

GONZALES COUNTY, TEXAS

Annual Financial Report

For the fiscal year ended

September 30, 2015

GONZALES County, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2015

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:

63. 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

Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:

75. County Judge Excess State Supplement Fund
76. Courthouse Security Fund
77. Court Reporter Services Fund
78. Family Protection
79. Homeland Security
80. Justice Court Building Security Fund
81. Justice Court Technology Fund
82. Law Library Fund
83. Local Border Security Grant
84. Mediation Fee
85. Probate Court Fund
86. Records Management - County Clerk
87. Records Management – County and District
88. Records Management - District Clerk
89. SCAAP Fund
90. Vital Statistics Fund

Single Audit Section:

91. Schedule of Expenditures of State Awards
92. 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
94. 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.
96. Notes to Schedule of Expenditures of State Awards
96. Schedule of Prior Audit Findings
97. Schedule of Findings and Questioned Costs

FINANCIAL SECTION

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

Wayne R. Beyer, C.P.A.

P.O. Box 366 / 442 West Oaklawn
Pleasanton, Texas 78064
Phone: (830) 569-8781 ~ Fax: (830) 569-6776

E-mail: beyeraandco@sbcglobal.net

111 North Odem
Sinton, Texas 78387
Phone: (830) 569-8781 ~ Fax: (830) 569-6776

Please reply to Pleasanton address

INDEPENDENT AUDITOR'S REPORT

To the Commissioners' Court
Gonzales County, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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, 2015, 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.

Change in Accounting Principle

As discussed in Note G to the financial statements, in 2015 the City adopted new accounting guidance, *GASB Statement No. 68 Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Employees Retirement System Information and OPEB information, and the budgetary comparison information on pages 4-13, 63-67, and 75-90 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 August 20, 2016, 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
August 20, 2016

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, 2015.

Financial Highlights

- . The assets of Gonzales County, Texas, exceeded its liabilities at the close of the most recent fiscal year by \$37,404,636 (net assets). Of this amount, \$9,220,893 or 25% (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total net assets increased by \$13,803,641. This increase is mainly attributable to an increase in ad valorem taxes of \$8,422,464, Capital Grants and Contributions of \$3,039,258, and careful budget monitoring.
- . Gonzales County, Texas' total restricted net assets at September 30, 2015 are \$10,960,484 or 29% of net assets.
- . Gonzales County, Texas' total debt decreased by \$535,430 (11.45 percent) during the current fiscal year. The key factor in this decrease was the payment of bonds and capital leases of \$195,000 and \$149,085, 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 assets presents information on all of Gonzales County, Texas' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 thirty (30) 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-five (25) 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 63-68 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 budget comparison schedules in connection with the non-major governmental funds can be found on pages 75-90 of this report.

The single audit section can be found on pages 91-97 of this report.

Government-wide Financial Analysis

As noted earlier, net assets 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 \$37,404,636 at the close of the most recent fiscal year.

GONZALES COUNTY, TEXAS NET POSITION

	Governmental Activities		Total	
	2015	2014	2015	2014
Current and Other Assets	\$23,851,735	\$16,870,678	\$23,851,735	\$16,870,678
Capital Assets:	18,676,262	11,489,899	18,676,262	11,489,899
Total Assets	42,527,997	28,360,577	42,527,997	28,360,577
Total Deferred Outflows of Resources	1,164,577	987,124	1,164,577	987,124
Total Assets	\$43,692,574	\$29,347,701	\$43,692,574	\$29,347,701
Long-Term Liabilities	4,181,833	4,676,958	4,181,833	4,676,958
Other Liabilities	2,045,862	1,069,748	2,045,862	1,069,748
Total Liabilities	6,227,695	5,746,706	6,227,695	5,746,706
Total Deferred Inflows of Resources	60,243	0	60,243	0
Net Investment in Capital Assets	17,223,259	9,692,811	17,223,259	9,692,811
Restricted	10,960,484	5,781,289	10,960,484	5,781,289
Unrestricted	9,220,893	8,126,895	9,220,893	8,126,895
Total Net Assets	\$37,404,636	\$23,600,995	\$37,404,636	\$23,600,995

A portion of Gonzales County, Texas' net assets (29 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$9,220,893) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Gonzales County, Texas is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

There was an increase of \$5,179,195 in restricted net assets 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 assets increased by \$13,803,641. This increase is mainly attributable to an increase in ad valorem taxes of \$8,422,464, Capital Grants and Contributions of \$3,039,258, 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		Total	
	2015	2014	2015	2014
Revenues:				
Program Revenues:				
Charges for Services	\$2,255,700	\$3,055,587	\$2,255,700	\$3,055,587
Operating Grants and Contributions	180,661	425,235	180,661	425,235
Capital Grants and Contributions	3,039,258	0	3,039,258	0
General Revenues:				
Maintenance and Operations Taxes	19,417,422	10,994,958	19,417,422	10,994,958
Sales Taxes	3,281,249	4,033,169	3,281,249	4,033,169
Other Taxes	18,712	15,628	18,712	15,628
Oil Royalties	1,670	0	1,670	0
Unrestricted Investment Earnings	62,833	48,923	62,833	48,923
Miscellaneous	278,372	414,266	278,372	414,266
Total Revenue	28,535,877	18,987,766	28,535,877	18,987,766
Expenses:				
General Administration	1,588,174	1,873,887	1,588,174	1,873,887
Legal	543,348		543,348	0
Judicial	1,614,911	1,845,690	1,614,911	1,845,690
Financial Administration	870,569	958,558	870,569	958,558
Public Facilities	582,646	567,732	582,646	567,732
Public Safety	5,273,291	4,593,038	5,273,291	4,593,038
Public Transportation	4,070,346	4,761,797	4,070,346	4,761,797
Health and Welfare	3,725	147,478	3,725	147,478
Conservation - Agriculture	117,757	120,339	117,757	120,339
Interest and Fiscal Charges	67,469	56,199	67,469	56,199
Total Expenses	14,732,236	14,924,718	14,732,236	14,924,718
Increase in Net Position before transfers and special items	13,803,641	4,063,048	13,803,641	4,063,048
Transfers	0	0	0	0
Increase in Net Position	13,803,641	4,063,048	13,803,641	4,063,048
Net Position at 09/30/2014 - Restated	23,600,995	19,537,947	23,600,995	19,537,947
Net Position at 09/30/2015	\$37,404,636	\$23,600,995	\$37,404,636	\$23,600,995

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Government activities:				
General Administration	\$1,588,174	\$467,132	\$0	\$0
Legal	543,348		328	
Judicial	1,614,911	164,086	25,760	
Financial Administration	870,569	607,174		
Public Facilities	582,646			104,993
Public Safety	5,273,291	56,134	147,229	
Public Transportation	4,070,346	930,924	7,344	2,934,265
Health and Welfare	3,725	30,250		
Conservation - Agriculture	117,757			
Interest and Fiscal Charges	67,469			
Total government activities	<u>\$14,732,236</u>	<u>\$2,255,700</u>	<u>\$180,661</u>	<u>\$3,039,258</u>

Revenues by source - Governmental Activities

	REVENUES	%
Charges for Services	\$2,255,700	7.90%
Operating Grants and Contributions	180,661	0.63%
Capital Grants and Contributions	3,039,258	10.65%
Maintenance and Operations Taxes	19,417,422	68.05%
Sales Taxes	3,281,249	11.50%
Other Taxes	18,712	0.07%
Oil Royalties	1,670	0.01%
Unrestricted Investment Earnings	62,833	0.22%
Miscellaneous	278,372	0.98%
	<u>\$28,535,877</u>	100.00%

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 \$18,102,572, an increase of \$5,984,418 in comparison with the prior year. Approximately 40% of this total amount (\$7,090,704) 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 \$7,092,375, while total fund balance reached a balance of \$7,129,772. 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 66 percent of total general fund expenditures, while total fund balance represents 66 percent of that same amount.

The fund balance of the general fund increased by \$792,907 during the current fiscal year. This increase is a result of an increase in ad valorem taxes of \$1,074,614 and careful budget monitoring.

At the end of the current fiscal year restricted fund balance of the road and bridge fund was \$7,092,137, while total fund balance reached a balance of \$7,106,124. 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 130 percent of total road and bridge fund expenditures, while total fund balance represents 130 percent of that same amount.

