

REPORT OF EXAMINATION

**COUNTY OF BLANCO,
TEXAS**

Johnson City, Texas

**For the Year Ended
September 30, 2017**

BLANCO COUNTY, TEXAS

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2017

BLANCO COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Blanco County, Texas (the "County"), as of and for the year ended September 30, 2017, 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, 2017, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 10), budgetary comparison information (pages 42 and 43) and the Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of Employer Contributions on pages 44-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 January 18, 2018, 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

January 18, 2018

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, 2017. Please read it in conjunction with the independent auditors' report on page 1, and County's Basic Financial Statements which begin on page 11.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$13,403,121 (net position). Of this amount, \$5,054,163 (unrestricted net position) may be used to meet the County's ongoing obligations to citizen's and creditors.
- The County's net position increased by \$710,253 as a result of this year's operations.
- At September 30, 2017, the County's governmental funds reported combined ending fund balances of \$4,589,742, an increase of \$596,947 in comparison with the prior year.
- At September 30, 2017, the unassigned fund balance of the general fund was \$3,465,945, or 69 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 23) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedules (operating fund), the Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of Employer Contributions are presented as required supplementary information on pages 42-47. The combining statements (starting on page 48) for nonmajor funds contain even more information about the County's individual funds.

Reporting the County as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the County's overall financial condition and operations begins on page 11. Its primary purpose is to show whether the County is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the County's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The County's revenues are divided into those provided by outside parties who pay for the costs of some programs and grants provided by the outside parties and agencies (program revenues), and revenues provided by the taxpayers or other unrestricted sources (general revenues). All the County's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

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

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net position of the County's governmental activities increased from \$12,692,868 to \$13,403,121. 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 \$5,054,163 at September 30, 2017. This increase in governmental net position was the result of four factors. First, the County's revenues exceeded the expenditures by \$596,947. Second, the County retired long-term debt in the amount of \$370,000 and acquired capital assets in the amount of \$538,863. Third, the County recorded depreciation in the amount of \$587,154 and fourth, due to implementation of GASB Statement No. 68 an increase in expenses was necessary in the amount of \$130,332.

Table I
Blanco County, Texas

NET POSITION
in thousands

	Governmental Activities	
	2017	2016
Current and Other Assets	\$ 5,104	\$ 4,540
Capital Assets	13,972	14,021
Total Assets	\$ 19,076	\$ 18,561
Deferred Outflow of Resources	\$ 1,466	\$ 1,681
Long-Term Liabilities	\$ 6,296	\$ 6,713
Other Liabilities	779	778
Total Liabilities	\$ 7,075	\$ 7,491
Deferred Inflow of Resources	\$ 64	\$ 58
Net Position:		
Invested in Capital Assets		
Net of Related Debt	\$ 7,222	\$ 7,347
Restricted	1,127	969
Unrestricted	5,054	4,377
Total Net Position	\$ 13,403	\$ 12,693

Table II
Blanco County, Texas

CHANGES IN NET POSITION
in thousands

	Governmental Activities	
	2017	2016
Revenues:		
Charges for Services	\$ 1,182	\$ 1,026
Property Taxes	5,067	4,611
Sales Tax	565	497
Other Taxes	18	16
Penalty and Interest	48	52
Investment Earnings	24	11
Miscellaneous	121	223
Grants	108	180
Total Revenue	\$ 7,133	\$ 6,616
Expenses:		
Financial Administration	\$ 180	\$ 135
Public Safety	2,319	2,150
General Administration	713	687
Tax Administration	369	442
Facilities Management	204	216
Roads and Bridges	674	632
Sanitation	78	86
Justice System	1,283	1,206
Juvenile Services	57	56
Health and Human Services	166	207
Conservation and Development	103	104
Culture and Recreation	12	13
Debt Service	265	285
Total Expenses	\$ 6,423	\$ 6,219
Increase in Net Position	\$ 710	\$ 397
Net Position - Beginning of Year	12,693	12,296
Net Position - End of Year	\$ 13,403	\$ 12,693

The cost of all governmental activities this year was \$6,423,103. However, as shown in the Statement of Activities on page 12, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$5,066,878 because the other costs were paid by sales tax (\$564,644), operating grants (\$108,595), user charges (\$1,181,691), investment earnings (\$23,637) and other miscellaneous (\$121,291).

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$4,589,742, which is more than last year's total of \$3,992,795. Included in this year's total change in fund balance is an increase of \$438,598 in the County's General Fund.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2017, the County had \$21,842,979 invested in a broad range of capital assets, including land, buildings, vehicles and equipment and other improvements. This amount represents a net increase of \$479,308, or 2.2 percent, more than last year.

CAPITAL ASSETS in thousands

	Governmental Activities	
	2017	2016
Land	\$ 1,300	\$ 1,300
Buildings	11,109	11,109
Improvements	4,674	4,351
Machinery & Equipment	4,016	3,981
Vehicles	712	623
Construction In Progress	32	
Total Capital Assets	\$ 21,843	\$ 21,364
Accumulated Depreciation	7,871	7,343
Capital Assets, Net	\$ 13,972	\$ 14,021

This year's major additions included:

Paving - Annex	\$ 117,117
John Deere 310 Backhoe	83,322
2017 Ram Crew Cab - Sheriff	39,764
2017 Ram Crew Cab - Patrol	49,423
CIP - South Annex Project	31,948
NG911 Recorder Upgrade	10,976
Precinct Paving Projects	<u>206,313</u>
 TOTAL	 <u>\$ 538,863</u>

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

DEBT

At September 30, 2017, the County had the following outstanding debt:

OUTSTANDING DEBT in thousands

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Refunding Bonds	\$ 3,975	\$ 3,990
Certificates of Obligation	<u>1,870</u>	<u>2,225</u>
Total Outstanding Debt	<u>\$ 5,845</u>	<u>\$ 6,215</u>

At year-end the County had \$5,845,000 in certificates of obligation and refunding bonds outstanding, a decrease in total debt of \$370,000 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 2018 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 2018. Amounts available for appropriation in the General Fund budget are \$5,776,024 and expenditures are estimated to be \$6,535,512. Estimated revenues for the Road and Bridge Fund are \$884,365 (including transfer from the general fund of \$352,365) and expenditures are estimated to be \$884,365.

