

GONZALES COUNTY, TEXAS

Annual Financial Report

For the fiscal year ended

September 30, 2016

Gonzales County, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2016

TABLE OF CONTENTS

FINANCIAL SECTION

1. Independent Auditor's Report
4. Management's Discussion and Analysis

Basic Financial Statements:

Government-wide Financial Statements:

14. Statement of Net Position
15. Statement of Activities

Fund Financial Statements:

16. Balance Sheet - Governmental Funds
17. Reconciliation of the Government Funds
18. Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
19. Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
20. Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual - General Fund
22. Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual - Road and Bridge Fund
23. Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Debt Service Fund
24. Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Revolving Loan Fund
25. Statement of Net Position - Fiduciary Funds
26. Statement of Revenues, Expenses, and Changes in Fund Net Position - Fiduciary Funds
27. Notes to the Financial Statements

Required Supplementary Information:

62. Schedule of Funding Progress - Public Employees Retirement System
67. OPEB Information – Analysis of Funding Progress
68. Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Energy Transportation reinvestment Fund

Combining and Individual Fund Statements and Schedules:

69. Combining Balance Sheet - Road and Bridge Fund
70. Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Road and Bridge Fund
71. Combining Balance Sheet - Non-major Governmental Funds
73. Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds

Single Audit Section:

75. Schedule of Expenditures of State Awards
76. 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
78. Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter I- Comptroller.
80. Notes to Schedule of Expenditures of State Awards
80. Schedule of Prior Audit Findings
81. Schedule of Findings and Questioned Costs

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Commissioners' Court
Gonzales County, Texas

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 Gonzales 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 Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter 1 - Comptroller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gonzales County, Texas, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows 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 and the Employees Retirement System Information on pages 4–13, and 62-66 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 Gonzales County, Texas' basic financial statements. The combining road and bridge and nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of state awards is presented for purposes of additional analysis as required by the Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter 1 - Comptroller, and is also not a required part of the basic financial statements.

The combining road and bridge and nonmajor fund financial statements and the schedule of expenditures of state awards 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 road and bridge and individual nonmajor fund financial statements and the schedule of expenditures of state awards 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 May 20, 2017, on our consideration of Gonzales County, Texas' 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 Gonzales County, Texas' internal control over financial reporting and compliance.

Wayne R. Beyer

BEYER & COMPANY
Certified Public Accountants
May 20, 2017

Management's Discussion and Analysis

As management of Gonzales County, Texas, we offer readers of Gonzales County, Texas' financial statements this narrative overview and analysis of the financial activities of Gonzales County, Texas for the fiscal year ended September 30, 2016.

Financial Highlights

- . The assets of Gonzales County, Texas, exceeded its liabilities at the close of the most recent fiscal year by \$40,257,240 (net position). Of this amount, \$5,770,397 or 14% (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total net position increased by \$2,852,604. This increase is mainly attributable to Capital Grants and Contributions of \$1,175,982 and careful budget monitoring.
- . Gonzales County, Texas' total restricted net position at September 30, 2016 is \$13,096,427 or 33% of net position.
- . Gonzales County, Texas' total debt decreased by \$272,990 (6.53 percent) during the current fiscal year. The key factor in this decrease was the payment of bonds and capital leases of \$205,000 and \$296,282, respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Gonzales County, Texas' basic financial statements. Gonzales County, Texas' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of Gonzales County, Texas' finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of Gonzales County, Texas' assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Gonzales County, Texas is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of Gonzales County, Texas that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Gonzales County, Texas include general administration, public safety, environmental protection, public transportation, health and welfare, public facilities, legal, elections, financial administration, conservation, capital projects, and culture and recreation.

The government-wide financial statements include only Gonzales County, Texas itself (known as the primary government).

The government-wide financial statements can be found on pages 14-15 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Gonzales County, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Gonzales County, Texas can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Gonzales County, Texas maintains twenty-nine (29) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Road and Bridge Fund, the Debt Service Fund, the Revolving Loan Fund and the Energy Transportation Reinvestments Fund, each of which are considered to be major funds. Data from the other twenty-four (24) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Gonzales County, Texas adopts an annual appropriated budget for its General Fund, the Road and Bridge Fund, the Debt Service Fund, and the Revolving Loan Fund. A budgetary comparison statement has been provided for the general fund, road and bridge fund, and all the other special revenue funds for which budgets were adopted. The basic governmental fund financial statements can be found on pages 16-24 of this report.

Gonzales County, Texas also has one agency fund and one private purpose trust fund. The fiduciary fund types can be found on pages 25-26 of this report.

Notes to the financial statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-62 of this report.

Other information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Gonzales County, Texas' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 62-68 of this report.

The combining statements referred to earlier in connection with major road and bridge funds, the non-major governmental funds, and the fiduciary funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 69-70 and on pages 71-74 of this report.

The single audit section can be found on pages 75-81 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Gonzales County, Texas, assets exceeded liabilities by \$40,257,240 at the close of the most recent fiscal year.

GONZALES COUNTY, TEXAS NET POSITION

	Governmental Activities		Total	
	2016	2015	2016	2015
Current and other Assets	\$20,939,996	\$23,851,735	\$20,939,996	\$23,851,735
Capital Assets:	22,422,804	18,676,262	22,422,804	18,676,262
Total Assets	43,362,800	42,527,997	43,362,800	42,527,997
Total Deferred Outflows of Resources	2,456,356	1,164,577	2,456,356	1,164,577
Total Assets	\$45,819,156	\$43,692,574	\$45,819,156	\$43,692,574
Long-term liabilities	4,454,823	4,181,833	4,454,823	4,181,833
Other liabilities	848,979	2,045,862	848,979	2,045,862
Total Liabilities	5,303,802	6,227,695	5,303,802	6,227,695
Total Deferred Inflows of Resources	258,114	60,243	258,114	60,243
Net Investment in Capital Assets	21,390,416	17,223,259	21,390,416	17,223,259
Restricted	13,096,427	10,960,484	13,096,427	10,960,484
Unrestricted	5,770,397	9,220,893	5,770,397	9,220,893
Total Net Assets	\$40,257,240	\$37,404,636	\$40,257,240	\$37,404,636

A portion of Gonzales County, Texas' net position (33 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$5,770,397) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year and the prior fiscal year, Gonzales County, Texas is able to report positive balances in all three categories of net position.

There was an increase of \$2,135,943 in restricted net position reported in connection with Gonzales County, Texas' governmental activities. This increase resulted from monies being saved for future road construction.

The government's total net position increased by \$2,852,604. This increase is mainly attributable to Capital Grants and Contributions of \$1,175,982 and careful budget monitoring.

Governmental activities: There were no business-type activities so any analysis regarding governmental activities will be the same as the analysis of the Government-wide Financial Analysis.

**GONZALES COUNTY, TEXAS
CHANGE IN NET POSITION**

	Governmental Activities		Total	
	2016	2015	2016	2015
Revenues:				
Program Revenues:				
Charges for Services	\$2,222,576	\$2,255,700	\$2,222,576	\$2,255,700
Operating Grants and Contributions	162,341	180,661	162,341	180,661
Capital Grants and Contributions	1,175,982	3,039,258	1,175,982	3,039,258
General Revenues:				
Maintenance and Operations Taxes	13,176,651	19,417,422	13,176,651	19,417,422
Sales Taxes	1,902,895	3,281,249	1,902,895	3,281,249
Other Taxes	15,515	18,712	15,515	18,712
Oil Royalties	267	1,670	267	1,670
Unrestricted Investment Earnings	64,975	62,833	64,975	62,833
Miscellaneous	346,213	278,372	346,213	278,372
Total Revenue	19,067,415	28,535,877	19,067,415	28,535,877
Expenses:				
General Administration	2,539,868	1,588,174	2,539,868	1,588,174
Legal	570,200	543,348	570,200	543,348
Judicial	1,568,832	1,614,911	1,568,832	1,614,911
Financial Administration	881,018	870,569	881,018	870,569
Public Facilities	606,626	582,646	606,626	582,646
Public Safety	5,473,254	5,273,291	5,473,254	5,273,291
Public Transportation	4,381,819	4,070,346	4,381,819	4,070,346
Health and Welfare	4,420	3,725	4,420	3,725
Conservation - Agriculture	134,662	117,757	134,662	117,757
Interest and Fiscal Charges	54,112	67,469	54,112	67,469
Total Expenses	16,214,811	14,732,236	16,214,811	14,732,236
Increase in Net Position before transfers and special items	2,852,604	13,803,641	2,852,604	13,803,641
Transfers	0	0	0	0
Increase in Net Position	2,852,604	13,803,641	2,852,604	13,803,641
Net Position at 09/30/2015	37,404,636	23,600,995	37,404,636	23,600,995
Net Position at 09/30/2016	\$40,257,240	\$37,404,636	\$40,257,240	\$37,404,636

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Government activities:				
General Administration	\$2,539,868	\$327,628	\$25,200	\$0
Legal	570,200		3,935	
Judicial	1,568,832	431,170	12,795	
Financial Administration	881,018	430,207		
Public Facilities	606,626			
Public Safety	5,473,254	80,924	61,368	
Public Transportation	4,381,819	926,497	59,043	1,175,982
Health and Welfare	4,420	26,150		
Conservation - Agriculture	134,662			
Interest and Fiscal Charges	54,112			
Total government activities	<u>\$16,214,811</u>	<u>\$2,222,576</u>	<u>\$162,341</u>	<u>\$1,175,982</u>

Revenues by source - Governmental Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$2,222,576	11.66%
Operating Grants and Contributions	162,341	0.85%
Capital Grants and Contributions	1,175,982	6.17%
Maintenance and Operations Taxes	13,176,651	69.11%
Sales taxes	1,902,895	9.98%
Other Taxes	15,515	0.08%
Oil Royalties	267	0.00%
Unrestricted investment earnings	64,975	0.34%
Miscellaneous	346,213	1.82%
	<u>\$19,067,415</u>	<u>100.00%</u>

For the most part, the increases and decreases in expenses closely paralleled inflation and growth in the demand for services.

Financial Analysis of the Government's Funds

As noted earlier, Gonzales County, Texas uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of Gonzales County, Texas' *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Gonzales County, Texas' financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Gonzales County, Texas' governmental funds reported combined ending fund balances of \$17,155,169, a decrease of \$947,403 in comparison with the prior year. Approximately 23% of this total amount (\$4,006,836) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is restricted or committed.

The general fund is the chief operating fund of Gonzales County, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,006,836, while total fund balance reached a balance of \$4,039,337. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned, undesignated fund balance represents 30 percent of total general fund expenditures, while total fund balance represents 30 percent of that same amount.

The fund balance of the general fund decreased by \$3,090,435 during the current fiscal year. This decrease is a result of a decrease in sales taxes of \$1,378,354 and construction on the Randle-Rather building of \$1,970,032.

At the end of the current fiscal year restricted fund balance of the road and bridge fund was \$7,697,983, while total fund balance reached a balance of \$7,717,388. As a measure of the road and bridge fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Restricted fund balance represents 142 percent of total road and bridge fund expenditures, while total fund balance represents 142 percent of that same amount.

The fund balance of the road and bridge fund increased by \$611,264 during the current fiscal year. Key factors in this increase are as follows:

- . Careful budget monitoring.