The fund balance of the road and bridge fund increased by \$2,017,784 during the current fiscal year. Key factors in this increase are as follows:

- . Ad valorem taxes increased by \$521,654, transportation expenditures decreased by \$700,686, and 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 \$48,361. 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 20 percent of that same amount.

The fund balance of Gonzales County, Texas' Debt Service fund decreased by \$19,503 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 since these funds are grant funds and are structured to conform to grant budgets and requirements.

Budgetary Highlights:

Differences between the original budget and the final amended budget in the general fund was an increase of \$299,557 in appropriations and the majority of the amendments can be briefly summarized as follows:

- . \$108,275 increase in the district court department, \$49,372 increase in the jail department, \$42,789 increase in non-departmental, \$33,668 increase in the county court department, and a \$29,493 increase in the sheriff department. All of these increases were funded from available fund balance.

The total actual expenditures in the general fund of \$10,831,866 were under the budgeted amount of \$11,534,529 by \$702,663.

Differences between the original budget and the final amended budget in the road and bridge fund was an increase of \$855,899 in appropriations and the majority of the amendments can be briefly summarized as follows:

- . \$863,009 increase in transportation expenditures. All of the increase was funded from available fund balance.

The total actual expenditures in the road and bridge fund of \$5,486,353 was under the budgeted amount of \$6,283,358 by \$797,005.

Capital Asset and Debt Administration

Capital assets:

Gonzales County, Texas' investment in capital assets for its governmental activities as of September 30, 2015, amounts to \$18,676,262 (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 62.55 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	
	2015	2014	2015	2014
Construction in Progress	\$6,172,063	\$15,643	\$6,172,063	\$15,643
Building and Improvements	7,528,979	7,742,164	7,528,979	7,742,164
Machinery, Equipment and Vehicles	4,905,993	3,653,634	4,905,993	3,653,634
Infrastructure	69,227	78,457	69,227	78,457
Total	<u>\$18,676,262</u>	<u>\$11,489,898</u>	<u>\$18,676,262</u>	<u>\$11,489,898</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	\$1,295,000	\$0	\$195,000	\$1,100,000	\$205,000	\$895,000
Total Bonds Payable	1,295,000	0	195,000	1,100,000	205,000	895,000
Grand Total	<u>\$1,295,000</u>	<u>\$0</u>	<u>\$195,000</u>	<u>\$1,100,000</u>	<u>\$205,000</u>	<u>\$895,000</u>

Gonzales County, Texas' total bonded debt decreased by \$195,000 (15 percent) during the current fiscal year. The key factor in this decrease was the payment of \$195,000 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, 2015

	Primary Governmental Activities	Total
ASSETS		
Cash and Cash Equivalents	\$20,083,088	\$20,083,088
Receivables (net of allowance for uncollectibles)	3,717,263	3,717,263
Prepaid Expenses	51,384	51,384
Capital Assets Not Being Depreciated:		
Construction in Progress	6,172,063	6,172,063
Total Capital Assets Being Depreciated, Net		
Building and Improvements	7,528,979	7,528,979
Machinery and Equipment	4,905,993	4,905,993
Infrastructure	69,227	69,227
Total Assets	<u>\$42,527,997</u>	<u>\$42,527,997</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflow of Resources-Contributions (after 12/31/14)	999,543	999,543
Deferred Outflow-Actual Experience vs. Assumption	165,034	165,034
Total Deferred Outflows of Resources	<u>1,164,577</u>	<u>1,164,577</u>
LIABILITIES:		
Accounts Payable	\$1,640,042	\$1,640,042
Accrued Wages	380,090	380,090
Accrued Interest Payable	5,611	5,611
Unearned Revenues	20,119	20,119
Noncurrent Liabilities:		
Due Within One Year	575,149	575,149
Due in More Than One Year	3,606,684	3,606,684
Total Liabilities	<u>6,227,695</u>	<u>6,227,695</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflow-Investment Experience	60,243	60,243
Total Deferred Inflows of Resources	<u>60,243</u>	<u>60,243</u>
NET POSITION		
Invested in Capital Assets, Net of Related Debt	17,223,259	17,223,259
Restricted		
Construction	2,993,276	2,993,276
Debt Service	48,361	48,361
Elections	16,564	16,564
Financial Administration	16,120	16,120
General Administration	226,773	226,773
Judicial	169,925	169,925
Judicial - District Attorney	10,725	10,725
Public Safety	35,572	35,572
Public Safety - Sheriff	50,805	50,805
Public Transportation	7,092,137	7,092,137
Records Archives	300,226	300,226
Unrestricted	9,220,893	9,220,893
Total Net Position	<u>\$37,404,636</u>	<u>\$37,404,636</u>

The accompanying notes are an integral part of this statement.

GONZALES COUNTY, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and	Revenue and
					Changes in Net Position	Changes in Net Position
				Governmental Activities	Total	
Primary Government						
Government Activities:						
General Administration	\$1,588,174	\$467,132	\$0	\$0	(\$1,121,042)	(\$1,121,042)
Legal	543,348		328		(543,020)	(543,020)
Judicial	1,614,911	164,086	25,760		(1,425,065)	(1,425,065)
Financial Administration	870,569	607,174			(263,395)	(263,395)
Public Facilities	582,646			104,993	(477,653)	(477,653)
Public Safety	5,273,291	56,134	147,229		(5,069,928)	(5,069,928)
Public Transportation	4,070,346	930,924	7,344	2,934,265	(197,813)	(197,813)
Health and Welfare	3,725	30,250			26,525	26,525
Conservation - Agriculture	117,757				(117,757)	(117,757)
Interest and Fiscal Charges	67,469				(67,469)	(67,469)
Total Government Activities	14,732,236	2,255,700	180,661	3,039,258	(9,256,617)	(9,256,617)
Total Primary Government	\$14,732,236	\$2,255,700	\$180,661	\$3,039,258	(9,256,617)	(9,256,617)
General Revenues						
Property Taxes, Levies for General Purposes					19,417,422	19,417,422
Sales Taxes					3,281,249	3,281,249
Other Taxes					18,712	18,712
Oil Royalties					1,670	1,670
Unrestricted Investment Earnings					62,833	62,833
Miscellaneous					278,372	278,372
Total General Revenues and Transfers					23,060,258	23,060,258
Change in Net Position					13,803,641	13,803,641
Net Position - Beginning - Restated					23,600,995	23,600,995
Net Position - Ending					\$37,404,636	\$37,404,636

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

GONZALES COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	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	\$7,603,609	\$7,330,263	\$48,361	\$225,502	\$4,256,425	\$618,928	\$20,083,088
Receivables (net of allowance for uncollectibles)	1,384,982			585,792		4,859	1,975,633
Prepaid Items	37,397	13,987					51,384
Total Assets	\$9,025,988	\$7,344,250	\$48,361	\$811,294	\$4,256,425	\$623,787	\$22,110,105
LIABILITIES AND FUND BALANCES:							
Liabilities							
Accounts Payable	\$213,751	\$155,166		\$1,692	\$1,263,149	\$6,284	\$1,640,042
Accrued Wages	295,975	82,960				1,155	380,090
Deferred Revenues	1,386,490			585,792		15,119	1,987,401
Total Liabilities	1,896,216	238,126	0	587,484	1,263,149	22,558	4,007,533
Fund Balances:							
Non-Spendable							
Prepaid Items	37,397	13,987					51,384
Restricted							
Construction					2,993,276		2,993,276
Debt Service			48,361				48,361
Elections						16,564	16,564
Financial Administration						16,120	16,120
General Administration				223,810		2,963	226,773
Judicial						169,925	169,925
Judicial - District Attorney						10,725	10,725
Public Safety						35,572	35,572
Public Safety - Sheriff						50,805	50,805
Public Transportation		7,092,137					7,092,137
Records Archives						300,226	300,226
Unassigned	7,092,375					(1,671)	7,090,704
Total Fund Balance	7,129,772	7,106,124	48,361	223,810	2,993,276	601,229	18,102,572
Total Liabilities and Fund Balances	\$9,025,988	\$7,344,250	\$48,361	\$811,294	\$4,256,425	\$623,787	\$22,110,105