If these estimates are realized, the County's budgetary General Fund balance will decrease by \$759,488 and the Road and Bridge Fund balance will remain the same by the close of 2018.

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 Judge's office, Johnson City, Texas.

BASIC FINANCIAL STATEMENTS

BLANCO COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

EXHIBIT A-1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 1,507,683
Investments - Current	3,234,557
Accounts Receivable (Net)	287,072
Due from Other Funds	74,599
Capital Assets:	
Land Purchase and Improvements	1,299,789
Buildings (Net)	7,572,558
Improvements other than Buildings (Net)	3,672,177
Furniture and Equipment (Net)	1,395,876
Construction in Progress	31,948
Total Assets	19,076,259
DEFERRED OUTFLOW OF RESOURCES	
Deferred Charge for Refunding	861,940
Deferred Outflow Related to Pension Plan	603,910
Total Deferred Outflows of Resources	1,465,850
LIABILITIES	
Accounts Payable	62,077
Wages and Salaries Payable	160,523
Intergovernmental Payable	49,352
Accrued Interest Payable	31,945
Unearned Revenues	85,138
Bonds Payable - Current	390,000
Noncurrent Liabilities	
Bonds Payable - Noncurrent	5,732,333
Net Pension Liability	563,574
Total Liabilities	7,074,942
DEFERRED INFLOW OF RESOURCES	
Unavailable Revenue - Property Taxes	5,620
Deferred Inflow Related to Pension Plan	58,426
Total Deferred Inflows of Resources	64,046
NET POSITION	
Net Investment in Capital Assets	7,221,643
Restricted for:	
Restricted for Special Revenue	503,327
Restricted for Debt Service	623,988
Unrestricted Net Position	5,054,163
Total Net Position	\$ 13,403,121

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

BLANCO COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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	\$ 180,376	\$ -	\$ 15,373	\$ (165,003)
General Administration	713,033	-	-	(713,033)
Tax Administration	368,874	5,039	-	(363,835)
Facilities Management	204,363	-	28,582	(175,781)
Public Safety	2,318,630	187,092	1,316	(2,130,222)
Roads and Bridges	673,952	498,854	15,889	(159,209)
Sanitation	78,150	-	-	(78,150)
Justice System	1,283,570	490,706	47,435	(745,429)
Juvenile Services	57,254	-	-	(57,254)
Health and Human Services	166,470	-	-	(166,470)
Culture and Recreation	11,041	-	-	(11,041)
Conservation and Development	102,697	-	-	(102,697)
Bond Interest	263,743	-	-	(263,743)
Fiscal Agent's Fees	950	-	-	(950)
TOTAL PRIMARY GOVERNMENT:	\$ 6,423,103	\$ 1,181,691	\$ 108,595	(5,132,817)

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes	4,357,515
Property Taxes, Levied for Debt Service	709,363
General Sales and Use Taxes	564,644
Other Taxes	17,940
Penalty and Interest on Taxes	47,842
Grants and Contributions Not Restricted	837
Investment Earnings	23,637
Miscellaneous Revenue	121,292
Total General Revenues	5,843,070
Change in Net Position	710,253
Net Position-- Beginning	12,692,868
Net Position--Ending	\$ 13,403,121

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

BLANCO COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General Fund	Road & Bridge Fund	Debt Service Fund
ASSETS			
Cash and Cash Equivalents	\$ 649,050	\$ 3,270	\$ 333,213
Investments - Current	3,234,557	-	-
Taxes Receivable	101,760	-	16,566
Allowance for Uncollectible Taxes (credit)	(5,088)	-	(828)
Accounts Receivable (Net)	99,632	23,299	-
Due from Other Funds	74,600	-	290,774
Total Assets	<u>\$ 4,154,511</u>	<u>\$ 26,569</u>	<u>\$ 639,725</u>
LIABILITIES			
Accounts Payable	\$ 50,545	\$ 11,232	\$ -
Wages and Salaries Payable	143,958	15,337	-
Intergovernmental Payable	49,352	-	-
Due to Other Funds	319,706	-	-
Unearned Revenues	28,333	-	-
Total Liabilities	<u>591,894</u>	<u>26,569</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	96,672	-	15,737
Total Deferred Inflows of Resources	<u>96,672</u>	<u>-</u>	<u>15,737</u>
FUND BALANCES			
Restricted Fund Balance:			
Restricted for Special Revenue	3,518	-	-
Retirement of Long-Term Debt	-	-	623,988
Unassigned Fund Balance	3,462,427	-	-
Total Fund Balances	<u>3,465,945</u>	<u>-</u>	<u>623,988</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,154,511</u>	<u>\$ 26,569</u>	<u>\$ 639,725</u>

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

Other Funds	Total Governmental Funds
\$ 522,150	\$ 1,507,683
-	3,234,557
-	118,326
-	(5,916)
7,061	129,992
28,931	394,305
<u>\$ 558,142</u>	<u>\$ 5,378,947</u>
\$ 300	\$ 62,077
1,228	160,523
-	49,352
-	319,706
56,805	85,138
<u>58,333</u>	<u>676,796</u>
-	112,409
-	112,409
499,809	503,327
-	623,988
-	3,462,427
<u>499,809</u>	<u>4,589,742</u>
<u>\$ 558,142</u>	<u>\$ 5,378,947</u>

BLANCO COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2017

Total Fund Balances - Governmental Funds	\$	4,589,742
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		8,421,119
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 2017 capital outlays and debt principal payments is to increase net position.		908,863
This fiscal year required that the County report their net pension liability in the Government Wide Statement of Net Position to comply with GASB 68. The items reported as a result of this implementation included a net pension liability of \$563,574, a Deferred Resource Outflow of \$603,910 and a Deferred Resource Inflow of \$58,426. The net effect of these was to increase the ending net position by \$18,090.		(18,090)
The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(587,154)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		88,641
Net Position of Governmental Activities	<u>\$</u>	<u>13,403,121</u>

