

**GONZALES COUNTY, TEXAS**

**ANNUAL FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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INDEPENDENT AUDITOR'S REPORT

Honorable Judge David Bird and Members of  
the Commissioner's Court  
Gonzales County, Gonzales, Texas

We have audited the accompanying financial statements of Gonzales County, Texas for the year ended September 30, 2006, as listed in the table of contents. These financial statements are the responsibility of Gonzales County management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the cash basis financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the cash basis financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall cash basis financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, Gonzales County prepares its financial statements on the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, because of the County's policy to prepare its financial statements on the basis of accounting discussed in Note 1, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Gonzales County as of September 30, 2006, or the results of its operations, or cash flows for the year then ended.

However, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of Gonzales County, as of September 30, 2006, and the receipts it received and disbursements it paid for the year then ended, on the basis of accounting described in Note 1.

  
Floyd & Gindler, PC

January 19, 2007

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**COMBINED FINANCIAL STATEMENTS**



**GONZALES COUNTY, TEXAS**

**COMBINED STATEMENT OF ASSETS, LIABILITIES AND EQUITY-CASH BASIS**

**ALL FUND TYPES AND ACCOUNT GROUPS**

September 30, 2006

	Governmental Fund Types			Fiduciary
	General	Special Revenue	Debt Service	Trust and Agency Funds
<b>ASSETS AND OTHER DEBITS</b>				
Assets:				
Cash and cash equivalents	\$ 2,088,304	1,829,994	-	262,988
Receivables (net of allowance for uncollectible):				
Property taxes	385,925	-	-	-
Notes	8,130	-	-	780,341
Due from other funds	-	-	-	-
Due from others	-	-	-	-
Restricted assets:				
Cash and cash equivalents	-	-	93,958	-
Other debits:				
Amounts provided for retirement of general long term debt	-	-	-	-
Amounts to be provided for retirement of general long term debt	-	-	-	-
Total assets	<u>\$ 2,482,359</u>	<u>1,829,994</u>	<u>93,958</u>	<u>1,043,329</u>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
Liabilities:				
Accounts payable	\$ (149)	419	-	13
Due to others	-	-	-	609
Current portion of bonds and notes payable	-	-	-	-
Current portion of capital leases payable	-	-	-	-
Bonds and notes payable	-	-	-	-
Capital leases payable	-	-	-	-
Deferred revenues	414,889	-	-	780,341
Total liabilities	<u>414,740</u>	<u>419</u>	<u>-</u>	<u>780,963</u>
Equity and other credits:				
Retained earnings-unreserved, undesignated	-	-	-	209,839
Fund balances:				
Restricted for state court fees	183,378	-	-	-
Reserved	-	-	93,958	-
Unreserved, undesignated	1,884,241	1,829,575	-	52,527
Total equity and other credits	<u>2,067,619</u>	<u>1,829,575</u>	<u>93,958</u>	<u>262,366</u>
Total liabilities, equity and other credits	<u>\$ 2,482,359</u>	<u>1,829,994</u>	<u>93,958</u>	<u>1,043,329</u>

The accompanying notes are an integral part of these statements.

Account Group	Total (Memorandum Only)	
	September 30, 2006	September 30, 2005
General Long Term-Debt		
-	4,181,286	3,451,171
-	385,925	430,762
-	788,471	751,767
-	-	-
-	-	240
-	93,958	95,337
93,957	93,957	95,337
<u>3,835,778</u>	<u>3,835,778</u>	<u>3,961,933</u>
<u>3,929,735</u>	<u>9,379,375</u>	<u>8,786,547</u>

-	283	-
-	609	1,391
245,000	245,000	230,000
61,357	61,357	127,904
-	-	3,555,000
183,378	183,378	144,366
<u>3,440,000</u>	<u>4,635,230</u>	<u>1,200,442</u>
<u>3,929,735</u>	<u>5,125,857</u>	<u>5,259,103</u>

-	209,839	203,165
-	183,378	145,007
-	93,958	95,337
-	<u>3,766,343</u>	<u>3,083,935</u>
-	<u>4,253,518</u>	<u>3,527,444</u>
<u>3,929,735</u>	<u>9,379,375</u>	<u>8,786,547</u>

