

*FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT*

**COUNTY OF BANDERA,  
TEXAS**

*Bandera, Texas*

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

COUNTY OF BANDERA, TEXAS

BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2016

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

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Independent Auditors' Report .....	1
Management's Discussion and Analysis.....	3
 <u>Basic Financial Statements</u>	
<b>Government Wide Statements:</b>	
A-1 Statement of Net Position .....	10
B-1 Statement of Activities.....	11
<b>Governmental Fund Financial Statements:</b>	
C-1 Balance Sheet .....	13
C-2 Reconciliation for C-1 .....	15
C-3 Statement of Revenues, Expenditures and Changes in Fund Balance.....	16
C-4 Reconciliation for C-3.....	18
<b>Fiduciary Funds:</b>	
E-1 Statement of Fiduciary Net Position.....	19
E-2 Statement of Changes in Fiduciary Fund Net Position .....	20
Notes to the Financial Statements.....	21
 <u>Required Supplementary Information</u>	
G-1 Budgetary Comparison Schedule - General Fund.....	42
G-2 Budgetary Comparison Schedule - Road and Bridge Fund .....	43
G-3 Budgetary Comparison Schedule - Ambulance Fund.....	44
 <u>Retirement Schedules</u>	
G-4 Schedule of Changes in Net Pension Liability and Related Ratios .....	45
G-5 Schedule of Employer Contributions .....	46
G-6 Notes to the Schedule of Contributions.....	47
 <u>Supplementary Information</u>	
H-1 Combining Balance Sheet - Nonmajor Governmental Funds.....	48
H-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds.....	54
H-3 Combining Statement of Changes in Assets and Liabilities - All Agency Funds.....	60
H-4 Combining Statement of Net Position - Private Purpose Trust Funds .....	61
H-5 Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Private Purpose Trust Funds .....	63

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Independent Auditor's Report

Honorable Judge and County Commissioners  
County of Bandera  
Bandera, TX 78003

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

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

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

**Auditor's Responsibility**

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 through 9), budgetary comparison information (pages 42 through 44), and the schedule of changes in net pension liability and related ratios, schedule of employer contributions and notes to the schedule of contributions (pages 45 through 47), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bandera County's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor 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 fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2017, on our consideration of Bandera 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 Bandera County's internal control over financial reporting and compliance.

*Neffendorf + Knopp, P.C.*

NEFFENDORF & KNOPP, P.C.  
Fredericksburg, Texas

March 17, 2017

**COUNTY OF BANDERA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Within this section of the Bandera County (County) annual financial report, the Bandera County Commissioners' Court provides a narrative discussion and analysis of the financial activities of the County for the fiscal year ending September 30, 2016. The financial performance is discussed within the context of accompanying financial statements and disclosures, which begin on page 10.

**Financial Highlights (thousands)**

- The County's net position as indicated in the government-wide financial statements are \$19,191.
- Total net position is comprised of the following:
  1. Capital assets, net of related debt, of \$8,131 include property and equipment, net of accumulated depreciation.
  2. Net position of \$3,727 is restricted by debt covenants and or grantee laws or regulations and capital projects.
  3. Unrestricted net position of \$7,333 is available to meet obligations of creditors and citizens.
- The County was able to house prisoners from surrounding counties and started receiving revenue from outside counties in January 2010. The County received \$354, an increase of 27% from 2014-2015.
- The County spent a total of \$125 in services for court appointed attorneys. \$14 was spent in County and Juvenile Court, a 50% decrease from 2014-2015. \$111 was spent in District Court, a decrease of 39% from 2014-2015. The County received \$21 from the State Comptroller for Indigent Defense, a decrease from \$25 in 2014-2015.
- Indigent health care is an un-funded mandate from the State of Texas; the cost of that service for 2015-2016 was \$115, a decrease of approximately 44% from 2014-2015. In order to fund this operation, Bandera County assessed a tax rate of .0065.
- The unreserved fund balance in the general fund as shown in the fund financial statements on page 13 is \$7,038 or 66% of general fund expenditures. This amount is 41% higher than the guidelines recommended by the Commissioner's Court and the State Comptroller's Office.

**Using This Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (pages 10 through 12) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also compare actual revenue collection and expenditures to budget. Notes to the financial statement are included to provide additional financial information.

**Government-wide Financial Statements**

Government-wide statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting methods used by most private-sector entities. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The government-wide financial statements include two statements. One is the *Statement of Net Position*; this statement presents all of the assets and liabilities of the County as a whole, with the difference reported as net position. It answers the question as to whether the financial condition of the County is better or worse as result of the of year's activities. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. To assess the overall financial condition of the County, one must also consider non-financial conditions such as property tax base and condition of assets.

The other government-wide financial statement is the *Statement of Activities*. This statement reports how each activity is funded by showing grants and program revenues related to each activity and how much reliance is placed on general revenues. The statement relates to the *Statement of Net Position* in that it shows how current operations have changed net position.

### **Fund Financial Statements**

Funds are established to account for money that is designated for specific purposes by the Commissioners' Court or grantees such as the State of Texas. The fund financial statements differ from the government-wide statements in that they focus on significant funds rather than the County as a whole. Major funds are presented separately; others are aggregated into a single statement. The fund financial statements for major funds begin on page 13. Fund data for non-major funds is included in a combining statement on page 48. The basic funds are classified by type; each type used by the County is described in the following paragraphs.

*Governmental funds* – Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information shows the amount of financial resources available in the near future to finance County programs.

In addition to the major government funds Balance Sheet and Statement of Revenues and Expenditures, budgetary comparison statements are included for the general fund and major special revenue fund. Comparison data is also included for all other special revenue funds and the debt service fund. These schedules compare actual revenue and expenditures with adopted and amended budgets.

*Notes to the financial statements* – The notes presented immediately following the basic financial statements to provide additional information to facilitate the understanding of the government-wide and fund financial statements. The notes explain accounting policies and disclose additional information concerning fixed assets, long-term liabilities, and the County retirement plan.

### **The County as a Whole**

Our analysis of the County as a whole focuses on net position (Table 1) and changes in net position (Table 2). The Statement of Activities reports annual expenditures by major function along with the charges for services and grant proceeds available to support each function. This presentation shows the cost of services that must be offset by general revenue such as property and sales taxes.

The Summary of Net Position (Table 1) lists assets in the order of liquidity beginning with cash and ending in fixed assets. Receivables include unpaid property taxes and unpaid court cost and fines assessed by the courts. Each receivable is reported net of a reserve for uncollectable accounts. Historical collection data for property taxes shows an average annual collection rate of 98 percent. Total capital assets as reported in the *Statement of Net Position* is \$16,058, this amount is net of accumulated depreciation of \$13,773. With the exception of land, total countywide assets are approximately 47% depreciated. Assets such as machinery and equipment are reported at \$8,973 and are 82% depreciated. We have to conclude that many assets exist with limited useful life that must be replaced in the near future. Liabilities are all payable within one year. Net position at year-end is \$19,191. \$11,858 of net position is restricted for specific purposes as required by state law or by County policy. The \$7,333 in unrestricted net position is available for funding general operations.

The Changes in Net Position (Table 2) itemizes the basic sources of revenue and expenditures as to the services provided. Total revenue for governmental activities was \$18,505; approximately 77% is generated by general revenues. Total governmental expenditures were \$17,113, resulting in a net increase in net position of \$1,392. More detail about the increase is discussed in the *Financial Analysis of the County Funds*.

Revenues and expenditures for governmental activities are compared in Table 3 showing the relation between the cost of services and the revenue generated from users of the service. This table also shows how much general revenue (property and sales taxes) and grants are needed to provide each service. For the past several years, the County has relied on the steady growth of property values and rate increases to meet the demand for services.

**Table 1**  
**Net Position (in Thousands)**

	<b>Governmental Activities</b>	
	2016	2015
Cash and Current Investments	\$ 11,105	\$ 9,905
Receivables	1,229	1,269
Capitalized Debt Issuance Costs	0	0
Capital Assets	16,058	16,640
Total Assets	<u>28,392</u>	<u>27,814</u>
Accounts Payable	720	629
Other Liabilities and Deferred Revenue	33	11
Short-term Debt (Due Within One Year)	555	560
Long-term Debt	7,866	8,472
Total Liabilities	<u>9,174</u>	<u>9,672</u>
Net Position:		
Invested in capital assets, net of debt	8,131	8,179
Restricted	3,727	3,114
Unrestricted	7,333	6,505
Total Net Position	<u>\$ 19,191</u>	<u>\$ 17,798</u>



**Table 2**  
**Changes in Net Position (in Thousands)**

	<b>Governmental Activities</b>	
	<u>2016</u>	<u>2015</u>
<b>Revenues:</b>		
Program Revenues		
Charges For Services	\$ 3,666	\$ 3,415
Operating Grants & Contributions	477	642
Capital Grants & Contributions	54	24
General Revenues		
Property Taxes	12,742	12,297
Other Taxes	1,018	1,017
Grants & Contributions	116	37
Investment Earnings	62	19
Other General Revenues	369	495
Total Revenues:	<u>18,504</u>	<u>17,946</u>
<b>Expenditures:</b>		
General Government	2,994	3,205
Administration of Justice	2,679	2,771
Public Safety	3,476	3,452
Corrections	1,600	1,497
Road & Bridge	3,023	2,887
Health & Human Services	1,932	2,093
Comm & Economic Development	1,077	1,076
Infrastructure & Environmental	85	250
Interest on long-term Debt	246	336
Agent Fees	1	3
Issuance Costs	0	103
Total Expenditures:	<u>17,112</u>	<u>17,673</u>
Change in Net Position	1,392	273
Beginning Net Position	17,799	18,177
Prior Period Adjustments	-0	-652
Net Position	<u><u>\$ 19,191</u></u>	<u><u>\$ 17,498</u></u>