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, 2015

Total Fund Balances - governmental funds balance sheet	\$18,102,572
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.	18,676,262
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,327,422
Deferred Outflow of Resources-Contribution	999,543
Deferred Inflow-Investment Experience	(60,243)
Deferred Outflow-Actual Experience vs. Assumption	165,034
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	1,381,490
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(4,187,444)
Net Position of Governmental Activities - Statement of Net Position	<u>\$37,404,636</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, 2015

	General Fund	Road and Bridge	Debt Service Fund	Revolving Loan Fund	Energy Transportation Reinvestment	Other Governmental Funds	Total Governmental Funds
<i>REVENUES</i>							
Taxes							
Property	\$5,909,643	\$6,525,710	\$224,004		\$5,856,693		\$18,516,050
Sales	3,281,249						3,281,249
Other	18,712						18,712
Intergovernmental	190,171	7,344			2,934,265	88,139	3,219,919
Licenses and Permits	109,860	821,064					930,924
Charges for Services	1,207,924					193,849	1,401,773
Fines and Forfeitures	714,761						714,761
Oil Royalties	1,670						1,670
Interest	29,944	24,349	233	8,298		9	62,833
Miscellaneous	160,839	125,670					286,509
Total Revenues	<u>11,624,773</u>	<u>7,504,137</u>	<u>224,237</u>	<u>8,298</u>	<u>8,790,958</u>	<u>281,997</u>	<u>28,434,400</u>
<i>EXPENDITURES</i>							
Current:							
General Administration	1,829,124			2,400		1,908	1,833,432
Legal	551,632						551,632
Judicial	1,556,633					72,436	1,629,069
Financial Administration	881,118						881,118
Public Facilities	843,016						843,016
Public Safety	5,045,422					88,940	5,134,362
Public Transportation		5,324,150					5,324,150
Health and Welfare	3,725						3,725
Conservation - Agriculture	121,196						121,196
Capital Projects -							
Capital Outlay and Other					5,797,682		5,797,682
Debt Service							
Principal Retirement		149,085	195,000				344,085
Interest Retirement		13,118	48,740				61,858
Total Expenditures	<u>10,831,866</u>	<u>5,486,353</u>	<u>243,740</u>	<u>2,400</u>	<u>5,797,682</u>	<u>163,284</u>	<u>22,525,325</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>792,907</u>	<u>2,017,784</u>	<u>(19,503)</u>	<u>5,898</u>	<u>2,993,276</u>	<u>118,713</u>	<u>5,909,075</u>
<i>OTHER FINANCING SOURCES (USES):</i>							
Principal Received on Loans	0	0		75,343		0	75,343
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>75,343</u>	<u>0</u>	<u>0</u>	<u>75,343</u>
Net Changes in Fund Balances	792,907	2,017,784	(19,503)	81,241	2,993,276	118,713	5,984,418
Fund Balances - Beginning	6,336,865	5,088,340	67,864	142,569	0	482,516	12,118,154
Fund Balances - Ending	<u>7,129,772</u>	<u>7,106,124</u>	<u>48,361</u>	<u>223,810</u>	<u>2,993,276</u>	<u>601,229</u>	<u>18,102,572</u>

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, 2015

Net Changes in Fund Balances - Total Governmental Funds	\$5,984,418
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.	7,186,363
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.	(791,757)
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	12,419
Deferred Inflow-Investment Experience. This is the change in these amounts this year.	(60,243)
Deferred Outflow-Actual Experience vs. Assumption. This is the change in these amounts this year.	165,034
Repayment of principal on revolving loans is recognized as an other source of revenues in the funds but not in the SOA.	(83,479)
(Increase) decrease in compensated absences from beginning of period to end of period.	(58,463)
(Increase) decrease in accrued interest payable from beginning of period to end of period.	(5,611)
Other Post Employment Benefit expenses not requiring the use of current financial resources are not reported expenditures in the funds.	(40,305)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	901,372
(Increase) decrease in Net Pension Liability from beginning of period to end of period.	249,808
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	344,085
Change in Net Position of Governmental Activities - Statement of Activities	<u>\$13,803,641</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, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<i>REVENUES</i>				
Taxes				
Property	\$5,296,915	\$5,296,915	\$5,909,643	\$612,728
Sales	3,832,977	3,832,977	3,281,249	(551,728)
Other	15,000	15,000	18,712	3,712
Intergovernmental	22,000	22,000	190,171	168,171
Licenses and Permits	91,278	91,278	109,860	18,582
Charges for Services	1,130,749	1,130,749	1,207,924	77,175
Fines and Forfeitures	693,000	693,000	714,761	21,761
Oil Royalties	5,000	5,000	1,670	(3,330)
Interest	18,500	18,500	29,944	11,444
Miscellaneous	132,839	132,839	160,839	28,000
Total Revenues	11,238,258	11,238,258	11,624,773	386,515

EXPENDITURES

Current:

General Administration				
County Clerk	418,906	420,223	404,526	15,697
County Judge	234,698	236,823	222,788	14,035
Elections	38,700	40,828	40,141	687
Human Resources	66,051	66,051	58,208	7,843
Non-Departmental	1,076,553	1,119,342	979,519	139,823
Records Management	103,569	103,569	101,145	2,424
Veterans Service	29,918	29,918	22,797	7,121
Legal				
County Attorney	556,550	571,252	551,632	19,620
Judicial				
County Court	159,500	193,168	185,830	7,338
District Clerk	362,390	368,518	349,365	19,153
District Court	259,369	367,644	366,807	837
Justice of the Peace	684,497	684,450	654,631	29,819
Financial Administration				
County Auditor	254,574	254,574	221,603	32,971
County Treasurer	143,637	143,637	135,742	7,895
Tax Assessor-Collector	550,907	550,956	523,773	27,183
Public Facilities				
Courthouse	1,125,859	1,134,461	843,016	291,445
Public Safety				
Constables	320,411	320,364	303,878	16,486
D.P.S.	70,406	70,407	67,972	2,435
Jail	1,996,915	2,046,287	2,030,183	16,104
Sheriff	2,522,513	2,552,006	2,532,945	19,061
Code Enforcement	123,462	124,462	110,444	14,018

(continued)

(continued)

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Health and Welfare				
Indigent Services	\$8,000	\$8,000	\$3,725	\$4,275
Conservation - Agriculture				
Agriculture Extension Service	127,587	127,589	121,196	6,393
Total Expenditures	<u>11,234,972</u>	<u>11,534,529</u>	<u>10,831,866</u>	<u>702,663</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>3,286</u>	<u>(296,271)</u>	<u>792,907</u>	<u>1,089,178</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				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	3,286	(296,271)	792,907	1,089,178
Fund Balances - Beginning	6,336,865	6,336,865	6,336,865	
Fund Balances - Ending	<u>\$6,340,151</u>	<u>\$6,040,594</u>	<u>\$7,129,772</u>	<u>\$1,089,178</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$5,930,816	\$5,930,816	\$6,525,710	\$594,894
Intergovernmental	7,578	7,578	7,344	(234)
Licenses and Permits	775,368	775,368	821,064	45,696
Interest	19,931	19,931	24,349	4,418
Miscellaneous	152,084	152,084	125,670	(26,414)
Total Revenues	<u>6,885,777</u>	<u>6,885,777</u>	<u>7,504,137</u>	<u>618,360</u>
EXPENDITURES				
Current				
Public Transportation				
Road and Bridge	5,249,046	6,112,055	5,324,150	787,905
Debt Service				
Principal Retirement	162,071	157,071	149,085	7,986
Interest Retirement	16,342	14,232	13,118	1,114
Total Expenditures	<u>5,427,460</u>	<u>6,283,358</u>	<u>5,486,353</u>	<u>797,005</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,458,317	602,419	2,017,784	1,415,365
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	1,458,317	602,419	2,017,784	1,415,365
Fund Balances - Beginning	5,088,340	5,088,340	5,088,340	
Fund Balances - Ending	<u>\$6,546,657</u>	<u>\$5,690,759</u>	<u>\$7,106,124</u>	<u>\$1,415,365</u>

GONZALES COUNTY, TEXAS
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$216,750	\$216,750	\$224,004	\$7,254
Interest	150	150	233	83
Total Revenues	216,900	216,900	224,237	7,337
EXPENDITURES				
Debt Service				
Principal Retirement	195,000	195,000	195,000	0
Interest Retirement	48,740	48,740	48,740	0
Total Expenditures	243,740	243,740	243,740	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(26,840)	(26,840)	(19,503)	7,337
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	(26,840)	(26,840)	(19,503)	7,337
Fund Balances - Beginning	67,864	67,864	67,864	
Fund Balances - Ending	\$41,024	\$41,024	\$48,361	\$7,337