# GONZALES COUNTY, TEXAS

## COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES-CASH BASIS ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS For the Fiscal Year Ended September 30, 2006

	Governmental Fund Types			Trust Funds
	General	Special Revenue	Debt Service	Expendable Trust Funds
<u>Receipts</u>				
Taxes	\$ 3,686,096	1,491,243	392,507	-
Licenses and permits	1,647	659,148	-	-
Intergovernmental	88,613	30,106	-	-
Charges for services	511,988	3,923	-	-
Court fees and fines	950,023	141,044	-	-
Investment income	114,925	91,693	7,284	28,060
Miscellaneous	144,008	14,701	-	-
Grant revenues	-	385,980	-	-
Total receipts	<u>5,497,300</u>	<u>2,817,838</u>	<u>399,791</u>	<u>28,060</u>
<u>Disbursements</u>				
Current:				
General government	1,018,509	126,025	-	1,950
Financial administration	449,001	-	-	-
Public safety	2,320,341	62,625	-	-
Health and welfare	22,767	-	-	-
Judicial	796,022	90,087	-	-
Public facilities	107,001	36,811	-	-
Public transportation	-	2,580,826	-	-
Conservation	82,147	-	-	-
Debt repayment:				
Bond discount and issuance cost	-	-	300	-
Interest	-	-	140,870	-
Principal	-	-	230,000	-
Total disbursements	<u>4,795,788</u>	<u>2,896,374</u>	<u>371,170</u>	<u>1,950</u>
Excess of receipts over (under) disbursements	<u>701,512</u>	<u>(78,536)</u>	<u>28,621</u>	<u>26,110</u>
<u>Other financing sources and (uses)</u>				
Operating transfers in	-	2,205	-	-
Operating transfers out	(2,205)	-	-	-
Proceeds from bond issuance	-	-	1,740,000	-
Bonds defeases	-	-	(1,705,655)	-
Bond issuance cost	-	-	(64,345)	-
Proceeds from capital leases	-	100,370	-	-
Principal received on loans	-	-	-	91,323
Loans to businesses	-	-	-	(120,000)
Total other financing sources and (uses)	<u>(2,205)</u>	<u>102,575</u>	<u>(30,000)</u>	<u>(28,677)</u>
Excess of receipts and other financial sources over (under) disbursements and other financing (uses)	<u>699,307</u>	<u>24,039</u>	<u>(1,379)</u>	<u>(2,567)</u>
Beginning fund balance	1,380,381	1,800,372	95,337	48,189
Residual equity transfer in (out)	(12,069)	5,164	-	-
Ending fund balance	<u>\$ 2,067,619</u>	<u>1,829,575</u>	<u>93,958</u>	<u>45,622</u>

The accompanying notes are an integral part of these statements.

Total  
(Memorandum Only)

September 30, <u>2006</u>	September 30, <u>2005</u>
5,569,846	5,158,287
660,795	650,256
118,719	111,162
515,911	584,108
1,091,067	911,145
241,962	128,211
158,709	106,673
<u>385,980</u>	<u>149,553</u>
<u>8,742,989</u>	<u>7,799,395</u>

1,146,484	1,103,128
449,001	411,379
2,382,966	2,214,278
22,767	22,403
886,109	839,434
143,812	93,279
2,580,826	2,459,409
82,147	59,572

300	650
140,870	183,067
230,000	225,000
<u>8,065,282</u>	<u>7,611,599</u>

<u>677,707</u>	<u>187,796</u>
----------------	----------------

2,205	50,000
(2,205)	(50,000)
1,740,000	-
(1,705,655)	-
(64,345)	-
100,370	184,372
91,323	64,668
(120,000)	(300,000)
<u>41,693</u>	<u>(50,960)</u>

719,400	136,836
3,324,279	3,187,443
(6,905)	-
<u>4,036,774</u>	<u>3,324,279</u>

# GONZALES COUNTY, TEXAS

## COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL-CASH BASIS ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS For the Fiscal Year Ended September 30, 2006