**Table 3**  
**Governmental Activities (in Thousands)**

	Expenditures 2016	Percent of Total Exp	Non-Tax Program Rev		Grants & Contributions		General Revenue	
			Amount	%	Amount	%	Amount	%
General Government	\$ 2,993	17%	\$ 875	29%	\$ 33	1%	\$ 2,085	70%
Administration of Justice	2,679	16%	229	9%	211	8%	2,239	84%
Public Safety	3,476	20%	285	8%	0	0%	3,191	92%
Corrections	1,600	9%	413	26%	0	0%	1,187	74%
Road & Bridge	3,023	18%	642	21%	29	1%	2,352	78%
Health & Human Services	1,932	11%	1,164	60%	34	2%	734	38%
Community & Economic Development	1,077	6%	58	5%	0	0%	1,019	95%
Infrastructure & Environmental	85	0%	0	0%	170	0%	-85	0%
Interest	246	1%	0				0	
Agent Fees	1	0%	0				0	
Issuance Costs	0	0%	0				0	
<i>Total Charges for Services</i>	<u>\$ 17,112</u>		<u>\$ 3,666</u>		<u>\$ 477</u>		<u>\$12,722</u>	

**Capital Assets and Debt Administration**

*Capital Assets:* Bandera County purchased land in Pipe Creek, several pieces of equipment and vehicles.

**Table 4**  
**Capital Assets at Year-End (in Thousands)**

	2016	2015
Land	\$ 486	\$ 391
Buildings	16,542	16,512
Equipment	8,973	8,583
Improvements other than Buildings	0	0
Construction in Progress	31	25
Infrastructure	3,799	3,598
Capital Leases	0	0
Total	<u>\$ 29,831</u>	<u>\$ 29,109</u>

**Debt Administration:** Bandera County has one type of capital debt. It includes Texas General Obligation Bonds – Series 2007, Series 2008, and Series 2015 for the construction of a new Jail/Justice Center. This debt will be retired in the year 2028. The total outstanding debt at year end is \$7,460.

## **Financial Analysis of the County Funds (in thousands)**

### ***Governmental Funds***

The governmental funds statements presented on pages 13 through 18 include the General Fund, Ambulance, Road and Bridge Fund, Jail/Justice Center Fund, and all other governmental funds combined. These statements focus on short-term transactions and the impact they have on financial resources for future financial requirements. The total of fund balances at year-end for all governmental funds are \$10,766, an increase of \$1,111 from the prior year.

The General Fund is the primary day-to-day operating fund that finances services such as the courts and law enforcement. In 2015-2016, General Fund operations had a fund balance of \$7,038 and are 65% of total expenditures; this percentage satisfies the 25% recommendation by the State Comptroller and the County's policy to have a minimum operating reserve of 25%.

The Road and Bridge Fund is reported as a single major governmental fund because it represents a material percentage of the total revenue and expenditures of all governmental funds. The Road and Bridge Fund resulted in a \$465 increase in fund balance. The ending fund balance of \$1,609 is 70% of total expenditures; this percentage satisfies the recommended reserve.

The Ambulance Fund is also reported as a single major governmental fund because it represents a material percentage of the total revenue and expenditures of all governmental funds. The Ambulance Fund resulted in a \$87 increase in fund balance. The ending fund balance of \$770 is 52% of total expenditures; this percentage satisfies the recommended reserve.

All other governmental funds are combined to form the non-major governmental fund category; the funds included in this combination are itemized in the combining statements on pages 48 through 59 of the report. Combined fund balances increased by \$61 to \$1,179 at 58% of total expenditures; this percentage satisfies the recommended reserve.

### **Budgetary Highlights**

Budgetary statements of revenues and expenditures for the General Fund and Road and Bridge Fund are on pages 42 and 43. The statements report the original and final budget with actual amounts for each category. The variance is the difference between the actual and the final budget. The original budget was adopted by the County's Commissioners Court prior to the beginning of the fiscal year and amendments to the budget are approved by the court throughout the fiscal year. The plan for the General Fund budget was to spend \$1,297 of reserves; however, actual expenditures were under budgeted by \$1,162 and actual revenues were \$539 more than budget, so the County was able to end the year with \$1,795 more in reserves.

The final Ambulance budget anticipated expenditures to exceed revenues by \$299. Actual revenues were more than budgeted by \$221; actual expenditures were less than budget by \$165, so the County was able to add \$386 to Ambulance reserves.

The final Road and Bridge budget anticipated revenues to exceed expenditures by \$79. Actual revenues were more than budgeted by \$62; actual expenditures were less than budget by \$324, so the County was able to add \$386 to Road and Bridge reserves.

### **Budget for 2016-2017**

For the 2016-2017 fiscal year, the County is able to function on the 2015-2016 adopted property tax rate of .6769 per hundred dollars of taxable value. The County distributed the Ad Valorem tax rate differently internally in order to operate using the same tax rate as the previous year.

The total budget for capital expenditures and capital improvements is \$475, a decrease of \$178 from 2015-2016. The County has maintained equipment and vehicles in a manner that does not require new vehicle acquisitions as often as prior years. It is encouraged by Commissioners Court to apply for grants for capital equipment. In 2016-2017, a radio tower was approved from a grant resource in the amount of \$75, lowering the amount taxpayers pay for capital equipment.

### **Future Financial Issues**

Bandera County has grown significantly in the last several years. Bandera County Commissioners Court will continue to anticipate growth and remain fiscally conservative in order to maintain a healthy fund balance.

As in previous years, the maintenance of county roads is and will be one of the most critical challenges. Until the State of Texas allows counties to participate in fuel tax revenues there is no hope for small rural counties to maintain and improve a failing road system. Ad Valorem property taxes will not provide adequate revenue to allow county government to function effectively.

The State of Texas continues to mandate that counties provide services with no financial support. If this trend continues, counties either raise taxes to support the unfunded mandates or discontinue service that they might otherwise provide.

### **Contacting the County's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Bandera County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Office of Bandera County Auditor or the Commissioners Court of Bandera County.

## BASIC FINANCIAL STATEMENTS

BANDERA COUNTY  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016

EXHIBIT A-1

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 11,105,011
Receivables (net of allowance for uncollectibles)	1,229,282
Capital Assets:	
Land	486,080
Infrastructure, net	1,379,867
Buildings, net	12,562,781
Machinery and Equipment, net	1,598,960
Construction in Progress	30,536
Total Assets	28,392,517
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred Charge for Refunding	316,232
Deferred Outflow Related to Pension Plan	2,568,965
Total Deferred Outflows of Resources	2,885,197
<b>LIABILITIES</b>	
Accounts Payable	720,100
Accrued Interest Payable	33,713
Noncurrent Liabilities	
Due Within One Year	555,000
Due in More Than One Year	7,866,090
Net Pension Liability	2,305,495
Total Liabilities	11,480,398
<b>DEFERRED INFLOW OF RESOURCES</b>	
Deferred Inflow Related to Pension Plan	606,313
Total Deferred Inflows of Resources	606,313
<b>NET POSITION</b>	
Net Investment in Capital Assets	8,130,969
Restricted for:	
Restricted for Road and Bridge	1,609,133
Restricted for Debt Service	169,956
Restricted for Ambulance Services	769,737
Restricted for Other Special Revenue	1,178,583
Unrestricted Net Position	7,332,625
Total Net Position	\$ 19,191,003

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

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

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
General Administration	\$ 2,993,463	\$ 875,284	\$ 33,046
Law Enforcement	3,475,787	285,210	-
Corrections	1,599,663	413,400	-
Road and Bridge	3,022,725	641,501	29,374
Health & Human Services	1,932,225	1,164,406	34,397
Administration of Justice	2,679,165	228,666	210,986
Community & Economic Development	1,077,109	58,005	-
Infrastructure & Environmental	85,294	-	169,516
Interest	246,047	-	-
Fiscal Agent's Fees	1,350	-	-
<b>TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 17,112,828</b>	<b>\$ 3,666,472</b>	<b>\$ 477,319</b>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Other Taxes

Grants and Contributions Not Restricted

Miscellaneous Revenue

Investment Earnings

Total General Revenues

Change in Net Position

Net Position-- Beginning

Net Position--Ending

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

		Net (Expense) Revenue and Changes in Net Position	
		Capital Grants and Contributions	Primary Government Governmental
\$	-	\$	(2,085,133)
	-		(3,190,577)
	-		(1,186,263)
	15,000		(2,336,850)
	39,223		(694,199)
	-		(2,239,513)
	-		(1,019,104)
	-		84,222
	-		(246,047)
	-		(1,350)
\$	<u>54,223</u>		<u>(12,914,814)</u>

11,913,491
828,985
593,068
424,571
115,742
369,272
62,199
<u>14,307,328</u>
1,392,514
17,798,489
<u>\$ 19,191,003</u>



