

MONTGOMERY COUNTY TEXAS

Comprehensive Annual Financial Report



**For the Fiscal Year Ended
September 30, 2005**

MONTGOMERY COUNTY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2005

Prepared by
THE MONTGOMERY COUNTY AUDITOR'S OFFICE
Linda R. Breazeale
County Auditor

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INTRODUCTORY SECTION

Linda R. Breazeale
County Auditor

Montgomery County, Texas
Office of
County Auditor

March 27, 2006

Peggie Rushing
1st Asst County Auditor

James Robey, Supervisor
Accounts Payable

Carol Stroud, Supervisor
Internal Audit

The Board of District Judges
The Commissioners' Court
Montgomery County, Texas

Honorable Judges and Commissioners:

The Comprehensive Annual Financial Report of Montgomery County, Texas, for the year ended September 30, 2005, is submitted herewith. This report was prepared by the County Auditor in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board, and is in compliance with Chapter 114 Section 025 of the Local Government Code (Vernon's Texas Codes Annotated).

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. To provide a reasonable basis for making this representation, Montgomery County management has established a comprehensive internal control framework designed both to protect governmental assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the county's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Montgomery County's comprehensive framework, because the cost of internal controls should not outweigh their benefits, has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. We believe the data as presented is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of Montgomery County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial activity have been included.

Montgomery County's financial statements have been audited by Hereford, Lynch, Sellars & Kirkham, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended September 30, 2005 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the financial statements of Montgomery County for the year ended September 30, 2005 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of Montgomery County was a part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the government's internal controls and compliance with legal requirements. Specific emphasis was placed on internal controls and compliance

with laws and regulations involving the administration of federal awards. This Single Audit Report is available as a separate report from Montgomery County.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. Montgomery County's MD&A can be found immediately following the report of the independent auditors.

Profile of Montgomery County

Montgomery County was created in 1837, and is located on the southern edge of the Big Thicket, approximately forty miles north of metropolitan Houston. The County provides a full range of services, including police protection, legal and judicial services, construction and maintenance of roads and bridges, public health service, and facilities for recreational and cultural use. The County operates a full service airport as a reliever to nearby Bush Intercontinental Airport. Three major rail lines intersect in the county seat of Conroe. The North Harris Montgomery Community College District offers both 2- and 4-year degree plans in partnership with several universities throughout the state. Scenic Lake Conroe sits among some 1,090 square miles of rolling hills and grassy meadows to create an atmosphere of rural America nestled securely beside its urban neighbors.

The County operates as specified under the Constitution of The State of Texas, and in accordance with the provisions of the State Statutes of Texas, which provide for a Commissioners' Court consisting of the County Judge and four Commissioners, each of whom is elected from four geographical precincts. The County Judge is elected for a four-year term, and the Commissioners for four-year staggered terms.

The U.S. Census Bureau reported the 1990 population for Montgomery County to be 180,394, and the year 2000 population to be 293,768. At September 30, 2005 the reported population was 375,519. This 28% growth in six years was evident in the increased demand for service at the county level.

Montgomery County maintains strict budgetary controls to ensure compliance with legal provisions in the annual appropriated budget approved by the governing body. Activities of the General Fund, the Special Revenue Funds, and the Debt Service Fund are included in the annual appropriated budget. Budget to actual comparisons are provided in this report for all funds for which an annual appropriated budget is adopted. According to the budget laws of the State of Texas, expenditures may not exceed the amount appropriated for each fund. The Budget Office is responsible for compiling and presenting a budget to Commissioners' Court for their consideration and approval, adhering to a calendar established by the statutes of the State of Texas. In keeping with those statutes, the ad valorem tax levy cannot be established until the budget is adopted. In Montgomery County, the budget is adopted by September 1 of each year. Once adopted, it is enforced by the County Auditor, as provided by statute.

Factors Affecting Financial Condition

The information presented in the financial statements of Montgomery County is best understood when it is considered from the broader perspective of the specific environment within which the County operates.

Local economy- The County's economy has historically been based on mineral production (oil, gas, sand, and gravel), agriculture (horses, cattle, greenhouse nurseries), and lumbering (timber products). Commercial construction has continued to increase as a result of several large shopping centers being developed along the Interstate 45 corridor. The value of residential construction permits increased over last year by \$44,568,692. Investments made in Texas highways recently have assisted in attracting new and diverse businesses to the County. The Woodlands, a planned community in south Montgomery

County, is home to energy, biomedical, and technology businesses, causing continued growth in the southern part of the County. Evidence of this growth is seen in the inclusion of The Woodlands Land Development, LP near the top of the list of ten principal taxpayers in the County during 2005.

Long-term financial planning- The Commissioners' Court continues to be very active in infrastructure development to help insure economic growth. In February 2006, the Commissioner's Court created the position of Director of Infrastructure to assist in this development. In conjunction with consultants, members of the Commissioner's Court and the Director of Infrastructure are currently studying transportation needs so that Montgomery County will remain a viable option for both industry and its employees. Engineering consultants have been engaged to assist in planning the size of future road bond issues, so that growth in the County may continue unimpeded.

In September 2005, Montgomery County voters approved the issuance of \$160million in unlimited tax road bonds for the purpose of continuing various road improvement projects throughout the County. In addition, the County is the first entity to take advantage of a financing vehicle offered by the State of Texas. This vehicle, known as pass-through tolling, allows the County to make improvements to infrastructure on an expedited basis by funding those improvements themselves and applying for reimbursement from the State based on usage of the infrastructure.

In January 2006, the County and the Federal Aviation Administration completed negotiations for a contract to allow the County to accept a one-time \$1million federal appropriation for the purpose of improving its airport. Specifically, the appropriation will be added to a \$1.5million grant from the United States Department of Transportation to construct an air traffic control tower at the Lone Star Executive Airport. Design work has already begun and construction of the tower is schedule to be started by the end of the year.

Cash management policies and practices- The County's investment function operates within the guidelines of a written policy as required by the Public Funds Investment Act. An investment committee comprised of the County Treasurer, Tax Assessor-Collector, District Clerk, and a member of Commissioners' Court oversees the investment activities for the County. The County Auditor and County Attorney are advisors to the committee. Commissioners' Court has designated the County Treasurer the investment officer for the County.

Specific investment strategies have been identified for each group of funds. Strategies emphasize safety of principal as well as liquidity. Demand deposits are covered by pledged collateral maintained in joint safekeeping accounts at Compass Bank. Special attention is paid to timing maturities to be consistent with construction project draws and regular operating expenditures.

Risk Management- The County retains various levels of risk, and accounts for the associated expenditures in the General Fund. The portions of risk that are not transferred to third party coverage are self-funded by the County under formal arrangements. Additional information concerning the County's risk management activities is included in the notes to the financial statements.

Pension and other post-employment benefits- The County provides retirement, disability, and death benefits for all of its full-time regular employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). Detailed information on the retirement plan and other post-employment benefits can be found in the notes to the financial statements.

Awards and Acknowledgments

At the annual conference of the National Purchasing Institute (NPI), Montgomery County was awarded an Achievement of Excellence in Procurement for demonstrating extraordinary innovation,

professionalism, productivity, and leadership attributes in the Purchasing Department. This was the third consecutive year that the County has achieved this award.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Montgomery County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2004. This was the seventeenth consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of all County departments. I want to express my appreciation to the entire staff of the Office of County Auditor for their continued efforts. I am especially thankful for the contribution made by Phyllis Martin and Krissa Garner. I also wish to commend the members of the Commissioners' Court for conducting the financial operations of Montgomery County in a responsible manner, while meeting the increasing demands for public service.

Respectfully submitted,

LINDA R. BREAZEAL
Montgomery County Auditor

/s

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Montgomery County,
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



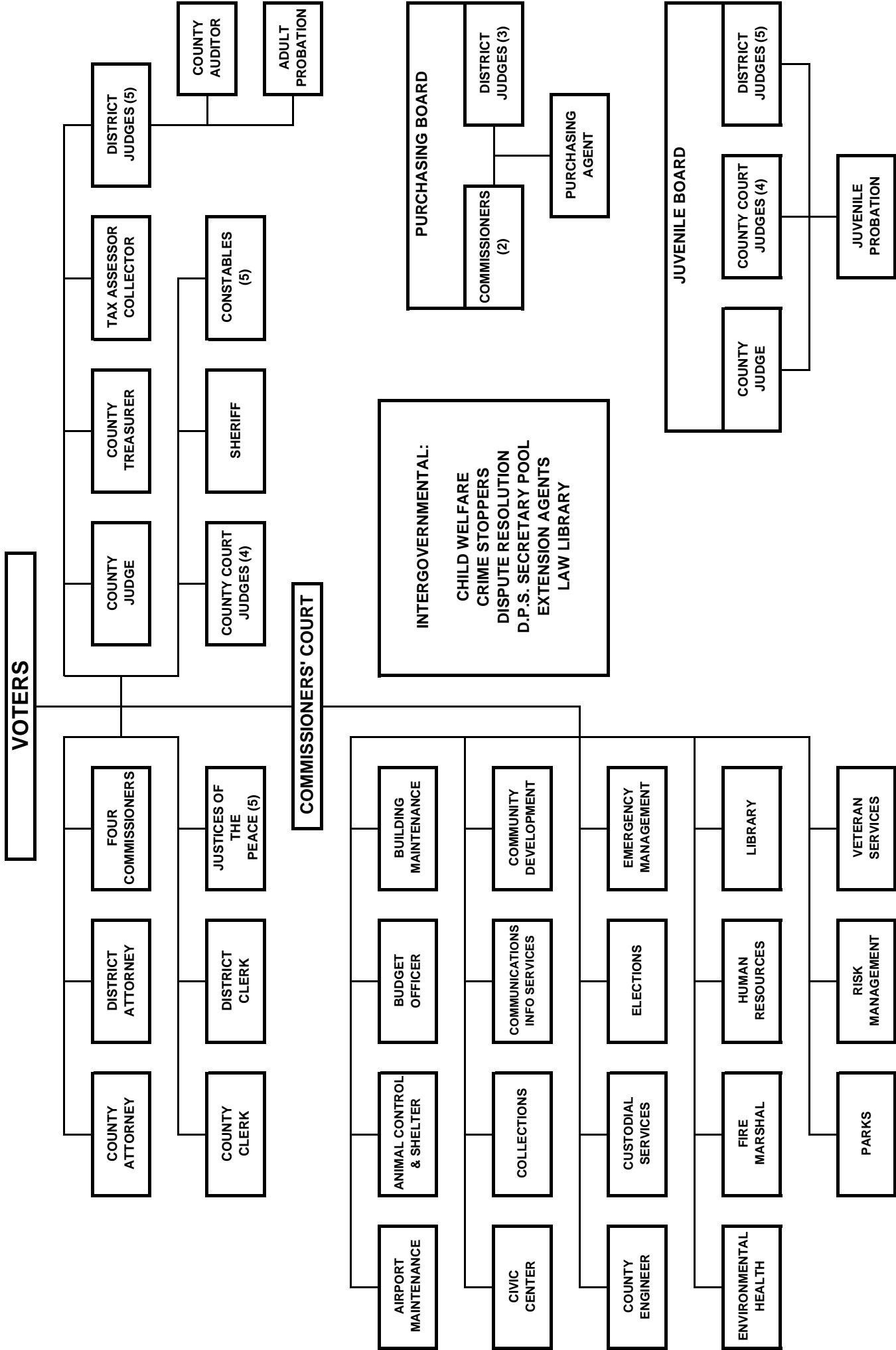
Carla E. Perry

President

Jeffrey R. Emer

Executive Director

MONTGOMERY COUNTY, TEXAS ORGANIZATION CHART



MONTGOMERY COUNTY, TEXAS
DIRECTORY OF OFFICIALS
SEPTEMBER 30, 2005

COMMISSIONERS' COURT:

Alan B. Sadler
Mike Meador
Craig Doyal
Ernest E. Chance
Ed Rinehart

County Judge
Commissioner, Precinct #1
Commissioner, Precinct #2
Commissioner, Precinct #3
Commissioner, Precinct #4

DISTRICT COURT:

Fred Edwards
Suzanne Stovall
Olen Underwood
Kathleen Hamilton
K. Michael Mayes
Michael McDougal
Barbara G. Adamick

Judge, 9th Judicial District
Judge, 221st Judicial District
Judge, 284th Judicial District
Judge, 359th Judicial District
Judge, 410th Judicial District
District Attorney
District Clerk

COUNTY COURT AT LAW:

Dennis Watson
Luther J. Winfree
E. Mason Martin
Mary Ann Turner
David Walker
Mark Turnbull

Judge, County Court at Law #1
Judge, County Court at Law #2
Judge, County Court at Law #3
Judge, County Court at Law #4
County Attorney
County Clerk

JUSTICE COURT:

Lanny Moriarty
Grady Trey Spikes
Mary E. Connelly
James Metts
Carolyn Cox

Justice of Peace, Precinct #1
Justice of Peace, Precinct #2
Justice of Peace, Precinct #3
Justice of Peace, Precinct #4
Justice of Peace, Precinct #5

LAW ENFORCEMENT:

Tommy Gage
Donnie O. Chumley
Gene DeForest
Tim Holifield
Travis L. Bishop
David H. Hill

Sheriff
Constable, Precinct #1
Constable, Precinct #2
Constable, Precinct #3
Constable, Precinct #4
Constable, Precinct #5

FINANCIAL ADMINISTRATION:

J.R. Moore, Jr.
Martha N. Gustavsen
Linda R. Breazeale
Mark Bosma
Julane Tolbert

Tax Assessor-Collector
County Treasurer
County Auditor*
Purchasing Agent*
Budget Officer*

* Designates appointed official. All others are elected.



FINANCIAL SECTION



Hereford, Lynch, Sellars & Kirkham

Certified Public Accountants • A Professional Corporation

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P. O. Box 2548
Conroe, Texas 77305

Members of the
American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants
Private Companies Practice Section
of the AICPA Division for Firms

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Houston Metro 936-441-1338

INDEPENDENT AUDITORS' REPORT

Honorable County Judge and
Commissioners' Court
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery County, Texas (the "County") as of and for the year then ended September 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Montgomery County, Texas's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 and the respective budgetary comparison for the General Fund and the Major Special Revenue Fund of the County, as of September 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will issue at a later date, a report on our consideration of Montgomery County, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 11-26 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, additional supplementary information, combining and individual nonmajor fund financial statements, schedules of capital assets used in the operation of governmental funds, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, additional supplementary information, and schedules of capital assets used in the operation of governmental funds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Hereford, Lynch, Sellars & Kirkham, P.C.

HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.

Certified Public Accountants

Conroe, Texas

February 3, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis provides readers of the financial statements of Montgomery County, Texas (the County) with a narrative overview and analysis of the County's financial activities for the fiscal year ended September 30, 2005. The intent of this discussion and analysis is to evaluate the current activities, resulting changes, and currently known facts of the County as a whole. Readers of this discussion and analysis should consider the information presented here in conjunction with additional information that is furnished in the accompanying letter of transmittal, which can be found on pages 1-4 of this report. This discussion should also be read in conjunction with the basic financial statements and the notes to those financial statements (which immediately follow this discussion). The discussion and analysis includes comparative data for the prior year.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the fiscal year by \$75,574,471 (net assets). Of this amount, \$5,219,862 is restricted for specific purposes. As required by Governmental Accounting Standards Board Statement No. 34 (GASB 34), net assets also reflect \$122,477,741 that is invested in capital assets, net of related debt. With the presentation of the investment in capital assets, unrestricted net assets becomes a negative \$52,123,132. Analysis of the negative unrestricted net assets reveals that a large portion of debt was used to purchase land for road expansion projects that are a joint undertaking with the State. In these instances of expansion of State-owned roads, the County will report the debt at this time, but not the asset.
- The revenues of the County's government-wide activities were \$171,305,907 and expenses were \$136,600,213. Rapid growth in the county brought about uncommon infrastructure contributions, adding to an increase in net assets of \$34,705,694.
- At September 30, 2005, the County's governmental funds reported combined ending fund balances of \$39,524,043, a decrease of \$10,046,349 in comparison with the prior year. From the ending fund balance, \$29,205,366 is reserved for specific purposes. Approximately 26% of the ending balance, \$10,154,056, is available for spending at the government's discretion, with \$430,728 of those unreserved, undesignated funds being reported in the special revenue funds.
- At September 30, 2005, unreserved, undesignated fund balance for the General Fund was \$9,723,328, or 10.7% of total General Fund expenditures.
- The County's total net bonded debt decreased by \$4,587,847 (2.9%) during the current fiscal year. This decrease was largely brought about by the issuance of \$45,850,000 in refunding bonds. This refunding contributed to an increase in outstanding general obligation bonded debt by \$24,535,264, while instrumentally affecting a decrease in outstanding certificates of obligation by \$28,410,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Montgomery County's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional supplementary information to the financial statements themselves.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities, the two government-wide financial statements, are designed to provide readers with a broad overview of Montgomery County's finances, similar to the financial statements of a private-sector business. Both of these statements are presented using the full accrual basis of accounting; therefore, revenues are reported when they are earned and

expenses are reported when the goods and services are received, regardless of the timing of cash being received or paid. These statements include capital assets of the County (including infrastructure added since implementing GASB 34 in fiscal year 2003) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by GASB 34 in regards to interfund activity, payables and receivables.

The Statement of Net Assets presents information on all of Montgomery County's assets and liabilities, with the difference between the two being reported as net assets. This statement is similar to that of the balance sheet of a private-sector business (with primary sections in a business balance sheet being assets, liabilities, and equity). The GASB believes that, over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents the County's revenues and expenses for the year, with the difference between the two resulting in the change in net assets for the fiscal year ended September 30, 2005. 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). Because the statement of activities separates program revenue (revenue generated by specific programs through fees, fines, forfeitures, charges for services, or grants received) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each function has to rely on general revenues for funding. The governmental functions of the County include general administration, judicial, legal services, elections, financial administration, public facilities, public safety, health and welfare, culture and recreation, conservation, public transportation, miscellaneous, and debt service.

The government-wide financial statements can be found on pages 28-29 of this report.

Fund Financial Statements

The fund financial statements focus on the County's most significant funds (major funds) rather than fund types, or the County as a whole. 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. Montgomery County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

- 1) Governmental funds are maintained to account for the government's operating and financing activities. The measurement focus is on available resources.
- 2) Fiduciary funds are used to account for resources that are held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the government's own programs.

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. As mentioned earlier, government-wide financial statements are reported using full accrual accounting; governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as balances of available resources. In other words, revenue is reported when earned, provided it is collectible within the reporting period or soon enough afterward to be used to pay liabilities of the current period. Likewise, liabilities are recognized as expenditures only when payment is due since they must be liquidated with available cash. Such information is useful in comparing a government's near-term financing requirements to near-term resources available.

The focus of governmental funds is narrower than that of the government-wide financial statements; therefore 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 should better understand the results and long-term impact of the government's near-term financing decisions. The user is assisted in this comparison between the two bases of accounting by way of a reconciliation statement between the governmental fund balance sheet and the government-wide statement of net assets, as well as a reconciliation statement between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

Montgomery County maintained 28 individual governmental funds during the fiscal year ended September 30, 2005. 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 Capital Projects Road Bonds Series 2003A Fund, and the Capital Projects Road Bonds Series 2004 Fund, all of which are considered to be major funds. Data from the remaining governmental funds (i.e., nonmajor funds) is combined into a single, aggregated presentation. Individual fund data for each nonmajor governmental fund is provided in the form of combining schedules, which are included in the Other Supplementary Information section following the notes to the financial statements.

Montgomery County utilizes and maintains budgetary controls over its operating funds. Budgetary controls are used to ensure compliance with legal provisions required under state statute governing the annual appropriated budget. Budgets for governmental funds are established in accordance with state law and are adopted at the department level for the General Fund, all Special Revenue Funds, and the Debt Service Fund using the primary categories of salaries, benefits, supplies, services, and capital outlay. A budgetary comparison statement is provided in the financial section for the General Fund and the Road and Bridge Special Revenue Fund. Budgetary comparison schedules for the Debt Service Fund and all nonmajor special revenue funds are provided as supplementary information. These budgetary comparisons can be used to demonstrate compliance with the budget both in its original and final forms.

The basic governmental fund financial statements can be found on pages 30-40 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties other than the County itself. Agency funds are the only fiduciary fund type used by Montgomery County, and they are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs and expenses of the County. The basis of accounting used for fiduciary funds is the full accrual basis, much like that of the government-wide statements.

The basic fiduciary fund financial statements can be found on page 41 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. As such, the notes are an integral part of the basic financial statements. They focus on the primary government's governmental activities, major funds, and nonmajor funds in the aggregate.

The notes to the financial statements can be found on pages 43-65 of this report.