	GENERAL FUND		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>Receipts</u>			
Taxes	\$ 3,649,519	3,686,096	36,577
Licenses and permits	1,600	1,647	47
Intergovernmental	89,863	88,613	(1,250)
Charges for services	411,914	511,988	100,074
Court fees and fines	918,730	950,023	31,293
Investment income	47,000	114,925	67,925
Miscellaneous	31,092	144,008	112,916
Grants	-	-	-
Total receipts	<u>5,149,718</u>	<u>5,497,300</u>	<u>347,582</u>
<u>Disbursements</u>			
Current:			
General government	1,086,443	1,018,509	67,934
Financial administration	462,457	449,001	13,456
Public safety	2,496,673	2,320,341	176,332
Health and welfare	24,720	22,767	1,953
Judicial	901,457	796,022	105,435
Public facilities	107,995	107,001	994
Public transportation	-	-	-
Conservation	85,374	82,147	3,227
Debt repayment:			
Bond discount and issuance cost	-	-	-
Interest	-	-	-
Principal	-	-	-
Total disbursements	<u>5,165,119</u>	<u>4,795,788</u>	<u>369,331</u>
Excess of receipts over (under) disbursements	<u>(15,401)</u>	<u>701,512</u>	<u>716,913</u>
<u>Other financing sources and (uses)</u>			
Operating transfers in	-	-	-
Operating transfers out	(2,205)	(2,205)	-
Proceeds from bond issuance	-	-	-
Bonds defeased	-	-	-
Bond issuance cost	-	-	-
Proceeds from capital leases	-	-	-
Principal received on loans	-	-	-
Loans to businesses	-	-	-
Total other financing sources (uses)	<u>(2,205)</u>	<u>(2,205)</u>	<u>-</u>
Excess of receipts and other financial sources over (under) disbursements and other financing (uses)	<u>(17,606)</u>	<u>699,307</u>	<u>716,913</u>
Beginning fund balance	1,380,381	1,380,381	-
Residual equity transfer in (out)	-	(12,069)	(12,069)
Ending fund balance	<u>\$ 1,362,775</u>	<u>2,067,619</u>	<u>704,844</u>

The accompanying notes are an integral part of these statements.

BUDGETED SPECIAL REVENUE FUNDS			DEBT SERVICE FUND		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
1,499,244	1,491,242	(8,002)	360,171	392,507	32,336
640,000	666,592	26,592	-	-	-
29,212	36,072	6,860	-	-	-
24,100	24,004	(96)	-	-	-
166,535	117,421	(49,114)	-	-	-
43,300	91,693	48,393	5,000	7,284	2,284
-	14,767	14,767	-	-	-
106,075	372,504	266,429	-	-	-
<u>2,508,466</u>	<u>2,814,295</u>	<u>305,829</u>	<u>365,171</u>	<u>399,791</u>	<u>34,620</u>
132,075	126,025	6,050	-	-	-
-	-	-	-	-	-
23,875	23,875	-	-	-	-
-	-	-	-	-	-
126,959	121,131	5,828	-	-	-
41,843	36,811	5,032	-	-	-
2,899,707	2,580,825	318,882	-	-	-
-	-	-	-	-	-
-	-	-	3,000	300	2,700
-	-	-	153,187	140,870	12,317
-	-	-	230,000	230,000	-
<u>3,224,459</u>	<u>2,888,667</u>	<u>335,792</u>	<u>386,187</u>	<u>371,170</u>	<u>15,017</u>
<u>(715,993)</u>	<u>(74,372)</u>	<u>641,621</u>	<u>(21,016)</u>	<u>28,621</u>	<u>49,637</u>
-	2,205	2,205	-	-	-
-	-	-	-	-	-
-	-	-	-	1,740,000	1,740,000
-	-	-	-	(1,705,655)	(1,705,655)
-	-	-	-	(64,345)	(64,345)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>2,205</u>	<u>2,205</u>	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>
(715,993)	(72,167)	643,826	(21,016)	(1,379)	19,637
1,971,472	1,971,472	-	95,337	95,337	-
-	1,830	1,830	-	-	-
<u>1,255,479</u>	<u>1,901,135</u>	<u>645,656</u>	<u>74,321</u>	<u>93,958</u>	<u>19,637</u>

# GONZALES COUNTY, TEXAS

## COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL-CASH BASIS ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS For the Fiscal Year Ended September 30, 2006

