June 30, 2016

NEFFENDORF & KNOPP, P.C.

Certified Public Accountants

P.O. BOX 874 · 736 S. WASHINGTON ST.

FREDERICKSBURG, TEXAS 78624-0874

(830) 997-3348

FAX: (830) 997-3333

Email: nkhd@austin.rr.com

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2016

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Blanco for the year ended September 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 30, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by County of Blanco are described in Note I to the financial statements. GASB Statement No. 68 Accounting and Reporting for Pensions was adopted and the application of existing policies was not changed during the year ended September 30, 2015. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 30, 2016.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Comments and Recommendations

Prior Year Recommendations

Prior year recommendation concerning the Inmate Trust and Commissionary Account have been implemented.

Investments

Currently, the County has a monthly treasurer's report for balances by funds. In accordance with Chapter 2256 of the Government Code, we again recommend that the report also include the following:

1. A listing of accounts by fund showing the type of investment (money market account, certificate of deposit, etc.), balance, interest rate and maturity date as applicable.
2. A summary which shows the FDIC coverage and the amount of pledged securities by the bank.

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

Sincerely,



NEFFENDORF & KNOPP, P.C.

Fredericksburg, Texas