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

BLANCO COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Road & Bridge Fund	Debt Service Fund
REVENUES:			
Taxes:			
Property Taxes	\$ 4,335,133	\$ -	\$ 719,294
General Sales and Use Taxes	564,644	-	-
Other Taxes	17,940	-	-
Penalty and Interest on Taxes	47,842	-	-
Licenses and Permits	52,385	451,508	-
Intergovernmental Revenue and Grants	92,706	15,889	-
Charges for Services	384,600	-	-
Fines	57,730	129,362	-
Investment Earnings	23,637	-	-
Rents and Royalties	24,000	-	-
Contributions & Donations from Private Sources	837	-	-
Other Revenue	68,533	-	-
Total Revenues	5,669,987	596,759	719,294
EXPENDITURES:			
Current:			
General Government:			
Financial Administration	158,722	-	-
General Administration	610,129	-	-
Tax Administration	328,583	-	-
Facilities Management	185,109	-	-
Public Safety	2,039,905	-	-
Public Works:			
Roads and Bridges	-	784,257	-
Sanitation	69,279	-	-
Justice System	1,118,428	-	-
Juvenile Services	51,860	-	-
Health and Welfare:			
Health and Human Services	128,365	-	-
Culture and Recreation	10,000	-	-
Conservation and Development	81,095	-	-
Debt Service:			
Principal on Debt	-	-	370,000
Bond Interest	-	-	214,170
Fiscal Agent's Fees	-	-	950
Capital Outlay:			
Capital Outlay	204,458	117,117	-
Total Expenditures	4,985,933	901,374	585,120
Excess (Deficiency) of Revenues Over (Under) Expenditures	684,054	(304,615)	134,174
OTHER FINANCING SOURCES (USES):			
Sale of Real and Personal Property	47,170	-	-
Transfers In	-	290,994	-
Transfers Out (Use)	(292,626)	-	-
Total Other Financing Sources (Uses)	(245,456)	290,994	-

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

Other Funds	Total Governmental Funds
\$ -	\$ 5,054,427
-	564,644
-	17,940
-	47,842
-	503,893
-	108,595
106,107	490,707
-	187,092
-	23,637
-	24,000
-	837
9,292	77,825
<u>115,399</u>	<u>7,101,439</u>
-	158,722
20,883	631,012
-	328,583
-	185,109
6,066	2,045,971
-	784,257
-	69,279
19,791	1,138,219
-	51,860
21,976	150,341
-	10,000
10,519	91,614
-	370,000
-	214,170
-	950
-	321,575
<u>79,235</u>	<u>6,551,662</u>
<u>36,164</u>	<u>549,777</u>
-	47,170
1,632	292,626
-	(292,626)
<u>1,632</u>	<u>47,170</u>

BLANCO COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Road & Bridge Fund	Debt Service Fund
Net Change in Fund Balances	438,598	(13,621)	134,174
Fund Balance - October 1 (Beginning)	3,027,347	13,621	489,814
Fund Balance - September 30 (Ending)	\$ 3,465,945	\$ -	\$ 623,988

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

Other Funds	Total Governmental Funds
37,796	596,947
462,013	3,992,795
<u>\$ 499,809</u>	<u>\$ 4,589,742</u>

BLANCO COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

Total Net Change in Fund Balances - Governmental Funds	\$	596,947
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 2017 capital outlays and debt principal payments is to increase the change in net position.		908,863
The entries required by GASB 68 did require that some expenses on B-1 be adjusted. Total credits to expenses were \$197,779 and total debits to expenses were \$328,111. The net effect on the change in net position on Exhibit B-1 is an decrease of \$130,332.		(130,332)
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.		(587,154)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.		(78,071)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>710,253</u>

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

BLANCO COUNTY, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 100,361	\$ 211,678
Due from Other Governments	71,899	-
Total Assets	<u>172,260</u>	<u>\$ 211,678</u>
LIABILITIES		
Due to Other Funds	74,600	\$ -
Due to Others	-	211,678
Total Liabilities	<u>74,600</u>	<u>\$ 211,678</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.

BLANCO COUNTY, TEXAS
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Private Purpose Trust Fund
ADDITIONS:	
Investment Earnings	\$ 46
Rents and Royalties	11,500
Total Additions	<u>11,546</u>
DEDUCTIONS:	
Other Operating Costs	11,546
Total Deductions	<u>11,546</u>
Change in Net Position	-
Total Net Position -October 1 (Beginning)	<u>97,660</u>
Total Net Position September 30 (Ending)	<u>\$ 97,660</u>

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

BLANCO COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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.
Debt Service Fund	See above for description.
Capital Projects Fund	See above for description.

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

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

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

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

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

Basis of Accounting

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

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

1.D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Cash and Cash Investments

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

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

Receivables

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

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

Fixed Assets

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

Long-term Debt

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

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

Compensated Absences

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

Fund Equity

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

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

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

Pensions

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

Deferred Inflows of Resources and Deferred Outflows of Resources

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

Net Position

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

Use of Estimates

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

1.E. REVENUES, EXPENDITURES AND EXPENSES

Property Taxes

The County contracted with the Blanco County Appraisal District for the appraisal of properties and collection of taxes. Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the year in which imposed. On January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. For the 2016 tax roll, the total assessed valuation was \$1,371,349,322 and the taxes assessed amounted to \$5,062,907. The total tax rate was \$.3788 per \$100 valuation and allocated \$.3244 to the General Fund and \$.0544 to the Debt Service Fund. The maximum tax levy allowed by State law for the above purposes is \$0.80 per \$100 valuation.

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

Expenditures/Expenses

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

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

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

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

Interfund Transfers

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

Budgetary Information

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

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

3.A. Deposits and Investments

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

At September 30, 2017, the carrying amount of the County's deposits was \$1,608,044 and the bank balance was \$1,652,614. The County's cash deposits held at Texas Regional Bank at September 30, 2017 and during the year ended September 30, 2017 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, 2017 are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>FDIC Coverage</u>	<u>Pledged Securities</u>
Texpool *	\$ 3,234,557	\$ 3,234,557	\$ -	\$ -

* 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, 2017, 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, 2017.