At the end of the current fiscal year unassigned fund balance of the Debt Service fund was \$0, while total fund balance reached \$39,745. As a measure of the Debt Service fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 0 percent of total Debt Service fund expenditures, while total fund balance represents 17 percent of that same amount.

The fund balance of Gonzales County, Texas' Debt Service fund decreased by \$8,616 during the current fiscal year. This decrease is a result of debt service expenditures exceeding the property tax revenue.

There is no discussion regarding the Revolving Loan fund and the Energy Transportation Reinvestment fund. The Revolving Loan fund is a grant fund and the Energy Transportation Reinvestment fund is a construction fund.

Budgetary Highlights:

Differences between the original budget and the final amended budget in the general fund was an increase of \$2,389,766 in appropriations and the majority of the amendments can be briefly summarized as follows:

- . The major increase occurred in the courthouse department which increased by \$1,487.134 by reason of the Randle-Rather building. The increase was funded from available fund balance.

Capital Asset and Debt Administration

Capital assets:

Gonzales County, Texas' investment in capital assets for its governmental activities as of September 30, 2016, amounts to \$22,422,804 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, roads and infrastructure, machinery and equipment, and park facilities. The total increase in Gonzales County, Texas' investment in capital assets for the current fiscal year was 20.06 percent.

The major capital asset events during the current fiscal year were major road renovations pursuant to a Texas State TIF Grant and Randal – Rather Building renovation.

GONZALES COUNTY, TEXAS CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Total	
	2016	2015	2016	2015
Construction in Progress	\$2,344,413	\$6,172,063	\$2,344,413	\$6,172,063
Building and Improvements	7,359,671	7,528,979	7,359,671	7,528,979
Machinery, Equipment and Vehicles	5,708,581	4,905,993	5,708,581	4,905,993
Infrastructure	7,010,139	69,227	7,010,139	69,227
Total	<u>\$22,422,804</u>	<u>\$18,676,262</u>	<u>\$22,422,804</u>	<u>\$18,676,262</u>

Additional information on Gonzales County, Texas' capital assets can be found in note IV C on pages 40-41 of this report.

Long-term debt:

At the end of the current fiscal year, Gonzales County, Texas had the following bonded debt.

	Beginning Balance	Additions	Reductions	Ending Balance	Summary	
					Noncurrent Liabilities	
					Due Within One Year	Due in More Than One Year
<u>Governmental Activities:</u>						
Bonds Payable	\$1,100,000	\$0	\$205,000	\$895,000	\$210,000	\$685,000
Total Bonds Payable	1,100,000	0	205,000	895,000	210,000	685,000
Grand Total	\$1,100,000	\$0	\$205,000	\$895,000	\$210,000	\$685,000

Gonzales County, Texas' total bonded debt decreased by \$205,000 (19 percent) during the current fiscal year. The key factor in this decrease was the payment of \$205,000 on bond retirement.

Additional information on Gonzales County, Texas' long term debt can be found in note IV F on pages 42-43 of this report.

Economic Factors

The County had experienced significant growth from fees, sales taxes and ad valorem taxes due to the advent of the Eagle Ford and the Pearsall Oil and Gas Shales. However, a decline in the Oil and Gas industry has reduced fees, sales taxes and ad valorem taxes in the last year.

Requests for Information

This financial report is designed to provide our citizen's taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If questions are encountered regarding this report; contact the Gonzales County Auditor's Office; 414 St. Joseph Street, Suite 400; Gonzales, Texas 78629, or (830) 672-6397.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Primary Government	
	Governmental	
	Activities	Total
ASSETS		
Cash and Cash Equivalents	\$17,830,492	\$17,830,492
Receivables (net of allowance for uncollectibles)	3,057,598	3,057,598
Prepaid Expenses	51,906	51,906
Capital Assets Not Being Depreciated:		
Construction in Progress	2,344,413	2,344,413
Total Capital Assets Being Depreciated, Net		
Building and Improvements	7,359,671	7,359,671
Machinery and Equipment	5,708,581	5,708,581
Infrastructure	7,010,139	7,010,139
Total Assets	<u>\$43,362,800</u>	<u>\$43,362,800</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow of Resources-Contributions (after 12/31/15)	1,126,009	1,126,009
Deferred Outflow-Changes of assumptions	150,760	150,760
Deferred Outflow-Net difference between projected and actual earnings	1,179,587	1,179,587
Total Deferred Outflows of Resources	<u>2,456,356</u>	<u>2,456,356</u>
LIABILITIES:		
Accounts Payable	\$659,206	\$659,206
Accrued Wages	165,068	165,068
Accrued Interest Payable	4,586	4,586
Unearned Revenues	20,119	20,119
Noncurrent Liabilities:		
Due Within One Year	529,124	529,124
Due in More Than One Year	3,925,699	3,925,699
Total Liabilities	<u>5,303,802</u>	<u>5,303,802</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow-Differences between expected and actual experience	258,114	258,114
Total Deferred Inflows of Resources	<u>258,114</u>	<u>258,114</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	21,390,416	21,390,416
Restricted		
Construction	4,373,446	4,373,446
Debt Service	39,745	39,745
Elections	16,564	16,564
Financial Administration	16,166	16,166
General Administration	262,459	262,459
Judicial	181,899	181,899
Judicial - District Attorney	11,775	11,775
Public Safety	90,559	90,559
Public Safety - Sheriff	61,784	61,784
Public Transportation	7,697,983	7,697,983
Records Archives	344,047	344,047
Unrestricted	5,770,397	5,770,397
Total Net Position	<u>\$40,257,240</u>	<u>\$40,257,240</u>

The accompanying notes are an integral part of this statement.

GONZALES COUNTY, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position	Revenue and Changes in Net Position
					Governmental Activities	Total
Primary Government						
Government Activities:						
General Administration	\$2,539,868	\$327,628	\$25,200	\$0	(\$2,187,040)	(\$2,187,040)
Legal	570,200		3,935		(566,265)	(566,265)
Judicial	1,568,832	431,170	12,795		(1,124,867)	(1,124,867)
Financial Administration	881,018	430,207			(450,811)	(450,811)
Public Facilities	606,626			0	(606,626)	(606,626)
Public Safety	5,473,254	80,924	61,368		(5,330,962)	(5,330,962)
Public Transportation	4,381,819	926,497	59,043	1,175,982	(2,220,297)	(2,220,297)
Health and Welfare	4,420	26,150			21,730	21,730
Conservation - Agriculture	134,662				(134,662)	(134,662)
Interest and Fiscal Charges	54,112				(54,112)	(54,112)
Total Government Activities	<u>16,214,811</u>	<u>2,222,576</u>	<u>162,341</u>	<u>1,175,982</u>	<u>(12,653,912)</u>	<u>(12,653,912)</u>
Total Primary Government	<u>\$16,214,811</u>	<u>\$2,222,576</u>	<u>\$162,341</u>	<u>\$1,175,982</u>	<u>(12,653,912)</u>	<u>(12,653,912)</u>
General Revenues						
Property Taxes, Levies for General Purposes					13,176,651	13,176,651
Sales Taxes					1,902,895	1,902,895
Other Taxes					15,515	15,515
Oil Royalties					267	267
Unrestricted Investment Earnings					64,975	64,975
Miscellaneous					346,213	346,213
Total General Revenues and Transfers					<u>15,506,516</u>	<u>15,506,516</u>
Change in Net Position					2,852,604	2,852,604
Net Position - Beginning					<u>37,404,636</u>	<u>37,404,636</u>
Net Position - Ending					<u>\$40,257,240</u>	<u>\$40,257,240</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

GONZALES COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund	Road and Bridge	Debt Service Fund	Revolving Loan Fund	Energy Transportation Reinvestment	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$4,276,411	\$8,131,031	\$39,745	\$260,732	\$4,379,802	\$742,771	\$17,830,492
Receivables (net of allowance for uncollectibles)	1,305,368			552,649	99,921	17,243	1,975,181
Prepaid Items	32,501	19,405					51,906
Total Assets	\$5,614,280	\$8,150,436	\$39,745	\$813,381	\$4,479,723	\$760,014	\$19,857,579
LIABILITIES AND FUND BALANCES:							
Liabilities							
Accounts Payable	\$133,830	\$398,725		\$1,199	\$106,277	\$19,175	\$659,206
Accrued Wages	130,745	34,323				0	165,068
Deferred Revenues	5,000			552,649		15,119	572,768
Total Liabilities	269,575	433,048	0	553,848	106,277	34,294	1,397,042
DEFERRED INFLOWS OF RESOURCES							
Deferred Property Taxes	1,305,368						1,305,368
Total Deferred Inflows of Resources	1,305,368	0	0	0	0	0	1,305,368
Fund Balances:							
Non-Spendable							
Prepaid Items	32,501	19,405					51,906
Restricted							
Construction					4,373,446		4,373,446
Debt Service			39,745				39,745
Elections						16,564	16,564
Financial Administration						16,166	16,166
General Administration				259,533		2,926	262,459
Judicial						181,899	181,899
Judicial - District Attorney						11,775	11,775
Public Safety						90,559	90,559
Public Safety - Sheriff						61,784	61,784
Public Transportation		7,697,983					7,697,983
Records Archives						344,047	344,047
Unassigned	4,006,836						4,006,836
Total Fund Balance	4,039,337	7,717,388	39,745	259,533	4,373,446	725,720	17,155,169
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$5,614,280	\$8,150,436	\$39,745	\$813,381	\$4,479,723	\$760,014	\$19,857,579

The accompanying notes are an integral part of this statement.

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

Total Fund Balances - governmental funds balance sheet	\$17,155,169
Amounts reported for governmental activities in the statement of Net Position ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	22,422,804
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,635,066
Deferred Outflow of Resources-Contribution	1,126,009
Deferred Outflow-Changes of assumptions	150,760
Deferred Outflow-Net difference between projected and actual earnings	1,179,587
Deferred Inflow-Differences between expected and actual experience	(258,114)
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	1,305,368
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(4,459,409)
Net Position of Governmental Activities - Statement of Net Position	<u>\$40,257,240</u>

The accompanying notes are an integral part of this statement.