GONZALES COUNTY, TEXAS
 REVOLVING LOAN FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Interest	\$9,813	\$9,813	\$8,298	(\$1,515)
Total Revenues	9,813	9,813	8,298	(1,515)
EXPENDITURES				
Current:				
General Administration				
General Administration	2,400	2,400	2,400	0
Total Expenditures	2,400	2,400	2,400	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,413	7,413	5,898	(1,515)
OTHER FINANCING SOURCES (USES):				
Principal Received on Loans	95,780	95,780	75,343	(20,437)
Operating Transfers Out				0
Total Other Financing Sources (Uses)	95,780	95,780	75,343	(20,437)
Net Changes in Fund Balances	103,193	103,193	81,241	(21,952)
Fund Balances - Beginning	142,569	142,569	142,569	
Fund Balances - Ending	\$245,762	\$245,762	\$223,810	(\$21,952)

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, 2015

	Agency Funds	Private Purpose Trust Funds <u>Permanent</u> School Fund	Total
ASSETS			
Cash and Cash Equivalents	\$2,187,869	\$197,649	\$197,649
Receivables (net of allowance for uncollectibles)	0		0
Due from Others	0		0
Total Assets	<u>\$2,187,869</u>	<u>\$197,649</u>	<u>\$197,649</u>
LIABILITIES			
Accounts Payable	\$0	\$0	\$0
Due to Others	2,187,869	0	0
Total Liabilities	<u>2,187,869</u>	<u>0</u>	<u>0</u>
NET POSITION			
Held in Trust-Unexpendable	0	197,649	197,649
Total Net Position	<u>\$0</u>	<u>\$197,649</u>	<u>\$197,649</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, 2015

	Private Purpose Trust Funds	
	Permanent School	
	Fund	Total
ADDITIONS		
Contributions:		
Private Donations	\$0	\$0
Intergovernmental		0
Total Contributions	0	0
Investment Earnings:		
Interest Received	102	102
Total Investment Earnings	102	102
Less Investment Expense	0	0
Net Investment Earnings	102	102
TOTAL ADDITIONS	102	102
DEDUCTIONS		
Culture and Recreation-History		0
Total Deductions	0	0
Change in Net Position	102	102
Net Position-Beginning	197,547	197,547
Net Position-Ending	\$197,649	\$197,649

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

GONZALES COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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.

The accounting policies of Gonzales County, Texas, (the County) conform to generally accepted accounting principles generally accepted in the United States of America. The County also applies all relevant Government Accounting Standards Board (GASB) pronouncements.

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.

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 County’s deferred outflows of resources and deferred inflows of resources are noncurrent.) 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 taxes. 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 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 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, 2015 and 10 percent of the delinquent outstanding property taxes at September 30, 2015.

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, 2015.

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, 2015.

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. Infrastructure items such as roads, highways, and bridges are not included.

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, 2015, 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, 2015, fund balances are composed of the following:

Fund Balances:	
Non-Spendable	
Prepaid Items	\$51,384
Restricted	
Construction	2,993,276
Debt Service	48,361
Elections	16,564
Financial Administration	16,120
General Administration	226,773
Judicial	169,925
Judicial - District Attorney	10,725
Public Safety	35,572
Public Safety - Sheriff	50,805
Public Transportation	7,092,137
Records Archives	300,226
Unassigned	7,090,704
Total Fund Balance	<u>\$18,102,572</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 the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 assets - governmental activities as reported in the government-wide statement of net assets. 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 \$18,676,262 difference are as follows:

Capital Assets Not Being Depreciated	\$6,172,063
Capital Assets Being Depreciated	19,381,087
Accumulated Depreciation	(6,876,888)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$18,676,262</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 \$1,381,490 difference are as follows:

Property Taxes Receivable	\$1,470,915
Allowance for Doubtful Accounts	(89,425)
Net	<u>\$1,381,490</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 "Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds." The details of this \$2,327,422 difference are as follows:

Fines and Fees Receivable	\$5,805,432
Allowance for Doubtful Accounts	(4,063,802)
Principal on Revolving Loans	585,792
Net	<u>\$2,327,422</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 \$7,186,364 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$6,156,420
Capital Outlay - Additions - Being Depreciated	2,225,808
Capital Outlay - Reclassifications - Net	(128,108)
Depreciation Expense	(1,067,756)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$7,186,364</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 2015 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, 2015, expenditures did not exceed appropriations in any funds except for the Courthouse Security Fund where actual expenditures of \$34,042 exceeded budgeted expenditures of \$27,096 by \$6,946.

C. Deficit fund equity

The county had no deficit fund balances as of September 30, 2015 except for the SCAAP fund which had a deficit of \$1,671. This deficit is expected to be liquidated by future resources of this fund.

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, 2015, the government's bank balance of \$18,627,597 was not exposed to custodial credit risk. The fair market value of the securities pledged is \$22,000,000 and the FDIC coverage is \$250,000. The book balance of the deposits was \$16,903,255. 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, 2015 consist of \$3,179,833 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, 2015:

Investments - The County does have a formal investment policy, but it had no investments at September 30, 2015. 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	Other Governmental Funds	Total
<u>Receivables</u>				
Property Taxes	\$1,470,915			\$1,470,915
Fines	5,805,432			5,805,432
Accounts		585,792	4,859	590,651
Other	3,492			3,492
Gross receivables	7,279,839	585,792	4,859	7,870,490
Less: Allowance for uncollectibles	4,153,227			4,153,227
Net total receivables	<u>\$3,126,612</u>	<u>\$585,792</u>	<u>\$4,859</u>	<u>\$3,717,263</u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2015 was as follows:

Governmental Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Construction in Progress	\$15,643	\$6,156,420	\$0	\$6,172,063
Total capital assets not being depreciated:	15,643	6,156,420	0	6,172,063
Capital assets being depreciated:				
Building and Improvements	10,969,706	0	0	10,969,706
Machinery, Equipment and Vehicles	6,561,098	2,225,808	467,827	8,319,079
Infrastructure	92,302	0	0	92,302
Total capital assets being depreciated:	17,623,106	2,225,808	467,827	19,381,087
Less: Accumulated Depreciation for:				
Building and Improvements	3,227,542	213,185	0	3,440,727
Machinery, Equipment and Vehicles	2,907,464	845,341	339,719	3,413,086
Infrastructure	13,845	9,230	0	23,075
Total Accumulated Depreciation	6,148,851	1,067,756	339,719	6,876,888
Total Capital Assets Depreciated, Net	11,474,255	1,158,052	128,108	12,504,199
Governmental Activities capital assets, Net	<u>\$11,489,898</u>	<u>\$7,314,472</u>	<u>\$128,108</u>	<u>\$18,676,262</u>

The 2014-2015 depreciation is as follows:

Governmental activities	
General Administration	\$17,743
Legal	6,959
Judicial	1,718
Financial Administration	2,750
Public Facilities	160,025
Public Safety	302,255
Public Transportation	<u>576,306</u>
Total depreciation expense - governmental activities	<u>\$1,067,756</u>

The infrastructure capital assets were not fully depreciated at September 30, 2015.

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, 2015. There were no interfund balances as of September 30, 2015. There were no advances at September 30, 2015. 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 \$155,833 for the year ended September 30, 2015. The future minimum lease payments for these leases are as follows:

Year Ending Sep. 30	<u>Amount</u>
2016	158,850
2017	159,156
2018	159,156
2019	140,872
2020	<u>23,641</u>
Total	<u>\$ 641,675</u>

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) 2012 Freightliner, and three (3) Volvo Motorgraders. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date.

Assets acquired through capital leases are as follows:

Precinct Number	PUBLIC TRANSPORTATION					TOTAL
	1	2	2	2	4	
	JD 624 K Loader	2012 Freightliner	2012 Volvo Motorgrader	2013 Volvo Motorgrader	2012 Volvo Motorgrader	
Asset:						
Cost	\$149,850	\$82,500	\$132,603	\$198,762	\$185,546	\$749,261
Less: Accumulated Depreciation	24,975	19,250	30,941	13,251	37,109	125,526
Total	\$124,875	\$63,250	\$101,662	\$185,511	\$148,437	\$623,735

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2015, were as follows:

<u>Year Ending Sep. 30</u>	<u>Amount</u>
2016	\$162,203
2017	150,361
2018	53,394
Total	<u>365,958</u>
Less: Amount Representing Interest	<u>12,955</u>
Present Value of Minimum Lease Payments	<u>\$353,003</u>

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

Bonds

The government issued a General Obligation Refunding Bond, Series 2006.