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	\$ 101,760	\$ 5,088	\$ 96,672
Nonmajor Fund - Debt Service	<u>16,566</u>	<u>828</u>	<u>15,738</u>
 TOTAL - ALL FUNDS	 <u>\$ 118,326</u>	 <u>\$ 5,916</u>	 <u>\$ 112,410</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 \$297,801 which represents amounts owed and outstanding at September 30, 2017. Based on historical collection rates for the various courts, the County has booked an allowance for uncollectible court fines and fees of \$253,131, resulting in a net receivable of \$44,670.

3.D. CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended September 30, 2017.

	Balance 10/1/16	Additions	Deletions	Balance 9/30/17
<i>Governmental Activities:</i>				
Land	\$ 1,299,789	\$ -	\$ -	\$ 1,299,789
Buildings	11,108,989	-	-	11,108,989
Improvements	4,350,873	323,430	-	4,674,303
Machinery & Equipment	3,980,760	94,298	59,555	4,015,503
Vehicles	623,260	89,187		712,447
Construction In Progress		31,948		31,948
Totals at Historic Cost	\$ 21,363,671	\$ 538,863	\$ 59,555	\$ 21,842,979
Less Accumulated Depreciation:				
Buildings	(3,314,250)	(222,180)		(3,536,430)
Improvements	(828,985)	(173,141)		(1,002,126)
Machinery & Equipment	(2,677,342)	(120,338)	59,555	(2,738,125)
Vehicles	(522,455)	(71,495)		(593,950)
Total Accumulated Depreciation	\$ (7,343,032)	\$ (587,154)	\$	\$ (7,870,631)
Capital Assets, Net	\$ 14,020,639	\$ (48,291)	\$	\$ 13,972,348

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

<i>Governmental Activities:</i>	
Financial Administration	\$ 16,509
General Administration	65,634
Tax Administration	34,177
Facilities Management	19,254
Public Safety	212,809
Roads & Bridges	81,573
Sanitation	7,206
Justice System	118,390
Juvenile Services	5,394
Health & Human Services	15,638
Conservation & Development	9,529
Culture & Recreation	1,041
Total Depreciation Expense - Governmental Activities	\$ 587,154

3.E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2017, is as follows:

Due to/from other funds

Receivable Fund	Payable Fund	Amount
Nonmajor Governmental Funds	General	\$ 28,932
Debt Service	General	290,774
General	Trust	74,600
TOTAL		<u>\$ 394,306</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
Transfer Out:	Special Revenue Funds
General Fund	<u>\$ 292,626</u>
TOTAL	<u>\$ 292,626</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, 2017, the governmental long-term debt consisted of the following:

Changes in Long-Term Debt

	Balance 10/1/16	Issued	Retired	Balance 9/30/17	Due Within One Year
Certificates of Obligation Payable -					
Series 2009	\$ 855,000	\$ -	\$ 265,000	\$ 590,000	\$ 285,000
Series 2012	1,370,000	-	90,000	1,280,000	90,000
General Obligation Refunding Bonds -					
Series 2012	<u>3,990,000</u>	<u>-</u>	<u>15,000</u>	<u>3,975,000</u>	<u>15,000</u>
Subtotal	6,215,000	-	370,000	5,845,000	390,000

	Balance 10/1/16	Issued	Retired	Balance 9/30/17	Due Within One Year
Premium on Refunding Bonds	260,414	-	20,292	240,122	-
Comp Time	23,966	13,245		37,211	-
TOTAL LONG TERM DEBT	<u>\$ 6,499,380</u>	<u>\$ 13,245</u>	<u>\$ 390,292</u>	<u>\$ 6,122,333</u>	<u>\$ 390,000</u>

3.G. CERTIFICATES OF OBLIGATIONS AND TAX REFUNDING BONDS

Certificates of Obligation payable at September 30, 2017 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%.	\$ 590,000
\$4,020,000 General Obligation Refunding Bonds, Series 2012 due in annual installments of principal and interest through August 1, 2029; interest at 2% to 3.25%.	3,975,000
\$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>1,280,000</u>
Total Long-Term Debt	<u>\$ 5,845,000</u>

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

Year Ended September 30	Principal	Interest	Total
2018	\$ 390,000	195,931	\$ 585,931
2019	415,000	176,474	591,474
2020	430,000	155,076	585,076
2021	450,000	142,650	592,650
2022	460,000	129,650	589,650
2023 – 2027	2,560,000	430,062	2,990,062
2028 – 2032	1,140,000	54,976	1,194,976
Totals	<u>\$ 5,845,000</u>	<u>\$ 1,284,819</u>	<u>\$ 7,129,819</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 9/30/17
Certificates of Obligation - Series 2009	\$ 4,340,000	\$ 4,340,000

NOTE 4 - OTHER NOTES

4.A. EMPLOYEE RETIREMENT PLAN

Plan Description

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

- a. Blanco County participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:
 - 1) All full-and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
 - 2) The plan provides retirement, disability and survivor benefits.
 - 3) TCDRS is a savings-based plan. For the county's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 150%) and is then converted to an annuity.
 - 4) There are no automatic COLAs. Each year, the county may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
 - 5) Benefit terms are established under the TCDRS Act. They may be amended as of January 1 each year, but must remain in conformity with the Act.
- c. Membership information is shown in the chart below.
- d. The county's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Blanco County contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the county and are currently 7%. Contributions to the pension plan from the county for 2016 are shown in the Schedule of Employer Contributions.
- e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, www.tcdrs.org.

Members covered by benefit terms.

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	46
Inactive employees entitled to but not yet receiving benefits	44
Active employees	<u>65</u>
	155

Contributions

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

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

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

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

The contribution rate payable by the employee members for calendar year 2016 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act. The County's contributions to TCDRS for the year ended September 30, 2017 were \$197,800, and were equal to the required contributions.

Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

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

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

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2017 information for a 7-10 year time horizon.

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

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected Minus Inflation) (2)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	13.50%	4.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	16.00%	7.70%
Global Equities	MSCI World (Net) Index	1.50%	5.00%
International Equities – Developed	MSCI World Ex USA (Net)	10.00%	4.70%
International Equities – Emerging	MSCI EM Standard (Net) index	7.00%	5.70%
Investment – Grade Bonds	Bloomberg Barclays Aggregate Bond Index	3.00%	.60%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.70%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	3.83%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.15%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	3.00%	6.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FTSE EPRA/NAREIT Global Real Estate Index	2.00%	3.85%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.60%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	20.00%	3.85%

⁽¹⁾ Target asset allocation adopted at the April 2017 TCDRS Board meeting

⁽²⁾ Geometric real rates of return equal the expected return minus the assumed Inflation rate of 2.0%, per Cliffwater's 2017 capital market assumptions.

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

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

⁽⁵⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Discount Rate

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

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability / (Asset)	Increase/(Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balances as of December 31, 2015	\$ 7,658,373	\$ 7,074,514	\$ 583,859
Changes for the Year:			
Service Cost	298,580		298,580
Interest on Total Pension Liability ⁽¹⁾	616,075		616,075
Effect of Plan Changes ⁽²⁾			
Effects of Economic/Demographic Gains or Losses	(37,860)		(37,860)
Effect of Assumptions Changes or Inputs			
Refund of Contributions	(13,804)	(13,804)	
Benefit Payments	(391,879)	(391,879)	
Administrative Expenses	-	(5,692)	5,692
Member Contributions	-	169,291	(169,291)
Net Investment Income	-	520,443	(520,443)
Employer Contributions	-	205,809	(205,809)
Other ⁽³⁾	-	7,229	(7,229)
Balances as of December 31, 2016	\$ <u>8,129,485</u>	\$ <u>7,565,911</u>	\$ <u>563,574</u>

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

⁽²⁾ No plan changes valued.

⁽³⁾ Relates to allocation of system-wide items.

Sensitivity Analysis

The following presents the net pension liability of the county/district, calculated using the discount rate of 8.10%, as well as what the 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	\$ 9,034,497	\$ 8,129,485	\$ 7,367,344
Fiduciary Net Position	<u>7,565,911</u>	<u>7,565,911</u>	<u>7,565,911</u>
Net Pension Liability/(Asset)	\$ <u>1,468,586</u>	\$ <u>563,574</u>	\$ <u>(198,567)</u>

Pension Expense / (Income)

Prepaid Expense/(Income)	January 1, 2016 to December 31, 2016
Service Cost	\$ 298,580
Interest on Total Pension Liability ⁽¹⁾	616,075
Effect of Plan Changes	
Administrative Expenses	5,692
Member Contributions	(169,291)
Expected Investment Return Net of Investment Expenses	(571,882)
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of Economic/Demographic Gains or Losses	(21,129)
Recognition of Assumption Changes or Inputs	23,050
Recognition of Investment Gains or Losses	138,429
Other ⁽²⁾	(7,229)
Pension Expense/(Income)	\$ 312,294

⁽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, 2016, the deferred inflows and outflows of resources are as follows:

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 58,426	\$ 8,084
Changes of assumptions	-	46,099
Net difference between projected and actual earnings	-	408,174
Contributions made subsequent to measurement date ⁽³⁾		141,553

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

Year Ended December 31	
2017	\$ 140,349
2018	132,266
2019	121,028
2020	10,288
2021	-
Thereafter ⁽⁴⁾	-

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

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

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, 2017, 2016 and 2015, were \$16,617, \$18,624 and \$21,069, 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, 2017 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

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

4.F. SUBSEQUENT EVENTS

The County has evaluated subsequent events through January 18, 2018, the date which the financial statements were available to be issued. The County issued \$970,000 Limited Tax Note, Series 2017 on October 10, 2017 to pay for the improvements and new construction on the South Annex project. The County is not aware of any other subsequent events that materially impact the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

BLANCO COUNTY, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 5,064,649	\$ 5,064,649	\$ 4,335,133	\$ (729,516)
General Sales and Use Taxes	450,000	450,000	564,644	114,644
Other Taxes	7,000	7,000	17,940	10,940
Penalty and Interest on Taxes	30,000	30,000	47,842	17,842
Licenses and Permits	28,000	28,000	52,385	24,385
Intergovernmental Revenue and Grants	71,167	71,167	92,706	21,539
Charges for Services	278,000	278,000	384,600	106,600
Fines	48,700	48,700	57,730	9,030
Investment Earnings	1,000	1,000	23,637	22,637
Rents and Royalties	49,200	49,200	24,000	(25,200)
Contributions & Donations from Private Sources	2,000	2,000	837	(1,163)
Other Revenue	785,311	785,311	68,533	(716,778)
Total Revenues	<u>6,815,027</u>	<u>6,815,027</u>	<u>5,669,987</u>	<u>(1,145,040)</u>
EXPENDITURES:				
Current:				
General Government:				
Financial Administration	184,683	184,183	158,722	25,461
General Administration	849,284	878,555	610,129	268,426
Tax Administration	380,851	380,851	328,583	52,268
Facilities Management	252,000	228,229	185,109	43,120
Public Safety	2,219,461	2,219,119	2,039,905	179,214
Public Works:				
Sanitation	79,771	79,771	69,279	10,492
Justice System	1,375,279	1,324,950	1,118,428	206,522
Juvenile Services	51,266	51,266	51,860	(594)
Health and Welfare:				
Health and Human Services	252,843	252,843	128,365	124,478
Culture and Recreation	10,500	10,500	10,000	500
Conservation and Development	101,246	101,246	81,095	20,151
Debt Service:				
Principal on Debt	584,170	584,170	-	584,170
Fiscal Agent's Fees	1,000	1,000	-	1,000
Capital Outlay:				
Capital Outlay	251,454	231,454	204,458	26,996
Total Expenditures	<u>6,593,808</u>	<u>6,528,137</u>	<u>4,985,933</u>	<u>1,542,204</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>221,219</u>	<u>286,890</u>	<u>684,054</u>	<u>397,164</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	-	47,170	47,170
Transfers Out (Use)	(222,201)	(222,201)	(292,626)	(70,425)
Total Other Financing Sources (Uses)	<u>(222,201)</u>	<u>(222,201)</u>	<u>(245,456)</u>	<u>(23,255)</u>
Net Change in Fund Balances	(982)	64,689	438,598	373,909
Fund Balance - October 1 (Beginning)	3,027,347	3,027,347	3,027,347	-
Fund Balance - September 30 (Ending)	<u>\$ 3,026,365</u>	<u>\$ 3,092,036</u>	<u>\$ 3,465,945</u>	<u>\$ 373,909</u>