Additional supplementary information is comprised of the General Fund final budget versus actual at the department level, along with the Debt Service Fund budget versus actual at the function level. This comparative data can be found on pages 68-81 of this report.

Other supplementary information includes combining financial statements for nonmajor governmental and fiduciary funds. These funds are totaled by fund type and presented in single columns in the basic financial statements. They are not reported individually, as with major funds, on the governmental fund financial statements.

Other supplementary information can be found on pages 84-125 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the GASB believes that net assets may serve over time as a useful indicator of a government's financial position. Montgomery County's assets exceeded liabilities by \$75,574,471 at September 30, 2005, as shown in the table below. This amount represents an increase through governmental activities of \$34,705,694 from the net assets at September 30, 2004.

Montgomery County, Texas		
Net Assets - Governmental Activities		
	FY 2005	FY 2004
Current and other assets	\$ 77,442,276	\$ 77,214,435
Capital assets	181,943,540	145,184,861
Total assets	259,385,816	222,399,296
Long-term liabilities outstanding	166,404,331	166,718,908
Other liabilities	17,407,014	14,811,611
Total liabilities	183,811,345	181,530,519
Net assets:		
Invested in capital assets, net of related debt	122,477,741	78,432,519
Restricted	5,219,862	4,304,379
Unrestricted	(52,123,132)	(41,868,121)
Total net assets	\$ 75,574,471	\$ 40,868,777

The County's total assets of \$259,385,816 are largely comprised of investments of \$41,955,765, or 16.2%, and capital assets net of accumulated depreciation of \$181,943,540, or 70.1%. The capital assets of the County include land, buildings, improvements other than buildings, equipment, and infrastructure (roads, bridges, signs, etc.) Capital assets are non-liquid assets that provide services to citizens; as a result, these assets cannot be utilized to satisfy County obligations.

As in last year, long-term debt of \$166,404,331 comprises the largest portion of the County's total liabilities of \$183,811,345, at 90.5%. Of total long-term liabilities, \$8,777,946 is due within one year, with the remainder of \$157,626,385 being due over a period of time greater than one year. A more in-depth discussion of long-term debt can be found in the notes to the financial statements.

The County's assets exceed its liabilities by \$75,574,471 (net assets) on September 30, 2005. Roughly 6.9%, or \$5,219,862, of the County's net assets represents restricted net assets. These resources are subject to external restrictions on how they may be used. Restrictions include statutory requirements, bond covenants, and granting conditions. Of those restricted net assets, \$7,138 is restricted for capital projects and \$5,212,724 is restricted for debt service of compensated absences. The most significant portion (\$122,477,741) of the County's net assets reflects its investment in capital assets, net of related debt. Although unrestricted net assets is negative for government-wide net assets, it should be noted that the County's fund financial statements continue to reflect positive unreserved fund balances.

Montgomery County's governmental activities increased net assets by \$34,705,694. The key components of this increase are as follows:

Montgomery County, Texas
Governmental Activities

	<u>FY 2005</u>	<u>FY 2004</u>
Revenues:		
<i>Program revenues:</i>		
Fees, fines, forfeitures, and charges for services	\$ 35,943,376	\$ 31,299,005
Federal grants and contributions	6,102,334	3,895,018
State grants and contributions	2,643,175	2,339,191
Other grants and contributions	26,828,081	585,517
<i>General revenues:</i>		
Property taxes	95,927,528	86,767,811
Other taxes	1,077,680	929,853
Other general revenues	2,783,733	1,046,106
Total revenues	<u>171,305,907</u>	<u>126,862,501</u>
Expenses:		
General administration	11,228,147	11,020,255
Judicial	14,787,696	14,196,220
Legal services	1,823,681	1,688,226
Elections	460,869	741,325
Financial administration	4,398,998	3,775,200
Public facilities	16,611,013	6,351,995
Public safety	38,293,859	41,783,788
Health and welfare	6,253,621	5,679,181
Culture and recreation	6,257,162	4,746,828
Conservation	721,238	565,941
Public transportation	23,780,503	14,662,727
Miscellaneous	4,519,314	7,234,220
Debt service interest and fiscal charges	7,464,112	8,062,860
Total expenses	<u>136,600,213</u>	<u>120,508,766</u>
Change in net assets	34,705,694	6,353,735
Net assets - beginning	40,868,777	34,515,042
Net assets - ending	<u>\$ 75,574,471</u>	<u>\$ 40,868,777</u>

The County's total revenues of \$171,305,907 were all from governmental activities. Property tax revenue accounts for \$95,927,528, or 56.0%; program revenues of fees, fines, forfeitures, and charges for services comprise \$35,943,376, or 21.0%; and grants and contributions encompass \$35,573,590, or 20.8% of total government-wide revenues. Exceptional infrastructure donations contribute to an increase of \$26,242,564 in other grants and contributions.

Expenses for the year totaled \$136,600,213. The public safety function accounted for \$38,293,859, or 28.0% of this total. The public transportation (\$23,780,503), public facilities (\$16,611,013), and judicial (\$14,787,696) functions represent 17.4%, 12.2%, and 10.8% of total government-wide expenditures, respectively. Public facilities and public transportation expenditures rose from \$6,351,995 and \$14,662,727 in fiscal year 2004 to \$16,611,013 and \$23,780,503, respectively, in fiscal year 2005. The increase in public facilities expenditures is partially offset by a decrease in public safety expenditures. This is due to a re-structuring of the County's jail expense recording process. The increase in spending in the public transportation function continues to be due to the several large road construction projects the County has undertaken. These projects are for the widening and improvement of State-owned roads, creating inflated expenditures in the public transportation function, with no offsetting capitalization of assets.

The government's ending net assets of \$75,574,471 represent an increase of \$34,705,694 from the prior year's \$40,868,777 in net assets. The County's change in net assets is summarized by the following chart:

Montgomery County, Texas
Change in Net Assets

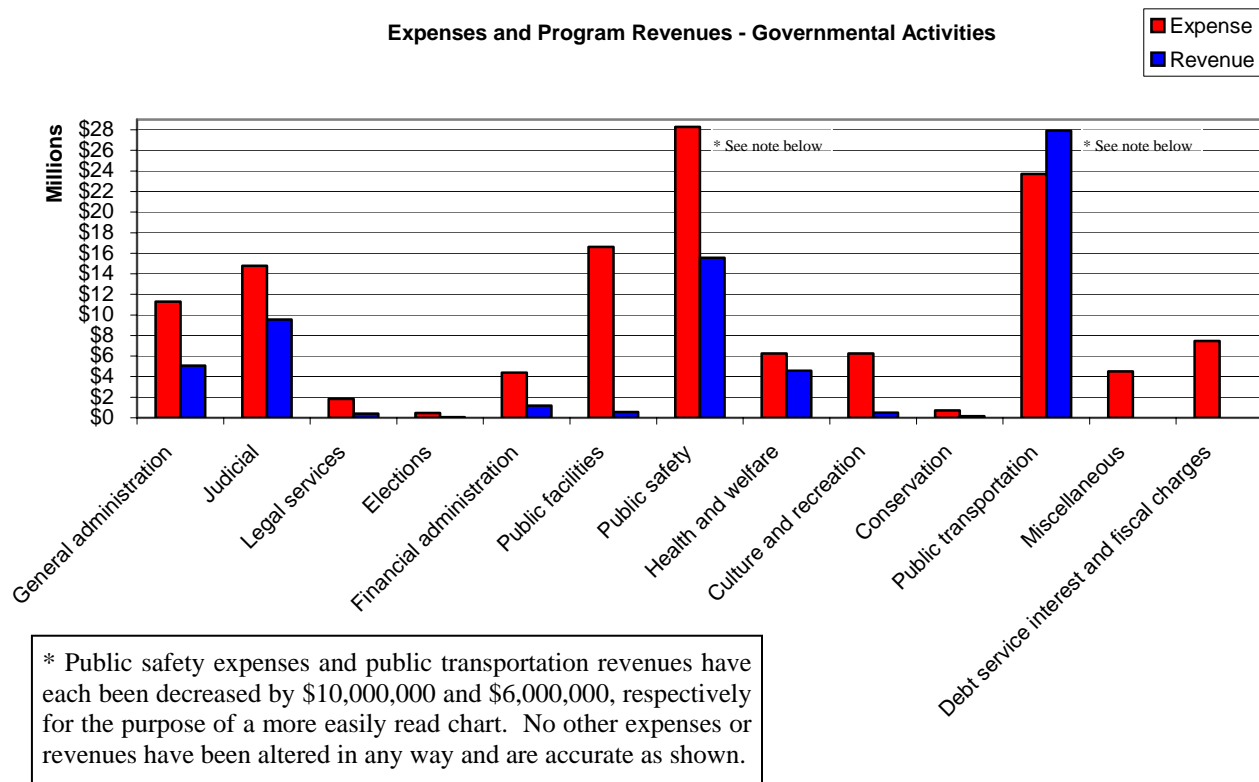
	<u>FY 2005</u>	<u>FY 2004</u>
<i>Governmental funds activity:</i>		
Total revenues	\$ 141,079,265	\$ 127,306,345
Total expenditures	<u>152,107,680</u>	<u>142,439,772</u>
Excess (Deficiency) of revenues over expenditures	(11,028,415)	(15,133,427)
Capital lease financing	1,264,452	581,915
Issuance of certificates of obligation	-	2,600,000
Issuance of general obligation bonds	45,850,000	10,205,000
Payment to refunded bond escrow agent	(49,904,606)	-
Premiums on obligations, net	<u>3,772,220</u>	<u>671,113</u>
Net change in fund balance	(10,046,349)	(1,075,399)
<i>Government-wide activity:</i>		
Difference between current year's capital outlay expenditures and depreciation expense	10,493,997	16,201,442
Net effect of capital asset sales, donations, trade-ins, etc.	26,264,683	(108,270)
Revenues not reported in funds because they do not provide current-period financial resources	3,961,959	(343,125)
Long-term debt not reported in funds because it does not affect the current period	4,960,894	(9,216,465)
Expenses not reported in the funds because they do not use current-period financial resources	<u>(929,490)</u>	<u>895,552</u>
Total change in net assets	<u>\$ 34,705,694</u>	<u>\$ 6,353,735</u>

This change in net assets begins with the current year's differences between governmental revenues and expenditures (\$11,028,415), along with other financing sources and uses (\$982,066). Differences between capital assets added during the year and the depreciation related to all capital assets recorded, along with the effect of various capital assets transactions, such as dispositions and donations (\$36,758,680) also affect this change.