BANDERA COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016

	General Fund	Road & Bridge Fund	Ambulance Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 7,186,667	\$ 1,794,531	\$ 748,984
Taxes Receivable	644,054	144,906	32,423
Allowance for Uncollectible Taxes (credit)	(216,952)	(62,859)	(10,922)
Receivables (Net)	175,448	38,349	76,899
Total Assets	<u>\$ 7,789,217</u>	<u>\$ 1,914,927</u>	<u>\$ 847,384</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 128,147	\$ 193,037	\$ 20,883
Wages and Salaries Payable	220,943	36,278	36,534
Total Liabilities	<u>349,090</u>	<u>229,315</u>	<u>57,417</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	401,857	76,480	20,230
Total Deferred Inflows of Resources	<u>401,857</u>	<u>76,480</u>	<u>20,230</u>
<b>FUND BALANCES</b>			
Restricted for Road and Bridge	-	1,609,132	-
Retirement of Long-Term Debt	-	-	-
Other Restricted Fund Balance	-	-	-
Ambulance Services	-	-	769,737
Other Committed Fund Balance	-	-	-
Unassigned Fund Balance	7,038,270	-	-
Total Fund Balances	<u>7,038,270</u>	<u>1,609,132</u>	<u>769,737</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 7,789,217</u>	<u>\$ 1,914,927</u>	<u>\$ 847,384</u>

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

Debt Service Fund	Other Funds	Total Governmental Funds
\$ 162,672	\$ 1,212,157	\$ 11,105,011
56,413	36,130	913,926
(19,680)	(12,170)	(322,583)
5,355	49,288	345,339
<u>\$ 204,760</u>	<u>\$ 1,285,405</u>	<u>\$ 12,041,693</u>
\$ -	\$ 63,013	\$ 405,080
-	21,266	315,021
<u>-</u>	<u>84,279</u>	<u>720,101</u>
34,802	22,544	555,913
<u>34,802</u>	<u>22,544</u>	<u>555,913</u>
-	-	1,609,132
169,958	-	169,958
-	654,083	654,083
-	-	769,737
-	524,499	524,499
-	-	7,038,270
<u>169,958</u>	<u>1,178,582</u>	<u>10,765,679</u>
<u>\$ 204,760</u>	<u>\$ 1,285,405</u>	<u>\$ 12,041,693</u>

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

<b>Total Fund Balances - Governmental Funds</b>	\$	10,765,679
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.		8,178,815
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2016 capital outlays and debt principal payments is to increase net position.		1,310,074
This is the second year of the implementation of GASB 68 for the TCDRS Pension plan. This fiscal year required that the County report their net pension liability in the Government Wide Statement of Net Position. The items reported as a result of this implementation included a net pension liability of \$2,305,495 and a Deferred Resource Outflow of \$2,568,965 and a Deferred Resource Inflow of \$606,313. The net effect of these was to decrease the ending net position by \$342,843.		(342,843)
The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,331,567)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		610,845
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>19,191,003</b>

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

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

	General Fund	Road & Bridge Fund	Ambulance Fund
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 8,812,232	\$ 2,083,280	\$ 633,168
General Sales and Use Taxes	593,068	-	-
Other Taxes	20,751	-	-
Licenses and Permits	65,305	641,501	-
Intergovernmental Revenue and Grants	102,519	28,666	39,233
Charges for Services	1,251,467	575	888,357
Fines	228,666	-	-
Investment Earnings	43,174	8,721	3,447
Contributions & Donations from Private Sources	500	-	-
Other Revenue	94,468	-	2,625
Total Revenues	<u>11,212,150</u>	<u>2,762,743</u>	<u>1,566,830</u>
<b>EXPENDITURES:</b>			
Current:			
General Government:			
General Administration	2,494,414	-	-
Public Safety:			
Law Enforcement	3,438,283	-	-
Corrections	1,617,888	-	-
Road and Bridge	258,221	2,297,458	-
Health & Human Services	341,979	-	1,479,586
Administration of Justice	2,273,493	-	-
Conservation and Development:			
Community & Economic Development	384,208	-	-
Infrastructure & Environmental	-	-	-
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Fiscal Agent's Fees	-	-	-
Total Expenditures	<u>10,808,486</u>	<u>2,297,458</u>	<u>1,479,586</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>403,664</u>	<u>465,285</u>	<u>87,244</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Insurance Proceeds	95,045	-	-
Total Other Financing Sources (Uses)	<u>95,045</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	498,709	465,285	87,244
Fund Balance - October 1 (Beginning)	6,539,561	1,143,847	682,493
Fund Balance - September 30 (Ending)	<u>\$ 7,038,270</u>	<u>\$ 1,609,132</u>	<u>\$ 769,737</u>

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

SUPPLEMENTARY INFORMATION

Debt Service Fund	Other Funds	Total Governmental Funds
\$ 829,034	\$ 395,845	\$ 12,753,559
-	-	593,068
-	403,820	424,571
-	-	706,806
-	476,366	646,784
-	772,566	2,912,965
-	-	228,666
2,184	4,673	62,199
-	-	500
-	26,586	123,679
<u>831,218</u>	<u>2,079,856</u>	<u>18,452,797</u>
-	276,936	2,771,350
-	59,228	3,497,511
-	-	1,617,888
-	318,060	2,873,739
-	115,340	1,936,905
-	471,682	2,745,175
-	692,384	1,076,592
-	85,294	85,294
560,000	-	560,000
270,118	-	270,118
1,350	-	1,350
<u>831,468</u>	<u>2,018,924</u>	<u>17,435,922</u>
(250)	60,932	1,016,875
<u>-</u>	<u>-</u>	<u>95,045</u>
<u>-</u>	<u>-</u>	<u>95,045</u>
(250)	60,932	1,111,920
<u>170,208</u>	<u>1,117,650</u>	<u>9,653,759</u>
<u>\$ 169,958</u>	<u>\$ 1,178,582</u>	<u>\$ 10,765,679</u>

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

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	1,111,920
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2016 capital outlays and debt principal payments is to increase the change in net position.		1,310,074
The implementation of the requirements of GASB 68 for this fiscal year resulted in a prior period adjustment to record the retroactive impact. This is NOT included in the explanation as to why the change in net position is different on Exhibit B-1 than the change in fund balance on Exhibit C-3. The entries required by GASB 68 did require that some expenses on B-1 be adjusted. Total credits to expenses were \$758,139 and total debits to expenses were \$415,061. The net effect on the change in net position on Exhibit B-1 is an increase of \$343,078.		343,078
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(1,331,567)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.		(40,991)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>1,392,514</b>

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

BANDERA COUNTY  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2016

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 165,882	\$ 657,104
Investments - Current	-	62,781
Accounts Receivable-Net of Uncollectible Allowance	-	705
Total Assets	<u>165,882</u>	<u>\$ 720,590</u>
<b>LIABILITIES</b>		
Accounts Payable	241	\$ 53,502
Intergovernmental Payable	-	584,077
Due to Others	-	83,011
Total Liabilities	<u>241</u>	<u>\$ 720,590</u>
<b>NET POSITION</b>		
Unrestricted Net Position	<u>165,641</u>	
Total Net Position	<u>\$ 165,641</u>	

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



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

	Private Purpose Trust Funds
ADDITIONS:	
Investment Earnings	\$ 684
Rents and Royalties	13
Contributions & Donations from Private Source	1,604
Other Revenue	1,210
Total Additions	<u>3,511</u>
DEDUCTIONS:	
Other Operating Expenses	4,478
Supplies	2,738
Total Deductions	<u>7,216</u>
Change in Net Position	(3,705)
Total Net Position -October 1 (Beginning)	<u>169,346</u>
Total Net Position September 30 (Ending)	<u><u>\$ 165,641</u></u>

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

COUNTY OF BANDERA, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Bandera have been prepared in conformity 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. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

1. A. REPORTING ENTITY

The County 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. Also, the County is not included as a part of any other reporting entity.

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 and interest earnings 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 three agency funds. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations.

#### Private Purpose Trust Funds

Private Purpose Trust Funds report trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The reporting entity includes five private purpose trust funds.

## Major and Nonmajor Funds

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

Major Fund	Brief Description
General	See above for description.
Special Revenue Fund: Road and Bridge	Accounts for all road and bridge construction and maintenance activity.
Special Revenue Fund: Ambulance	Accounts for all EMS operations and activities.
Debt Service Fund: Jail/Justice Center I&S Fund	Accounts for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

**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, LIABILITIES AND EQUITY

##### **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 and Payables**

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.

All trade and property tax receivables are shown net of an allowance for uncollectable. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectable.

Ad valorem property taxes attach as enforceable liens as of January 1. Taxes are levied prior to September 30, payable on October 1, and are delinquent on February 1. The majority of the County's property tax collections occur during December and early January each year. To the extent that County property tax revenue results in current receivables as defined by the Governmental Accounting Standards Board (GASB), they are recognized when levied.

##### **Capital Assets**

Capital assets, which include land, buildings and improvements, equipment, and infrastructure, are reported in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Infrastructure assets include County owned roads, bridges, signs, and improvements to land. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets and infrastructure is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20 - 50
Vehicles	3 - 10
Machinery and Equipment	5 - 15
Infrastructure	5 - 50

### **Compensated Absences**

Full time employees who work 40 hours per week average are granted vacation benefits in varying amounts to specified maximums depending on tenure with the County. Accumulated vacation time may be taken in pay upon termination or retirement up to a maximum of twenty (20) days. Non-exempt full time employees who work over 40 hours per week may choose to accrue comp time in lieu of overtime payments. Accumulated comp time may be taken in pay upon termination or retirement up to a maximum of thirty (30) days. Sick leave accrues to full time employees to specified maximums; however neither the vacation or comp time accrual policy applies to accumulated sick leave. The liability for accrued compensated absences is not accrued in governmental funds using the modified accrual basis of accounting, but is reflected in the Government-Wide Statement of Net Position.

### **Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **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.

Beginning fund balances for the County’s governmental funds have been restated to reflect the above classifications.

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).