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

BLANCO COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE- FUND- ROAD & BRIDGE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final	GAAP BASIS (See Note)	
REVENUES:				
Licenses and Permits	\$ 520,000	\$ 520,000	\$ 451,508	\$ (68,492)
Intergovernmental Revenue and Grants	15,000	15,000	15,889	889
Fines	120,000	120,000	129,362	9,362
Total Revenues	655,000	655,000	596,759	(58,241)
EXPENDITURES:				
Public Works	851,201	851,201	784,257	66,944
Capital Outlay:				
Capital Outlay	26,000	120,000	117,117	2,883
Total Expenditures	877,201	971,201	901,374	69,827
Excess (Deficiency) of Revenues Over (Under) Expenditures	(222,201)	(316,201)	(304,615)	11,586
OTHER FINANCING SOURCES (USES):				
Transfers In	222,201	222,201	290,994	68,793
Total Other Financing Sources (Uses)	222,201	222,201	290,994	68,793
Change in Fund Balance	-	(94,000)	(13,621)	80,379
Fund Balance - October 1 (Beginning)	13,621	13,621	13,621	-
Fund Balance - September 30 (Ending)	\$ 13,621	\$ (80,379)	\$ -	\$ 80,379

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

BLANCO COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SEPTEMBER 30, 2017

EXHIBIT G-3

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
A. Total Pension Liability			
Service Cost	\$ 298,580	\$ 277,626	\$ 266,960
Interest (on the Total Pension Liability)	616,075	580,585	537,964
Changes of Benefit Terms	-0-	(26,977)	-0-
Difference between Expected and Actual Experience	(37,860)	(66,371)	32,334
Changes of Assumptions	-0-	92,199	-0-
Benefit Payments, including refunds of employee contributions	(405,683)	(389,059)	(309,055)
Net change in Total Pension Liability	\$ 471,112	\$ 468,002	\$ 528,203
Total Pension Liability - Beginning	7,658,373	7,190,371	6,662,168
Total Pension Liability - Ending	\$ 8,129,485	\$ 7,658,373	\$ 7,190,371
B. Total Fiduciary Net Position			
Contributions - Employer	\$ 205,809	\$ 203,480	\$ 198,429
Contributions - Employee	169,291	166,982	157,842
Net Investment Income	520,443	21,582	448,322
Benefit Payments, including refunds of employee contributions	(405,683)	(389,059)	(309,055)
Administrative Expense	(5,692)	(5,075)	(5,214)
Other	7,229	49,865	24,255
Net Change in Plan Fiduciary Net Position	\$ 491,397	\$ 47,776	\$ 514,580
Plan Fiduciary Net Position - Beginning	7,074,514	7,026,738	6,512,159
Plan Fiduciary Net Position - Ending	\$ 7,565,911	\$ 7,074,514	\$ 7,026,739
C. Net Pension Liability	\$ 563,574	\$ 583,859	\$ 163,633
D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	93.07%	92.38%	97.72%
E. Covered Employee Payroll	\$ 2,418,441	\$ 2,385,462	\$ 2,254,881
F. Net Pension Liability as a Percentage of Covered Employee Payroll	23.30%	24.48%	7.26%

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

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

BLANCO COUNTY, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SEPTEMBER 30, 2017

	2017	2016	2015
Actuarially Determined Contribution	\$ 197,800	\$ 201,155	\$ 203,480
Contributions in Relation to the Actuarially Determined Contributions	197,800	201,155	203,480
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-
Covered Employee Payroll	\$ 2,482,744	\$ 2,362,325	\$ 2,385,462
Contributions as a Percentage of Covered Employee Payroll	7.97%	8.52%	8.50%

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

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

	2014	2013	2012	2011	2010	2009	2008
\$	198,429	\$ 186,963	\$ 177,602	\$ 151,934	\$ 145,150	\$ 131,640	\$ 127,871
	198,429	186,963	177,602	151,934	145,150	131,640	127,871
\$	-0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
\$	2,254,881	\$ 2,176,525	\$ 2,096,839	\$ 1,887,394	\$ 1,805,350	\$ 1,786,157	\$ 1,735,023
	8.80%	8.60%	8.50%	8.00%	8.00%	7.40%	7.40%

BLANCO COUNTY
NOTES TO THE SCHEDULE OF CONTRIBUTIONS
SEPTEMBER 30, 2017

Valuation Date:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of payroll, closed
Remaining Amortization Period	12.7 years (based on contribution rate calculated in 12/31/2016 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	3.0%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.0%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions Reflected in the Schedule*	2015: No changes in plan provisions. 2016: No changes in plan provisions.