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	EXPENDABLE TRUST FUNDS		
	Budget	Actual	Variance Favorable (Unfavorable)
<u>Receipts</u>			
Taxes	\$ -	-	-
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Court fees and fines	-	-	-
Charges for services	-	-	-
Investment income	111,225	28,060	(83,165)
Miscellaneous	-	-	-
Grant revenues	-	-	-
Total receipts	<u>111,225</u>	<u>28,060</u>	<u>(83,165)</u>
<u>Disbursements</u>			
Current:			
General government	2,000	1,950	50
Financial administration	-	-	-
Public safety	-	-	-
Health and welfare	-	-	-
Judicial	-	-	-
Public facilities	-	-	-
Public transportation	-	-	-
Conservation	-	-	-
Debt repayment:			
Bond discount and issuance cost	-	-	-
Interest	-	-	-
Principal	-	-	-
Total disbursements	<u>2,000</u>	<u>1,950</u>	<u>50</u>
Excess of revenues over (under) disbursements	<u>109,225</u>	<u>26,110</u>	<u>(83,115)</u>
<u>Other financing sources and (uses)</u>			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Proceeds from bond issuance	-	-	-
Bonds defeased	-	-	-
Bond issuance cost	-	-	-
Proceeds from capital leases	-	-	-
Principal received on loans	-	91,323	91,323
Loans to businesses	(120,000)	(120,000)	-
Total other financing sources (uses)	<u>(120,000)</u>	<u>(28,677)</u>	<u>91,323</u>
Excess of revenues and other financial sources over (under) disbursements and other financing (uses)	(10,775)	(2,567)	8,208
Beginning fund balance	48,189	48,189	-
Residual equity transfer in (out)	-	-	-
Ending fund balance	<u>\$ 37,414</u>	<u>45,622</u>	<u>8,208</u>

The accompanying notes are an integral part of these statements.

**GONZALES COUNTY, TEXAS**  
**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND**  
**CHANGES IN RETAINED EARNINGS-CASH BASIS**  
**NONEXPENDABLE TRUST FUNDS**  
**For the Fiscal Year Ended September 30, 2006**

	Similar Trust Funds Nonexpendable Trust Funds Fund	Total (Memorandum Only)	
		September 30, <u>2006</u>	September 30, <u>2005</u>
<u>Receipts</u>			
Investment income	\$ 9,500	\$ 9,500	\$ 5,336
Total receipts	<u>9,500</u>	<u>9,500</u>	<u>5,336</u>
<u>Disbursements</u>			
Miscellaneous	<u>2,826</u>	<u>2,826</u>	<u>2,164</u>
Total disbursements	<u>2,826</u>	<u>2,826</u>	<u>2,164</u>
Excess of receipts over (under) disbursements	6,674	6,674	3,172
Retained earnings-beginning	<u>203,165</u>	<u>203,165</u>	<u>199,993</u>
Retained earnings-ending	<u>\$ 209,839</u>	<u>\$ 209,839</u>	<u>\$ 203,165</u>

The accompanying notes are an integral part of these statements.



**COUNTY OF GONZALES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2006**

**Note 1: ENTITY AND ACCOUNTING POLICIES**

Gonzales County (the County) is a political subdivision of the State of Texas. It is governed by four commissioners elected by precincts and a county judge elected at large. Some of its major functions include maintenance of county roads, operation of a sheriff's department and county clerk's office, as well as county and justice courts.

There are no entities that meet the criteria of a component unit as defined by GASB Statement No. 14 to be included in these financial statements.

**A. Basis of Presentation**

County accounts are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Governmental resources allocated to individual funds are recorded for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements. The fund types and funds used by the County are described below:

Governmental fund types include the following:

General Fund – is used to account for the cash receipts and disbursements used for general operations. This is a budgeted fund and any fund balances are considered resources available for current operations. All cash receipts and disbursements not required to be accounted for in other funds are accounted for in this fund.

Special Revenue Funds – are used to account for receipts restricted to, or designated for specific purposes.

Debt Service Fund – is used to account for tax receipts and for the payments of principal, interest and related costs on long-term debts for which a tax has been dedicated. This is a budgeted fund.

Fiduciary fund types include the following:

Expendable Trust Funds – are used to account for funds which have stipulations that the principal be expended for a specific purpose.

Nonexpendable Trust Funds – are used to account for funds which have stipulations that the principal may not be disbursed, only receipts earned on the principal may be used for a specific purpose.