Other factors influencing the change in net assets are those revenues and expenses that do not provide or require the use of current financial resources (\$3,032,469). GASB 34 dictates that the County record an allowance for accounts that are unlikely to be collected. These allowances for doubtful accounts combine with items, such as deferrals of long-term balances not being paid in the current year, to constitute further changes in net assets. Additionally, long-term debt, whether being issued or retired, has an effect on the change in net assets (\$4,960,894). During the current fiscal year, to take advantage of lower interest rates, the County issued new debt to pay off some of its existing long-term debt. These financings represent further changes in the net assets of the County.

The overall financial position of the County has improved over the last year. As mentioned earlier, there is an increase in net assets of \$34,705,694. Additionally, the increase of \$5,459,130 in the combined fund balance of Montgomery County's three major operating funds would indicate an improvement in overall financial position. However, total fund balance is not where management desires or intends for it to be. As part of long-range planning, management has pledged to continue increasing the level of the operating funds' fund balances until such time as they represent at least 25% of annual operating costs.

The following chart depicts expenses and program revenues for the fiscal year ending September 30, 2005 for governmental activities.



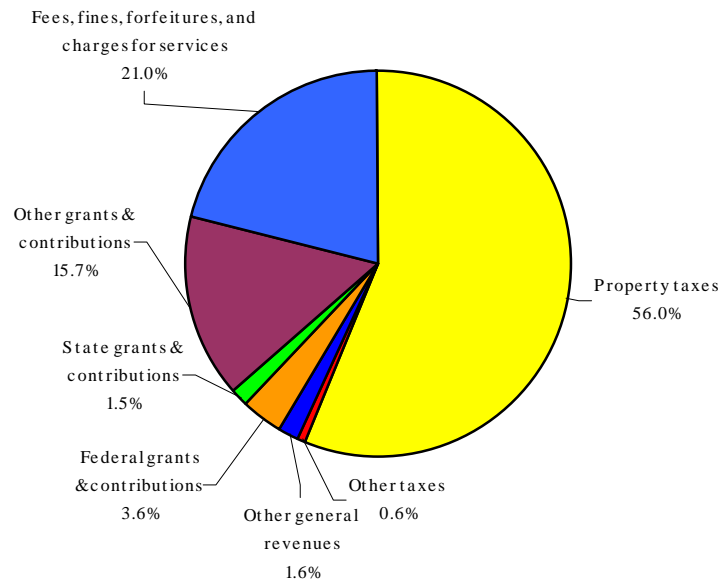
Key elements of the analysis of government-wide program revenues and expenses as they relate to each function reflect the following:

- Program revenues of \$71,516,966 are comprised in large part (47.4%) of public transportation's revenues of \$33,920,600 and public safety's revenues of \$15,553,165 (21.7%). The judicial function makes up 13.4% of program revenues with \$9,554,220, the general administration function covers 7.1% of program revenues with \$5,063,830, and the health and welfare function comprises 6.4% of program revenues with \$4,581,940. The expenses of these functions account for 17.4%, 28.0%, 10.8%, 8.2%, and 4.6%, respectively. As expected, general revenues provided the required support and coverage for where expenses exceed revenues at the function level.
- The public transportation function experienced an increase in expenses of \$9,117,776 while realizing an increase in revenues of \$25,224,775. As mentioned earlier, the increase in expenses is the result of an aggressive effort on the part of commissioners to improve and expand roads, many of which are state-owned, located in the county. These roads, not being owned by the County, cannot be shown as capital assets in the government-wide analysis; this creates a large expense, with no corresponding asset. The increase in revenues is due in large part to earlier-mentioned donations of roads in a rapidly expanding county.
- Contributing to an increase of \$10,259,018 in expenses of the public facilities function is the previously mentioned recording of jail expenses. In the past, costs of the jail (being a public building) were recorded in the public facilities function. However, the costs of the Sheriff's personnel to run that facility were recorded in the public safety function. The County has begun recording the costs of detention officers in the same function as the cost of the detention facility for a more comprehensive analysis. In this regard, expenses of the public safety function have decreased by \$3,489,929.

- The voters of the County expressed their desire for an improved, county-wide library system by approving \$10,000,000 in library construction bonds in fiscal year 2003. As a result, three new libraries are being built to satisfy library needs. Increased operations have resulted in an increase of culture and recreation expense by \$1,510,334.

The following chart depicts revenues of the governmental activities for the fiscal year ending on September 30, 2005.

Revenues by Source - Governmental Activities



GOVERNMENTAL FUND FINANCIAL ANALYSIS

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

Governmental funds are a means of providing information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Montgomery County's financing requirements. In particular, unreserved, undesignated 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 September 30, 2005, the County's governmental funds report combined ending unreserved, undesignated fund balances of \$10,154,056, an increase of \$3,781,230 in comparison with the prior year. This unreserved, undesignated fund balance is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed. These commitments can be to fund capital projects (\$25,183,317), pay debt service (\$2,142,695), reflect inventories (\$80,227), and reflect prepaid items (\$1,799,127). Commitments also come in the form of designations to fund encumbrances from the prior year (\$164,621). On September 30, 2005, the total fund balance of the General Fund (the chief operating

fund of the County) was \$9,818,012. Of that amount, \$9,723,328 was available for spending at the government's discretion and \$94,684 reflects funds that were designated for encumbrances.

Total assets in the General Fund amounted to \$29,144,635, accounting for 38.6% of total governmental fund assets. The total assets of other major funds include Road and Bridge Special Revenue Fund (\$3,849,735), Debt Service Fund (\$2,862,668), Capital Projects Road Bonds Series 2003A Fund (\$13,537,036), and Capital Projects Road Bonds Series 2004 Fund (\$9,532,217). Together, all major funds account for \$58,926,291 (78.0%) of the County's \$75,527,228 in total assets.

The fund balance of the County's General Fund increased by \$5,033,495 during the current fiscal year. Key factors in this growth are as follows:

- The Commissioners' Court, as part of long-range planning, had budgeted a \$2,000,000 fund balance increase.
- An increase in the appraised value of real and personal property of \$1,375,775,457, along with a marginal increase in the tax rate boosted ad valorem tax revenues \$8,358,262.
- Significant increases in fees collected for the County Clerk, District Clerk, Justices of the Peace, and Constables contributed toward total fee increases of \$832,271.
- The County has multiple contracts with outside entities for security services through the offices of the Constables. Increases in the number of contracts generated larger than expected reimbursements from these organizations, resulting in an increase to contract reimbursements of \$414,317 over the past year.
- In an effort to protect the citizens of the County from potential disasters, both natural and terrorist, the County was awarded multiple grants from the U. S. Department of Homeland Security to increase preparedness in the event of a disaster. These grants significantly contributed to an increase in federal grants and contributions of \$2,750,565.

The Road and Bridge Special Revenue Fund has a total fund balance of \$920,739 which is reported as \$80,227 reserved for inventory, \$68,022 unreserved, designated for encumbrances and \$772,490 unreserved, undesignated. The unreserved, undesignated portion of the fund balance increased \$371,958 during the current year due to decreases in the liabilities of the fund.

The Debt Service Fund has a total fund balance of \$2,142,695, all of which is reserved for the repayment of debt. Forecasting for the fiscal year included an anticipated refunding of debt, which took advantage of lower interest rates and realize an economic gain of \$1,788,905.

The Capital Projects Road Bonds Series 2003A Fund has a total fund balance of \$10,645,777, all of which is reserved for capital projects. This fund balance decreased during the current year by \$6,721,355 due in large part to capital project expenditures of \$4,590,081.

The entire \$8,977,316 fund balance of the Capital Projects Road Bonds Series 2004 Fund is reserved for capital projects. The fund balance decreased \$1,060,330 from the prior year, primarily due to capital project expenditures of \$1,250,596.

GENERAL FUND BUDGETARY HIGHLIGHTS

The published budget of Montgomery County is prepared on a modified accrual basis, and includes all elements required by Texas Local Government Code Section 111.063, applicable to counties of population more than 125,000 that have appointed a County Budget Officer. The original adopted budget of the General Fund includes revenues of \$87,598,418 and expenditures of \$78,128,937. The General Fund's final amended budget contains revenues of \$103,218,573 and expenditures of \$99,164,871.

The following table presents the changes between the original adopted budget and the final budget, as amended, for the General Fund as of September 30, 2005.

**General Fund
Budget Variances
Year Ended September 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance with Original Budget Positive (Negative)</u>
Revenues:			
Taxes	\$ 72,775,112	\$ 74,441,579	\$ 1,666,467
Licenses and Permits	1,125,955	1,206,709	80,754
Fees	9,120,238	10,368,553	1,248,315
Intergovernmental	125,000	6,437,599	6,312,599
Charges for Services	130,000	184,000	54,000
Interest	280,845	830,845	550,000
Contract Reimbursements	3,105,768	8,071,288	4,965,520
Inmate Housing	160,000	160,000	-
Fines and Forfeitures	96,000	96,000	-
Miscellaneous	679,500	1,422,000	742,500
Total Revenues	<u>87,598,418</u>	<u>103,218,573</u>	<u>15,620,155</u>
Expenditures:			
General Administration	11,895,776	14,041,310	(2,145,534)
Judicial	9,220,142	9,368,054	(147,912)
Legal Services	1,501,030	1,530,463	(29,433)
Elections	540,790	2,753,318	(2,212,528)
Financial Administration	4,355,131	4,489,714	(134,583)
Public Facilities	14,837,964	16,005,898	(1,167,934)
Public Safety	27,671,054	39,159,316	(11,488,262)
Health and Welfare	2,964,618	4,621,526	(1,656,908)
Conservation	377,532	402,365	(24,833)
Miscellaneous	4,764,900	6,792,907	(2,028,007)
Total Expenditures	<u>78,128,937</u>	<u>99,164,871</u>	<u>(21,035,934)</u>
Excess Revenues Over Expenditures	<u>9,469,481</u>	<u>4,053,702</u>	<u>(5,415,779)</u>
Other Financing Sources/(Uses):			
Transfers In	-	1,265,269	1,265,269
Transfers Out	-	(548,282)	(548,282)
Capital Lease Financing	-	1,264,452	1,264,452
Total Other Financing Sources/(Uses)	<u>-</u>	<u>1,981,439</u>	<u>1,981,439</u>
Net Change in Fund Balances	<u>9,469,481</u>	<u>6,035,141</u>	<u>(3,434,340)</u>
Fund Balance - Beginning	<u>4,784,517</u>	<u>4,784,517</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 14,253,998</u>	<u>\$ 10,819,658</u>	<u>\$ (3,434,340)</u>

Final budgeted revenues were higher than originally planned by \$15,620,155. The final amended budget for taxes increased \$1,666,467 over the original budget due to an aggressive collection effort, which resulted in higher than originally expected collections of current and delinquent taxes, along with the penalties and interest associated with those delinquent taxes. The final amended budget for fees was higher than the original budget by \$1,248,315 principally due to increases approved by the state legislature. Intergovernmental revenue has \$6,312,599 more in the final budget than in the original budget. This increase is largely due to the anticipated receipt of several federal and state grants during the year that were not foreseen at the time the original budget was drafted.