GONZALES COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Road and Bridge	Debt Service Fund	Revolving Loan Fund	Energy Transportation Reinvestment	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes							
Property	\$6,247,198	\$5,083,504	\$237,003		\$1,685,068		\$13,252,773
Sales	1,902,895						1,902,895
Other	15,515						15,515
Intergovernmental	41,001	59,043			1,175,982	62,297	1,338,323
Licenses and Permits	165,999	760,498					926,497
Charges for Services	1,025,870					197,715	1,223,585
Fines and Forfeitures	731,707						731,707
Oil Royalties	267						267
Interest	34,496	25,880	170	4,383		46	64,975
Miscellaneous	313,195	33,019					346,214
Total Revenues	10,478,143	5,961,944	237,173	4,383	2,861,050	260,058	19,802,751
EXPENDITURES							
Current:							
General Administration	2,537,652			1,802		18,142	2,557,596
Legal	581,275						581,275
Judicial	1,523,976					88,488	1,612,464
Financial Administration	909,611						909,611
Public Facilities	2,468,949						2,468,949
Public Safety	5,402,373					28,937	5,431,310
Public Transportation		5,209,477					5,209,477
Health and Welfare	4,420						4,420
Conservation - Agriculture	140,322						140,322
Capital Projects -							
Capital Outlay and Other					1,392,120		1,392,120
Debt Service							
Principal Retirement		207,522	205,000		88,760		501,282
Interest Retirement		14,348	40,789				55,137
Total Expenditures	13,568,578	5,431,347	245,789	1,802	1,480,880	135,567	20,863,963
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,090,435)	530,597	(8,616)	2,581	1,380,170	124,491	(1,061,212)
OTHER FINANCING SOURCES (USES):							
Principal Received on Loans				33,142			33,142
Other Financing Sources - Capital Lease		80,667					80,667
Total Other Financing Sources (Uses)	0	80,667	0	33,142	0	0	113,809
Net Changes in Fund Balances	(3,090,435)	611,264	(8,616)	35,723	1,380,170	124,491	(947,403)
Fund Balances - Beginning	7,129,772	7,106,124	48,361	223,810	2,993,276	601,229	18,102,572
Fund Balances - Ending	4,039,337	7,717,388	39,745	259,533	4,373,446	725,720	17,155,169

The accompanying notes are an integral part of this statement.

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

Net Changes in Fund Balances - Total Governmental Funds (\$947,403)

Amounts reported for governmental activities in the Statement of Net Position
("SNA") are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	3,746,542
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	(659,213)
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	126,466
Deferred Outflow-Changes of assumptions. This is the change in these amounts this year.	150,760
Deferred Outflow-Net difference between projected and actual earnings. This is the change in these amounts this year.	1,014,553
Deferred Inflow-Differences between expected and actual experience. This is the change in these amounts this year.	(197,871)
Increase in loan principal are receipts in the funds but not revenue in the SOA.	(80,667)
Repayment of principal on revolving loans is recognized as an other source of revenues in the funds but not in the SOA.	(33,143)
(Increase) decrease in compensated absences from beginning of period to end of period.	(27,723)
(Increase) decrease in accrued interest payable from beginning of period to end of period.	1,025
Other Post Employment Benefit expenses not requiring the use of current financial resources are not reported expenditures in the funds.	0
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(76,122)
(Increase) decrease in Net Pension Liability from beginning of period to end of period.	(665,882)
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	501,282
Change in Net Position of Governmental Activities - Statement of Activities	<u>\$2,852,604</u>

The accompanying notes are an integral part of this statement.

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

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<i>REVENUES</i>				
Taxes				
Property	\$6,495,344	\$6,495,344	\$6,247,198	(\$248,146)
Sales	3,112,786	1,825,000	1,902,895	77,895
Other	17,000	17,000	15,515	(1,485)
Intergovernmental	38,771	38,771	41,001	2,230
Licenses and Permits	109,860	109,860	165,999	56,139
Charges for Services	1,181,553	1,181,553	1,025,870	(155,683)
Fines and Forfeitures	699,100	699,100	731,707	32,607
Oil Royalties	3,000	3,000	267	(2,733)
Interest	30,688	30,688	34,496	3,808
Miscellaneous	152,245	152,245	313,195	160,950
Total Revenues	11,840,347	10,552,561	10,478,143	(74,418)

EXPENDITURES

Current:

General Administration				
County Clerk	425,772	425,688	419,232	6,456
County Judge	261,341	263,227	249,650	13,577
Elections	23,900	30,271	25,120	5,151
Human Resources	68,903	68,903	62,585	6,318
Non-Departmental	1,037,320	1,741,097	1,640,552	100,545
Records Management	115,111	115,111	110,530	4,581
Veterans Service	32,231	32,431	29,983	2,448
Legal				
County Attorney	593,578	600,350	581,275	19,075
Judicial				
County Court	170,250	181,750	170,493	11,257
District Clerk	371,401	372,496	354,672	17,824
District Court	319,339	331,244	327,806	3,438
Justice of the Peace	734,179	741,807	671,005	70,802
Financial Administration				
County Auditor	269,718	269,718	224,347	45,371
County Treasurer	147,390	147,390	139,654	7,736
Tax Assessor-Collector	588,022	589,372	545,610	43,762
Public Facilities				
Courthouse	1,114,060	2,601,194	2,468,949	132,245
Public Safety				
Constables	336,283	339,241	317,110	22,131
D.P.S.	77,198	77,198	73,904	3,294
Jail	2,145,573	2,192,694	2,184,128	8,566
Sheriff	2,692,840	2,792,993	2,718,967	74,026
Code Enforcement	133,284	133,284	108,264	25,020

(continued)

(continued)

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Health and Welfare				
Indigent Services	\$8,000	\$8,000	\$4,420	\$3,580
Conservation - Agriculture				
Agriculture Extension Service	166,970	166,970	140,322	26,648
Total Expenditures	<u>11,832,663</u>	<u>14,222,429</u>	<u>13,568,578</u>	<u>653,851</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>7,684</u>	<u>(3,669,868)</u>	<u>(3,090,435)</u>	<u>579,433</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	0	0		0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Changes in Fund Balances	7,684	(3,669,868)	(3,090,435)	579,433
Fund Balances - Beginning	<u>7,129,772</u>	<u>7,129,772</u>	<u>7,129,772</u>	
Fund Balances - Ending	<u>\$7,137,456</u>	<u>\$3,459,904</u>	<u>\$4,039,337</u>	<u>\$579,433</u>

The accompanying notes are an integral part of this statement.

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

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$5,355,523	\$5,355,523	\$5,083,504	(\$272,019)
Intergovernmental	22,032	22,032	59,043	37,011
Licenses and Permits	821,728	821,728	760,498	(61,230)
Interest	22,400	22,400	25,880	3,480
Miscellaneous	32,144	32,144	33,019	875
Total Revenues	6,253,827	6,253,827	5,961,944	(291,883)
EXPENDITURES				
Current				
Public Transportation				
Road and Bridge	6,150,562	6,276,309	5,209,477	1,066,832
Debt Service				
Principal Retirement	198,140	209,000	207,522	1,478
Interest Retirement	5,000	14,397	14,348	49
Total Expenditures	6,353,702	6,499,706	5,431,347	1,068,359
Excess (Deficiency) of Revenues Over (Under) Expenditures	(99,875)	(245,879)	530,597	776,476
OTHER FINANCING SOURCES (USES):				
Other Financing Sources - Capital Lease	0	0	80,667	80,667
Operating Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	80,667	80,667
Net Changes in Fund Balances	(99,875)	(245,879)	611,264	857,143
Fund Balances - Beginning	7,106,124	7,106,124	7,106,124	
Fund Balances - Ending	\$7,006,249	\$6,860,245	\$7,717,388	\$857,143

GONZALES COUNTY, TEXAS
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$233,362	\$233,362	\$237,003	\$3,641
Interest	240	240	170	(70)
Total Revenues	<u>233,602</u>	<u>233,602</u>	<u>237,173</u>	<u>3,571</u>
EXPENDITURES				
Debt Service				
Principal Retirement	205,000	205,000	205,000	0
Interest Retirement	40,789	40,789	40,789	0
Total Expenditures	<u>245,789</u>	<u>245,789</u>	<u>245,789</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,187)	(12,187)	(8,616)	3,571
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Changes in Fund Balances	(12,187)	(12,187)	(8,616)	3,571
Fund Balances - Beginning	48,361	48,361	48,361	
Fund Balances - Ending	<u>\$36,174</u>	<u>\$36,174</u>	<u>\$39,745</u>	<u>\$3,571</u>

GONZALES COUNTY, TEXAS
 REVOLVING LOAN FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Interest	\$8,427	\$8,427	\$564	(\$7,863)
Total Revenues	8,427	8,427	564	(7,863)
EXPENDITURES				
Current:				
General Administration				
General Administration	2,400	2,400	1,802	598
Total Expenditures	2,400	2,400	1,802	598
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,027	6,027	(1,238)	(7,265)
OTHER FINANCING SOURCES (USES):				
Principal Received on Loans	76,841	76,841	36,961	(39,880)
Operating Transfers Out				0
Total Other Financing Sources (Uses)	76,841	76,841	36,961	(39,880)
Net Changes in Fund Balances	82,868	82,868	35,723	(47,145)
Fund Balances - Beginning	223,810	223,810	223,810	
Fund Balances - Ending	\$306,678	\$306,678	\$259,533	(\$47,145)

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

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

	Agency Funds	Private Purpose Trust Funds <u>Permanent</u> School Fund
ASSETS		
Cash and Cash Equivalents	\$2,187,869	\$198,219
Receivables (net of allowance for uncollectibles)	0	
Due from Others	0	
Total Assets	<u>\$2,187,869</u>	<u>\$198,219</u>
LIABILITIES		
Accounts Payable	\$0	\$0
Due to Others	2,187,869	0
Total Liabilities	<u>2,187,869</u>	<u>0</u>
NET POSITION		
Held in Trust-Unexpendable	0	198,219
Total Net Position	<u>\$0</u>	<u>\$198,219</u>

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

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

	Private Purpose Trust Funds
	<u>Permanent School Fund</u>
ADDITIONS	
Contributions:	
Private Donations	\$0
Intergovernmental	
Total Contributions	<u>0</u>
Investment Earnings:	
Interest Received	570
Total Investment Earnings	<u>570</u>
Less Investment Expense	<u>0</u>
Net Investment Earnings	<u>570</u>
TOTAL ADDITIONS	<u>570</u>
DEDUCTIONS	
Culture and Recreation-History	
Total Deductions	<u>0</u>
Change in Net Position	570
Net Position-Beginning	197,649
Net Position-Ending	<u><u>\$198,219</u></u>

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

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

I. Summary of Significant Accounting Policies

A. Reporting entity

Gonzales County operates under a County Judge – Commissioner’s Court type of government and provides the following services throughout the County: public safety (fire, ambulance, and law enforcement), public transportation (highways and roads), health and welfare, culture and recreation, conservation (agriculture), public facilities, judicial and legal, election functions, and general and financial administrative services. The accounting policies of Gonzales County, Texas, (the County) conform to generally accepted accounting principles. The County also applies all relevant Government Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies.

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

B. Government-Wide and Fund Financial Statements

The County’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental Activities for the County accompanied by a total column.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the County’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the County are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities, which are presented as internal balances and eliminated in the total primary government column. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the Net Position and changes in Net Position presented in the Government-Wide financial statements. The County has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the County, are property tax, sales taxes, intergovernmental revenues and charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The road and bridge fund accounts for the activities of the government's road and bridge operations.

The debt service fund is used to service the County's bonds payable.

The revolving loan fund accounts for the past federal grant monies to help local businesses defray business costs associated with either business start-up or expansion.

The energy transportation reinvestment fund accounts for state grant monies and ad valorem tax monies which are located in the zone; to help with the government's road re-building.

In addition, the County reports the following fund types:

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support County programs, these funds are not included in the government-wide statements.

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Government and the District to invest in obligations of the U.S. Treasury. Investments for the Government are reported at fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances."

C. Assets, Liabilities, and Net Assets or Equity (continued)

2. Receivables and Payables (continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of an allowance for uncollectible. The property tax receivable allowance is equal to a total of 1 percent of the current outstanding property taxes at September 30, 2016 and 10 percent of the delinquent outstanding property taxes at September 30, 2016.