Agency Funds – are used to account for resources held for others in a custodial capacity.

Account groups include the following:

General Long-Term Debt Account Group – is used to account for the outstanding principal balances of long-term general obligation bonds and other long-term obligations of the County.

**B. Basis of Accounting**

The financial statements of Gonzales County have been prepared using the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recognized when received, rather than when earned, and disbursements are recognized when paid rather than when the obligation arises. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

These financial statements only reflect those receipts and disbursements that flow through the County Treasurer and County Auditor's office. The transactions and cash balances of the other various officials are not included in these financial statements, except for their transfers into the County treasury.

**C. Restricted assets**

Resources set aside for the repayment of bonds are classified as restricted assets on the combined statement of assets, liabilities and equity-cash basis since applicable bond covenant and legal requirements limit their use.

**D. Comparative data**

Comparative totals for the prior year have been prepared in the accompanying combined financial statements in order to provide an understanding of changes in the County's net receipts, disbursement and net fund balances.

E. Memorandum only

The total columns presented in the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. No consolidation entries or other eliminations were made and these totals do not purport to present cash flows in conformity with the cash of basis of accounting.

**NOTE 2: BUDGETARY DATA**

Before July 31 the proposed budget is presented to the Commissioner's Court for review. The Commissioner's Court holds public hearings before adopting the budget. The budget is adopted on or before September 30. Budgets are adopted on a basis of accounting that is consistent with the basis of accounting that the County has adopted.

**NOTE 3: DEPOSITS AND INVESTMENTS**

Cash

At September 30, 2006, the carrying amount of the County's deposits (cash, certificates of deposit, and interest bearing savings accounts in temporary investments) over which the County Treasurer has direct control was \$106,058 and the bank balance was \$209,470. This does not include those accounts which are owned by the County but which are under the control of various departments, such as county clerk, tax collector and others. The County's cash deposits at September 30, 2006 and during the year ended September 30, 2006, appeared to be adequately covered by FDIC insurance or by pledged collateral held by the County's agent in the County's name.

Investments

The County is required by Government Code Chapter 2256, The Public Funds Investment Act, 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 investment, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposits.

The Public Funds Investment Act (Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general-purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the County adhered to the requirements of the Act. Additionally, investment practices of the County were in accordance with local policies.

The Act determines the types of investments which are allowable for the County. These include, with certain restrictions, (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, and (10) common trust funds.

The County's temporary investments at September 30, 2006 are shown below:

<u>Investments</u>	<u>Maturity</u>	<u>Fair Market Value</u>
Texpool	n/a	\$ 4,095,054
Total temporary investments		<u>4,095,054</u>

Analysis of Specific Deposit and Investment Risk :

GASB Statement No. 40 requires a determination as to whether the County was exposed to the following specific investment risk at year end and if so, the reporting of certain related disclosures.

a. *Credit Risk*

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the County was not significantly exposed to credit risk.

At September 30, 2006 the County's investment, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality as follows:

<u>Investments</u>	<u>Rating</u>	<u>Rating Service</u>
Texpool	AAAm	Standard and Poors

b. *Custodial Credit Risk*

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the County's name.

At year end, the County was not exposed to custodial credit risk.

c. *Concentration of Credit Risk*

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the County was not exposed to concentration of credit risk.

d. *Interest Rate Risk*

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the County was not exposed to interest rate credit risk.

e. *Foreign Currency Risk*

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the County was not exposed to foreign currency risk.

Public Funds Investment Pools:

Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the Act), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The County's investments in pools are reported at an amount determined by the fair value per share of the pools underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one that is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

**NOTE 4: PROPERTY TAXES**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real estate and business personal property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties and interest ultimately imposed. The County has adopted a policy of allowing taxpayers to pay their taxes in two installments, one on or before November 30 and the other on or before June 30, without incurring any penalty.

Allowance for uncollectible tax receivables are based upon historical experience. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Property taxes receivable at year end was as follows:

Gross property taxes receivable	\$	771,851
Less: Allowance for uncollectible taxes		(385,926)
Net property taxes receivable	\$	<u>385,925</u>

**NOTE 5: CONTINGENT LIABILITIES**

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

**NOTE 6: RETIREMENT PLAN**

Plan Description. The County provides retirement, disability and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multi-employer public retirement system consisting of 517 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial statement report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at PO Box 2034, Austin, TX 78768-2034.