The final budget for contract reimbursements is \$4,965,520 more than the original budget. The increase in the anticipated revenue was primarily due to a \$4,611,200 budgeted contract reimbursement for the

Community Supervision and Corrections Department's participation in the employee benefit plan. During the original budget process, Commissioners' Court does not budget for funds that are not at the discretion of the County to spend. Since this contract reimbursement is earmarked for specific purposes, it is not included in the original budget. During the course of the fiscal year, the County entered into several contracts for law enforcement services with local agencies. These contracts were also contributing factors to the increase in the budget.

The originally unanticipated revenue partially offsets the expenditure differences of \$21,035,934 between the original budget and the final amended budget. The general administration function has a final expenditure budget that is \$2,145,534 higher than the original budget. This increase is due in large part to employee health coverage in the County's self-insured benefit plan. Estimated reserves are required for self-insurance programs, which are recorded as they become available. At the time of the original budget process, these amounts were not readily identifiable.

The elections function shows an increase in the final budget over the original budget of \$2,212,528. During the year, the federal government awarded a grant to the county for \$1,492,188. Additionally, the County was required to match \$585,695 for this grant to be awarded. The grant was to purchase electronic voting equipment, in compliance with the Help America Vote Act of 2002. This unforeseen grant was not included in the original budget, but was added to the final budget at the time of the award.

The public facilities function had a final budget \$1,167,934 higher than the original budget. The cost of utilities to run county buildings is charged to the public facilities function. Higher than anticipated increases in utility services caused the county to greatly increase the budget throughout the fiscal year.

Additionally, funds that were originally scheduled in prior fiscal years were not included in the original budget for fiscal year 2005. This practice reflects the County's policy of letting encumbrances lapse at year-end and re-appropriating them in the current year. This policy created increases in the amended budget for carryovers from the prior year in the general administration, elections, public facilities, health and welfare, public safety, and miscellaneous functions.

An \$11,488,262 increase in the final budget over the original budget for expenditures in the public safety function is the result of several factors, including encumbrance carryovers as mentioned above. Included in the public safety function is the Community Supervision and Corrections Department (CSCD), which is not a County department. However, the County has entered into a contract with the CSCD that enables those employees to participate in the County's employee benefit plan. CSCD reimburses the County 100% of the costs associated with said participation. Management believes inclusion of 100% reimbursed contracts in the original budget would unnecessarily inflate revenues and expenditures because the revenues will always be sufficient to cover the expenditures. The County has elected not to include these amounts in the budget each year.

Also contributing to the budgeted variances for the public safety function is the County's participation in several contracts with local agencies for law enforcement services. As mentioned earlier, during the course of the fiscal year, additional interlocal agreements were created with local agencies for the performance of security services. These additional contracts created increased expenditures for the County, but also created an increase in the revenue line supporting the associated expenditure.

The health and welfare function had final budgeted expenditures \$1,656,908 higher than original budget expenditures. This function includes two grants that are managed by the University of Texas Medical Branch for the County. Both grants are pass-through in nature, ultimately resulting in a corresponding revenue for the expense incurred. To prevent any increase in taxes for the constituents of the County, these expenses are not budgeted until the revenue is also budgeted, after the original budget process.

An increase in the final budget of \$2,028,007 over the original budget in the miscellaneous function is the result of several factors. During the original budget process, salaries and related benefits are budgeted in this function for anticipated salary increases throughout the year. As those increases are awarded, the funds are moved from the miscellaneous function to the function that relates to the position being increased. However, increasing the budget for the miscellaneous function are additional costs for the County's self-funded benefit plan for the employees' medical insurance.

The increase of expenditures in the final amended budget over the original budget that was not covered by the revenues increase was primarily reported as a decrease in the final amended budgeted net change in fund balances. This amount was reduced by \$3,434,340.

The following table presents the differences between the final amended budget and actual expenditures for the General Fund as of September 30, 2005.

General Fund Budget Variances Year Ended September 30, 2005			Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Revenues:			
Taxes	\$ 74,441,579	\$ 74,921,693	\$ 480,114
Licenses and Permits	1,206,709	1,261,058	54,349
Fees	10,368,553	10,954,243	585,690
Intergovernmental	6,437,599	4,943,706	(1,493,893)
Charges for Services	184,000	223,454	39,454
Interest	830,845	842,272	11,427
Contract Reimbursements	8,071,288	7,898,265	(173,023)
Inmate Housing	160,000	50,430	(109,570)
Fines and Forfeitures	96,000	208,906	112,906
Miscellaneous	1,422,000	1,441,802	19,802
Total Revenues	103,218,573	102,745,829	(472,744)
Expenditures:			
General Administration	14,041,310	11,853,571	2,187,739
Judicial	9,368,054	9,329,190	38,864
Legal Services	1,530,463	1,550,243	(19,780)
Elections	2,753,318	650,970	2,102,348
Financial Administration	4,489,714	4,359,609	130,105
Public Facilities	16,005,898	15,795,553	210,345
Public Safety	39,159,316	37,682,264	1,477,052
Health and Welfare	4,621,526	4,468,792	152,734
Conservation	402,365	400,034	2,331
Miscellaneous	6,792,907	4,519,314	2,273,593
Total Expenditures	99,164,871	90,609,540	8,555,331
Excess Revenues Over Expenditures	4,053,702	12,136,289	8,082,587
Other Financing Sources/(Uses):			
Transfers In	1,265,269	2,394,165	1,128,896
Transfers Out	(548,282)	(10,761,411)	(10,213,129)
Capital Lease Financing	1,264,452	1,264,452	-
Total Other Financing Sources/(Uses)	1,981,439	(7,102,794)	(9,084,233)
Net Change in Fund Balances	6,035,141	5,033,495	(1,001,646)
Fund Balance - Beginning	4,784,517	4,784,517	-
Fund Balance - Ending	\$ 10,819,658	\$ 9,818,012	\$ (1,001,646)

Final budgeted revenues exceeded actual by \$472,744. Of that amount, \$1,493,893 represents inter-governmental revenues. As discussed earlier, the federal funds were awarded to the county for \$1,492,188

to purchase electronic voting equipment. The grant was awarded during the current fiscal year, but the funds were not received. The budget was amended at the time of the grant award, creating this variance.

Actual expenditures were \$8,555,331 lower than final budgeted expenditures. The general administration function contributed \$2,187,739 toward that amount. The risk management department of the county is charged with recording costs of insurance claims and settlements. During the fiscal year, costs of those claims were significantly lower than had been anticipated at the time of the budget process.

The elections function shows \$2,102,348 less in expenditures than was budgeted. As previously discussed, the federal government awarded a grant to assist the county in complying with the Help America Vote Act of 2002. The grant was awarded, but not received in the current fiscal year. Additionally, the funds were budgeted for expenditure at the time of award, and not expended during the current fiscal year.

In the public safety function of the General Fund, most departments expended less than was approved in the final amended budget. The Sheriff's department received approval from Commissioners' Court early in the fiscal year to lease-purchase 60 new police vehicles. This younger fleet, which was purchased using capital lease financing, enabled the Sheriff's department to save a large amount of funds on repairs of outdated vehicles.

The miscellaneous function showed actual expenditures being less than the final budget by \$2,273,593. As mentioned in the original to final budget comparisons, this is due in large part to the funding of anticipated salary increases. At the time an increase is approved, the funds are transferred to the appropriate department or function. Therefore, actual expenditures in the miscellaneous function were far less than originally budgeted.

The actual net change in fund balance was \$1,001,646 less than anticipated with the final budget. This is the result of transfers to other funds. The Jury Special Revenue Fund received \$4,284,195 more than shown in the final budget, and the Memorial Library Special Revenue Fund received \$5,704,000 more than was budgeted. In both of these funds, the emphasis is on providing a service. In the case of the Jury Special Revenue Fund, that service is in the form of a court system. The Memorial Library Special Revenue Fund's emphasis is on culture and recreation. Neither fund is expected in any year to provide enough revenues to adequately fund its own services. Therefore, it is anticipated that the General Fund will service the expenditures of those funds every year. Transfers in and out simply provide a mechanism to move funds from one self-balancing set of accounts (a fund) to another self-balancing set of accounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Montgomery County's investment in capital assets for its governmental activities as of September 30, 2005 amounts to \$181,943,540 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. It includes investments in infrastructure projects that were purchased or completed only during the fiscal years ending after September 30, 2002 (since the implementation of GASB 34). Major capital asset events during the current fiscal year included the following:

- Purchases in the buildings category of \$2,414,954 included the purchase and partial renovation of the Pennzoil Building in The Woodlands to be utilized as both a courts and a public safety building. It will replace a building the county currently occupies that is outdated.

- Vehicles, vehicle modifications, and other various equipment items were purchased at a cost of \$5,244,906. Sixty police vehicles for the Sheriff's Department were included in this category at a cost of \$1,100,000.
- A variety of projects for both new infrastructure construction and for expansion or updating of existing infrastructure were ongoing during the year. Infrastructure projects begun and completed in 2005 amounted to \$4,983,115.
- Montgomery County is the 29th most rapidly expanding county in the United States¹. This brisk growth brings with it a need for vast improvements to a rural infrastructure system. Development frequently comes with donations in the form of roads. Infrastructure donations for the year totaled \$24,744,508.
- Four acres of land, valued at \$696,960, were donated for the construction of a new library in the southern part of the county.
- Projects that were capitalized from ongoing construction throughout the year, including a gun range and the above-referenced library totaled \$3,429,484. Additional expenditures of \$6,350,700 were incurred for construction that was in progress throughout the year.
- Increases in assets were offset by depreciation expense of \$10,283,375.

Montgomery County, Texas
Capital Assets
(net of depreciation)
September 30, 2005
with Comparative Totals for September 30, 2004

	Value of Capital Asset Net of Accumulated Depreciation		Increase (Decrease)
	FY 2005	FY 2004	
Land	\$ 7,398,715	\$ 6,056,015	\$ 1,342,700
Buildings	79,843,362	76,318,309	3,525,053
Improvements	3,037,832	3,066,005	(28,173)
Equipment	15,858,537	14,837,722	1,020,815
Infrastructure	71,515,920	43,377,343	28,138,577
Construction in Progress	4,289,174	1,529,467	2,759,707
Total	<u>\$181,943,540</u>	<u>\$ 145,184,861</u>	<u>\$ 36,758,679</u>

The County is committed to several capital projects that have either been completed during the current fiscal year, or will be completed in the near future.