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the County bills the taxpayers. The County begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and Prepaid Items

Inventories of materials and supplies held by the General Fund are considered immaterial and thus are not accounted for in the Balance Sheet. In the General Fund, disbursements for supplies and materials are considered to be expenditures at the time of purchase. There were no inventory items at September 30, 2016.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Restricted Assets

There were no restricted assets at September 30, 2016.

C. Assets, Liabilities, and Net Assets or Equity (continued)

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. The major capital asset events during the current fiscal year were major road renovations pursuant to a Texas State TIF Grant and Randal – Rather Building renovation.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building Improvements	20
System Infrastructure	30
Vehicles	5
Office Equipment	5
Computer Equipment	5

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in government-wide financial statements.

C. Assets, Liabilities, and Net Assets or Equity (continued)

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expenses in the year of occurrence.

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.

8. Fund Balances – Governmental Funds

As of September 30, 2016, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Unassigned — all other spendable amounts.

C. Assets, Liabilities, and Net Assets or Equity (continued)

8. Fund Balances – Governmental Funds (continued)

As of September 30, 2016, fund balances are composed of the following:

Fund Balances:	
Non-Spendable	
Prepaid Items	\$51,906
Restricted	
Construction	4,373,446
Debt Service	39,745
Elections	16,564
Financial Administration	16,166
General Administration	262,459
Judicial	181,899
Judicial - District Attorney	11,775
Public Safety	90,559
Public Safety - Sheriff	61,784
Public Transportation	7,697,983
Records Archives	344,047
Unassigned	<u>4,006,836</u>
Total Fund Balance	<u>\$17,155,169</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Commissioner's Court or the finance committee has provided otherwise in its commitment or assignment actions.

In fiscal year 2011, the Commissioner's Court adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year end to be at least equal to 20 percent of the subsequent year's budgeted General Fund expenditures.

C. Assets, Liabilities, and Net Assets or Equity (continued)

9. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is deferred under GASB 68.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government only has one item that qualifies for reporting in this category. It is deferred under GASB 68.

The County reports unearned revenue on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the “measureable” and “available” criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the County and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized. Pursuant to GASB 65 we have included deferred ad valorem taxes as deferred inflows in the fund financial statements.

10. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

II. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and Net Position - governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$4,459,409 difference are as follows:

Bonds Payable	\$895,000
Capital Lease Payable	137,388
Accrued Interest Payable	4,586
GASB 45 Payable	189,504
Compensated Absences	244,166
Net Pension Liability	<u>2,988,765</u>
	<u>\$4,459,409</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in Net Position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds" report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$22,422,804 difference are as follows:

Capital Assets Not Being Depreciated	\$2,344,413
Capital Assets Being Depreciated	28,049,198
Accumulated Depreciation	(7,970,807)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$22,422,804</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles)." The details of this \$1,305,368 difference are as follows:

Property Taxes Receivable	\$1,415,407
Allowance for Doubtful Accounts	<u>(110,039)</u>
Net	<u>\$1,305,368</u>

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of Net Position. (continued)

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds." The details of this \$1,635,066 difference are as follows:

Fines and Fees Receivable	\$3,608,056
Allowance for Doubtful Accounts	(2,525,639)
Principal on Revolving Loans	552,649
Net	<u>\$1,635,066</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$3,746,542 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$3,362,152
Capital Outlay - Additions - Being Depreciated	9,213,647
Capital Outlay - Reclassifications - Net	(7,387,110)
Depreciation Expense	(1,442,147)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$3,746,542</u>

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

The original budget is adopted by the Commissioner's Court and filed with the County Clerk. Amendments are made during the year on approval by the Commissioner's Court.

The final amended budget is used in this report. The budget should not be exceeded in any expenditure category under State law. Unused appropriations lapse at the end of each year. The County Judge is, by statute, the Budget Officer of the County. He usually requests and relies on the assistance of the County Auditor to prepare the annual budget. After being furnished budget guidelines by the Commissioner's Court, the County Auditor prepares an estimate of revenues and a compilation of requested departmental expenditures and submits this data to the Commissioner's Court.

The Commissioner's Court invites various department heads to appear for a hearing concerning the departments' budget requests. Before determining the final budget, the Commissioner's Court may increase or decrease the amounts requested by the various departments. Amounts finally budgeted may not exceed the County Auditor's estimate of revenues and available cash. The final budget can be legally amended by the Commissioner's Court to whatever extent the Court desires as long as the amended figures do not exceed the County Auditor's estimate of revenues and available cash.

When the Budget has been adopted by the Commissioner's Court, the County Auditor is responsible for monitoring the expenditures of the various departments of the County to prevent expenditures from exceeding budgeted appropriations and for keeping the members of the Commissioner's Court advised of the condition of the various funds and accounts. The level of control for each legally adopted annual operating budget is the fund.

Budgets for all budgeted General and Special Revenue Funds are adopted on a budgetary basis which is in conformity with generally accepted accounting principles (GAAP). Budgets for the 2016 fiscal year were adopted for the General Fund, the Road and Bridge Fund, the Debt Service Fund, the Revolving Loan Fund, the Energy Transportation Reinvestment Fund, and other applicable non-major governmental funds.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2016, expenditures did not exceed appropriations in any funds.

C. Deficit fund equity

The county had no deficit fund balances as of September 30, 2016.

IV. Detailed Notes on All Funds

A. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments:

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 compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments:

The County does have a depository contract, and in compliance with the Public Funds Investment Act; the County has adopted an investment policy. That policy does address the following risks:

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government has an investment policy for custodial credit risk. As of September 30, 2016, the government's bank balance of \$17,323,266 was not exposed to custodial credit risk. The fair market value of the securities pledged is \$21,000,000 and the FDIC coverage is \$250,000. The book balance of the deposits was \$14,643,145. The collateral is securities held by the pledging financial institution's trust department or agent, in the government's name.

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

State statute authorizes the County to invest in obligations of, or guaranteed by, governmental entities, certificates of deposits, bankers acceptances, commercial paper, no load money market mutual funds, repurchase agreements, and investment pools. Investments for the County are reported at fair value. The Pooled Cash Accounts at September 30, 2016 consist of \$3,187,347 in Tex-Pool Accounts. The pooled accounts are not SEC regulated but are governed by an independent board of directors and operate in accordance with state laws and regulations. The reported values of the pools are the same as the fair value of the pooled shares which are acquired at a cost of \$1 each.

In conclusion, at September 30, 2016:

Investments - The County does have a formal investment policy, but it had no investments at September 30, 2016. The County participates in pooled accounts as discussed above. The County prefers these accounts due to the decrease in risk and also the high liquidity benefit.

Interest rate risk- The County does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The County feels that with pooled accounts, this risk is very low due to their high liquidity.

Credit risks - Standard and Poor's has issued credit ratings of AAAM to Tex Pool.

It is the County's policy to limit its investment to top ratings issued by nationally recognized statistical ratings organizations.

Custodial credit risk - For an investment, custodial credit risk is the risk that in the event of the failure of the counter party, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no policy on custodial credit risk but feels that its pooled accounts are low risk.

Concentration of credit risk - The County places no limit on the amount that the County may invest in any one issuer. The County is currently using the less risky pooled accounts and plans to continue to do so in the future.

IV. Detailed Notes on All Funds (continued)

B. Receivables

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

	General	Revolving Loan Fund	Energy Transportation Reinvestment	Other Governmental Funds	Total
<u>Receivables</u>					
Property Taxes	\$1,415,407				\$1,415,407
Fines	3,608,056				3,608,056
Accounts		552,649			552,649
Other			99,921	17,243	117,164
Gross receivables	5,023,463	552,649	99,921	17,243	5,693,276
Less: Allowance for uncollectibles	2,635,678				2,635,678
Net total receivables	<u>\$2,387,785</u>	<u>\$552,649</u>	<u>\$99,921</u>	<u>\$17,243</u>	<u>\$3,057,598</u>

C. Capital Assets

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

Governmental Activities:	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Construction in Progress	\$6,172,063	\$3,362,152	\$7,189,802	\$2,344,413
Total capital assets not being depreciated:	6,172,063	3,362,152	7,189,802	2,344,413
Capital assets being depreciated:				
Building and Improvements	10,969,706	47,011	0	11,016,717
Machinery, Equipment and Vehicles	8,319,079	1,976,834	545,536	9,750,377
Infrastructure	92,302	7,189,802	0	7,282,104
Total capital assets being depreciated:	19,381,087	9,213,647	545,536	28,049,198
Less: Accumulated Depreciation for:				
Building and Improvements	3,440,727	216,319	0	3,657,046
Machinery, Equipment and Vehicles	3,413,086	976,938	348,228	4,041,796
Infrastructure	23,075	248,890	0	271,965
Total Accumulated Depreciation	6,876,888	1,442,147	348,228	7,970,807
Total Capital Assets Depreciated, Net	12,504,199	7,771,500	197,308	20,078,391
Governmental Activities capital assets, Net	<u>\$18,676,262</u>	<u>\$11,133,652</u>	<u>\$7,387,110</u>	<u>\$22,422,804</u>

The 2015-2016 depreciation is as follows:

Governmental activities	
General Administration	\$16,025
Legal	6,959
Financial Administration	2,750
Public Facilities	163,159
Public Safety	217,435
Public Transportation	<u>1,035,819</u>
Total depreciation expense - governmental activities	<u>\$1,442,147</u>

The infrastructure capital assets were not fully depreciated at September 30, 2016.

Construction commitments

The major capital asset events during the current fiscal year were major road renovations pursuant to a Texas State TIF Grant and Randal – Rather Building renovation.

D. Interfund Receivables, Payables, and Transfers

There were no due to/from other funds at September 30, 2016. There were no interfund balances as of September 30, 2016. There were no advances at September 30, 2016. There were no transfers during the year.

E. Leases

Operating Leases

The government leases equipment under noncancelable operating leases. Total costs for such leases were \$166,120 for the year ended September 30, 2016. The future minimum lease payments for these leases are as follows:

Year Ending Sep. 30	<u>Amount</u>
2017	\$ 159,156
2018	159,156
2019	140,872
2020	23,641
2021	<u>4,119</u>
Total	<u>\$ 486,944</u>

Rent expenditures were \$0 for the year ended September 30, 2016. Sublease rental income was \$0 for the year ended September 30, 2016.

F. Long-Term Debt

Capital Leases: The government has entered into one capital lease agreements as lessee for financing the acquisition of one (1) JD 624 K Loader, one (1) 2016 Freightliner, and one (1) Volvo Motorgrader. This lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of its future minimum lease payments as of the inception date. The security pledged for the capital leases is the equipment financed.

Assets acquired through capital leases are as follows:

Precinct Number	PUBLIC TRANSPORTATION			TOTAL
	1	2	2	
Asset:		2012	2016	
		VOLVO MOTOR- GRADER	FREIGHTLINER CAB TRACTOR	
Cost	\$149,850	\$132,603	\$105,467	\$387,920
Less: Accumulated Depreciation	34,965	39,781	10,547	85,293
Total	\$114,885	\$92,822	\$94,920	\$302,627

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016, were as follows:

Year Ending Sep. 30	2012	2016	TOTAL
	JD 624K LOADER	VOLVO MOTOR- GRADER	
2017	\$33,868	\$28,498	\$79,826
2018	16,934		34,394
2019			17,460
2020			17,460
Total	50,802	28,498	149,140
Less: Amount Representing Interest	6,991	458	11,752
Present Value of Minimum Lease Payments	\$43,811	\$28,040	\$137,388

The above debt is to be serviced by the General Fund.