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.

Year Ending September 30,	Governmental Activities Principal	
2016	\$205,000	\$40,789
2017	210,000	32,446
2018	220,000	23,716
2019	230,000	14,491
2020	235,000	4,878
TOTALS	\$1,100,000	\$116,320

The changes in long-term liabilities are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Summary	
					Due Within One Year	Due in More Than One Year
<u>Governmental Activities:</u>						
Bonds Payable	\$1,295,000	\$0	\$195,000	\$1,100,000	\$205,000	\$895,000
Capital Lease Payable	502,088		149,085	353,003	153,706	199,297
GASB 45 Payable	149,199	40,305		189,504		189,504
Net Pension Liability	2,572,691		249,808	2,322,883		2,322,883
Compensated Absences Payable	157,980	216,443	157,980	216,443	216,443	0
	4,676,958	256,748	751,873	4,181,833	575,149	3,606,684
Grand Total	\$4,676,958	\$256,748	\$751,873	\$4,181,833	\$575,149	\$3,606,684

The general fund and the road and bridge fund are used to service the compensated absences. The estimated amount due in the 2015-16 year is \$216,443. The compensated absences are deemed to be current liabilities.

The government-wide statement of activities includes \$575,149 as "non-current liabilities, due within one year".

The total amount of interest expensed in 2014-2015 is \$67,469.

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 2015 fiscal year.

C. Subsequent Events

On March 21, 2016, Commissioner's Court - Awarded a bid for general construction work at the Randle Rather Building to Workman Commercial in the amount of \$3,249,000.00.

On April 11, 2016, Commissioner's Court - Accepted Contractor's Final Payment Affidavit indicating all subcontractor and supplier bills are paid, accepting and executing Contractor's Certificate of Construction Completion confirming the final contract amount of \$1,302,497.64 and authorizing Contractor's Payment #4 of \$203,096.81 and a Final Payment of \$130,249.76, setting a Project Acceptance date of April 11, 2016; beginning the one-year warranty period as of the project acceptance date, and authorizing the County Judge to execute the close out documents on behalf of the County.

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, 2015.

E. Prior Period Adjustments

The County has determined that certain transactions were recorded incorrectly in a prior year.

The County had a prior period adjustment whereby governmental activities Net Assets were decreased by \$1,585,567. The restatement was a result of the County implementing GASB 68.

These restatements had a corresponding effect on the beginning net assets.

	Net Assets, as Previously Reported	GASB 68 RESTATEMENT	Net Assets As Restated
Governmental Activities:			
Net Assets	\$25,186,562	(\$1,585,567)	\$23,600,995
Total Governmental Activities	<u>\$25,186,562</u>	<u>(\$1,585,567)</u>	<u>\$23,600,995</u>

F. 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 official'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	_____
Annual OPEB cost (expense)	\$ 40,305
Net estimated employer contributions	
Net OPEB obligations, beginning of year	149,199
Net OPEB, end of year	\$ _____ 189,504

	Annual OPEB Cost	Employer Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<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
actuarial valuation date	12/31/2008	12/31/2011		
actuarial value of assets	\$ 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%		

G. Summary of TCDRS Funding Policy

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, 2014 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 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. The employer rate for the 2014 and 2015 years is 14.69% and 14.69%, respectively.

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 smoothes 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.

Net Pension Liability / (Asset)

Net Pension Liability / (Asset)	December 31, 2013	December 31, 2014
Total pension liability	\$15,959,360	\$17,224,221
Fiduciary net position	13,386,669	14,901,338
Net pension liability / (asset)	2,572,691	2,322,883
Fiduciary net position as a % of total pension liability	83.88%	86.51%
Pensionable covered payroll	\$4,885,673	\$5,910,589
Net pension liability as a % of covered payroll	52.66%	39.30%

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.

Payroll is calculated based on contributions as reported to TCDRS.

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

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of December 31, 2014 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 A 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 B (Actuarial Methods and Assumptions Used for Funding Valuation) of this report for a full description of the actuarial assumptions used in the funding valuation.

Valuation date	Dec. 31, 2013	Dec. 31, 2014
Measurement date	Dec. 31, 2013	Dec. 31, 2014
Reporting date	Employer Beg. Fiscal Year	Employer FYE

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.

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability / (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2013	\$15,959,360	\$13,386,669	\$2,572,691
Changes for the year:			
Service cost	743,601		743,601
Interest on total pension liability	1,294,712		1,294,712
Effect of plan changes	0		0
Effect of economic/demographic gains or losses	(80,324)		(80,324)
Effect of assumptions changes or inputs	0		0
Refund of contributions	(106,363)	(106,363)	0
Benefit payments	(586,767)	(586,767)	0
Administrative expenses		(10,918)	10,918
Member contributions		413,741	(413,741)
Net investment income		912,845	(912,845)
Employer contributions		968,268	(968,268)
Other	0	(76,138)	76,138
Balances as of December 31, 2014	<u>\$17,224,221</u>	<u>\$14,901,338</u>	<u>\$2,322,883</u>

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	Current Discount Rate	1% Increase
7.10%	8.10%	9.10%

Total pension liability	\$19,263,241	\$17,224,221	\$15,520,235
Fiduciary net position	14,901,338	14,901,338	14,901,338
Net pension liability / (asset)	\$4,361,903	\$2,322,883	\$618,897

Pension Expense / (Income)

Pension Expense / (Income)	January 1, 2014 to December 31, 2014
Service cost	\$743,601
Interest on total pension liability	1,294,712
Effect of plan changes	0
Administrative expenses	10,918
Member contributions	(413,741)
Expected investment return net of investment expenses	(1,119,138)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(20,081)
Recognition of assumption changes or inputs	0
Recognition of investment gains or losses	41,259
Other	<u>76,138</u>
Pension expense / (income)	\$613,669

As of December 31, 2014, 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	\$60,243	\$0
Changes of assumptions	0	0
Net difference between projected and actual earnings	0	165,034
Contributions made subsequent to measurement date	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:	
2015	\$21,178
2016	21,178
2017	21,178
2018	41,269
2019	0
Thereafter	0

Schedule of Deferred Inflows and Outflows of Resources

	Original Amount	Date Established	Original Recognition Period	Amount Recognized in 12/31/2014 Expense	Balance of Deferred Inflows 12/31/2014	Balance of Deferred Outflows 12/31/2014
Investment (gains) or losses	\$206,293	12/31/2014	5.0	\$41,259	\$0	\$165,034
Economic/ demographic (gains) or losses	(80,324)	12/31/2014	4.0	(20,081)	(60,243)	0
Assumption changes or inputs	0	12/31/2014	4.0	0	0	0
Employer contributions made subsequent to measurement date						
Employer Determined						

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS investment consultant, Cliffwater LLC. The numbers shown are based on January 2015 information for a 7-10 year time horizon.

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

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
USEquities	Dow Jones U.S. Total Stock Market Index	16.50%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (3)	12.00%	8.35%
Global Equities	MSCI World (net) Index	1.50%	5.65%
International Equities -Developed	50% MSCI World Ex USA (net) + 50% MSCI World ex USA 100% Hedged to USO (net) Index	11.00%	5.35%
International Equities -Emerging	50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USO (net) Index	9.00%	6.35%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.55%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.75%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.00%	5.54%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.80%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.75%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.00%
Commodities	Bloomberg Commodities Index	2.00%	-0.20%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (4)	3.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.15%

Employees covered by benefit terms.