In a continued effort to improve services to citizens in the form of a Memorial Library System, the County has been constructing three new library facilities. By September 30, 2005, \$2,463,302, \$1,731,060, and \$3,479,944 had been spent on libraries in the eastern, western, and southern areas of the County, respectively. The library in the southern area of the county has been completed, and was opened July 6, 2005. It was named the George and Cynthia Woods-Mitchell Library in honor of the founders of The Woodlands, where it was built.

The County has committed to multiple road construction projects in fiscal year 2006. In 2005, the voters of Montgomery County approved \$160,000,000 in road bonds to fund road improvements throughout the county. These bonds will be issued in phases to fund road construction as the need arises. The County will use approximately \$100,000,000 to improve state-owned roads as part of the "pass-through toll" projects. The balance will be reserved for county road improvements.

Additional information on the County's capital assets can be found in Note 7 on page 55 of this report.

¹ <http://ask.census.gov>

Long-Term Debt

At September 30, 2005, Montgomery County had total bonded debt outstanding of \$155,042,674 (inclusive of the accreted portion of various capital appreciation bonds). Commissioners' Court continues to keep maturity dates confined to no more than 22 years. The County maintains "Aaa" and "AAA" ratings from Moody's Investors Service, Inc. and Standard and Poor's Corporation, respectively, by purchasing additional insurance on each outstanding bond issue.

The County issues two types of debt; general obligation bonds are approved by the voters of the County and certificates of obligation are approved by Commissioners' Court. Of the County's total debt, \$122,050,678 corresponds to general obligation debt and \$25,860,000 represents certificates of obligation. Montgomery County's total bonded debt had a net decrease of \$4,587,847 during 2005. The following table represents the entire long-term debt of the County at September 30.

**Montgomery County, Texas
Governmental Activities
Outstanding Long-Term Debt**

	FY 2005	FY 2004
General obligation bonds	\$ 122,050,678	\$ 97,515,414
Certificates of obligation	25,860,000	54,270,000
Accreted interest	7,131,996	7,845,107
Capital Leases	1,403,363	1,790,377
Premiums, net of discounts	4,745,570	1,076,250
Compensated absences	5,212,724	4,221,760
Total	<u>\$ 166,404,331</u>	<u>\$ 166,718,908</u>

Debt activity in 2005 includes an issue of \$45,850,000 in refunding bonds. This issue refunded six series of general obligation bonds and certificates of obligation and resulted in a net economic gain of \$1,788,905. The County retired \$3,672,847 in debt through scheduled principal payments made during the year.

The County is authorized under Article III, Section 52 of the State Constitution to issue bonds payable from ad valorem taxes for the construction and maintenance of roads. There is no constitutional or statutory limit as to rate on bonds issued pursuant to such constitutional provision. However, the amount of bonds that may be issued is limited to 25% of the assessed valuation of real property in the County. The current debt limitation for the County is \$3,993,676,763, which is significantly in excess of the County's outstanding debt obligation, despite the increases in debt issuance during 2005.

Additional information on Montgomery County's long-term debt can be found in Note 9 on page 56 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for the County is currently 4.5%², which is a decrease from a rate of 4.7% a year ago. This compares favorably to the State's average unemployment rate of 5.3%³ and the national average rate of 5.0%⁴.

² The Work Source. <http://www.theworksource.org/employer/lmi/unemploymentrates/2005>.

³ The Work Source. <http://www.theworksource.org/employer/lmi/unemploymentrates/2005>.

⁴ U.S. Department of Labor, Bureau of Labor Statistics. <ftp://ftp.bls.gov/pub/suppl/empsit.cpseea6.txt>.

- The addition of more than 142 new positions over the current and upcoming fiscal years resulted in an increase of \$4,010,285 for providing employee and family health benefits.
- Commissioners' Court approved allocating a 3.0% merit pool for most County positions, budgeting existing positions to at least 90% of the mid-point of salary ranges for each employee class, and significant increases in department head salaries at a total cost of \$3,078,427.
- Rising fuel costs associated with the aftermath of Hurricanes Katrina and Rita prompted the Commissioners' Court to increase employee auto allowances by 25%, resulting in an additional cost of \$425,638. The Commissioners' Court also doubled the fuel budget for vehicles in the Sheriff's fleet, resulting in an increase of \$275,000.
- Funding for new positions to staff the County Jail and the expanded library system, are anticipated at \$3,557,373.
- Commissioners' Court has made a commitment to increase the County's fund balance by \$2,000,000 during the next fiscal year, as well as increase the fund balance by at least \$2,000,000 in subsequent years. This commitment is intended to provide the County with a strong equity base.

All of these factors were considered in preparing the Adopted Budget of Montgomery County, Texas for the fiscal year ending September 30, 2006.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Montgomery County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Montgomery County Auditor, P. O. Box 539, Conroe, Texas 77305-0539.

BASIC FINANCIAL STATEMENTS

MONTGOMERY COUNTY, TEXAS

Statement of Net Assets

September 30, 2005

EXHIBIT I

ASSETS:	<u>Governmental Activities</u>
Cash	\$ 6,279,209
Investments, at Fair Value	41,955,765
Cash, Restricted for Retainage	316,290
Receivables:	
Taxes (net)	5,923,038
Accounts (net)	11,367,077
Accrued Interest	29,501
Due from Other Governments	3,906,436
Inventory, at Cost	80,227
Deferred Charges	5,785,606
Prepaid Items	1,799,127
Capital Assets, net of accumulated depreciation	
Land	7,398,715
Buildings	79,843,362
Improvements	3,037,832
Equipment	15,858,537
Infrastructure	71,515,920
Construction in Progress	4,289,174
Total Assets	<u>259,385,816</u>
LIABILITIES:	
Accounts Payable	12,634,145
Retainage Payable	324,603
Accrued Interest Payable	705,616
Due to Other Governments	1,691,422
Unearned Revenue	2,051,228
Noncurrent Liabilities:	
Due within one year	8,777,946
Due in more than one year	157,626,385
Total Liabilities	<u>183,811,345</u>
NET ASSETS:	
Invested in Capital Assets, net of related debt	122,477,741
Restricted for:	
Capital Projects	7,138
Debt Service	5,212,724
Unrestricted	(52,123,132)
Total Net Assets	<u><u>\$ 75,574,471</u></u>

See accompanying notes to the financial statements.

MONTGOMERY COUNTY, TEXAS**Statement of Activities****Year Ended September 30, 2005**

EXHIBIT II

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Fees, Fines, Forfeitures, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Current:					
General Administration	\$ 11,228,147	\$ 5,063,830	\$ -	\$ -	\$ (6,164,317)
Judicial	14,787,696	9,276,673	277,547	-	(5,233,476)
Legal Services	1,823,681	399,053	-	-	(1,424,628)
Elections	460,869	1,548	67,005	8,247	(384,069)
Financial Administration	4,398,998	1,167,804	-	-	(3,231,194)
Public Facilities	16,611,013	567,862	-	-	(16,043,151)
Public Safety	38,293,859	10,794,828	3,911,237	847,100	(22,740,694)
Health and Welfare	6,253,621	1,058,085	3,523,855	-	(1,671,681)
Culture and Recreation	6,257,162	230,775	256,256	-	(5,770,131)
Conservation	721,238	-	12,818	131,843	(576,577)
Public Transportation	23,780,503	7,382,918	189,779	26,347,903	10,140,097
Miscellaneous	4,519,314	-	-	-	(4,519,314)
Debt Service Interest and Fiscal Charges	7,464,112	-	-	-	(7,464,112)
Total Governmental Activities	<u>\$136,600,213</u>	<u>\$35,943,376</u>	<u>\$8,238,497</u>	<u>\$ 27,335,093</u>	<u>(65,083,247)</u>
General Revenues:					
Property Taxes					95,927,528
Other Taxes					175,724
Mixed Beverage Taxes					770,620
Bingo Taxes					131,336
Insurance Reimbursements					121,392
Unrestricted Investment Earnings					2,007,229
Gain on Sale of Capital Assets					655,112
Total General Revenues					<u>99,788,941</u>
Change in Net Assets					34,705,694
Net Assets - Beginning					40,868,777
Net Assets - Ending					<u>\$ 75,574,471</u>

See accompanying notes to the financial statements.

MONTGOMERY COUNTY, TEXAS

Balance Sheet
Governmental Funds
September 30, 2005

EXHIBIT III

	<u>General</u>	<u>Road and Bridge</u>	<u>Debt Service</u>
<u>ASSETS:</u>			
Cash	\$ 891,840	\$ 253,819	\$ 3,192
Investments, at Fair Value	15,610,122	2,409,350	872,636
Cash, Restricted for Retainage	-	2,479	-
Receivables:			
Taxes (net)	4,535,562	628,744	758,732
Accounts (net)	1,576,423	12,240	-
Accrued Interest	-	9,064	1,930
Due from Other Funds	4,051,446	188,120	1,226,178
Due from Other Governments	2,479,242	265,692	-
Inventory, at Cost	-	80,227	-
Prepaid Items	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 29,144,635</u>	<u>\$ 3,849,735</u>	<u>\$ 2,862,668</u>
<u>LIABILITIES AND FUND BALANCES:</u>			
Liabilities:			
Accounts Payable	\$ 8,287,338	\$ 727,698	\$ -
Retainage Payable	-	2,479	-
Due to Other Funds	4,969,042	1,513,339	-
Due to Other Governments	1,636,946	54,252	-
Deferred Revenue	4,433,297	631,228	719,973
Total liabilities	<u>19,326,623</u>	<u>2,928,996</u>	<u>719,973</u>
Fund Balances:			
Reserved for:			
Prepaid Items	-	-	-
Capital Projects	-	-	-
Inventory	-	80,227	-
Debt Service	-	-	2,142,695
Unreserved, designated for:			
Encumbrances	94,684	68,022	-
Unreserved, undesignated, reported in:			
General Fund	9,723,328	-	-
Special Revenue Funds	-	772,490	-
Total Fund Balances	<u>9,818,012</u>	<u>920,739</u>	<u>2,142,695</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 29,144,635</u>	<u>\$ 3,849,735</u>	<u>\$ 2,862,668</u>

See accompanying notes to the financial statements.