Bonds

The government issued a General Obligation Refunding Bond, Series 2006. The security for the bonds is the ad valorem taxes of the County to be put into a debt service fund.

Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Refunding Bonds - Series 2006	3.55-4.15%	\$1,100,000

The following is a summary of debt service requirements to maturity.

September 30,	<u>Principal</u>	
2017	\$210,000	\$32,446
2018	220,000	23,716
2019	230,000	14,491
2020	235,000	4,878
TOTALS	<u>\$895,000</u>	<u>\$75,531</u>

The changes in long-term liabilities are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	<u>Summary</u>	
					<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
<u>Governmental Activities:</u>						
Bonds Payable	\$1,100,000	\$0	\$205,000	\$895,000	\$210,000	\$685,000
Capital Lease Payable	353,003	80,667	296,282	137,388	74,958	62,430
GASB 45 Payable	189,504			189,504		189,504
Net Pension Liability	2,322,883	665,882		2,988,765		2,988,765
Compensated Absences Payable	216,443	244,166	216,443	244,166	244,166	0
	<u>4,181,833</u>	<u>990,715</u>	<u>717,725</u>	<u>4,454,823</u>	<u>529,124</u>	<u>3,925,699</u>
Grand Total	<u>\$4,181,833</u>	<u>\$990,715</u>	<u>\$717,725</u>	<u>\$4,454,823</u>	<u>\$529,124</u>	<u>\$3,925,699</u>

The general fund and the road and bridge fund are used to service the compensated absences. The estimated amount due in the 2016-17 year is \$244,166. The compensated absences are deemed to be current liabilities.

The government-wide statement of activities includes \$529,124 as "non-current liabilities, due within one year".

The total amount of interest expensed in 2015-2016 is \$54,112.

The net pension liability is discussed in note F below. For a discussion of other post employee benefits please see part V E in these notes.

V. Other Information

A. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no instances where settlements exceeded insurance coverage in any of the three previous years.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

	Year ended <u>09/30/15</u>	Year ended <u>09/30/16</u>
Unpaid Claims, Beginning of Fiscal Year	\$ -0-	\$ -0-
Included Claims (including IBNRs)		
Claim Payments	<u> </u>	<u> </u>
Unpaid Claims, End of Fiscal Year	<u>\$ -0-</u>	<u>\$ -0-</u>

1. General Liability Insurance

The County is insured for general, police officers and automobile liability.

The County has joined together with other governments in the Texas Association of Counties Risk Management Pool. The County pays an annual premium to Risk Management for auto vehicle insurance coverage. The agreement with Risk Management provides that Risk Management will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$100,000 to \$300,000 for each insurance event. The County anticipates no contingent losses.

Texas Association of Counties Risk Management Pool has published its own financial report that can be obtained from the Texas Association of Counties Risk Management Pool.

The County continues to carries commercial fidelity bonds for elected officials and for management.

2. Property and Casualty Insurance

Property, casualty, mobile equipment insurance is provided by Texas Association of Counties Risk Management Pool.

3. Workers' Compensation Insurance

The County insures against workers' compensation claims through Texas Association of Counties Risk Management Pool.

4. Group Health and Life Insurance

The County maintains a group health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

5. Unemployment Compensation Insurance

The County insures for unemployment compensation claims through an agreement with the Texas Association of Counties.

B. Related Party Transaction

There were no related party transactions in the 2016 fiscal year.

C. Subsequent Events

There are no subsequent events requiring disclosure.

D. Contingent Liabilities

Amounts received or receivable from grant 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 that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The County was not a defendant in any lawsuit at September 30, 2016.

E. Other Post Employment Benefits

Plan Description General

Beginning in fiscal year 2010, the County implemented GASB Statement No.45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (OPEB) to prospectively account for the Gonzales County Retiree Health Care Plan (a single employer plan). In connection with such implementation, the County has commissioned an actuarial study from an outside consultant to quantify the amount of the County's OPEB obligations. This study indicates an unfunded actuarial accrued liability of \$342,219 as of October 1, 2012.

The plan was approved by the Commissioners Court and they may amend the plan. The County will have a valuation study every third year. A copy may be obtained from the County.

OPEB Plan Eligibility

The County provides County funded/paid retiree health care coverage upon meeting the following eligibility requirements:

Eligibility

Eligible retired employees and elected officials of the County shall be entitled to health insurance coverage under the County's group medical coverage policy. The eligible employee or official will be entitled to coverage beginning in the month following the attainment of age set under the following paragraph and continuing until the last month before the employee is eligible for and covered by Medicare coverage under federal law.

Eligibility Requirements Elected officials or employees utilizing the benefit under the paragraph above must meet the requirements set out in one of the following paragraphs: a. Have served at least 25 years with the County and have attained the age of fifty-nine and one-half (59 1/2) years. County service may include any credit for military service allowed by the County retirement system. b. Have served at least 30 years with the County and have attained the age of fifty-seven (57) years. County service may include any credit for military service allowed by the County retirement system.

Coverage for Officials with Less Than 25 Years of Service

Post employment health benefits for elected officials with at least eight years of service but less than 25 years of service, and are vested in the County retirement system, shall be allowed to participate in the health insurance coverage under the County group medical insurance. Participation shall be entirely at the employee's own expense and may continue until the employee is eligible for Medicare coverage under federal law. Elected employees utilizing this benefit must have served at least eight years with the County. Failure to comply with any requirement of participation as outlined in section 3.12 of the County's personnel policy or failure to timely pay premiums may result in the loss of coverage.

Funding Policies

The County has elected to fund the plan on a current pay as you go (PAYGO), i.e., the annual contributions each year are equal to the benefits that are paid on behalf of the retirees. Under this funding policy, GASB 45 requires the use of a discount rate consistent with the investment return on the employer's general assets. In the valuation, the discount rate is 4.5%.

The actuarially determined contribution requirement for the County is computed through an actuarial valuation performed as of December 1, 2011. The actuarial valuation is performed to determine the adequacy of the contribution rate, to describe the current financial condition of the OPEB and to analyze changes to conditions. Actuarial valuations deal with the cost benefits to be paid in the future. The payments considered will range from one month in the future to decades from the valuation date (for a young, newly hired employee who may retire many years from now and live many years after that). In order to establish a present day cost for these future benefit obligations, the actuary bases the valuation on a number of assumptions about future occurrences. The occurrences that must be considered include employee turnover, pay increases, disablement, retirements, deaths and investment income on anticipated plan assets.

Actuarial calculations reflect a long-term perspective and employs methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions are as follows:

Significant Actuarial Assumptions: Actuarially assumed investment rate	4.5% per annum compounded annually net after investment expenses
Mortality rates for males and females Retirement, disablement and separation rates	Retirement Plans 2000 Health Mortality Table Graduated rates based on age (detailed in the Actuary's report)
Actuarial cost method General inflation Payroll growth rate Health cost increase	The projected unit credit cost method 3.0% per annum. Initial rate of 8.5% declining to an ultimate rate of 4.5% after 8 years
Method for determining the actuarial value of assets Amortization method	Market value of assets 30 years, open amortization

The following table shows the components of the County's annual OPEB cost for the year:

Annual required 2014 contributions Interest on OPEB obligations	\$	40,305
Adjustment to annual required contributions		<hr/>
Annual OPEB cost (expense)	\$	40,305
Net estimated employer contributions		
Net OPEB obligations, beginning of year		149,199
Net OPEB, end of year	\$	<hr/> 189,504

	Annual OPEB Cost	Employer Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Fiscal Year ending:</u>				
9/30/12	\$41,488	66,661	160.7%	62,013
9/30/13	\$43,593		0.0%	105,606
9/30/14	\$43,593		0.0%	149,199
9/30/15	\$40,305		0.0%	189,504

Trend data:				12/31/2008	12/31/2011
Actuarial valuation date				<hr/>	<hr/>
Actuarial value of assets	Actuarial	Accrued	Liability (AAL)	\$ 401,927	\$ 342,219
Unfunded AAL (UAAL)				\$ 401,927	\$ 342,219
Fund ratio				0.00%	0.00%
Covered wages				\$ 3,968,526	\$4,125,333
UAAL as a percent of covered payroll				10.13%	8.29%

F. Summary of TCDRS Funding Policy

Net Pension Liability / (Asset)

Net Pension Liability / (Asset)	December 31, 2014	December 31, 2015
Total pension liability	\$17,224,221	\$18,523,821
Fiduciary net position	14,901,338	15,535,056
Net pension liability / (asset)	2,322,883	2,988,765
Fiduciary net position as a % of total pension liability	86.51%	83.87%
Pensionable covered payroll ⁽¹⁾	\$5,910,589	\$6,546,416
Net pension liability as a % of covered payroll	39.30%	45.65%

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

Note: Rounding differences may exist above or in other tables in this report.

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

Discount Rate

Discount rate ⁽²⁾	8.10%	8.10%
Long-term expected rate of return, net of investment expense ⁽²⁾	8.10%	8.10%
Municipal bond rate ⁽³⁾	Does not apply	Does not apply

⁽²⁾ This rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68.

⁽³⁾ The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply. See page 6 of this report for further details.

Other Key Actuarial Assumptions

Updated mortality assumptions were adopted in 2015. All other actuarial assumptions that determined the total pension liability as of December 31, 2015 were based on the results of an actuarial experience study for the period January 1, 2009 - December 31, 2012, except where required to be different by GASB 68.

See Appendix B of this report (Actuarial Methods and Assumptions Used for GASB Calculations) for a listing of key assumptions used in the calculation of the total pension liability and other GASB 68 metrics.

See Appendix C (Actuarial Methods and Assumptions Used for Funding Valuation) of this report for a full description of the actuarial assumptions used in the funding valuation.

	Beginning Date	Ending Date
Valuation date	Dec. 31, 2014	Dec. 31, 2015
Measurement date	Dec. 31, 2014	Dec. 31, 2015
Employer's fiscal year	October 1, 2015	September 30, 2016

Depletion of Plan Assets / GASB Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

As additional documentation for auditing purposes, we have shown the projection of the Fiduciary Net Position in the following exhibit ("Projection of Fiduciary Net Position").