### **Net Position**

Net Position represents the difference between assets and liabilities. Net Position - Net Investment in Capital Assets 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 is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

### **Pensions**

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

### **Use of Estimates**

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

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

The County has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Under GASB 63 and 65, amounts previously reported as deferred charges as a part of total assets have been reported in a separate section as deferred inflows of resources.

The implementation resulted in the reporting of \$566,996 (deferred ad valorem tax revenue which is expected to be collected in future years) as a deferred inflow of resources in the Governmental Funds Balance Sheet.

### **1. E. REVENUES, EXPENDITURES AND EXPENSES**

#### **Property Taxes**

The County contracted with the County of Bandera Appraisal District for the appraisal of taxes. Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the year in which imposed. On January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. For the 2015 tax roll, the total assessed valuation was \$1,990,246,504 and the taxes assessed amounted to \$12,806,098. The total tax rate was \$0.6769 per \$100 valuation and allocated \$0.5213 for Maintenance and Operations, \$0.1116 to the Road and Bridge Fund and \$0.044 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

### **Budgetary Information**

Annual budgets, as required by state statute, are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year-end.

The County Judge and staff prepare the proposed budget, using revenue estimates furnished by the County Auditor 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.

For each budgeted fund, budgetary control is maintained at the expenditure line item level. This is the level at which expenditures cannot legally exceed appropriated amounts. The County Auditor is required to monitor the expenditures of the various funds. Any expenditures in excess of the total budgeted amount of a fund must be approved by the Commissioners' Court and the budget appropriately amended. It is the amended budget that is presented in the budget versus actual financial statement disclosure.

Encumbrance accounting, under which funds are reserved for purchase orders, contracts, and other commitments, is not utilized by County of Bandera.

## NOTE 3 - DETAILED NOTES ON ALL FUNDS

### 3. A. DEPOSITS AND INVESTMENTS

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

At September 30, 2016, the carrying amount of the County's deposits was \$32,155 and the bank balance was \$216,247. The County's cash deposits held at Texas Hill Country Bank at September 30, 2016 and during the year ended September 30, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

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

Temporary investments consisted of certificates of deposits and government pool investments as follows:

<u>Name</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity Date</u>	<u>FDIC Coverage</u>	<u>Pledged Securities</u>
<u>Bandera Bank -</u> Certificate of Deposit	\$ 204,810	\$ 204,810	6/8/17	\$ 204,810	\$ -
<u>Texas Hill Country Bank-</u> Certificate of Deposit	1,013,089	1,013,089	9/26/17	250,000	4,930,814
<u>Hondo National Bank -</u> Certificate of Deposit	205,951	205,951	4/6/17	205,951	-
<u>Liquid Asset Portfolio -</u> Logic	<u>9,884,556</u>	<u>9,884,556</u>	N/A	<u>*</u>	<u>*</u>
Total Governmental Activities	<u>\$ 11,308,406</u>	<u>\$ 11,308,406</u>			

\*The County invests in Logic (a Local Government Investment Pool) to provide its primary liquidity needs. Logic is established in conformity with the Inter-local Cooperation Act, Chapter 791 of the Texas Government Code and the Public Investment Act, Chapter 2256 of the Code. Logic is a 2(a)7 like fund, meaning that it is structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are adjusted daily and the fund seeks to maintain a constant net asset value of \$1.00, although this cannot be guaranteed. Logic is rated AAA and must maintain a weighted average maturity not to exceed 60 days. At September 30, 2016, Logic had a weighted average maturity of 49 days. The County considers the holdings in these funds to have a one-day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, short of a significant change in value.

In compliance with the **Public Funds Investment Act**, the County has adopted a deposit and investment policy. That policy addresses 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's policy regarding types of deposits allowed and collateral requirements is to deposit funds in FDIC insurance banks which have sufficient pledged collateral if needed. The County was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2016, was 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. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, Logic Investment Pool invests only in investments authorized under the Public Funds Investment Act. Logic's portfolio has low marker (credit) risk due to restrictions on weighted average maturity and maximum maturity of any one investment. At September 30, 2016, the County was not exposed to concentration of credit risk, interest rate risk or foreign currency risk.

3. B. RECEIVABLES

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

	General Fund	Road & Bridge Fund	Ambulance Fund	Debt Service Fund	Other Governmental Funds	TOTAL
Receivables:						
Property Taxes	\$ 644,054	\$ 144,906	\$ 32,423	\$ 56,413	\$ 36,130	\$ 913,926
Other Receivables	<u>175,448</u>	<u>38,349</u>	<u>76,899</u>	<u>5,355</u>	<u>49,288</u>	<u>345,339</u>
Gross Receivables	\$ 819,502	\$ 183,255	\$ 109,322	\$ 61,768	\$ 85,418	\$ 1,259,265
Less: Allowance for Uncollectibles	<u>216,952</u>	<u>62,859</u>	<u>10,922</u>	<u>19,680</u>	<u>12,170</u>	<u>322,583</u>
Net Total Receivables	<u>\$ 602,550</u>	<u>\$ 120,396</u>	<u>\$ 98,400</u>	<u>\$ 42,088</u>	<u>\$ 73,248</u>	<u>\$ 936,682</u>

Governmental funds report *unavailable revenue* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, *unavailable revenues* reported in the governmental funds were as follows:

General Fund -		
Unavailable Revenue – Property Taxes	\$	401,857
Road and Bridge Fund -		
Unavailable Revenue – Property Taxes		76,480
Ambulance Fund -		
Unavailable Revenue – Property Taxes		20,230
Debt Service Fund -		
Unavailable Revenue – Property Taxes		34,802
Other Governmental Funds -		
Unavailable Revenue – Property Taxes		<u>22,544</u>
TOTAL UNAVAILABLE REVENUES	\$	<u><u>555,913</u></u>

### 3. C. COURT FINES, FEES AND EMS BILLINGS RECEIVABLE

In accordance with GASB Statement Number 34, the County has determined the amount of court fines, fees and EMS billings receivable to be \$1,763,100, which represents amounts owed and outstanding for the last 10 years. Based on historical collection rates for the various courts and the EMS Department, the County has booked an allowance for uncollectible accounts of \$1,470,500, resulting in a net receivable of \$292,600.

### 3. D. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

#### Primary Government

	Balance 10/1/15	Increases	Decreases	Balance 9/30/16
<i>Governmental Activities:</i>				
Capital Assets, Not Being Depreciated:				
Land	\$ 391,457	\$ 94,623	\$ -	\$ 486,080
Construction in Progress	-	5,536	-	5,536
Works in Progress	25,000	-	-	25,000
Total Assets Not Being Depreciated	<u>416,457</u>	<u>100,159</u>	<u>-</u>	<u>516,616</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	16,511,954	29,736	-	16,541,690
Equipment and Machinery	8,583,180	419,332	(29,013)	8,973,499
Infrastructure	3,598,317	200,847	-	3,799,164
Total Capital Assets Being Depreciated	<u>28,693,451</u>	<u>649,915</u>	<u>(29,013)</u>	<u>29,314,353</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(3,519,228)	(459,681)	-	(3,978,909)
Equipment and Machinery	(6,792,059)	(611,493)	29,013	(7,374,539)
Infrastructure	(2,158,904)	(260,393)	-	(2,419,297)
Total Accumulated Depreciation	<u>(12,470,191)</u>	<u>(1,331,567)</u>	<u>29,013</u>	<u>(13,772,745)</u>
Total Capital Assets Being Depreciated, Net	<u>16,223,260</u>	<u>(681,652)</u>	<u>-</u>	<u>15,541,608</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,639,717</u>	<u>\$ (581,493)</u>	<u>\$ -</u>	<u>\$ 16,058,224</u>

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

Governmental Activities:	
General Administration	\$ 462,633
Law Enforcement	234,616
Administration of Justice	27,821
Roads and Bridges	451,701
Community & Economic Development	14,495
Corrections	10,445
Health & Human Services	<u>129,856</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,331,567</u>

### 3. E. LONG-TERM LIABILITIES

The following is a summary of the long-term liability transactions of the County for the year ended September 30, 2016.

	<u>Balance 10/01/15</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 9/30/16</u>	<u>Due Within One Year</u>
Texas General Obligation Bonds - Series 2007	\$ 880,000	\$ -	\$ 430,000	\$ 450,000	\$ 450,000
Texas General Obligation Bonds - Series 2008	255,000	-	80,000	175,000	85,000
Texas General Obligation Refunding Bonds Series 2015	6,885,000	-	50,000	6,835,000	20,000
Capital Lease Obligations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
SUBTOTAL	\$ 8,020,000	\$ -	\$ 560,000	\$ 7,460,000	\$ 555,000
Compensated Absences	295,216	-	-	295,216	-
Premium on Bonds	<u>716,480</u>	<u>-</u>	<u>73,167</u>	<u>643,313</u>	<u>-</u>
TOTAL	<u>\$ 9,031,696</u>	<u>\$ -</u>	<u>\$ 633,167</u>	<u>\$ 8,398,529</u>	<u>\$ 555,000</u>

#### Certificates of Obligation

The County issued Texas General Obligation Bonds - Series 2007 for \$9,425,000 at interest rates from 4.25% to 5.25% with a final maturity date of August 17, 2027. The bonds are payable from the collection of an ad valorem tax levied on all taxable property. Proceeds from the sale of the bonds will be used for the construction and equipping of a new County Jail and Justice Center to house a county jail, sheriff's office and judicial facilities.