Actuarial Valuation and Measurement Date, December 31, 2013 2014

Membership

Number of

- Inactive employees or beneficiaries currently receiving benefits	74	74
- Inactive employees entitled to but not yet receiving benefits	77	77
- Active employees	<u>154</u>	<u>154</u>
- Total	<u>305</u>	<u>305</u>

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ended December 31									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Pension Liability										
Service cost	\$743,601	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	1,294,712	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	(80,324)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	<u>(693,130)</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	1,264,861	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	15,959,360	<u>N/A</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	<u>\$17,224,221</u>	<u>N/A</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer contributions	\$968,268	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	413,741	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	912,845	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(693,130)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(10,918)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	<u>(76,138)</u>	<u>N/A</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	1,514,669	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	13,386,669	<u>N/A</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	<u>\$14,901,338</u>	<u>N/A</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability / (asset), ending = (a) - (b)	<u>\$2,322,883</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	86.51%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	\$5,910,589	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	39.30%	N/A	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 67168, 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	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽¹⁾	Actual Contribution as a % of Covered Payroll
2005	Not Available	Not Available	Not Available	Not Available	Not Available
2006	\$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%

Payroll is calculated based on contributions as reported to TCDRS.

Appendix A - Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial methods and assumptions used for this GASS analysis were the same as those used in the December 31, 2014 funding valuation (see Appendix B, following, for details), except as noted below and throughout this report. Please see the employer summary actuarial valuation report as of December 31, 2014 for further details.

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

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	Same as funding valuation: See Appendix B
Salary Increases	Same as funding valuation: See Appendix B
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Gonzales County are not considered to be substantively automatic under GASS 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 B
Turnover	Same as funding valuation: See Appendix B
Mortality	Same as funding valuation: See Appendix B

Appendix B-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, 2014 financial reporting metrics are the same as those used in the December 31, 2014 actuarial valuation analysis for Gonzales County.

Following is a description of the assumptions used in the December 31, 2014 actuarial valuation analysis for Gonzales County. This information may also be found in the Gonzales County December 31, 2014 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 long-term investment return of 8% is net of investment expenses and is expected to enable the system to credit interest at the nominal annual rates shown below to the following major funds:

Subdivision Accumulation Fund	9%
Employees Saving Fund	7%
Current Service Annuity Reserve Fund	7%

Assuming interest will be credited at these nominal annual rates to the various funds, we have then assumed the following:

An annual rate of 9% for calculating the actuarial accrued liability and normal cost contributions rate for the retirement plan of each participating employer.

An annual rate of 7% required under the TCDRS Act for: (1) accumulating current service credit and multiple matching credit after the valuation date; (2) accumulating prior service credit after the valuation date; (3) determining the amount of the monthly benefit at future dates of retirement or disability; and (4) calculating the actuarial accrued liability of the system-wide Current Service Annuity Reserve Fund.

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	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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Taxes				
Property	\$5,771,964	\$5,771,964	\$5,856,693	\$84,729
Intergovernmental	0	0	2,934,265	2,934,265
Total Revenues	<u>5,771,964</u>	<u>5,771,964</u>	<u>8,790,958</u>	<u>3,018,994</u>
EXPENDITURES				
Current:				
Capital Projects -				
Capital Outlay and Other	5,771,965	9,660,796	5,797,682	3,863,114
Total Expenditures	<u>5,771,965</u>	<u>9,660,796</u>	<u>5,797,682</u>	<u>3,863,114</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1)	(3,888,832)	2,993,276	6,882,108
OTHER FINANCING SOURCES (USES):				
Operating Transfers In				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	(1)	(3,888,832)	2,993,276	6,882,108
Fund Balances - Beginning	0	0	0	
Fund Balances - Ending	<u>(\$1)</u>	<u>(\$3,888,832)</u>	<u>\$2,993,276</u>	<u>\$6,882,108</u>

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GONZALES COUNTY, TEXAS
 BALANCE SHEET - ROAD AND BRIDGE FUND
 SEPTEMBER 30, 2015

	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	\$1,795,375	\$1,537,932	\$2,456,601	\$1,540,355	\$7,330,263
Receivables (net of allowance for uncollectibles)					0
Prepaid Insurance	3,213	4,453	3,310	3,011	13,987
Total Assets	\$1,798,588	\$1,542,385	\$2,459,911	\$1,543,366	7,344,250
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$17,413	\$57,187	\$35,622	\$44,944	\$155,166
Accrued Wages	23,150	23,413	18,437	17,960	82,960
Total Liabilities	40,563	80,600	54,059	62,904	238,126
Fund Balances:					
Non-Spendable					
Prepaid Insurance	3,213	4,453	3,310	3,011	13,987
Restricted					
Public Transportation	1,754,812	1,457,332	2,402,542	1,477,451	7,092,137
Total Fund Balance	1,758,025	1,461,785	2,405,852	1,480,462	7,106,124
Total Liabilities and Fund Balances	\$1,798,588	\$1,542,385	\$2,459,911	\$1,543,366	\$7,344,250

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, 2015

	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	\$1,631,428	\$1,631,428	\$1,631,427	\$1,631,427	\$6,525,710
Intergovernmental		7,344			7,344
Licenses and Permits	205,266	205,266	205,266	205,266	821,064
Fines and Forfeitures					0
Interest	6,891	3,567	8,454	5,437	24,349
Miscellaneous	35,445	15,252	8,170	66,803	125,670
Total Revenues	<u>1,879,030</u>	<u>1,862,857</u>	<u>1,853,317</u>	<u>1,908,933</u>	<u>7,504,137</u>
<i>EXPENDITURES</i>					
Current:					
Public Transportation					
Road and Bridge	1,551,194	1,479,140	896,378	1,397,438	5,324,150
Debt Service					
Principal Retirement	29,938	82,071		37,076	149,085
Interest Retirement	3,929	6,257		2,932	13,118
Total Expenditures	<u>1,585,061</u>	<u>1,567,468</u>	<u>896,378</u>	<u>1,437,446</u>	<u>5,486,353</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>293,969</u>	<u>295,389</u>	<u>956,939</u>	<u>471,487</u>	<u>2,017,784</u>
<i>OTHER FINANCING SOURCES (USES):</i>					
Operating Transfers In					0
Operating Transfers Out					0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Changes in Fund Balances	293,969	295,389	956,939	471,487	2,017,784
Fund Balances - Beginning	1,464,056	1,166,396	1,448,913	1,008,975	5,088,340
Fund Balances - Ending	<u>\$1,758,025</u>	<u>\$1,461,785</u>	<u>\$2,405,852</u>	<u>\$1,480,462</u>	<u>\$7,106,124</u>

The accompanying notes are an integral part of this statement.

GONZALES COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2015

	SPECIAL REVENUE												
	APPELLATE	CHILD	COUNTY AND	COUNTY	COURTHOUSE	COURT	DIGITAL	FAMILY	HAVA	HOMELAND	INDIGENT	JUSTICE	JUSTICE
	JUDICIAL	ABUSE	DISTRICT	JUDGE	SECURITY	REPORTER	RECORDS	PROTECTION	GRANT	SECURITY	HEALTH	COURT	COURT
FUND	PREVENTION	COURT	EXCESS	FUND	FUND	SERVICES	PRESERVATION				CARE	BUILDING	TECHNOLOGY
		TECHNOLOGY	SUPPLEMENT								FUND	SECURITY	FUND
ASSETS													
Cash and Cash Equivalents	\$1,476	\$1,009	\$4,517	\$3,047	\$12,660	\$3,025	\$19,350	\$2,225	\$16,564	\$0	\$16,120	\$39,410	\$33,245
Receivables (net of allowance for uncollectibles)													4,859
TOTAL ASSETS	\$1,476	\$1,009	\$4,517	\$3,047	\$12,660	\$3,025	\$19,350	\$2,225	\$16,564	\$0	\$16,120	\$39,410	\$38,104
LIABILITIES AND FUND BALANCES													
Liabilities													
Accounts Payable				\$84								\$110	\$245
Accrued Wages					1,155								
Unearned Revenues													
Total Liabilities	0	0	0	84	1,155	0	0	0	0	0	0	110	245
Fund Balances													
Restricted													
Elections									16,564				
Health Care											16,120		
General Administration				2,963									
Judicial	1,476	1,009	4,517			3,025		2,225					37,859
Vital Statistics													
Public Safety										0			
Public Safety - Sheriff					11,505							39,300	
Records Archives							19,350						
Unassigned													
Total Fund Balances	1,476	1,009	4,517	2,963	11,505	3,025	19,350	2,225	16,564	0	16,120	39,300	37,859
TOTAL LIABILITIES AND FUND BALANCES	\$1,476	\$1,009	\$4,517	\$3,047	\$12,660	\$3,025	\$19,350	\$2,225	\$16,564	\$0	\$16,120	\$39,410	\$38,104

(continued)