Projection of Fiduciary Net Position*

Calendar Year Ending**	Projected Beginning Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses*** (d)	Projected Investment Earnings (e)	Projected Ending Fiduciary Net Position (a)+(b)-(c)-(d)+(e)
2016	\$15,535,056	\$1,430,365	\$1,112,299	\$15,535	\$1,270,353	\$17,107,940
2017	17,107,940	1,391,756	1,067,328	17,108	1,397,947	18,813,208
2018	18,813,208	1,369,023	1,157,034	18,813	1,531,541	20,537,925
2019	20,537,925	1,349,966	1,270,591	20,538	1,665,908	22,262,670
2020	22,262,670	1,338,639	1,383,154	22,263	1,800,624	23,996,517
2021	23,996,517	1,328,194	1,482,800	23,997	1,936,625	25,754,541
2022	25,754,541	1,324,657	1,570,443	25,755	2,075,335	27,558,335
2023	27,558,335	1,319,093	1,673,645	27,558	2,217,051	29,393,275
2024	29,393,275	1,315,567	1,764,617	29,393	2,361,856	31,276,687
2025	31,276,687	1,312,786	1,877,361	31,277	2,509,750	33,190,585
2035	53,242,207	1,369,152	2,864,814	53,242	4,251,109	55,944,413
2045	88,410,003	1,602,480	3,618,102	88,410	7,077,656	93,383,627
2055	162,306,818	2,124,894	3,561,207	162,307	13,083,369	173,791,567
2065	337,774,393	2,967,027	2,643,752	337,774	27,359,150	365,119,043
2075	747,420,983	4,183,170	1,441,512	747,421	60,620,294	810,035,513
2085	1,669,781,595	5,900,775	485,583	1,669,782	135,401,045	1,808,928,051
2095	3,701,311,399	8,323,625	74,244	3,701,311	299,986,834	4,005,846,304

* Projection values include no assumption for future cost-of-living adjustments.

** Note that only select years have been shown for formatting purposes

*** Administrative expenses are assumed to be 0.10% of Fiduciary Net Position.

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Pension Liability / (Asset)	Total Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2014	\$17,224,221	\$14,901,338	\$2,322,883
Changes for the year:			
Service cost	857,720		857,720
Interest on total pension liability ⁽¹⁾	1,401,918		1,401,918
Effect of plan changes ⁽²⁾	(138,275)		(138,275)
Effect of economic/demographic gains or losses	(272,441)		(272,441)
Effect of assumptions changes or inputs	188,450		188,450
Refund of contributions	(52,945)	(52,945)	0
Benefit payments	(684,826)	(684,826)	0
Administrative expenses		(10,993)	10,993
Member contributions		458,249	(458,249)
Net investment income		(73,671)	73,671
Employer contributions		961,758	(961,758)
Other ⁽³⁾	0	36,146	(36,146)
Balances as of December 31, 2015	\$18,523,821	\$15,535,056	\$2,988,765

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

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

⁽³⁾ Relates to a/location 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 Gonzales County net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$20,792,674	\$18,523,821	\$16,623,152
Fiduciary net position	15,535,056	15,535,056	15,535,056
Net pension liability/ (asset)	\$5,257,619	\$2,988,765	\$1,088,096

Pension Expense / (Income)

Pension Expense/(Income)	January 1, 2015 to December 31, 2015
Service cost	\$857,720
Interest on total pension liability ⁽¹⁾	1,401,918
Effect of plan changes	(138,275)
Administrative expenses	10,993
Member contributions	(458,249)
Expected investment return net of investment expenses	(1,246,093)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(74,569)
Recognition of assumption changes or inputs	37,690
Recognition of investment gains or losses	305,211
Other ⁽²⁾	(36,146)
Pension expense / (income)	\$660,200

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

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

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

Deferred Inflows/ Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$258,114	\$0
Changes of assumptions	0	150,760
Net difference between projected and actual earnings	0	1,179,587
Contributions made subsequent to measurement date ⁽³⁾	N/A	Employer determined

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	\$268,332
2017	268,332
2018	288,413
2019	247,155
2020	0
Thereafter ⁽⁴⁾	0

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

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

Schedule of Deferred Inflows and Outflows of Resources

Original Amount	Date Established	Original Recognition Period ⁽¹⁾	Amount Recognized in 12/31/2015 Expense ⁽¹⁾	Balance of Deferred Inflows 12/31/2015	Balance of Deferred Outflows 12/31/2015
<i>Investment (gains) or losses</i>					
\$1,319,764	12/31/2015	5.0	\$263,953	\$0	\$1,055,811
206,293	12/31/2014	5.0	41,259	0	123,776
<i>Economic/ demographic (gains) or losses</i>					
(272,441)	12/31/2015	5.0	(54,488)	217,953	0
(80,324)	12/31/2014	4.0	(20,081)	40,162	0
<i>Assumption changes or inputs</i>					
188,450	12/31/2015	5.0	37,690	0	150,760
0	12/31/2014	4.0	0	0	0
<i>Employer contributions made subsequent to measurement date ⁽²⁾</i>					
_____			Employer Determined	_____	

⁽¹⁾ Investment (gains)/losses are recognized in pension expense over a period of five years; economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active, inactive, and retired members.

⁽²⁾ Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end should be reflected as outlined in Appendix D of this report.

Appendix A-GASB 68 Plan Description for Gonzales County

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

- a. Gonzales 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 Jan. 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 Gonzales County contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the county and are currently 7%. Contributions to the pension plan from the county for 2015 are shown in the chart on the prior page.
- e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, www.tcdrs.org.

Membership Information

Members	Dec. 31, 2014	Dec. 31, 2015
Number of inactive employees entitled to but not yet receiving benefits:	77	81
Number of active employees:	154	157
Average monthly salary*:	\$3,272	\$3,487
Average age*:	44.68	44.66
Average length of service in years*:	7.99	7.81

Inactive Employees (or their Beneficiaries) Receiving Benefits

Number of benefit recipients:	74	79
Average monthly benefit:	\$730	\$768

**Averages reported for all active and inactive employees. Average service includes all proportionate service.*

Appendix D-Contributions Made Subsequent to Measurement Date

GASB Statement No. 71 ("GASB 71"), *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, requires employer contributions made between the measurement date, which is the date used to determine an employer's net pension liability ("NPL"), and the employer's fiscal year end be reported as a deferred outflow of resources ("DOoR"). The statement "requires a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability."

For GASB valuation purposes, TCDRS' consulting actuary will compute each participating employer's NPL as of Dec. 31 of each year. Employers that have a fiscal year end other than Dec. 31 will need to account for pension contributions (employer; not employee contributions and group term life premiums) made between Dec. 31 and the employer's fiscal year end as a DOoR. These contributions will not be reported to you as part of this GASB report; employers can access their monthly employer activity statements, which display contributions made by the employer, along with any group term life premium offsets, via the TCDRS Employer Portal.

An example may help. An employer, with a March 31 fiscal year end, will implement GASB 68 requirements for its fiscal year end March 31, 2016. To transition to the new GASB requirements, the employer will record:

- a beginning NPL determined as of the Dec. 31, 2014 measurement date, and
- a beginning DOoR for pension contributions made after Dec. 31, 2014 through the beginning of the employer's fiscal year, which equates to March 31, 2015.

The employer's Dec. 31, 2014 NPL is computed to be \$1,000,000. The employer's pension contributions made after Dec. 31, 2014 to March 31, 2015 total \$200,000. The initial implementation entry would be:

	Debit	Credit
Net position	\$800,000	
DOoR - Contributions after the measurement date	\$200,000	
Initial NPL		\$1,000,000

Appendix E-Summary of TCDRS Funding Policy

Texas County & District Retirement System Funding Policy

Effective as of the Dec. 31, 2014 valuation

Introduction

The funding policy governs how the Texas County & District Retirement System (TCDRS) determines the employer contributions required to ensure that benefits provided to TCDRS members are funded in a reasonable and equitable manner. The goals of TCDRS' funding policy are to fully fund benefits over the course of employees' careers to ensure intergenerational equity, and to balance rate and benefit stability with the need for the plan funding to be reflective of current plan conditions.

This policy documents the current funding policies in effect for the Dec. 31, 2015 actuarial valuation as established by state law, administrative rule and action by the TCDRS Board of Trustees (the board). The policy serves as a comprehensive funding overview and complies with the GASB reporting requirements for an agent multiple-employer plan.

TCDRS funding overview

TCDRS is a model for responsible, disciplined funding. TCDRS does not receive any state funding. As an agent, multiple-employer plan, each participating employer in the system funds its plan independently. A combination of three elements funds 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.

In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs.

Methodology for determining employer contribution rates

The board hires independent outside consulting actuaries to conduct an annual valuation to measure the funding status and to determine the required employer contribution rate for each employer plan. In order to calculate the employer contribution rate, the actuary does the following:

- Studies each employer's adopted plan of benefits and the profile of its plan participants, and uses assumptions established by the board to estimate future benefit payments.
- Discounts the estimate of future benefit payments to the present based on the long-term rate of investment return to determine the present value of future benefits.
- Compares the present value of future benefits with the plan's assets to determine the difference that needs to be funded based on the funding policy.

The valuation of each employer plan is based on the system funding policy and the assets, benefits and participant profile of each participating employer plan. The four key components in the determination of employer contribution rates are: the actuarial cost method, amortization policy, the asset valuation method and the actuarial assumptions.

Actuarial cost method

TCDRS has adopted the replacement life entry age cost method, a conservative cost method and an industry standard. The goal of this cost method is to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin. Under this approach, benefits are funded in advance as a level percentage of pay. This portion of the contribution rate is called the normal cost rate and generally remains stable from year to year.

Amortization policy

The portion of the contribution rate that funds any remaining unfunded amounts for benefits that are not covered by the normal cost is called the unfunded actuarial accrued liability (UAAL) rate. UAAL amounts occur when benefit enhancements are adopted that have not been funded in advance, or when actual investment or demographic experience varies from the actuarial assumptions (actuarial gains and losses). UAAL amounts are amortized on a level-percentage-of-covered-payroll basis over a closed period with a layered approach. The closed periods ensure all unfunded liabilities are financed over no more than 20 years from the time they occur. Each year new layers are established to amortize changes in the UAAL due to actuarial gains or losses, as well as any plan benefit changes elected by an employer for that year.

Benefit enhancements are amortized over a 15-year closed period. All other changes in the UAAL are amortized over 20-year closed periods. These amortization periods are generally more conservative than those of most other public retirement plans and are stricter than the minimum amortization period required under state law.

For newly participating districts that have five or fewer employees who are all within five years of retirement eligibility, any initial UAAL and any subsequent adoption of prior service credits are amortized over a five-year closed amortization period. This ensures that benefits are appropriately funded over the current generation of employees.

Notwithstanding the layered approach, the total UAAL payment may not be less than the required payment obtained by amortizing the entire UAAL over a 20-year period.

If a plan is overfunded, the overfunded actuarial accrued liability (OAAL) is calculated annually using a 30-year open amortization period.

Asset valuation method

When determining the actuarial value of assets used for measuring a plan's funded status, TCDRS smooths each year's actuarial investment gains and losses and recognizes them over a five-year period to better reflect the system's long-term investment horizons and to keep employer contribution rates more stable. As actuarial asset investment gains and losses are recognized, they become part of the actuarial gains and losses for the year and are funded according to the amortization policy. The five-year period helps stabilize employer rates while still ensuring that rates are reflective of current market conditions.

In addition, the board has the ability to set aside reserves from investment earnings that are used to help offset future negative economic cycles. These reserves are held separately and are not counted as part of a participating employer's plan assets until they are passed through to employers when determined necessary by the board. Reserves help maintain rate stability for employers. In addition, reserves ensure that employers do not adopt benefit increases based on a temporarily lower plan cost at a high point in a market cycle and, conversely, are not as pressured to immediately reduce benefit levels during a low point in a market cycle.