The County issued Texas General Obligation Bonds - Series 2008 for \$1,875,000 at interest rates from 3% to 5% with a final maturity date of August 15, 2028. The bonds are payable from the collection of an ad valorem tax levied on all taxable property. Proceeds from the sale of the bonds will be used for the construction and equipping of a new County Jail and Justice Center to house a county jail, sheriff's office and judicial facilities.

The County issued General Obligation Refunding Bonds - Series 2015 for \$6,885,000 at interest rates from 2.0% to 4.0% with a final maturity date of August 15, 2028. The bonds are payable from the collection of an ad valorem tax levied on all taxable property. Proceeds from the sale of the bonds will be used to finance the remaining callable obligations from the County's Series 2007 Certificates of Obligation and the Series 2008 Certificates of Obligation. The bonds were called and were redeemed by depositing \$7,489,976 into an escrow account on September 25, 2015. The financial gain on these refunding bonds was \$644,734 and the economic gain was \$568,633. The following obligations are considered to be defeased and the liability removed from the accompanying financial statements:

Description	Refunded Amount	Balance 9/30/16
Bandera County Certificates of Obligation:		
Series 2007	\$ 5,790,000	\$ 450,000
Series 2008	1,140,000	175,000
TOTAL AMOUNT REFUNDED	<u>\$ 6,930,000</u>	<u>\$ 625,000</u>

Debt service requirements for the Texas General Obligation Bonds - Series 2007 and 2008 are as follows:

Year Ending September 30,	Principal	Interest	Annual Requirements
2017	\$ 555,000	\$ 269,702	\$ 824,702
2018	590,000	242,700	832,700
2019	605,000	223,200	828,200
2020	620,000	205,050	825,050
2021	640,000	186,450	826,450
2022-2026	3,555,000	580,500	4,135,500
2027-2031	895,000	39,800	934,800
TOTAL	<u>\$ 7,460,000</u>	<u>\$ 1,747,402</u>	<u>\$ 9,207,402</u>

#### Operating Leases

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

Year Ended September 30	
2017	\$ 83,558
2018	74,972
2019	16,981
2020	16,765
2021	10,194
Total Minimum Rentals	<u>\$ 202,470</u>

Rental Expenditures in Fiscal Year 2016 \$ 80,372

### 3. F. CONTINGENT LIABILITIES

The County is subject to various litigation and claims arising out of the normal course of operations. Although the outcome of these claims is not presently determinable, in the opinion of the government's management, the resolution of these matters will not have a material adverse effect on the accompanying financial statements. Therefore, no provision for any liability, if any, has been made in the accompanying financial statements.

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 cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

### 3. G. RISK MANAGEMENT

County of Bandera 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 contracts in the form of interlocal agreements with the Texas Association of Counties (TAC) to provide the aforementioned types of insurance coverage through an intergovernmental risk pool. These multi-employer accounts provide for a combination of modified self-insurance and stop loss coverage. Contributions are set annually by Texas Association of Counties. Liability by the County is generally limited to the amounts calculated by the County interlocal agreements.

### 3. H. HEALTH INSURANCE

The County provides group health, dental and life insurance coverage for regular, full-time employees through TAC, Ameritas, and TCDRS. The County pays for a portion of the premium for eligible employees. Employees, at their option, may authorize payroll withholdings to pay premiums for eligible family members.

### 3. I. EMPLOYEE RETIREMENT PLAN

#### **Plan Description**

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

- a. Bandera 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 200%) 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 Bandera County contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the county and are currently 7%.
- e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, [www.tcdrs.org](http://www.tcdrs.org).

*Members covered by benefit terms.*

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

Inactive employees or beneficiaries currently receiving benefits	92
Inactive employees entitled to but not yet receiving benefits	109
Active employees	<u>213</u>
	414

**Contributions**

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

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

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

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

The contribution rate payable by the employee members for calendar year 2015 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act. The County's contributions to TCDRS for the year ended September 30, 2016 were \$757,945, and were equal to the required contributions.



## Net Pension Liability

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

### *Actuarial assumptions:*

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

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

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

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

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

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

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

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

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

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

**Discount Rate**

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

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability / (Asset)	Increase/(Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of December 31, 2014	\$ 21,881,203	\$ 20,291,329	\$ 1,589,874
Changes for the Year:			
Service Cost	1,114,399	-	1,114,399
Interest on Total Pension Liability <sup>(1)</sup>	1,771,095	-	1,771,095
Effect of Plan Changes <sup>(2)</sup>	(579,646)	-	(579,646)
Effects of Economic/Demographic			
Gains or Losses	(757,891)	-	(757,891)
Effect of Assumptions Changes or Inputs	275,178	-	275,178
Refund of Contributions	(149,346)	(149,346)	-
Benefit Payments	(692,884)	(692,884)	-
Administrative Expenses	-	(14,728)	14,728
Member Contributions	-	550,098	(550,098)
Net Investment Income	-	(219,880)	219,880
Employer Contributions	-	743,611	(743,611)
Other <sup>(3)</sup>	-	48,413	(48,413)
Balances as of December 31, 2015	<u>\$ 22,862,108</u>	<u>\$ 20,556,612</u>	<u>\$ 2,305,496</u>

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

<sup>(2)</sup> Reflects new annuity purchase rates applicable to all TCDRS employers effective January 1, 2018. Also reflects decrease in substantively automatic COLA valued.

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

**Sensitivity Analysis**

The following presents the net pension liability of the county/district, calculated using the discount rate of 8.10%, as well as what the Bandera 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.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	7.10%	8.10%	9.10%
Total Pension Liability	\$ 25,924,412	\$ 22,862,108	\$ 20,316,792
Fiduciary Net Position	<u>20,556,612</u>	<u>20,556,612</u>	<u>20,556,612</u>
Net Pension Liability/(Asset)	<u>\$ 5,367,800</u>	<u>\$ 2,305,496</u>	<u>\$ (239,820)</u>

### Pension Expense / (Income)

<u>Prepaid Expense/(Income)</u>	<u>January 1, 2015 to December 31, 2015</u>
Service Cost	\$ 1,114,399
Interest on Total Pension Liability <sup>(1)</sup>	1,771,095
Effect of Plan Changes	(579,646)
Administrative Expenses	14,728
Member Contributions	(550,098)
Expected Investment Return Net of Investment Expenses	(1,677,592)
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of Economic/Demographic Gains or Losses	(119,477)
Recognition of Assumption Changes or Inputs	55,036
Recognition of Investment Gains or Losses	435,030
Other <sup>(2)</sup>	<u>(48,413)</u>
Pension Expense/(Income)	<u>\$ 415,061</u>

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

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

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

Deferred Inflows / Outflows of Resources	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 606,313	\$ 96,303
Changes of assumptions	-	220,143
Net difference between projected and actual earnings	-	1,684,584
Contributions made subsequent to measurement date	N/A	567,935

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

Year Ended December 31

2016	\$ 370,588
2017	370,588
2018	370,588
2019	282,952
2020	-
Thereafter <sup>(3)</sup>	-

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

3. J. GROUP TERM LIFE FUND

**Plan Description**

Bandera County 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). Bandera County does not provide group term life insurance coverage to retired employees.

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

**Funding Policy**

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. Bandera County contributions to the GTLF for the years ended September 30, 2016, 2015, and 2014 were \$35,365, \$34,118, and \$32,958, respectively, which equaled the contractually required contributions each year.

3. K. DEFERRED COMPENSATION PLAN

The County offers all its employees deferred compensation programs through Nationwide Retirement Solutions, Inc. and the Variable Annuity Life Insurance Company (VALIC). The plans, created in accordance with Internal Revenue Code Section 457, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the County, subject only to the claims of the County's general creditors. Participants' rights under the plan are equal to those of general creditors of the County in an amount equal to the fair market value of the deferred account for each participant.

The County has no liability for losses under the plans, but does have the duty of due care that would be required of an ordinary prudent investor. The County believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

At September 30, 2016, the participants had balances of \$665,041 in Nationwide and \$811,624 in VALIC.

### 3. L. SUBSEQUENT EVENTS

The County has evaluated subsequent events through March 17, 2017, the date which the financial statements were available to be issued. The County is not aware of any subsequent events that materially impact the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 8,955,510	\$ 8,955,510	\$ 8,812,232	\$ (143,278)
General Sales and Use Taxes	450,000	450,000	593,068	143,068
Other Taxes	11,000	11,000	20,751	9,751
Licenses and Permits	39,500	39,500	65,305	25,805
Intergovernmental Revenue and Grants	166,400	166,400	102,519	(63,881)
Charges for Services	739,168	802,360	1,251,467	449,107
Fines	181,000	181,000	228,666	47,666
Investment Earnings	8,000	8,000	43,174	35,174
Contributions & Donations from Private Sources	500	-	500	500
Other Revenue	66,341	59,550	94,468	34,918
Total Revenues	10,617,419	10,673,320	11,212,150	538,830
<b>EXPENDITURES:</b>				
Current:				
General Government:				
General Administration	2,867,558	2,797,158	2,494,414	302,744
Public Safety:				
Law Enforcement	3,722,371	3,691,838	3,438,283	253,555
Corrections	1,661,759	1,661,759	1,617,888	43,871
Road and Bridge	265,505	265,505	258,221	7,284
Health & Human Services	446,021	439,421	341,979	97,442
Administration of Justice	2,640,694	2,642,694	2,273,493	369,201
Conservation and Development:				
Community & Economic Development	397,363	472,363	384,208	88,155
Total Expenditures	12,001,271	11,970,738	10,808,486	1,162,252
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,383,852)	(1,297,418)	403,664	1,701,082
<b>OTHER FINANCING SOURCES (USES):</b>				
Insurance Proceeds	87,434	1,000	95,045	94,045
Total Other Financing Sources (Uses)	87,434	1,000	95,045	94,045
Net Change	(1,296,418)	(1,296,418)	498,709	1,795,127
Fund Balance - October 1 (Beginning)	6,539,561	6,539,561	6,539,561	-
Fund Balance - September 30 (Ending)	\$ 5,243,143	\$ 5,243,143	\$ 7,038,270	\$ 1,795,127