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

SUPPLEMENTARY INFORMATION

BLANCO COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2017

	Hot Check Fund	Records Management County Clerk	Records Preservation
ASSETS			
Cash and Cash Equivalents	\$ 6,907	\$ 4,715	\$ 116,174
Accounts Receivable (Net)	180	340	2,657
Due from Other Funds	-	2,804	10,790
Total Assets	<u>\$ 7,087</u>	<u>\$ 7,859</u>	<u>\$ 129,621</u>
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 150
Wages and Salaries Payable	-	-	-
Unearned Revenues	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>150</u>
FUND BALANCES			
Restricted Fund Balance:			
Restricted for Special Revenue	7,087	7,859	129,471
Total Fund Balances	<u>7,087</u>	<u>7,859</u>	<u>129,471</u>
Total Liabilities and Fund Balances	<u>\$ 7,087</u>	<u>\$ 7,859</u>	<u>\$ 129,621</u>

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

Courthouse Security	Child Safety Program	Records Management Dist Clerk	Countywide Emergency Radio	District Clerk Records Management	JP#1 Technology	JP#2 Technology	County Clerk Archive
\$ 40,141	\$ 78,046	\$ 374	\$ 5,000	\$ 3,769	\$ 13,395	\$ 1,534	\$ 164,199
899	438	-	-	97	374	118	1,460
5,355	9,982	-	-	-	-	-	-
<u>\$ 46,395</u>	<u>\$ 88,466</u>	<u>\$ 374</u>	<u>\$ 5,000</u>	<u>\$ 3,866</u>	<u>\$ 13,769</u>	<u>\$ 1,652</u>	<u>\$ 165,659</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
46,395	88,466	374	5,000	3,866	13,769	1,652	165,659
<u>46,395</u>	<u>88,466</u>	<u>374</u>	<u>5,000</u>	<u>3,866</u>	<u>13,769</u>	<u>1,652</u>	<u>165,659</u>
<u>\$ 46,395</u>	<u>\$ 88,466</u>	<u>\$ 374</u>	<u>\$ 5,000</u>	<u>\$ 3,866</u>	<u>\$ 13,769</u>	<u>\$ 1,652</u>	<u>\$ 165,659</u>

BLANCO COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2017

	Vital Statistics Preservation	Third Court of Appeals	Family Protection Plan	Chapter 19 Funds
ASSETS				
Cash and Cash Equivalents	\$ 2,739	\$ 930	\$ 8,255	\$ 558
Accounts Receivable (Net)	13	80	15	-
Due from Other Funds	-	-	-	-
Total Assets	<u>\$ 2,752</u>	<u>\$ 1,010</u>	<u>\$ 8,270</u>	<u>\$ 558</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Wages and Salaries Payable	-	-	-	-
Unearned Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
Restricted for Special Revenue	2,752	1,010	8,270	558
Total Fund Balances	<u>\$ 2,752</u>	<u>\$ 1,010</u>	<u>\$ 8,270</u>	<u>\$ 558</u>
Total Liabilities and Fund Balances	<u>\$ 2,752</u>	<u>\$ 1,010</u>	<u>\$ 8,270</u>	<u>\$ 558</u>

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

Tower Maintenance & Repair	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
\$ -	\$ 4,020	\$ 389	\$ 1,704	\$ 874	\$ 2,201	\$ 4,570	\$ 2,555
-	60	-	16	34	160	30	90
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 4,080</u>	<u>\$ 389</u>	<u>\$ 1,720</u>	<u>\$ 908</u>	<u>\$ 2,361</u>	<u>\$ 4,600</u>	<u>\$ 2,645</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	150	-	-
-	4,080	389	1,720	908	2,211	4,600	2,645
-	4,080	389	1,720	908	2,211	4,600	2,645
<u>\$ -</u>	<u>\$ 4,080</u>	<u>\$ 389</u>	<u>\$ 1,720</u>	<u>\$ 908</u>	<u>\$ 2,361</u>	<u>\$ 4,600</u>	<u>\$ 2,645</u>

BLANCO COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2017

	Blanco County Historical Commission	Sheriff Seized Asset	E-Filing Service Fee	TCEQ Grant
ASSETS				
Cash and Cash Equivalents	\$ 135	\$ 346	\$ 182	\$ 58,438
Accounts Receivable (Net)	-	-	-	-
Due from Other Funds	-	-	-	-
Total Assets	<u>\$ 135</u>	<u>\$ 346</u>	<u>\$ 182</u>	<u>\$ 58,438</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Wages and Salaries Payable	-	-	-	1,228
Unearned Revenues	-	-	-	56,805
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,033</u>
FUND BALANCES				
Restricted Fund Balance:				
Restricted for Special Revenue	<u>135</u>	<u>346</u>	<u>182</u>	<u>405</u>
Total Fund Balances	<u>135</u>	<u>346</u>	<u>182</u>	<u>405</u>
Total Liabilities and Fund Balances	<u>\$ 135</u>	<u>\$ 346</u>	<u>\$ 182</u>	<u>\$ 58,438</u>

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

Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 522,150	\$ 522,150
7,061	7,061
28,931	28,931
\$ 558,142	\$ 558,142
\$ 300	\$ 300
1,228	1,228
56,805	56,805
58,333	58,333
499,809	499,809
499,809	499,809
\$ 558,142	\$ 558,142

BLANCO COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Hot Check Fund	Records Management County Clerk	Records Preservation
REVENUES:			
Charges for Services	\$ 77	\$ 2,784	\$ 37,671
Other Revenue	-	-	-
Total Revenues	<u>77</u>	<u>2,784</u>	<u>37,671</u>
EXPENDITURES:			
Current:			
General Government:			
General Administration	-	4,323	16,560
Public Safety	-	-	-
Public Works:			
Justice System	1,291	-	-
Health and Welfare:			
Health and Human Services	-	-	-
Conservation and Development	-	-	-
Total Expenditures	<u>1,291</u>	<u>4,323</u>	<u>16,560</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,214)</u>	<u>(1,539)</u>	<u>21,111</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(1,214)	(1,539)	21,111
Fund Balance - October 1 (Beginning)	<u>8,301</u>	<u>9,398</u>	<u>108,360</u>
Fund Balance - September 30 (Ending)	<u>\$ 7,087</u>	<u>\$ 7,859</u>	<u>\$ 129,471</u>

