

GONZALES COUNTY, TEXAS

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED SEPTEMBER 30, 2007*

Gonzales County, Texas  
Annual Financial Report  
For The Year Ended September 30, 2007

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*Financial Section*

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**Independent Auditor's Report on Financial Statements**

Commissioner's Court  
Gonzales County, Texas  
414 St. Joseph  
Gonzales, Texas 78629

Members of the Commissioner's Court:

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, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Gonzales County, Texas' management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.


Gonzales County has not fully accounted for all capital assets owned nor the depreciation on those assets. Capital assets reported on the financial statement represent those assets acquired within the last two years. Accounting principles generally accepted in the United States of America require that all assets owned by the County, net of accumulated depreciation be reported on the government-wide financial statements. The amount by which this departure would affect assets and net assets of the government-wide financial statements is not reasonably determinable.

In our opinion, except for the effect on the financial statements of the omission discussed in the previous paragraph, 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, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the Gonzales County, Texas' basic financial statements. The accompanying combining financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Floyd & Gindler, PC

February 18, 2008

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Gonzales County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2007. Please read it in conjunction with the County's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The County's total combined net assets were \$2,657,919 at September 30, 2007.
- During the year, the County's expenses were \$1,089,034 less than the \$8,817,950 generated in taxes and other revenues for governmental activities.
- The total cost of the County's programs was virtually unchanged from last year, and no new programs were added this year.
- The general fund reported a fund balance this year of \$2,218,117.
- The County's issued no bonds during fiscal year September 30, 2007.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the County's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the County's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the County acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

**Figure A-1, Required Components of the County's Annual Financial Report**

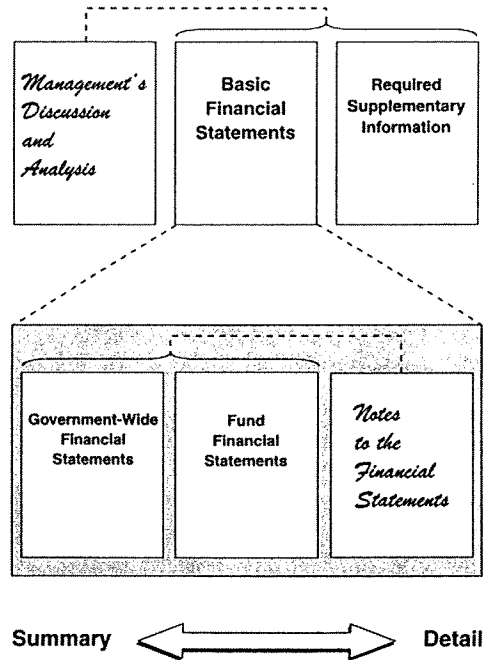


Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

### Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of

the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Figure A-2, Major Features of the Gonzales County Underground Water Conservation District's Government-wide and Fund Financial Statements

Types of Statements	Fund Statements		
	Government-wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Instances in which the County is the trustee or agent for someone else's resources
<i>Required financial statements</i>	Statement of net assets	Balance sheet	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resource focus	Accrual accounting and economic resource focus
<i>Types of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets	All assets and liabilities, both short-term and long-term; the fiduciary's funds do not currently contain capital assets, although they can
		included.	
<i>Types of Inflow/outflow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

The two government-wide statements report the County's net assets and how they have changed. Net assets—the difference between the County's assets and liabilities—is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, one needs to consider additional nonfinancial factors such as changes in the County's tax base.

The government-wide financial statements of the County include the *Governmental activities*. Most of the County's basic services are included here, such as general government, financial administration, public safety, health and welfare, judicial courts, public facilities, public transportation, conservation, and interest on long-term debt. Property taxes, charges for services, court fines and grants finance most of these activities.

### Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds—not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Commissioners Court establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The County has the following kinds of funds:

- *Governmental funds*—Most of the County's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The County is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net assets. The County's combined net assets were \$2,657,919 at September 30, 2007. (See Table A-1).