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



BANDERA COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT G-2

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 2,104,855	\$ 2,104,855	\$ 2,083,280	\$ (21,575)
Licenses and Permits	533,000	533,000	641,501	108,501
Intergovernmental Revenue and Grants	45,999	45,999	28,666	(17,333)
Charges for Services	-	-	575	575
Investment Earnings	1,000	1,000	8,721	7,721
Other Revenue	16,100	16,100	-	(16,100)
Total Revenues	<u>2,700,954</u>	<u>2,700,954</u>	<u>2,762,743</u>	<u>61,789</u>
<b>EXPENDITURES:</b>				
Current:				
Road and Bridge	2,621,538	2,621,538	2,297,458	324,080
Total Expenditures	<u>2,621,538</u>	<u>2,621,538</u>	<u>2,297,458</u>	<u>324,080</u>
Change in Fund Balance	79,416	79,416	465,285	385,869
Fund Balance - October 1 (Beginning)	1,143,847	1,143,847	1,143,847	-
Fund Balance - September 30 (Ending)	<u>\$ 1,223,263</u>	<u>\$ 1,223,263</u>	<u>\$ 1,609,132</u>	<u>\$ 385,869</u>

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

BANDERA COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - AMBULANCE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT G-3

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 642,550	\$ 642,550	\$ 633,168	\$ (9,382)
Intergovernmental Revenue and Grants	-	39,234	39,233	(1)
Charges for Services	659,800	659,800	888,357	228,557
Investment Earnings	500	500	3,447	2,947
Other Revenue	3,500	3,500	2,625	(875)
Total Revenues	<u>1,306,350</u>	<u>1,345,584</u>	<u>1,566,830</u>	<u>221,246</u>
<b>EXPENDITURES:</b>				
Current:				
Health & Human Services	-	-	1,479,586	(1,479,586)
Administration of Justice	1,605,537	1,644,771	-	1,644,771
Total Expenditures	<u>1,605,537</u>	<u>1,644,771</u>	<u>1,479,586</u>	<u>165,185</u>
Change in Fund Balance	(299,187)	(299,187)	87,244	386,431
Fund Balance - October 1 (Beginning)	<u>682,493</u>	<u>682,493</u>	<u>682,493</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 383,306</u>	<u>\$ 383,306</u>	<u>\$ 769,737</u>	<u>\$ 386,431</u>

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

BANDERA COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	2015	2014
<b>Total Pension Liability</b>		
Service Cost	\$ 1,114,399	\$ 1,072,594
Interest on Total Pension Liability	1,771,095	1,609,200
Effect of Plan Changes	(579,646)	23,438
Effect of Assumption Changes or Inputs	275,178	-
Effect of Economic/Demographic (Gains) or Losses	(757,891)	160,505
Benefit Payments/Refunds of Contributions	(842,230)	(615,726)
Net Change in Total Pension Liability	\$ 980,905	\$ 2,250,011
Total Pension Liability, Beginning	21,881,203	19,631,192
Total Pension Liability, Ending (a)	\$ 22,862,108	\$ 21,881,203
<b>Fiduciary Net Position</b>		
Employer Contributions	\$ 743,611	\$ 742,320
Member Contributions	550,098	537,913
Investment Income Net of Investment Expenses	(219,880)	1,254,017
Benefit Payments/Refunds of Contributions	(842,230)	(615,726)
Administrative Expenses	(14,728)	(14,934)
Other	48,413	(37,702)
Net Change in Fiduciary Net Position	\$ 265,283	\$ 1,865,887
Fiduciary Net Position, Beginning	20,291,329	18,425,442
Fiduciary Net Position, Ending (b)	\$ 20,556,612	\$ 20,291,329
Net Pension Liability/(Asset), Ending = (a) – (b)	\$ 2,305,496	\$ 1,589,874
Fiduciary Net Position as a % of Total Pension Liability	89.92%	92.73%
Pensionable Covered Payroll	\$ 7,858,536	\$ 7,684,473
Net Pension Liability as a % of Covered Payroll	29.34%	20.69%

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.

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

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

Year Ending December 31	Actuarially Determined Contribution <sup>(1)</sup>	Actual Employer Contribution <sup>(1)</sup>	Contribution Deficiency (Excess)	Pensionable Covered Payroll <sup>(2)</sup>	Actual Contribution as a % of Covered Payroll
2006	\$ 354,565	\$ 354,565	\$ -	\$ 4,205,994	\$ 8.4%
2007	383,499	383,499	-	4,517,064	8.5%
2008	383,149	383,149	-	4,813,428	8.0%
2009	434,264	434,264	-	5,435,092	8.0%
2010	550,733	550,733	-	6,265,447	8.8%
2011	602,843	602,843	-	6,758,324	8.9%
2012	631,706	631,706	-	6,957,111	9.1%
2013	671,036	671,036	-	7,131,089	9.4%
2014	742,320	742,320	-	7,684,473	9.7%
2015	743,418	743,611	(193)	7,858,536	9.5%

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

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

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

**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	14.8 years (based on contribution rate calculated in 12/31/2015 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	3.0%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions Reflected in the Schedule*	Effective with the 2015 calendar year, employer contributions reflect that a 1% flat COLA was adopted.

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

BANDERA COUNTY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2016

	11 Hotel/Motel Tax Fund	14 Mansfield Park Fund	15 Indigent Health Care Fund	16 Sanitary Landfill Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ 56,461	\$ 211,295	\$ 235,621
Taxes Receivable	-	4,419	8,267	-
Allowance for Uncollectible Taxes (credit)	-	(1,488)	(2,785)	-
Receivables (Net)	24,065	531	722	46
Total Assets	<u>\$ 24,065</u>	<u>\$ 59,923</u>	<u>\$ 217,499</u>	<u>\$ 235,667</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 24,065	\$ 1,844	\$ 112	\$ 20,098
Wages and Salaries Payable	-	1,571	1,565	2,935
Total Liabilities	<u>24,065</u>	<u>3,415</u>	<u>1,677</u>	<u>23,033</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	-	2,758	5,158	-
Total Deferred Inflows of Resources	<u>-</u>	<u>2,758</u>	<u>5,158</u>	<u>-</u>
<b>FUND BALANCES</b>				
Other Restricted Fund Balance	-	-	-	-
Other Committed Fund Balance	-	53,750	210,664	212,634
Total Fund Balances	<u>-</u>	<u>53,750</u>	<u>210,664</u>	<u>212,634</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 24,065</u>	<u>\$ 59,923</u>	<u>\$ 217,499</u>	<u>\$ 235,667</u>

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

18 Sheriff's Tax Sale Fund	22 Child Abuse Prevention Fund	25 Juvenile Probation Local Fund	27 Sheriff Seized Asset Fund	28 Law Library Fund	30 County Clerk Records Mgmt Fund	31 Records Preservation Fund	32 Courthouse Security Fund
\$ -	\$ 640	\$ 129,037	\$ 46,403	\$ 11,582	\$ 69,571	\$ 27,610	\$ 11,111
-	-	19,311	-	-	-	-	-
-	-	(6,505)	-	-	-	-	-
-	-	1,267	-	-	-	-	-
<u>\$ -</u>	<u>\$ 640</u>	<u>\$ 143,110</u>	<u>\$ 46,403</u>	<u>\$ 11,582</u>	<u>\$ 69,571</u>	<u>\$ 27,610</u>	<u>\$ 11,111</u>
\$ -	\$ -	\$ 10,863	\$ -	\$ 925	\$ -	\$ 441	\$ -
-	-	10,425	-	-	845	-	-
-	-	21,288	-	925	845	441	-
-	-	12,049	-	-	-	-	-
-	-	12,049	-	-	-	-	-
-	640	109,773	46,403	10,657	68,726	27,169	11,111
-	-	-	-	-	-	-	-
<u>-</u>	<u>640</u>	<u>109,773</u>	<u>46,403</u>	<u>10,657</u>	<u>68,726</u>	<u>27,169</u>	<u>11,111</u>
<u>\$ -</u>	<u>\$ 640</u>	<u>\$ 143,110</u>	<u>\$ 46,403</u>	<u>\$ 11,582</u>	<u>\$ 69,571</u>	<u>\$ 27,610</u>	<u>\$ 11,111</u>

BANDERA COUNTY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2016

	33 Juvenile Probation State Fund	34 Juvenile Probation Mental Health	36 Juvenile Probation Title IV-E	45 Alternative Dispute Resolution
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 127	\$ -	\$ 63	\$ 6,685
Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-	-
Receivables (Net)	-	-	-	-
Total Assets	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ 63</u>	<u>\$ 6,685</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Wages and Salaries Payable	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Other Restricted Fund Balance	127	-	63	6,685
Other Committed Fund Balance	-	-	-	-
Total Fund Balances	<u>127</u>	<u>-</u>	<u>63</u>	<u>6,685</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ 63</u>	<u>\$ 6,685</u>