Actuarial assumptions

Demographic and economic assumptions are used to estimate employer liabilities and to determine the amount of funding required from employer contributions as opposed to investment earnings. These assumptions reflect a long-term perspective of 30 years or more. Examples of key economic assumptions include long-term investment return, long-term inflation and annual payroll increase.

Demographic assumptions are the actuary's best estimate of what will happen to TCDRS members and retirees. Examples of demographic assumptions are employment termination rates, retirement rates and retiree mortality rates. A complete listing of all actuarial assumptions can be found in the annual system-wide valuation report.

Oversight

The board has established review policies to ensure that actuarial assumptions are appropriate and that the methodology for determining employer contribution rates is being correctly applied.

Review of actuarial assumptions

TCDRS' actuarial assumptions are periodically reviewed and revised as deemed necessary to reflect best estimates of future experience. Every four years, the TCDRS consulting actuary conducts an investigation of experience. TCDRS assumptions are compared to plan experience and future expectations, and changes to

the assumptions are recommended as needed. The board adopts actuarial assumptions to be used in the valuation based on the results of this study.

An actuarial audit of every investigation of experience is required and must be performed by an independent auditing actuary to review the consulting actuary's analysis, conclusions and recommendations for accuracy, appropriateness and reasonableness. These audits alternate between a peer review and a full replication audit of the investigation of experience. In a peer review audit of the investigation, the reviewing actuary uses the raw results of the investigation for demographic assumptions as calculated by the consulting actuary to test the conclusions and recommendations. In addition, the reviewing actuary independently analyzes economic assumptions to test the results and recommendations of the consulting actuary. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the investigation, in addition to performing all of the steps of a peer review, the auditing actuary fully replicates the calculation of the investigation's raw results.

Review of employer contribution rates

In order to test accuracy and ensure that the actuarial methods and assumptions are being correctly applied, an audit of the valuation is required every four years. These audits are conducted by an independent reviewing actuary and alternate between a peer review and a full replication audit of the valuation. In the peer review audit of the valuation, the actuary uses a sample of participant data and TCDRS plans to test the results of the valuation. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the valuation, the auditing actuary performs all the steps of a peer review audit but instead of analyzing sample data and plans, the auditing actuary fully replicates the original actuarial valuation.

Review and modification of funding policy

The board will review this policy on a regular basis and may modify this policy at its discretion. Modifications to the policy may be submitted for consideration to the board by staff and/or outside consulting actuaries as circumstances warrant.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ended December 31									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total Pension Liability										
Service cost	\$857,720	\$743,601	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	1,401,918	1,294,712	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	(138,275)	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	188,450	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	(272,441)	(80,324)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	<u>(737,771)</u>	<u>(693,130)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net change in total pension liability	1,299,600	1,264,861	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	17,224,221	15,959,360	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total pension liability, ending (a)	<u>\$18,523,821</u>	<u>\$17,224,221</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary Net Position										
Employer contributions	\$961,758	\$968,268	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	458,249	413,741	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	(73,671)	912,845	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(737,771)	(693,130)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(10,993)	(10,918)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	<u>36,146</u>	<u>(76,138)</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	633,718	1,514,669	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	<u>14,901,338</u>	13,386,669	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position, ending (b)	<u>\$15,535,056</u>	<u>\$14,901,338</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net pension liability/(asset), ending= (a) - (b)	<u>\$2,988,765</u>	<u>\$2,322,883</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position as a % of total pension liability	83.87%	86.51%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	\$6,546,416	\$5,910,589	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	45.65%	39.30%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, 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.

Schedule of Employer Contributions

Year Ending December 31	Actuarially Determined Contribution ⁽¹⁾	Actual Employer Contribution ⁽¹⁾	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽²⁾	Actual Contribution as a % of Covered Payroll
2006	\$224,308	\$234,600	\$(10,292)	\$3,027,097	7.8%
2007	248,240	257,200	(8,961)	3,318,710	7.8%
2008	349,198	349,198	0	3,664,200	9.5%
2009	347,126	359,577	(12,451)	3,773,107	9.5%
2010	363,114	369,314	(6,200)	3,875,281	9.5%
2011	377,943	383,579	(5,636)	4,024,955	9.5%
2012	514,476	614,477	(100,002)	4,237,857	14.5%
2013	717,705	817,720	(100,015)	4,885,673	16.7%
2014	868,268	968,268	(100,000)	5,910,589	16.4%
2015	840,560	961,758	(121,198)	6,546,416	14.7%

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

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

Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	6.0 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*	No changes in plan provisions are reflected in the Schedule of Employer Contributions.

Appendix B-Actuarial Methods and Assumptions Used for GASS Calculations

All actuarial methods and assumptions used for this GASS analysis were the same as those used in the December 31, 2015 funding valuation (see Appendix C, following, for details), except as noted below and throughout this report. Please see the Gonzales County December 31, 2015 Summary Valuation Report for further details.

Following are the key assumptions and methods used in this GASS analysis.

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis 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	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	Same as funding valuation: See Appendix C
Salary Increases	Same as funding valuation: See Appendix C
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Gonzales County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASS calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Same as funding valuation: See Appendix C
Turnover	Same as funding valuation: See Appendix C
Mortality	Same as funding valuation: See Appendix C

⁽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.

Appendix C-Actuarial Methods and Assumptions Used for Funding Valuation

Except where indicated in the section of this GASB 68 report entitled "Actuarial Methods and Assumptions Used for GASB Calculations", the assumptions used in this analysis for the December 31, 2015 financial reporting metrics are the same as those used in the December 31, 2015 actuarial valuation analysis for Gonzales County.

Following is a description of the assumptions used in the December 31, 2015 actuarial valuation analysis for Gonzales County. This information may also be found in the Gonzales County December 31, 2015 Summary Valuation Report.

Economic Assumptions

TCDRS system-wide economic assumptions:

Real rate of return	5.0%
Inflation	3.0%
Long-term investment return	8.0%

The assumed long-term investment return of 8% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

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 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee. (See Table 1 for Merit Salary Increases.)

Employer-specific economic assumptions:

Growth in membership	0.0%
Payroll growth for funding calculations	3.5%

The payroll growth assumption is for the aggregate covered payroll of an employer

OTHER POST EMPLOYMENT BENEFITS-MEDICAL INSURANCE FOR RETIREES

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/08	\$	\$ 401,927	\$ 401,927		\$ 3,773,107	10.7%
12/31/11		342,219	342,219		4,024,955	8.5%

GONZALES COUNTY, TEXAS
ENERGY TRANSPORTATION REINVESTMENT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final		(Negative)
REVENUES				
Taxes				
Property	\$0	\$0	\$1,685,068	\$1,685,068
Intergovernmental	840,000	840,000	1,175,982	335,982
Total Revenues	840,000	840,000	2,861,050	2,021,050
EXPENDITURES				
Current:				
Capital Projects -				
Capital Outlay and Other	3,850,000	3,761,240	1,392,120	2,369,120
Debt Service				
Principal Retirement		88,760	88,760	0
Total Expenditures	3,850,000	3,850,000	1,480,880	2,369,120
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,010,000)	(3,010,000)	1,380,170	4,390,170
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	(3,010,000)	(3,010,000)	1,380,170	4,390,170
Fund Balances - Beginning	2,993,276	2,993,276	2,993,276	
Fund Balances - Ending	(\$16,724)	(\$16,724)	\$4,373,446	\$4,390,170

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GONZALES COUNTY, TEXAS
BALANCE SHEET - ROAD AND BRIDGE FUND
SEPTEMBER 30, 2016

	Road and Bridge No. 1	Road and Bridge No. 2	Road and Bridge No. 3	Road and Bridge No. 4	Total Road and Bridge
ASSETS					
Cash and Cash Equivalents	\$1,767,269	\$1,736,612	\$2,873,160	\$1,753,990	\$8,131,031
Receivables (net of allowance for uncollectibles)					0
Prepaid Insurance	3,042	4,128	6,799	5,436	19,405
Total Assets	\$1,770,311	\$1,740,740	\$2,879,959	\$1,759,426	8,150,436
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$49,243	\$57,735	\$41,210	\$250,537	\$398,725
Accrued Wages	9,783	9,741	6,878	7,921	34,323
Total Liabilities	59,026	67,476	48,088	258,458	433,048
Fund Balances:					
Non-Spendable					
Prepaid Insurance	3,042	4,128	6,799	5,436	19,405
Restricted					
Public Transportation	1,708,243	1,669,136	2,825,072	1,495,532	7,697,983
Total Fund Balance	1,711,285	1,673,264	2,831,871	1,500,968	7,717,388
Total Liabilities and Fund Balances	\$1,770,311	\$1,740,740	\$2,879,959	\$1,759,426	\$8,150,436

The accompanying notes are an integral part of this statement.

GONZALES COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ROAD AND BRIDGE FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	Road and Bridge No. 1	Road and Bridge No. 2	Road and Bridge No. 3	Road and Bridge No. 4	Total Road and Bridge
<i>REVENUES</i>					
Taxes					
Property	\$1,270,876	\$1,270,876	\$1,270,876	\$1,270,876	\$5,083,504
Intergovernmental		7,341	15,133	36,569	59,043
Licenses and Permits	190,037	190,037	190,387	190,037	760,498
Interest	7,257	3,983	8,910	5,730	25,880
Miscellaneous	16,591	3,850	3,257	9,321	33,019
Total Revenues	<u>1,484,761</u>	<u>1,476,087</u>	<u>1,488,563</u>	<u>1,512,533</u>	<u>5,961,944</u>
<i>EXPENDITURES</i>					
Current:					
Public Transportation					
Road and Bridge	1,497,633	1,239,637	1,062,544	1,409,663	5,209,477
Debt Service					
Principal Retirement	31,251	98,702		77,569	207,522
Interest Retirement	2,617	6,936		4,795	14,348
Total Expenditures	<u>1,531,501</u>	<u>1,345,275</u>	<u>1,062,544</u>	<u>1,492,027</u>	<u>5,431,347</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(46,740)</u>	<u>130,812</u>	<u>426,019</u>	<u>20,506</u>	<u>530,597</u>
<i>OTHER FINANCING SOURCES (USES):</i>					
Other Financing Sources - Capital Lease		80,667			80,667
Total Other Financing Sources (Uses)	<u>0</u>	<u>80,667</u>	<u>0</u>	<u>0</u>	<u>80,667</u>
Net Changes in Fund Balances	(46,740)	211,479	426,019	20,506	611,264
Fund Balances - Beginning	1,758,025	1,461,785	2,405,852	1,480,462	7,106,124
Fund Balances - Ending	<u>\$1,711,285</u>	<u>\$1,673,264</u>	<u>\$2,831,871</u>	<u>\$1,500,968</u>	<u>\$7,717,388</u>

The accompanying notes are an integral part of this statement.