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

Courthouse Security	Child Safety Program	Records Management Dist Clerk	Countywide Emergency Radio	District Clerk Records Management	JP#1 Technology	JP#2 Technology	County Clerk Archive
\$ 11,199	\$ 20,217	\$ -	\$ -	\$ 970	\$ 4,379	\$ 1,686	\$ 19,122
-	-	-	-	-	-	-	-
<u>11,199</u>	<u>20,217</u>	<u>-</u>	<u>-</u>	<u>970</u>	<u>4,379</u>	<u>1,686</u>	<u>19,122</u>
-	-	-	-	-	-	-	-
5,916	-	-	-	-	-	-	-
-	-	-	-	-	5,427	1,450	-
-	21,976	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>5,916</u>	<u>21,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,427</u>	<u>1,450</u>	<u>-</u>
<u>5,283</u>	<u>(1,759)</u>	<u>-</u>	<u>-</u>	<u>970</u>	<u>(1,048)</u>	<u>236</u>	<u>19,122</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,283	(1,759)	-	-	970	(1,048)	236	19,122
<u>41,112</u>	<u>90,225</u>	<u>374</u>	<u>5,000</u>	<u>2,896</u>	<u>14,817</u>	<u>1,416</u>	<u>146,537</u>
<u>\$ 46,395</u>	<u>\$ 88,466</u>	<u>\$ 374</u>	<u>\$ 5,000</u>	<u>\$ 3,866</u>	<u>\$ 13,769</u>	<u>\$ 1,652</u>	<u>\$ 165,659</u>

BLANCO COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Vital Statistics Preservation	Third Court of Appeals	Family Protection Plan	Chapter 19 Funds
REVENUES:				
Charges for Services	\$ 219	\$ 930	\$ 600	\$ 922
Other Revenue	-	-	-	-
Total Revenues	<u>219</u>	<u>930</u>	<u>600</u>	<u>922</u>
EXPENDITURES:				
Current:				
General Government:				
General Administration	-	-	-	-
Public Safety	-	-	-	-
Public Works:				
Justice System	-	950	-	1,261
Health and Welfare:				
Health and Human Services	-	-	-	-
Conservation and Development	-	-	-	-
Total Expenditures	<u>-</u>	<u>950</u>	<u>-</u>	<u>1,261</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>219</u>	<u>(20)</u>	<u>600</u>	<u>(339)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	219	(20)	600	(339)
Fund Balance - October 1 (Beginning)	<u>2,533</u>	<u>1,030</u>	<u>7,670</u>	<u>897</u>
Fund Balance - September 30 (Ending)	<u>\$ 2,752</u>	<u>\$ 1,010</u>	<u>\$ 8,270</u>	<u>\$ 558</u>

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

Tower Maintenance & Repair	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
\$ -	\$ 1,060	\$ -	\$ 1,025	\$ 211	\$ 1,490	\$ 640	\$ 905
-	-	-	-	-	-	-	-
-	1,060	-	1,025	211	1,490	640	905
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	4,040	-	-	-	1,950	-	3,422
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	4,040	-	-	-	1,950	-	3,422
-	(2,980)	-	1,025	211	(460)	640	(2,517)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(2,980)	-	1,025	211	(460)	640	(2,517)
-	7,060	389	695	697	2,671	3,960	5,162
\$ -	\$ 4,080	\$ 389	\$ 1,720	\$ 908	\$ 2,211	\$ 4,600	\$ 2,645

BLANCO COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Blanco County Historical Commission	Sheriff Seized Asset	E-Filing Service Fee	TCEQ Grant
REVENUES:				
Charges for Services	\$ -	\$ -	\$ -	\$ -
Other Revenue	-	-	-	9,292
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,292</u>
EXPENDITURES:				
Current:				
General Government:				
General Administration	-	-	-	-
Public Safety	-	150	-	-
Public Works:				
Justice System	-	-	-	-
Health and Welfare:				
Health and Human Services	-	-	-	-
Conservation and Development	-	-	-	10,519
Total Expenditures	<u>-</u>	<u>150</u>	<u>-</u>	<u>10,519</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(150)</u>	<u>-</u>	<u>(1,227)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	1,632
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,632</u>
Net Change in Fund Balance	-	(150)	-	405
Fund Balance - October 1 (Beginning)	<u>135</u>	<u>496</u>	<u>182</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 135</u>	<u>\$ 346</u>	<u>\$ 182</u>	<u>\$ 405</u>

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

Total Nonmajor Special Revenue Funds		Total Nonmajor Governmental Funds	
\$	106,107	\$	106,107
	<u>9,292</u>		<u>9,292</u>
	<u>115,399</u>		<u>115,399</u>
	20,883		20,883
	<u>6,066</u>		<u>6,066</u>
	19,791		19,791
	21,976		21,976
	<u>10,519</u>		<u>10,519</u>
	<u>79,235</u>		<u>79,235</u>
	<u>36,164</u>		<u>36,164</u>
	1,632		1,632
	<u>1,632</u>		<u>1,632</u>
	37,796		37,796
	<u>462,013</u>		<u>462,013</u>
\$	<u>499,809</u>	\$	<u>499,809</u>

BLANCO COUNTY, TEXAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	BALANCE OCTOBER 1 2015	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2016
OFFICIALS FEES				
Assets:				
Cash and Cash Equivalents	\$ 180,779	\$ 3,715,448	\$ 3,684,549	\$ 211,678
Liabilities:				
Due to Others	\$ 180,779	\$ 3,715,448	\$ 3,684,549	\$ 211,678
 TOTAL AGENCY FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 180,779	\$ 3,715,448	\$ 3,684,549	\$ 211,678
Liabilities:				
Due to Others	\$ 180,779	\$ 3,715,448	\$ 3,684,549	\$ 211,678

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

NEFFENDORF & KNOPP, P.C.

Certified Public Accountants

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

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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 18, 2018.

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 January 18, 2018.

Sincerely,

A handwritten signature in blue ink that reads "Neffendorf + Knopp, PC". The signature is written in a cursive, flowing style.

NEFFENDORF & KNOPP, P.C.
Fredericksburg, Texas

January 18, 2018

NEFFENDORF & KNOPP, P.C.

Certified Public Accountants

P.O. BOX 874 · 736 S. WASHINGTON ST.

FREDERICKSBURG, TEXAS 78624-0874

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MEMBER
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January 18, 2018

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, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 30, 2017. 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. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2017. 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 January 18, 2018.

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

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