SPECIAL REVENUE

LAW LIBRARY FUND	LOCAL BORDER SECURITY FUND	MEDIATION FEE FUND	MVNA FUND	PROBATE COURT FUND	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 GOVERNMENTAL FUNDS
\$64,315	\$35,572	\$31,115	\$7,654	\$461	\$226,491	\$48,794	\$8,936	\$5,591	\$15,906	\$10,720	\$10,725	\$618,928
												4,859
\$64,315	\$35,572	\$31,115	\$7,654	\$461	\$226,491	\$48,794	\$8,936	\$5,591	\$15,906	\$10,720	\$10,725	\$623,787
\$321			\$3,066						\$2,458			\$6,284
									15,119			1,155
321	0	0	3,066	0	0	0	0	0	17,577	0	0	15,119
												16,564
												16,120
												2,963
63,994		31,115	4,588	461			8,936			10,720		169,925
	35,572										10,725	10,725
												35,572
												50,805
					226,491	48,794		5,591				300,226
									(1,671)			(1,671)
63,994	35,572	31,115	4,588	461	226,491	48,794	8,936	5,591	(1,671)	10,720	10,725	601,229
\$64,315	\$35,572	\$31,115	\$7,654	\$461	\$226,491	\$48,794	\$8,936	\$5,591	\$15,906	\$10,720	\$10,725	\$623,787

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

	SPECIAL REVENUE												
	APPELLATE	CHILD	COUNTY AND	COUNTY	COURTHOUSE	COURT	DIGITAL	FAMILY	HAVA	HOMELAND	INDIGENT	JUSTICE	JUSTICE
	JUDICIAL	ABUSE	DISTRICT	JUDGE	SECURITY	REPORTER	RECORDS	PROTECTION	GRANT	SECURITY	HEALTH	COURT	COURT
FUND	PREVENTION	COURT	EXCESS	FUND	FUND	SERVICES	PRESERVATION			CARE	BUILDING	TECHNOLOGY	
		TECHNOLOGY	SUPPLEMENT							FUND	SECURITY	FUND	
<i>REVENUES</i>													
Intergovernmental										\$15,757			
Charges for Services	1,735		999		25,240	2,520	3,880	855				6,616	29,475
Interest											9		
Total Revenues	1,735	0	999	0	25,240	2,520	3,880	855	0	15,757	9	6,616	29,475
<i>EXPENDITURES</i>													
Current:													
General Administration													
General Administration													
Records Management													
Judicial													
Judicial	1,444					1,500							36,092
Public Safety													
Sheriff					34,042					15,757		660	
Total Expenditures	1,444	0	0	732	34,042	1,500	0	0	0	15,757	0	660	36,092
Excess (Deficiency) of Revenues Over (Under) Expenditures	291	0	999	(732)	(8,802)	1,020	3,880	855	0	0	9	5,956	(6,617)
<i>OTHER FINANCING SOURCES (USES):</i>													
Operating Transfers In													
Operating Transfers Out													
Total Other Financing Sources (Uses)	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Changes in Fund Balances	291	0	999	(732)	(8,802)	1,020	3,880	855	0	0	9	5,956	(6,617)
Fund Balances - Beginning	1,185	1,009	3,518	3,695	20,307	2,005	15,470	1,370	16,564	0	16,111	33,344	44,476
Fund Balances - Ending	\$1,476	\$1,009	\$4,517	\$2,963	\$11,505	\$3,025	\$19,350	\$2,225	\$16,564	\$0	\$16,120	\$39,300	\$37,859

(continued)

SPECIAL REVENUE

LAW LIBRARY FUND	LOCAL BORDER SECURITY FUND	MEDIATION FEE FUND	MVNA FUND	PROBATE COURT FUND	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
	\$65,063								\$7,319			\$88,139
12,145		3,350	31,714	237	60,925	8,058	2,782	651		1,580	1,087	193,849
12,145	65,063	3,350	31,714	237	60,925	8,058	2,782	651	7,319	1,580	1,087	281,997
												732
					1,176							1,176
3,945			29,134	250			71					72,436
	29,491								8,990			88,940
3,945	29,491	0	29,134	250	1,176	0	71	0	8,990	0	0	163,284
8,200	35,572	3,350	2,580	(13)	59,749	8,058	2,711	651	(1,671)	1,580	1,087	118,713
												0
												0
0	0	0	0	0	0	0	0	0	0	0	0	0
8,200	35,572	3,350	2,580	(13)	59,749	8,058	2,711	651	(1,671)	1,580	1,087	118,713
55,794	0	27,765	2,008	474	166,742	40,736	6,225	4,940	0	9,140	9,638	482,516
\$63,994	\$35,572	\$31,115	\$4,588	\$461	\$226,491	\$48,794	\$8,936	\$5,591	(\$1,671)	\$10,720	\$10,725	\$601,229

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- BUDGET AND ACTUAL

GONZALES COUNTY, TEXAS
COUNTY JUDGE EXCESS STATE SUPPLEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$1,097	\$1,097	\$0	(\$1,097)
Total Revenues	1,097	1,097	0	(1,097)
EXPENDITURES				
Current:				
General Administration				
General Administration	2,080	2,080	732	1,348
Total Expenditures	2,080	2,080	732	1,348
Excess (Deficiency) of Revenues Over (Under) Expenditures	(983)	(983)	(732)	251
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	(983)	(983)	(732)	251
Fund Balances - Beginning	3,695	3,695	3,695	
Fund Balances - Ending	\$2,712	\$2,712	\$2,963	\$251

GONZALES COUNTY, TEXAS
 COURTHOUSE SECURITY FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Charges for Services	\$25,700	\$25,700	\$25,240	(\$460)
Total Revenues	25,700	25,700	25,240	(460)
EXPENDITURES				
Current:				
Public Safety				
Sheriff	27,096	27,096	34,042	(6,946)
Total Expenditures	27,096	27,096	34,042	(6,946)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,396)	(1,396)	(8,802)	(7,406)
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	(1,396)	(1,396)	(8,802)	(7,406)
Fund Balances - Beginning	20,307	20,307	20,307	
Fund Balances - Ending	\$18,911	\$18,911	\$11,505	(\$7,406)

GONZALES COUNTY, TEXAS
 COURT REPORTER SERVICES FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Charges for Services	\$2,700	\$2,700	\$2,520	(\$180)
Total Revenues	2,700	2,700	2,520	(180)
EXPENDITURES				
Current:				
Judicial				
Judicial	1,500	1,500	1,500	0
Total Expenditures	1,500	1,500	1,500	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,200	1,200	1,020	(180)
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	1,200	1,200	1,020	(180)
Fund Balances - Beginning	2,005	2,005	2,005	
Fund Balances - Ending	\$3,205	\$3,205	\$3,025	(\$180)

GONZALES COUNTY, TEXAS
 FAMILY PROTECTION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Charges for Services	\$1,100	\$1,100	\$855	(\$245)
Total Revenues	1,100	1,100	855	(245)
EXPENDITURES				
Current:				
Judicial				
Judicial	1,400	1,400	0	1,400
Total Expenditures	1,400	1,400	0	1,400
Excess (Deficiency) of Revenues Over (Under) Expenditures	(300)	(300)	855	1,155
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	(300)	(300)	855	1,155
Fund Balances - Beginning	1,370	1,370	1,370	
Fund Balances - Ending	\$1,070	\$1,070	\$2,225	\$1,155

GONZALES COUNTY, TEXAS
 HOMELAND SECURITY
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$0	\$0	\$15,757	\$15,757
Total Revenues	0	0	15,757	15,757
EXPENDITURES				
Current:				
Judicial				
Judicial	0	15,758	15,757	1
Total Expenditures	0	15,758	15,757	1
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(15,758)	0	15,758
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	0	(15,758)	0	15,758
Fund Balances - Beginning	0	0	0	
Fund Balances - Ending	\$0	(\$15,758)	\$0	\$15,758

GONZALES COUNTY, TEXAS
 JUSTICE COURT BUILDING SECURITY FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Charges for Services	\$4,500	\$4,500	\$6,616	\$2,116
Total Revenues	4,500	4,500	6,616	2,116
EXPENDITURES				
Current:				
Public Safety				
Sheriff	660	660	660	0
Total Expenditures	660	660	660	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,840	3,840	5,956	2,116
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	3,840	3,840	5,956	2,116
Fund Balances - Beginning	33,344	33,344	33,344	
Fund Balances - Ending	\$37,184	\$37,184	\$39,300	\$2,116