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



46 Appellate Judicial System Fund	48 Guardianship Fees Fund	49 Hot Check Collection Fund	51 Family Protection Fee Fund	52 Attorney Pre-Trial Diversion	55 District Clerk Records Mgmt Fund	56 County Clerk Records Mgmt Fund	57 County Attorney Forfeitures
\$ 1,235	\$ 15,649	\$ 7,909	\$ 1,412	\$ 18,926	\$ 11,642	\$ 55,120	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,235</u>	<u>\$ 15,649</u>	<u>\$ 7,909</u>	<u>\$ 1,412</u>	<u>\$ 18,926</u>	<u>\$ 11,642</u>	<u>\$ 55,120</u>	<u>\$ -</u>
\$ 1,086	\$ -	\$ -	\$ -	\$ -	\$ 65	\$ 1,559	\$ -
-	-	-	-	-	-	-	-
<u>1,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65</u>	<u>1,559</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
149	15,649	7,909	1,412	18,926	11,577	53,561	-
-	-	-	-	-	-	-	-
<u>149</u>	<u>15,649</u>	<u>7,909</u>	<u>1,412</u>	<u>18,926</u>	<u>11,577</u>	<u>53,561</u>	<u>-</u>
<u>\$ 1,235</u>	<u>\$ 15,649</u>	<u>\$ 7,909</u>	<u>\$ 1,412</u>	<u>\$ 18,926</u>	<u>\$ 11,642</u>	<u>\$ 55,120</u>	<u>\$ -</u>

BANDERA COUNTY  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2016

	58 Justice Court Tehnology	60 State Funded Training-Law Enforcement	63 Court Records Preservation Fund	65 District Clerk Records Archive
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 4,549	\$ 18,283	\$ 23,301	\$ 10,619
Taxes Receivable	-	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-	-
Receivables (Net)	-	-	-	-
Total Assets	<u>\$ 4,549</u>	<u>\$ 18,283</u>	<u>\$ 23,301</u>	<u>\$ 10,619</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ 1,068	\$ -	\$ -
Wages and Salaries Payable	-	-	-	-
Total Liabilities	<u>-</u>	<u>1,068</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Other Restricted Fund Balance	4,549	17,215	23,301	10,619
Other Committed Fund Balance	-	-	-	-
Total Fund Balances	<u>4,549</u>	<u>17,215</u>	<u>23,301</u>	<u>10,619</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,549</u>	<u>\$ 18,283</u>	<u>\$ 23,301</u>	<u>\$ 10,619</u>

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

68 Juvenile Commitment RDCTN Grant	69 Capital Credits Fund	88 TDA CDBG Grant Fund	95 Medina Lake County Park Fund	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 601	\$ 185,354	\$ -	\$ 51,351	\$ 1,212,157	\$ 1,212,157
-	-	-	4,133	36,130	36,130
-	-	-	(1,392)	(12,170)	(12,170)
-	-	21,907	750	49,288	49,288
<u>\$ 601</u>	<u>\$ 185,354</u>	<u>\$ 21,907</u>	<u>\$ 54,842</u>	<u>\$ 1,285,405</u>	<u>\$ 1,285,405</u>
\$ -	\$ -	\$ -	\$ 887	\$ 63,013	\$ 63,013
-	-	-	3,925	21,266	21,266
-	-	-	4,812	84,279	84,279
-	-	-	2,579	22,544	22,544
-	-	-	2,579	22,544	22,544
601	185,354	21,907	-	654,083	654,083
-	-	-	47,451	524,499	524,499
<u>601</u>	<u>185,354</u>	<u>21,907</u>	<u>47,451</u>	<u>1,178,582</u>	<u>1,178,582</u>
<u>\$ 601</u>	<u>\$ 185,354</u>	<u>\$ 21,907</u>	<u>\$ 54,842</u>	<u>\$ 1,285,405</u>	<u>\$ 1,285,405</u>

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

	11 Hotel/Motel Tax Fund	14 Mansfield Park Fund	15 Indigent Health Care Fund	16 Sanitary Landfill Fund
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ -	\$ 74,895	\$ 123,081	\$ -
Other Taxes	403,820	-	-	-
Intergovernmental Revenue and Grants	-	-	16,473	15,000
Charges for Services	-	21,312	-	276,049
Investment Earnings	-	287	952	990
Other Revenue	-	10	4,069	-
Total Revenues	<u>403,820</u>	<u>96,504</u>	<u>144,575</u>	<u>292,039</u>
<b>EXPENDITURES:</b>				
Current:				
General Government:				
General Administration	-	-	-	-
Public Safety:				
Law Enforcement	-	-	-	-
Road and Bridge	-	-	-	318,060
Health & Human Services	-	-	115,340	-
Administration of Justice	-	-	-	-
Conservation and Development:				
Community & Economic Development	403,820	98,591	-	-
Infrastructure & Environmental	-	-	-	-
Total Expenditures	<u>403,820</u>	<u>98,591</u>	<u>115,340</u>	<u>318,060</u>
Net Change in Fund Balance	-	(2,087)	29,235	(26,021)
Fund Balance - October 1 (Beginning)	<u>-</u>	<u>55,837</u>	<u>181,429</u>	<u>238,655</u>
Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ 53,750</u>	<u>\$ 210,664</u>	<u>\$ 212,634</u>

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

18 Sheriff's Tax Sale Fund	22 Child Abuse Prevention Fund	25 Juvenile Probation Local Fund	27 Sheriff Seized Asset Fund	28 Law Library Fund	30 County Clerk Records Mgmt Fund	31 Records Preservation Fund	32 Courthouse Security Fund
\$ -	\$ -	\$ 198,291	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	780	203	-	-	-	-
168,251	73	3,189	-	13,794	53,285	6,956	14,712
-	3	724	196	43	251	130	27
-	-	600	-	-	-	-	-
<u>168,251</u>	<u>76</u>	<u>203,584</u>	<u>399</u>	<u>13,837</u>	<u>53,536</u>	<u>7,086</u>	<u>14,739</u>
168,251	-	-	-	-	42,760	18,775	-
-	-	-	3,775	-	-	-	10,000
-	-	-	-	-	-	-	-
-	-	244,388	-	-	-	-	-
-	-	-	-	10,105	-	-	-
-	-	-	-	-	-	-	-
<u>168,251</u>	<u>-</u>	<u>244,388</u>	<u>3,775</u>	<u>10,105</u>	<u>42,760</u>	<u>18,775</u>	<u>10,000</u>
-	76	(40,804)	(3,376)	3,732	10,776	(11,689)	4,739
-	564	150,577	49,779	6,925	57,950	38,858	6,372
<u>\$ -</u>	<u>\$ 640</u>	<u>\$ 109,773</u>	<u>\$ 46,403</u>	<u>\$ 10,657</u>	<u>\$ 68,726</u>	<u>\$ 27,169</u>	<u>\$ 11,111</u>

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

	33 Juvenile Probation State Fund	34 Juvenile Probation Mental Health	36 Juvenile Probation Title IV-E	45 Alternative Dispute Resolution
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-
Intergovernmental Revenue and Grants	149,597	7,160	-	-
Charges for Services	-	-	-	6,353
Investment Earnings	-	-	7	24
Other Revenue	-	-	-	-
Total Revenues	<u>149,597</u>	<u>7,160</u>	<u>7</u>	<u>6,377</u>
<b>EXPENDITURES:</b>				
Current:				
General Government:				
General Administration	-	-	-	-
Public Safety:				
Law Enforcement	-	-	-	-
Road and Bridge	-	-	-	-
Health & Human Services	-	-	-	-
Administration of Justice	149,602	19,329	27,200	6,001
Conservation and Development:				
Community & Economic Development	-	-	-	-
Infrastructure & Environmental	-	-	-	-
Total Expenditures	<u>149,602</u>	<u>19,329</u>	<u>27,200</u>	<u>6,001</u>
Net Change in Fund Balance	(5)	(12,169)	(27,193)	376
Fund Balance - October 1 (Beginning)	<u>132</u>	<u>12,169</u>	<u>27,256</u>	<u>6,309</u>
Fund Balance - September 30 (Ending)	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ 63</u>	<u>\$ 6,685</u>

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

46 Appellate Judicial System Fund	48 Guardianship Fees Fund	49 Hot Check Collection Fund	51 Family Protection Fee Fund	52 Attorney Pre-Trial Diversion	55 District Clerk Records Mgmt Fund	56 County Clerk Records Mgmt Fund	57 County Attorney Forfeitures
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,974	2,060	1,515	1,035	26,915	2,072	53,534	-
4	-	36	4	89	47	188	1
-	-	-	-	-	-	-	-
<u>1,978</u>	<u>2,060</u>	<u>1,551</u>	<u>1,039</u>	<u>27,004</u>	<u>2,119</u>	<u>53,722</u>	<u>1</u>
-	-	-	-	-	1,269	45,881	-
-	-	-	-	33,165	-	-	661
-	-	-	-	-	-	-	-
2,055	-	3,125	1,500	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,055</u>	<u>-</u>	<u>3,125</u>	<u>1,500</u>	<u>33,165</u>	<u>1,269</u>	<u>45,881</u>	<u>661</u>
(77)	2,060	(1,574)	(461)	(6,161)	850	7,841	(660)
<u>226</u>	<u>13,589</u>	<u>9,483</u>	<u>1,873</u>	<u>25,087</u>	<u>10,727</u>	<u>45,720</u>	<u>660</u>
<u>\$ 149</u>	<u>\$ 15,649</u>	<u>\$ 7,909</u>	<u>\$ 1,412</u>	<u>\$ 18,926</u>	<u>\$ 11,577</u>	<u>\$ 53,561</u>	<u>\$ -</u>