**Table A-1**  
Gonzales County-Net Assets

	Governmental Activities		Total		Total Percentage Change 2007-2006
	2007	2006 (1)	2007	2006 (1)	
<b>Assets</b>					
<b>Current assets:</b>					
Cash and equivalents	\$ 4,568,819	-	4,568,819	-	n/a
Receivables, net of allowance					
Taxes	404,105	-	404,105	-	n/a
Notes	690,378	-	690,378	-	n/a
Due from other governments	60,080	-	60,080	-	n/a
Due from others	25,640	-	25,640	-	n/a
Restricted cash and cash equivalents	136,173	-	136,173	-	n/a
Total current assets	<u>5,885,195</u>	<u>-</u>	<u>5,885,195</u>	<u>-</u>	<u>n/a</u>
<b>Noncurrent assets:</b>					
Capital assets, net of accumulated depreciation	1,029,006	-	199,534	-	n/a
Total assets	<u>6,914,201</u>	<u>-</u>	<u>6,084,729</u>	<u>-</u>	<u>n/a</u>
<b>Liabilities</b>					
<b>Current liabilities:</b>					
Accounts payable	274,760	-	274,760	-	n/a
Accrued wages	80,678	-	80,678	-	n/a
Compensated absences	113,863	-	113,863	-	n/a
Due to others	4,133	-	4,133	-	n/a
Current portion capital leases and bond payable	371,947	-	371,947	-	n/a
Total current liabilities	<u>845,381</u>	<u>-</u>	<u>845,381</u>	<u>-</u>	<u>n/a</u>
<b>Long-term liabilities:</b>					
Capital leases payable	235,901	-	235,901	-	n/a
Bond and notes payable	3,175,000	-	3,175,000	-	n/a
Total long-term liabilities	<u>3,410,901</u>	<u>-</u>	<u>3,410,901</u>	<u>-</u>	<u>n/a</u>
Total liabilities	<u>4,256,282</u>	<u>-</u>	<u>4,256,282</u>	<u>-</u>	<u>n/a</u>
<b>Net assets</b>					
Investment in capital assets	(2,753,842)	-	(2,753,842)	-	n/a
Restricted-debt service	136,173	-	136,173	-	n/a
Unrestricted	5,275,588	-	1,366,359	-	n/a
Total net assets	<u>2,657,919</u>	<u>-</u>	<u>(1,251,310)</u>	<u>-</u>	<u>n/a</u>

(1) Comparative data will be presented in future years.

The County's restricted net assets represent proceeds that when spent are restricted for payment of tax supported debt. The \$5,275,588 of unrestricted net assets represents resources available to fund the programs of the County next year.

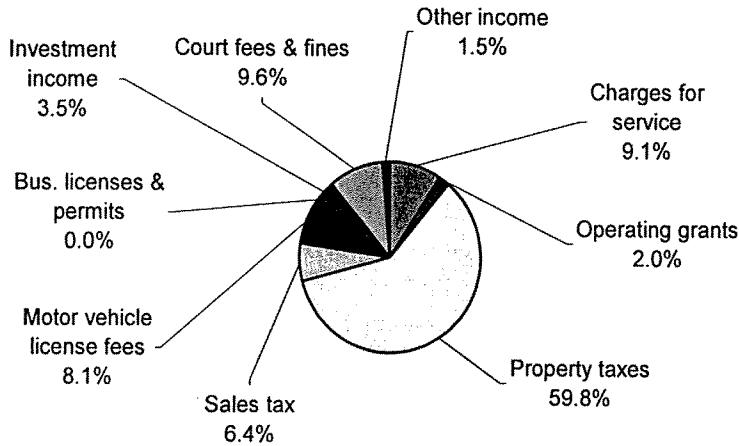
**Changes in net assets.** The County's total revenues were \$8,817,950. (Table A-2.) A significant portion, 59.8% of the County's revenue comes from property taxes. (See Figure A-3.) 9.1% percent comes from charges for services, 6.4% from sales taxes, 8.1% from motor vehicle licenses, 9.6% from court fines, 3.5% from investment income and 3.5% from all other sources.

The total cost of all governmental programs and services was \$7,728,916; 33.3% of these costs were for public safety; 27.1% were for public transportation; 15.1% for general government; 6.6% for financial administration; 11.3% for judicial; and 6.6% for all others.

## Governmental Activities

The tax rate for the 2006-2007 budget year decreased slightly from .6867 to .6700

**Figure A-3 County  
Sources of Revenues for Fiscal Year 2007**



**Figure A-3 County  
Sources of Expenses for Fiscal Year 2007**