GONZALES COUNTY, TEXAS
 JUSTICE COURT TECHNOLOGY FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Charges for Services	\$27,600	\$27,600	\$29,475	\$1,875
Total Revenues	27,600	27,600	29,475	1,875
EXPENDITURES				
Current:				
General Administration				
Records Management	39,552	39,552	36,092	3,460
Total Expenditures	39,552	39,552	36,092	3,460
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,952)	(11,952)	(6,617)	5,335
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	(11,952)	(11,952)	(6,617)	5,335
Fund Balances - Beginning	44,476	44,476	44,476	
Fund Balances - Ending	\$32,524	\$32,524	\$37,859	\$5,335

GONZALES COUNTY, TEXAS
LAW LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Charges for Services	\$10,500	\$10,500	\$12,145	\$1,645
Total Revenues	10,500	10,500	12,145	1,645
EXPENDITURES				
Current:				
Public Safety				
Emergency Operations	2,500	3,946	3,945	1
Total Expenditures	2,500	3,946	3,945	1
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,000	6,554	8,200	1,646
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	8,000	6,554	8,200	1,646
Fund Balances - Beginning	55,794	55,794	55,794	
Fund Balances - Ending	\$63,794	\$62,348	\$63,994	\$1,646

GONZALES COUNTY, TEXAS
 LOCAL BORDER SECURITY GRANT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$50,000	\$50,000	\$65,063	\$15,063
Total Revenues	50,000	50,000	65,063	15,063
EXPENDITURES				
Current:				
Public Safety				
Sheriff	50,000	50,000	29,491	20,509
Total Expenditures	50,000	50,000	29,491	20,509
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	35,572	35,572
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	0	0	35,572	35,572
Fund Balances - Beginning	0	0	0	
Fund Balances - Ending	\$0	\$0	\$35,572	\$35,572

GONZALES COUNTY, TEXAS
MEDIATION FEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Charges for Services	\$2,800	\$2,800	\$3,350	\$550
Total Revenues	2,800	2,800	3,350	550
EXPENDITURES				
Current:				
Judicial				
Judicial	3,000	3,000	0	3,000
Total Expenditures	3,000	3,000	0	3,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(200)	(200)	3,350	3,550
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	(200)	(200)	3,350	3,550
Fund Balances - Beginning	27,765	27,765	27,765	
Fund Balances - Ending	\$27,565	\$27,565	\$31,115	\$3,550

GONZALES COUNTY, TEXAS
 PROBATE COURT FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Charges for Services	\$200	\$200	\$237	\$37
Total Revenues	200	200	237	37
EXPENDITURES				
Current:				
Judicial				
Judicial	200	251	250	1
Total Expenditures	200	251	250	1
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(51)	(13)	38
OTHER FINANCING SOURCES (USES):				
Operating Transfers In			0	0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	0	(51)	(13)	38
Fund Balances - Beginning	474	474	474	
Fund Balances - Ending	\$474	\$423	\$461	\$38

GONZALES COUNTY, TEXAS
 RECORDS MANAGEMENT - COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Charges for Services	\$60,000	\$60,000	\$60,925	\$925
Total Revenues	60,000	60,000	60,925	925
EXPENDITURES				
Current:				
General Administration				
Records Management	116,355	116,355	1,176	115,179
Total Expenditures	116,355	116,355	1,176	115,179
Excess (Deficiency) of Revenues Over (Under) Expenditures	(56,355)	(56,355)	59,749	116,104
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	(56,355)	(56,355)	59,749	116,104
Fund Balances - Beginning	166,742	166,742	166,742	
Fund Balances - Ending	\$110,387	\$110,387	\$226,491	\$116,104

GONZALES COUNTY, TEXAS
 RECORDS MANAGEMENT - COUNTY AND DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Charges for Services	\$7,900	\$7,900	\$8,058	\$158
Total Revenues	7,900	7,900	8,058	158
EXPENDITURES				
Current:				
General Administration				
County Clerk	25,000	25,000	0	25,000
Total Expenditures	25,000	25,000	0	25,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,100)	(17,100)	8,058	25,158
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	(17,100)	(17,100)	8,058	25,158
Fund Balances - Beginning	40,736	40,736	40,736	
Fund Balances - Ending	\$23,636	\$23,636	\$48,794	\$25,158

GONZALES COUNTY, TEXAS
 RECORDS MANAGEMENT - DISTRICT CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Charges for Services	\$2,000	\$2,000	\$2,782	\$782
Total Revenues	2,000	2,000	2,782	782
EXPENDITURES				
Current:				
Judicial				
Judicial	4,000	4,000	71	3,929
Total Expenditures	4,000	4,000	71	3,929
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,000)	(2,000)	2,711	4,711
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	(2,000)	(2,000)	2,711	4,711
Fund Balances - Beginning	6,225	6,225	6,225	
Fund Balances - Ending	\$4,225	\$4,225	\$8,936	\$4,711

GONZALES COUNTY, TEXAS
 SCAAP FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$0	\$0	\$7,319	\$7,319
Total Revenues	0	0	7,319	7,319
EXPENDITURES				
Current:				
Judicial				
Judicial	15,000	15,000	8,990	6,010
Total Expenditures	15,000	15,000	8,990	6,010
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,000)	(15,000)	(1,671)	13,329
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	(15,000)	(15,000)	(1,671)	13,329
Fund Balances - Beginning	0	0	0	
Fund Balances - Ending	(\$15,000)	(\$15,000)	(\$1,671)	\$13,329

GONZALES COUNTY, TEXAS
VITAL STATISTICS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Charges for Services	\$1,200	\$1,200	\$1,087	(\$113)
Total Revenues	1,200	1,200	1,087	(113)
EXPENDITURES				
Current:				
General Administration				
Vital Statistics	0	0	0	0
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,200	1,200	1,087	(113)
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	1,200	1,200	1,087	(113)
Fund Balances - Beginning	9,638	9,638	9,638	
Fund Balances - Ending	\$10,838	\$10,838	\$10,725	(\$113)

SINGLE AUDIT SECTION

GONZALES COUNTY, TEXAS
 SCHEDULE OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

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			\$1,520,470
Road and Bridge No. 2			186,508
Road and Bridge No. 3			235,856
Road and Bridge No. 4			991,431
			<u>2,934,265</u>
Local match for the above grant was \$733,567.			
Texas Department of Public Safety Direct Local Border Security Program (LBSP) (NM)	35,249	LBSP-15-0064	29,491
Texas Indigent Defense Commission Direct Indigent Defense Grant (NM)		212-11-089	21,715
Office of the Governor - Criminal Justice Division Passed through Golden Crescent Council of Governments Digital Cameras Grant (NM)	29,600		29,600
Total State Assistance			<u><u>\$3,015,071</u></u>

M=MAJOR PROGRAM

NM=NONMAJOR PROGRAM

See Accompanying Notes to Schedule of State Financial Assistance

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

Wayne R. Beyer, C.P.A.

P.O. Box 366 / 442 West Oaklawn
Pleasanton, Texas 78064
Phone: (830) 569-8781 ~ Fax: (830) 569-6776

E-mail: beyrandco@sbcglobal.net

111 North Odem
Sinton, Texas 78387
Phone: (830) 569-8781 ~ Fax: (830) 569-6776

Please reply to Pleasanton address

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*

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 *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gonzales County, Texas, as of and for the year ended September 30, 2015, 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*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Wayne R. Beyer".

BEYER & COMPANY
Certified Public Accountants
August 20, 2016

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

Wayne R. Beyer, C.P.A.

P.O. Box 366 / 442 West Oaklawn
Pleasanton, Texas 78064
Phone: (830) 569-8781 ~ Fax: (830) 569-6776

E-mail: beyerandco@sbcglobal.net

111 North Odem
Sinton, Texas 78387
Phone: (830) 569-8781 ~ Fax: (830) 569-6776

Please reply to Pleasanton address

**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 *OMB Circular A-133 Compliance Supplement* and 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, 2015. 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, 2015.

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
August 20, 2016

GONZALES COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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, 2015. 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, 2015.

GONZALES COUNTY, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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, 2015

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified 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 unqualified 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 \$300,000.
9. The Gonzales County did not 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