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

	58 Justice Court Tehnology	60 State Funded Training-Law Enforcement	63 Court Records Preservation Fund	65 District Clerk Records Archive
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	-
Intergovernmental Revenue and Grants	-	5,850	-	-
Charges for Services	6,705	-	3,705	3,630
Investment Earnings	10	-	91	39
Other Revenue	-	-	-	-
Total Revenues	<u>6,715</u>	<u>5,850</u>	<u>3,796</u>	<u>3,669</u>
<b>EXPENDITURES:</b>				
Current:				
General Government:				
General Administration	-	-	-	-
Public Safety:				
Law Enforcement	-	11,627	-	-
Road and Bridge	-	-	-	-
Health & Human Services	-	-	-	-
Administration of Justice	6,000	-	-	-
Conservation and Development:				
Community & Economic Development	-	-	-	-
Infrastructure & Environmental	-	-	-	-
Total Expenditures	<u>6,000</u>	<u>11,627</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	715	(5,777)	3,796	3,669
Fund Balance - October 1 (Beginning)	<u>3,834</u>	<u>22,992</u>	<u>19,505</u>	<u>6,950</u>
Fund Balance - September 30 (Ending)	<u>\$ 4,549</u>	<u>\$ 17,215</u>	<u>\$ 23,301</u>	<u>\$ 10,619</u>

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



68 Juvenile Commitment RDCTN Grant	69 Capital Credits Fund	88 TDA CDBG Grant Fund	95 Medina Lake County Park Fund	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ (422)	\$ 395,845	\$ 395,845
-	-	-	-	403,820	403,820
12,483	183,526	85,294	-	476,366	476,366
-	-	-	105,447	772,566	772,566
-	277	-	253	4,673	4,673
-	-	21,907	-	26,586	26,586
<u>12,483</u>	<u>183,803</u>	<u>107,201</u>	<u>105,278</u>	<u>2,079,856</u>	<u>2,079,856</u>
-	-	-	-	276,936	276,936
-	-	-	-	59,228	59,228
-	-	-	-	318,060	318,060
-	-	-	-	115,340	115,340
12,482	-	-	-	471,682	471,682
-	7,260	-	172,608	692,384	692,384
-	-	85,294	-	85,294	85,294
<u>12,482</u>	<u>7,260</u>	<u>85,294</u>	<u>172,608</u>	<u>2,018,924</u>	<u>2,018,924</u>
1	176,543	21,907	(67,330)	60,932	60,932
<u>600</u>	<u>8,811</u>	<u>-</u>	<u>114,781</u>	<u>1,117,650</u>	<u>1,117,650</u>
<u>\$ 601</u>	<u>\$ 185,354</u>	<u>\$ 21,907</u>	<u>\$ 47,451</u>	<u>\$ 1,178,582</u>	<u>\$ 1,178,582</u>

BANDERA COUNTY  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	BALANCE OCTOBER 1 2015	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2016
<b>STATE FEE &amp; FINE FUND</b>				
Assets:				
Cash and Cash Equivalents	\$ 54,807	\$ 245,242	\$ 246,999	\$ 53,050
Other Receivables	57	648	-	705
Total Assets	<u>\$ 54,864</u>	<u>\$ 245,890</u>	<u>\$ 246,999</u>	<u>\$ 53,755</u>
Liabilities:				
Accounts Payable	\$ 54,864	\$ 245,637	\$ 246,999	\$ 53,502
Due to Other Governments	-	253	-	253
Total Liabilities	<u>\$ 54,864</u>	<u>\$ 245,890</u>	<u>\$ 246,999</u>	<u>\$ 53,755</u>
 <b>EMS MEMORIALS &amp; DONATIONS FUND</b>				
Assets:				
Cash and Cash Equivalents	\$ 893	\$ 1,850	\$ 738	\$ 2,005
Liabilities:				
Due to Others	\$ 893	\$ 1,850	\$ 738	\$ 2,005
 <b>OFFICIALS' FEES &amp; ACCOUNTS FUND</b>				
Assets:				
Cash and Cash Equivalents	\$ 776,991	\$ 76,822,933	\$ 76,997,875	\$ 602,049
Investments - Current	77,646	36,172	51,037	62,781
Total Assets	<u>\$ 854,637</u>	<u>\$ 76,859,105</u>	<u>\$ 77,048,912</u>	<u>\$ 664,830</u>
Liabilities:				
Due to Other Governments	\$ 763,259	\$ 76,743,429	\$ 76,922,864	\$ 583,824
Due to Others	91,378	115,676	126,048	81,006
Total Liabilities	<u>\$ 854,637</u>	<u>\$ 76,859,105</u>	<u>\$ 77,048,912</u>	<u>\$ 664,830</u>
 <b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Cash Equivalents	\$ 832,691	\$ 77,070,025	\$ 77,245,612	\$ 657,104
Investments - Current	77,646	36,172	51,037	62,781
Other Receivables	57	648	-	705
Total Assets	<u>\$ 910,394</u>	<u>\$ 77,106,845</u>	<u>\$ 77,296,649</u>	<u>\$ 720,590</u>
Liabilities:				
Accounts Payable	\$ 54,864	\$ 245,637	\$ 246,999	\$ 53,502
Due to Other Governments	763,259	76,743,682	76,922,864	584,077
Due to Others	92,271	117,526	126,786	83,011
Total Liabilities	<u>\$ 910,394</u>	<u>\$ 77,106,845</u>	<u>\$ 77,296,649</u>	<u>\$ 720,590</u>

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

BANDERA COUNTY  
 COMBINING STATEMENT OF NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 SEPTEMBER 30, 2016

	Ambulance Sinking Fund	Historical Commission Fund	Available School Fund	Permanent School Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,184	\$ 3,538	\$ 662	\$ 160,498
Total Assets	<u>1,184</u>	<u>3,538</u>	<u>662</u>	<u>160,498</u>
<b>LIABILITIES</b>				
Accounts Payable	-	241	-	-
Total Liabilities	<u>-</u>	<u>241</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>				
Unrestricted Net Position	1,184	3,297	662	160,498
Total Net Position	<u>\$ 1,184</u>	<u>\$ 3,297</u>	<u>\$ 662</u>	<u>\$ 160,498</u>

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

Bandera EMS Building Fund	-	Total Private Purpose Trust Funds
\$	-	\$ 165,882
\$	-	\$ 165,882
\$	-	\$ 241
\$	-	\$ 241
-	-	165,641
\$	-	\$ 165,641

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

Data Control Codes	Ambulance Sinking Fund	Historical Commission Fund	Available School Fund	Permanent School Fund
<b>ADDITIONS:</b>				
Investment Earnings	\$ 5	\$ 17	\$ 662	\$ -
Rents and Royalties	-	-	-	13
Contributions & Donations from Private	-	1,604	-	-
Other Revenue	-	1,210	-	-
Total Additions	5	2,831	662	13
<b>DEDUCTIONS:</b>				
Other Operating Expenses	-	1,997	159	2,322
Supplies	-	2,738	-	-
Total Deductions	-	4,735	159	2,322
Change in Net Position	5	(1,904)	503	(2,309)
Total Net Position - October 1 (Beginning)	1,179	5,201	159	162,807
Total Net Position - September 30 (Ending)	\$ 1,184	\$ 3,297	\$ 662	\$ 160,498

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

Bandera EMS Building Fund	Total Private Purpose Trust Funds
\$ -	\$ 684
-	13
-	1,604
-	1,210
-	<u>3,511</u>
-	4,478
-	<u>2,738</u>
-	<u>7,216</u>
-	(3,705)
-	<u>169,346</u>
<u>\$ -</u>	<u>\$ 165,641</u>

# NEFFENDORF & KNOPP, P.C.

## Certified Public Accountants

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CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Judge and Commissioners  
County of Bandera, Texas  
Bandera, TX 78003

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 Bandera County, Texas (the "County"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 17, 2017.

#### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bandera County, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We noted certain matters that we reported to management of the County of Bandera, Texas, in a separate letter dated March 17, 2017.

Sincerely,

*Neffendorf & Knopp, P.C.*

NEFFENDORF & KNOPP, P.C.  
Fredericksburg, Texas

March 17, 2017



# NEFFENDORF & KNOPP, P.C.

## Certified Public Accountants

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MEMBER  
TEXAS SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

March 17, 2017

Honorable Judge and Commissioners  
County of Bandera, Texas  
Bandera, TX 78003

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bandera County, Texas for the year ended September 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 11, 2016. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Bandera County, Texas are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2016. We noted no transactions entered into by Bandera County during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

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

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

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

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 17, 2017.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

### Other Matters

We applied certain limited procedures to the Management Discussion and Analysis; Budgetary Comparison Schedule - General Fund; Budgetary Comparison Schedule – Road and Bridge Fund; and the Schedule of Funding Progress for the Retirement Plan, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Combining Balance Sheet – Nonmajor Governmental Funds; Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds; Combining Statement of Changes in Assets and Liabilities – All Agency Funds; Combining Statement of Net Position – Private Purpose Trust Funds; and Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Private Purpose Trust Funds, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### Restriction on Use

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

***Prior Year Recommendations***

County Attorney

Prior year recommendation was to complete a listing of amounts owed to businesses (prior to institution of current computer system). Probably not feasible to complete due to lack of prior documents to establish accurate accounting.

Constable No. 1

Prior year recommendation was to prepare monthly reports to the Treasurer. Reports through April, 2016 have been submitted.

We appreciate the cooperation of the County Auditor's offices and the various officials and employees of the County.

Sincerely,

*Neffendorf + Knopp, P.C.*

NEFFENDORF & KNOPP, P.C.  
Fredericksburg, Texas

March 17, 2017