Road Bonds Series 2003A	Road Bonds Series 2004	Other Governmental Funds	Total Governmental Funds
\$ 1,487,948	\$ 2,351,536	\$ 1,290,874	\$ 6,279,209
12,000,194	4,824,323	6,239,140	41,955,765
16,914	-	296,897	316,290
-	-	-	5,923,038
-	-	43,900	1,632,563
6,150	3,993	8,364	29,501
-	2,352,365	5,786,963	13,605,072
25,830	-	1,135,672	3,906,436
-	-	-	80,227
-	-	1,799,127	1,799,127
<u>\$ 13,537,036</u>	<u>\$ 9,532,217</u>	<u>\$ 16,600,937</u>	<u>\$ 75,527,228</u>
\$ 680,776	\$ 321,597	\$ 2,616,739	\$ 12,634,148
16,914	-	305,210	324,603
2,193,569	233,304	4,695,818	13,605,072
-	-	224	1,691,422
-	-	1,963,442	7,747,940
<u>2,891,259</u>	<u>554,901</u>	<u>9,581,433</u>	<u>36,003,185</u>
-	-	1,799,127	1,799,127
10,645,777	8,977,316	5,560,224	25,183,317
-	-	-	80,227
-	-	-	2,142,695
-	-	1,915	164,621
-	-	-	9,723,328
-	-	(341,762)	430,728
<u>10,645,777</u>	<u>8,977,316</u>	<u>7,019,504</u>	<u>39,524,043</u>
<u>\$ 13,537,036</u>	<u>\$ 9,532,217</u>	<u>\$ 16,600,937</u>	<u>\$ 75,527,228</u>



MONTGOMERY COUNTY, TEXAS
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Assets
Year Ended September 30, 2005

Total fund balances - governmental funds (page 31)	\$	39,524,043
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Amounts reported for governmental activities in
the statement of net assets are different because:

Bond issuance costs are expenditures in the funds but are amortized over the life of the bonds in government-wide statements.		5,785,606
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Capital assets used in governmental activities are
not financial resources and therefore are not reported in
the funds. These capital assets (net of accumulated
depreciation) consist of:

Land	7,398,715	
Buildings	79,843,362	
Improvements	3,037,832	
Equipment	15,858,537	
Infrastructure	71,515,920	
Construction in Progress	4,289,174	
Total Capital Assets		181,943,540

Other long term assets that were not available to pay for current-period expenditures were deferred in the funds. These assets consist of fines and fees receivable, net of allowance.		9,734,516
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Property taxes earned that are not available to pay for current-period expenditures are deferred in the funds.		5,696,712
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Some liabilities are not due and payable in the current
period and therefore are not reported in the funds. Those
liabilities consist of:

Interest payable	(705,616)	
Bonds and capital leases payable	(161,191,606)	
Compensated absences	(5,212,724)	
Total future period liabilities		(167,109,946)

Net assets of governmental activities	\$	75,574,471
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See accompanying notes to the financial statements.

MONTGOMERY COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2005

EXHIBIT IV

	General	Road and Bridge	Debt Service
<u>REVENUES:</u>			
Taxes	\$ 74,921,693	\$ 10,272,809	\$ 11,687,384
Licenses and Permits	1,261,058	5,751,640	-
Fees	10,954,243	-	-
Intergovernmental	4,943,706	442,529	-
Charges for Services	223,454	-	-
Interest	842,272	68,597	318,995
Contract Reimbursements	7,898,265	-	-
Inmate Housing	50,430	-	-
Fines and Forfeitures	208,906	1,177,420	-
Miscellaneous	1,441,802	496,845	-
<u>TOTAL REVENUES</u>	<u>102,745,829</u>	<u>18,209,840</u>	<u>12,006,379</u>
<u>EXPENDITURES:</u>			
Current:			
General Administration	11,853,571	-	-
Judicial	9,329,190	-	-
Legal Services	1,550,243	-	-
Elections	650,970	-	-
Financial Administration	4,359,609	-	-
Public Facilities	15,795,553	-	-
Public Safety	37,682,264	-	-
Health and Welfare	4,468,792	-	-
Culture and Recreation	-	-	-
Conservation	400,034	307,650	-
Public Transportation	-	16,301,229	-
Miscellaneous	4,519,314	-	-
Capital Projects	-	-	-
Debt Service:			
Principal Retirement	-	-	3,034,930
Interest and Fiscal Charges	-	-	8,087,980
Issuance Costs	-	-	618,647
<u>TOTAL EXPENDITURES</u>	<u>90,609,540</u>	<u>16,608,879</u>	<u>11,741,557</u>
Excess (Deficiency) Revenues Over Expenditures	<u>12,136,289</u>	<u>1,600,961</u>	<u>264,822</u>
<u>OTHER FINANCING SOURCES/(USES):</u>			
Transfers In	2,394,165	131,302	-
Transfers Out	(10,761,411)	(1,289,064)	-
Capital Lease Financing	1,264,452	-	-
Proceeds of Refunding Bonds	-	-	45,850,000
Premium on Refunding Bonds	-	-	3,772,220
Payment to Refunded Bond Escrow Agent	-	-	(49,904,606)
<u>TOTAL OTHER FINANCING SOURCES/(USES)</u>	<u>(7,102,794)</u>	<u>(1,157,762)</u>	<u>(282,386)</u>
Net Change in Fund Balance	5,033,495	443,199	(17,564)
Fund Balances at Beginning of Year	4,784,517	477,540	2,160,259
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$ 9,818,012</u>	<u>\$ 920,739</u>	<u>\$ 2,142,695</u>

See accompanying notes to the financial statements.

Road Bonds Series 2003A	Road Bonds Series 2004	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 96,881,886
-	-	77,426	7,090,124
-	-	291,010	11,245,253
-	-	4,367,415	9,753,650
-	-	985,150	1,208,604
332,022	196,946	248,393	2,007,225
-	-	127,838	8,026,103
-	-	-	50,430
-	-	951,851	2,338,177
-	-	539,166	2,477,813
<u>332,022</u>	<u>196,946</u>	<u>7,588,249</u>	<u>141,079,265</u>
-	-	102,903	11,956,474
-	-	5,204,608	14,533,798
-	-	270,554	1,820,797
-	-	-	650,970
-	-	-	4,359,609
-	-	-	15,795,553
-	-	2,308,455	39,990,719
-	-	2,510,329	6,979,121
-	-	6,102,610	6,102,610
-	-	-	707,684
-	-	556,189	16,857,418
-	-	-	4,519,314
4,590,081	1,250,596	10,251,379	16,092,056
-	-	-	3,034,930
-	-	-	8,087,980
-	-	-	618,647
<u>4,590,081</u>	<u>1,250,596</u>	<u>27,307,027</u>	<u>152,107,680</u>
<u>(4,258,059)</u>	<u>(1,053,650)</u>	<u>(19,718,778)</u>	<u>(11,028,415)</u>
-	226,624	13,572,090	16,324,181
(2,463,296)	(233,304)	(1,577,106)	(16,324,181)
-	-	-	1,264,452
-	-	-	45,850,000
-	-	-	3,772,220
-	-	-	(49,904,606)
<u>(2,463,296)</u>	<u>(6,680)</u>	<u>11,994,984</u>	<u>982,066</u>
(6,721,355)	(1,060,330)	(7,723,794)	(10,046,349)
17,367,132	10,037,646	14,743,298	49,570,392
<u>\$ 10,645,777</u>	<u>\$ 8,977,316</u>	<u>\$ 7,019,504</u>	<u>\$ 39,524,043</u>



MONTGOMERY COUNTY, TEXAS
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of the Governmental Funds
to the Statement of Activities
Year Ended September 30, 2005

Amounts reported for governmental activities in the statement of activities (page 29)
are different because:

Net change in fund balances - total governmental funds (page 35)	\$ (10,046,349)
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.	10,493,997
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, seizures, and donations) is to increase net assets.	26,264,683
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	3,961,959
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	4,960,894
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(929,490)
Change in net assets of governmental activities (page 29)	\$ 34,705,694

See accompanying notes to the financial statements.

MONTGOMERY COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
Major Governmental Funds
Year Ended September 30, 2005

EXHIBIT V
Page 1 of 3

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Taxes	\$72,775,112	\$74,441,579	\$74,921,693	\$ 480,114
Licenses and Permits	1,125,955	1,206,709	1,261,058	54,349
Fees	9,120,238	10,368,553	10,954,243	585,690
Intergovernmental	125,000	6,437,599	4,943,706	(1,493,893)
Charges for Services	130,000	184,000	223,454	39,454
Interest	280,845	830,845	842,272	11,427
Contract Reimbursements	3,105,768	8,071,288	7,898,265	(173,023)
Inmate Housing	160,000	160,000	50,430	(109,570)
Fines and Forfeitures	96,000	96,000	208,906	112,906
Miscellaneous	679,500	1,422,000	1,441,802	19,802
<u>TOTAL REVENUES</u>	<u>87,598,418</u>	<u>103,218,573</u>	<u>102,745,829</u>	<u>(472,744)</u>
<u>EXPENDITURES:</u>				
Current:				
General Administration	11,895,776	14,041,310	11,853,571	2,187,739
Judicial	9,220,142	9,368,054	9,329,190	38,864
Legal Services	1,501,030	1,530,463	1,550,243	(19,780)
Elections	540,790	2,753,318	650,970	2,102,348
Financial Administration	4,355,131	4,489,714	4,359,609	130,105
Public Facilities	14,837,964	16,005,898	15,795,553	210,345
Public Safety	27,671,054	39,159,316	37,682,264	1,477,052
Health and Welfare	2,964,618	4,621,526	4,468,792	152,734
Conservation	377,532	402,365	400,034	2,331
Public Transportation	-	-	-	-
Miscellaneous	4,764,900	6,792,907	4,519,314	2,273,593
<u>TOTAL EXPENDITURES</u>	<u>78,128,937</u>	<u>99,164,871</u>	<u>90,609,540</u>	<u>8,555,331</u>
Excess (Deficiency) Revenues Over Expenditures	9,469,481	4,053,702	12,136,289	8,082,587
<u>OTHER FINANCING SOURCES/ (USES):</u>				
Transfers In	-	1,265,269	2,394,165	1,128,896
Transfers Out	-	(548,282)	(10,761,411)	(10,213,129)
Capital Lease Financing	-	1,264,452	1,264,452	-
<u>TOTAL OTHER FINANCING SOURCES/(USES)</u>	<u>-</u>	<u>1,981,439</u>	<u>(7,102,794)</u>	<u>(9,084,233)</u>
Net Changes in Fund Balances	9,469,481	6,035,141	5,033,495	(1,001,646)
Fund Balances at Beginning of Year	4,784,517	4,784,517	4,784,517	-
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$14,253,998</u>	<u>\$10,819,658</u>	<u>\$ 9,818,012</u>	<u>\$ (1,001,646)</u>

See accompanying notes to the financial statements.