The Plan provisions are adopted by the governing body of the employer, within options available in the Texas state statutes governing TCDRS. Members can retire at age 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of the age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefits. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy. The employer has elected the annually determined contribution rate (variable rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The employer contributed using the actuarially determined rate of 7.75% for the year ended September 30, 2006. The contribution rate payable by the employee members for calendar years 2005 and 2006 is 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost. For the employer's accounting year ending September 30, 2006, the annual pension cost for the TCDRS plan for its employees was \$233,381 and the actual contributions were \$233,381.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2004 and 2005, the basis for determining the contribution rates for calendar years 2005 and 2006. The December 31, 2005 actuarial valuation is the most recent valuation.

	<b>Actuarial Valuation Information</b>		
	12/31/03	12/31/04	12/31/05
Actuarial valuation date	12/31/03	12/31/04	12/31/05
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, open	level percentage of payroll, open
Amortization period	19.1 years	16.9 years	16.9 years
Asset valuation method	Long-term Appreciation with adjustments	Long-term Appreciation with adjustments	Long-term Appreciation with adjustments
<b>Actuarial Assumptions</b>			
Investment return	8.00%	8.00%	8.00%
Projected salary increases	5.50%	5.50%	5.30%
Inflation	3.50%	3.50%	3.50%
Cost of living adjustment	0.00%	0.00%	0.00%

Accounting Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/04	199,390	100.0%	\$0
9/30/05	218,602	100.0%	\$0
9/30/06	233,381	100.0%	\$0

**Schedule of Funding Progress for the Retirement Plan for the Employees of Gonzales County**

Actuarial Valuation Date	Actuarial Value of Asset (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/03	4,205,682	5,286,974	1,081,292	79.55%	2,450,392	44.13%
12/31/04	4,573,689	5,675,602	1,101,913	80.59%	2,630,412	41.89%
12/31/05	5,150,420	6,260,339	1,109,919	82.27%	2,828,355	39.24%

**NOTE 7: CHANGES IN GENERAL LONG TERM DEBT**

Changes in general long-term debt for the year ended September 30, 2006 were as follows:

	Beginning Balance	Additions	Retirement	Ending Balance	Due within one year
General obligation bonds	\$ 3,785,000	1,740,000	1,840,000	3,685,000	245,000
Capital lease payable	272,270	100,370	127,905	244,735	61,357
Total long term debt	\$ 4,057,270	1,840,370	1,967,905	3,929,735	306,357

**NOTE 8: BONDS AND NOTES PAYABLE**

Bonded indebtedness of the County is reflected in the General Long Term Debt Account Group, and current requirements for principal and interest disbursements are accounted for in the Debt Service Fund. Effective interest rates range from 2.00% to 6.25%.

Changes in general obligation debt for the year ended September 30, 2006 were as follows

	Interest Rates	Beginning Balance	Additions	Retirement	Ending Balance
General Obligation Bonds					
Series 2000	5.00-6.25%	\$ 2,545,000	-	1,720,000	825,000
Certificates of Obligation Refunding					
Bonds Series 2002	2.00-3.90%	1,240,000	-	120,000	1,120,000
General Obligation Refunding					
Bonds Series 2006	3.55-4.15%	-	1,740,000	-	1,740,000
Total general obligation bonds		\$ 3,785,000	1,740,000	1,840,000	3,685,000

In 2006, the County issued \$1,740,000 in General Obligation Refunding Bonds Series 2006 to advance refund \$1,720,000 of General Obligation Bonds Series 2000. The net proceeds of \$1,705,655 (after payment of \$34,345 in underwriting fees, insurance, and other issuance costs) were used to purchase governmental securities for the Escrow Fund held by the trustee bank. These securities will provide funds for the retirement of the old bond issues as they become due. As a result, the old refunded bonds in the amount of \$1,720,000 are considered to be defeased.

The refunding results in a savings of \$74,535 in debt service payments (difference between debt service payments of the old debt and the new debt) over the life of the bond issues. The net gain to the County as a result of the refinance is \$55,101 (the net present value of payment saved less costs associated with issuing the new bonds).