GONZALES COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2016

	SPECIAL REVENUE																
	APPELLATE JUDICIAL FUND	CHILD ABUSE PREVENTION	COUNTY AND DISTRICT COURT TECHNOLOGY	COUNTY JUDGE EXCESS SUPPLEMENT	COURTHOUSE SECURITY FUND	COURT REPORTER SERVICES FUND	DIGITAL RECORDS PRESERVATION	FAMILY PROTECTION	HAVA GRANT	INDIGENT HEALTH CARE FUND	JUSTICE COURT BUILDING SECURITY	JUSTICE COURT TECHNOLOGY FUND	LAW LIBRARY FUND	LOCAL BORDER SECURITY FUND	MEDIATION FEE FUND	MVNA FUND	PROBATE COURT FUND
ASSETS																	
Cash and Cash Equivalents	\$1,721	\$1,009	\$5,757	\$2,926	\$14,388	\$2,902	\$22,946	\$885	\$16,564	\$16,166	\$46,806	\$32,058	\$71,157	\$96,999	\$34,035	\$10,480	\$653
Receivables (net of allowance for uncollectibles)											650	4,859	502				
TOTAL ASSETS	\$1,721	\$1,009	\$5,757	\$2,926	\$14,388	\$2,902	\$22,946	\$885	\$16,564	\$16,166	\$47,456	\$36,917	\$71,659	\$96,999	\$34,035	\$10,480	\$653
LIABILITIES AND FUND BALANCES																	
Liabilities																	
Accounts Payable							\$3				\$60	\$510		\$11,232		\$7,370	
Accrued Wages																	
Unearned Revenues																	
Total Liabilities	0	0	0	0	0	0	3	0	0	0	60	510	0	11,232	0	7,370	0
Fund Balances																	
Restricted																	
Elections									16,564								
Health Care										16,166							
General Administration				2,926													
Judicial	1,721	1,009	5,757			2,902		885				36,407	71,659		34,035	3,110	653
Vital Statistics																	
Public Safety														85,767			
Public Safety - Sheriff					14,388						47,396						
Records Archives							22,943										
Total Fund Balances	1,721	1,009	5,757	2,926	14,388	2,902	22,943	885	16,564	16,166	47,396	36,407	71,659	85,767	34,035	3,110	653
TOTAL LIABILITIES AND FUND BALANCES	\$1,721	\$1,009	\$5,757	\$2,926	\$14,388	\$2,902	\$22,946	\$885	\$16,564	\$16,166	\$47,456	\$36,917	\$71,659	\$96,999	\$34,035	\$10,480	\$653

(continued)

SPECIAL REVENUE

RECORDS MANAGEMENT COUNTY CLERK	RECORDS MANAGEMENT - COUNTY AND DISTRICT	RECORDS MANAGEMENT DISTRICT CLERK	RECORDS MANAGEMENT AND PRESERVATION	SCAAP FUND	SUPPLEMENTAL GUARDIANSHIP FEE FUND	VITAL STATISTICS FUND	NON-MAJOR GOVERN- MENTAL FUNDS
\$256,907	\$57,811	\$11,761	\$6,386	\$8,679	\$12,000	\$11,775	\$742,771
				11,232			17,243
\$256,907	\$57,811	\$11,761	\$6,386	\$19,911	\$12,000	\$11,775	\$760,014

							\$19,175
							0
				15,119			15,119
0	0	0	0	15,119	0	0	34,294

							16,564
							16,166
							2,926
		11,761			12,000		181,899
						11,775	11,775
				4,792			90,559
256,907	57,811		6,386				61,784
							344,047
256,907	57,811	11,761	6,386	4,792	12,000	11,775	725,720
\$256,907	\$57,811	\$11,761	\$6,386	\$19,911	\$12,000	\$11,775	\$760,014

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

	SPECIAL REVENUE																
	APPELLATE JUDICIAL FUND	CHILD ABUSE PREVENTION	COUNTY AND DISTRICT COURT TECHNOLOGY	COUNTY JUDGE EXCESS SUPPLEMENT	COURTHOUSE SECURITY FUND	COURT REPORTER SERVICES FUND	DIGITAL RECORDS PRESERVATION	FAMILY PROTECTION	HAVA GRANT	INDIGENT HEALTH CARE FUND	JUSTICE COURT BUILDING SECURITY	JUSTICE COURT TECHNOLOGY FUND	LAW LIBRARY FUND	LOCAL BORDER SECURITY FUND	MEDIATION FEE FUND	MVNA FUND	PROBATE COURT FUND
REVENUES				\$929										\$50,195			
Intergovernmental																	
Charges for Services	1,690		1,240		27,110	3,000	3,593	885			8,096	32,473	11,795		3,370	41,712	192
Interest										46							
Total Revenues	1,690	0	1,240	929	27,110	3,000	3,593	885	0	46	8,096	32,473	11,795	50,195	3,370	41,712	192
EXPENDITURES																	
Current:																	
General Administration																	
General Administration				966													
Records Management																	
Judicial																	
Judicial	1,445					3,123		2,225				33,925	4,130		450	43,190	
Public Safety																	
Sheriff					24,227												
Total Expenditures	1,445	0	0	966	24,227	3,123	0	2,225	0	0	0	33,925	4,130	0	450	43,190	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	245	0	1,240	(37)	2,883	(123)	3,593	(1,340)	0	46	8,096	(1,452)	7,665	50,195	2,920	(1,478)	192
OTHER FINANCING SOURCES (USES):																	
Operating Transfers In																	
Operating Transfers Out																	
Total Other Financing Sources (Uses)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Changes in Fund Balances	245	0	1,240	(37)	2,883	(123)	3,593	(1,340)	0	46	8,096	(1,452)	7,665	50,195	2,920	(1,478)	192
Fund Balances - Beginning	1,476	1,009	4,517	2,963	11,505	3,025	19,350	2,225	16,564	16,120	39,300	37,859	63,994	35,572	31,115	4,588	461
Fund Balances - Ending	\$1,721	\$1,009	\$5,757	\$2,926	\$14,388	\$2,902	\$22,943	\$885	\$16,564	\$16,166	\$47,396	\$36,407	\$71,659	\$85,767	\$34,035	\$3,110	\$653

(continued)

SPECIAL REVENUE							
RECORDS MANAGEMENT COUNTY CLERK	RECORDS MANAGEMENT - COUNTY AND DISTRICT	RECORDS MANAGEMENT DISTRICT CLERK	RECORDS MANAGEMENT AND PRESERVATION	SCAAP FUND	SUPPLEMENTAL GUARDIANSHIP FEE FUND	VITAL STATISTICS FUND	NON-MAJOR GOVERN- MENTAL FUNDS
				\$11,173			\$62,297
47,326	9,283	2,825	795		1,280	1,050	197,715
							46
47,326	9,283	2,825	795	11,173	1,280	1,050	260,058
							966
16,910	266						17,176
							88,488
				4,710			28,937
16,910	266	0	0	4,710	0	0	135,567
30,416	9,017	2,825	795	6,463	1,280	1,050	124,491
							0
							0
0	0	0	0	0	0	0	0
30,416	9,017	2,825	795	6,463	1,280	1,050	124,491
226,491	48,794	8,936	5,591	(1,671)	10,720	10,725	601,229
\$256,907	\$57,811	\$11,761	\$6,386	\$4,792	\$12,000	\$11,775	\$725,720

SINGLE AUDIT SECTION

GONZALES COUNTY, TEXAS
 SCHEDULE OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

SOURCE AND TITLE OF GRANT	PROGRAM OR AWARD AMOUNT	GRANTOR'S/ PASS-THROUGH GRANTOR'S NUMBER	PROGRAM EXPEND- ITURES
Texas Department of Transportation Infrastructure Fund Grant (M)			
Gonzales 2014 CTIF Award	\$4,124,708	CTIF-01-090	
Road and Bridge No. 1			\$183,488
Road and Bridge No. 2			640,631
Road and Bridge No. 3			239,335
Road and Bridge No. 4			112,529
			<u>1,175,983</u>
Local match for the above grant was \$733,567			
Texas Department of Public Safety Direct			
Local Border Security Program (LBSP) (NM)		LBSP-16-0064	50,195
Texas Indigent Defense Commission Direct			
Indigent Defense Grant (NM)		212-11-089	26,765
Total State Assistance			<u><u>\$1,252,943</u></u>

M=MAJOR PROGRAM
 NM=NONMAJOR PROGRAM

See Accompanying Notes to Schedule of State Financial Assistance

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

To the Commissioners' Court
Gonzales County, Texas

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 Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter 1 - Comptroller, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gonzales County, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Gonzales County, Texas' basic financial statements, and have issued our report thereon dated August 20, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gonzales County, Texas' 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 Gonzales County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Gonzales County, Texas' 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 Gonzales 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* and the standards applicable to financial audits contained in Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter 1 - Comptroller.

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* and the standards applicable to financial audits contained in Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter 1 - Comptroller in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wayne R. Beyer

BEYER & COMPANY
Certified Public Accountants
May 20, 2017

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GRANT STANDARDS
PROMULGATED BY THE OFFICE OF THE GOVERNOR UNDER 34 TAC PART 1, CHAPTER 20,
SUBCHAPTER I- COMPTROLLER**

To the Commissioners' Court
Gonzales County, Texas

Report on Compliance for Each Major State Program

We have audited Gonzales County, Texas' compliance with the types of compliance requirements described in the Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter I- Comptroller that could have a direct and material effect on each of Gonzales County, Texas' major state programs for the year ended September 30, 2016. Gonzales County, Texas' major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Gonzales County, Texas' major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter I- Comptroller. Those standards and Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter I- Comptroller require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Gonzales County, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of Gonzales County, Texas' compliance.

Opinion on Each Major State Program

In our opinion, Gonzales County, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2016.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter I- Comptroller.

Report on Internal Control over Compliance

Management of Gonzales County, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Gonzales County, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter I- Comptroller, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Gonzales County, Texas' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter I- Comptroller. Accordingly, this report is not suitable for any other purpose.



BEYER & COMPANY
Certified Public Accountants
May 20, 2017

GONZALES COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

General

The accompanying Schedule of Expenditure of State Awards presents the activity of all the Gonzales County, Texas's state grants for the year ended September 30, 2016. This report is intended for the information of the Gonzales County, Texas, state and state awarding agencies, and is not intended to be used and should not be used by anyone other than these specified parties.

Basis of Accounting

The Schedule of Expenditure of State Awards is presented using the modified accrual basis of accounting.

Non Cash Grants

The Gonzales County received no non-cash grants for the year ended September 30, 2016.

GONZALES COUNTY, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

State

There were no prior audit findings for State Awards.

GONZALES COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the Gonzales County, Texas.
2. There were no significant deficiencies disclosed during the audit. There was no material weaknesses disclosed during the audit.
3. There were no instances of noncompliance material to the financial statements of the Gonzales County, Texas, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. There were no significant deficiencies over major state award programs disclosed during the audit. There was no material weakness over major state award programs disclosed during the audit.
5. The auditor's report on compliance for the major state award programs for the Gonzales County, Texas expresses an unmodified opinion on all major state programs.
6. There were no audit findings that are required to be reported in accordance with Uniform Grant Management Standards promulgated by the Office of the Governor under 34 TAC Part 1, Chapter 20, Subchapter I- Comptroller.
7. The programs tested as major programs: Texas Department of Transportation Infrastructure Fund Grant.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Gonzales County did qualify as a low-risk auditee.
10. Material Weaknesses
 - a. There was no material weaknesses disclosed during the audit.

Findings and Questioned Costs for State Awards

None