MONTGOMERY COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
Major Governmental Funds
Year Ended September 30, 2005

EXHIBIT V
Page 2 of 3

	Road and Bridge Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Taxes	\$10,257,900	\$10,257,900	\$10,272,809	\$ 14,909
Licenses and Permits	5,765,100	5,274,100	5,751,640	477,540
Fees	-	-	-	-
Intergovernmental	130,000	130,500	442,529	312,029
Charges for Services	-	-	-	-
Interest	25,000	25,000	68,597	43,597
Contract Reimbursements	-	-	-	-
Inmate Housing	-	-	-	-
Fines and Forfeitures	1,175,000	1,175,000	1,177,420	2,420
Miscellaneous	-	417,142	496,845	79,703
<u>TOTAL REVENUES</u>	<u>17,353,000</u>	<u>17,279,642</u>	<u>18,209,840</u>	<u>930,198</u>
<u>EXPENDITURES:</u>				
Current:				
General Administration	-	-	-	-
Judicial	-	-	-	-
Legal Services	-	-	-	-
Elections	-	-	-	-
Financial Administration	-	-	-	-
Public Facilities	-	-	-	-
Public Safety	-	-	-	-
Health and Welfare	-	-	-	-
Conservation	153,279	307,651	307,650	1
Public Transportation	15,634,253	18,582,677	16,301,229	2,281,448
Miscellaneous	-	-	-	-
<u>TOTAL EXPENDITURES</u>	<u>15,787,532</u>	<u>18,890,328</u>	<u>16,608,879</u>	<u>2,281,449</u>
Excess (Deficiency) Revenues Over Expenditures	1,565,468	(1,610,686)	1,600,961	3,211,647
<u>OTHER FINANCING SOURCES/ (USES):</u>				
Transfers In	-	434,298	131,302	(302,996)
Transfers Out	-	(14,354)	(1,289,064)	(1,274,710)
Capital Lease Financing	-	-	-	-
<u>TOTAL OTHER FINANCING SOURCES/(USES)</u>	<u>-</u>	<u>419,944</u>	<u>(1,157,762)</u>	<u>(1,577,706)</u>
Net Changes in Fund Balances	1,565,468	(1,190,742)	443,199	1,633,941
Fund Balances at Beginning of Year	477,540	477,540	477,540	-
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$ 2,043,008</u>	<u>\$ (713,202)</u>	<u>\$ 920,739</u>	<u>\$ 1,633,941</u>

See accompanying notes to the financial statements.

MONTGOMERY COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
Major Governmental Funds
Year Ended September 30, 2005

EXHIBIT V
Page 3 of 3

	Totals			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Taxes	\$83,033,012	\$84,699,479	\$85,194,502	\$ 495,023
Licenses and Permits	6,891,055	6,480,809	7,012,698	531,889
Fees	9,120,238	10,368,553	10,954,243	585,690
Intergovernmental	255,000	6,568,099	5,386,235	(1,181,864)
Charges for Services	130,000	184,000	223,454	39,454
Interest	305,845	855,845	910,869	55,024
Contract Reimbursements	3,105,768	8,071,288	7,898,265	(173,023)
Inmate Housing	160,000	160,000	50,430	(109,570)
Fines and Forfeitures	1,271,000	1,271,000	1,386,326	115,326
Miscellaneous	679,500	1,839,142	1,938,647	99,505
<u>TOTAL REVENUES</u>	<u>104,951,418</u>	<u>120,498,215</u>	<u>120,955,669</u>	<u>457,454</u>
<u>EXPENDITURES:</u>				
Current:				
General Administration	11,895,776	14,041,310	11,853,571	2,187,739
Judicial	9,220,142	9,368,054	9,329,190	38,864
Legal Services	1,501,030	1,530,463	1,550,243	(19,780)
Elections	540,790	2,753,318	650,970	2,102,348
Financial Administration	4,355,131	4,489,714	4,359,609	130,105
Public Facilities	14,837,964	16,005,898	15,795,553	210,345
Public Safety	27,671,054	39,159,316	37,682,264	1,477,052
Health and Welfare	2,964,618	4,621,526	4,468,792	152,734
Conservation	530,811	710,016	707,684	2,332
Public Transportation	15,634,253	18,582,677	16,301,229	2,281,448
Miscellaneous	4,764,900	6,792,907	4,519,314	2,273,593
<u>TOTAL EXPENDITURES</u>	<u>93,916,469</u>	<u>118,055,199</u>	<u>107,218,419</u>	<u>10,836,780</u>
Excess (Deficiency) Revenues Over Expenditures	11,034,949	2,443,016	13,737,250	11,294,234
<u>OTHER FINANCING SOURCES/ (USES):</u>				
Transfers In	-	1,699,567	2,525,467	825,900
Transfers Out	-	(562,636)	(12,050,475)	(11,487,839)
Capital Lease Financing	-	1,264,452	1,264,452	-
<u>TOTAL OTHER FINANCING SOURCES/(USES)</u>	<u>-</u>	<u>2,401,383</u>	<u>(8,260,556)</u>	<u>(10,661,939)</u>
Net Changes in Fund Balances	11,034,949	4,844,399	5,476,694	632,295
Fund Balances at Beginning of Year	5,262,057	5,262,057	5,262,057	-
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$16,297,006</u>	<u>\$10,106,456</u>	<u>\$10,738,751</u>	<u>\$ 632,295</u>

See accompanying notes to the financial statements.

MONTGOMERY COUNTY, TEXAS
Statement of Assets and Liabilities
Fiduciary Funds
September 30, 2005

EXHIBIT VI

	<u>Agency Funds</u>
<u>ASSETS:</u>	
Cash	\$ 8,570,611
Investments, at Fair Value	1,107,852
Accounts Receivable	<u>5,075</u>
<u>TOTAL ASSETS</u>	<u>\$ 9,683,538</u>
<u>LIABILITIES:</u>	
Accounts Payable	\$ 5,068,679
Due to Other Governments	<u>4,614,859</u>
<u>TOTAL LIABILITIES</u>	<u>\$ 9,683,538</u>

See accompanying notes to the financial statements.



MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2005

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Montgomery County, Texas have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local government units in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

A) REPORTING ENTITY:

Montgomery County, Texas (the County) was created in 1837. The County is a political subdivision of the State of Texas. The Commissioners' Court, composed of the County Judge and four Commissioners, governs the County. The following services are provided for the citizens: public safety, road and bridge construction and maintenance, health and social services, culture and recreation, public improvements, environmental protection, and administrative services.

In 1991, GASB issued Statement No. 14, *The Financial Reporting Entity*, which established standards for defining and reporting on the financial reporting entity. The discussion that follows sets forth the guidelines for an entity's inclusion in the County's financial statements.

The definition of the reporting entity is based primarily on the notion of **financial accountability**. The elected officials governing Montgomery County are accountable to their constituents for their public policy decisions, regardless of whether those decisions are carried out directly through the operations of the County or by their appointees through the operations of a separate entity. Therefore, the County is not only financially accountable for the organizations that make up its legal entity, it is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either, it is able to impose its will on that organization or, there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the County.

Depending upon the significance of the County's financial and operational relationships with various separate entities, the organizations are classified as blended or discrete component units, related organizations, joint ventures, or jointly governed organizations, and the financial disclosure is treated accordingly.

Related Organizations- Where the Commissioners' Court is responsible for appointing a majority of the members of a board of another organization, but the County's accountability does not extend beyond making such appointments, disclosure is made in the form of the relation between the County and such organization.

Montgomery County Emergency Service Districts No. 1-14:

The emergency service districts are organized under the statutes of the State of Texas as political subdivisions of the State to provide protection from fire for life and property. Commissioners' Court appoints a five-member board for each district, and must approve the issuance of any long-term debt for each. Individual boards retain authority to levy taxes and approve or modify annual appropriation budgets. Inasmuch as each district is required by state law to have audited financial statements prepared, and because the exercise of authority by Commissioners' Court is of a compliant nature rather than substantive, these entities are not included in the County's financial statements.

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2005

Montgomery County Housing Authority:

The Montgomery County Housing Authority is organized as a public corporation pursuant to Chapter 392 of the Statutes of the State of Texas, Local Government Code. Its stated mission is the development, acquisition, leasing and administration of federally assisted housing programs under the direction of the U.S. Department of Housing and Urban Development. Commissioners' Court appoints a five-member board for the corporation, but may not remove a member at-will. There is also no financial interdependence between the corporation and the County. The corporation issues a separate financial report, which may be obtained from its offices at 1022 McCall Street, Conroe, Texas, 77301.

B) IMPLEMENTATION OF NEW STANDARDS:

In the current year, the County implemented the following new standards:

GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, which addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk.

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section – an Amendment of NCGA Statement 1*, which amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, that guide the preparation of the statistical section. The implementation of GASB Statement 34 created a need for the presentation of new information in the statistical section.

C) FINANCIAL STATEMENT PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

Government-wide Statements

Government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government and its blended component unit. The effect of inter-fund transfers has been removed from these statements, but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included in program revenues are reported as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Major revenue types, which have been accrued, are district and county clerk fees, justice of the peace fines, revenue from investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements are met.

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2005

Fund-level Statements

Separate fund financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. Non-major funds are aggregated into a single column in the fund financial statements. Detailed statements for non-major funds are presented within the Combining and Individual Fund Statements and Schedules.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal year are reported as deferred revenue. Property taxes levied prior to September 30, 2004 that were due October 1, 2004, have been assessed to finance the budget of the fiscal year ending September 30, 2005. In accordance with the modified accrual basis of accounting, the balances outstanding at September 30, 2005, and beyond the 60 days after year end have been reflected as deferred revenue and taxes receivable in the fund financial statements. Property taxes and interest earned as of September 30 and received within 60 days of year end are accrued as income in the current period. Expenditures generally are recorded when a liability is incurred; however, debt service expenditures, claims and judgments, and compensated absences are recorded only when payment is made.

Fiduciary fund level financial statements include fiduciary funds which are classified into private purpose trust and agency funds. The County has only agency funds which are used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The County reports the following *major governmental funds*:

The General Fund is the general operating fund of the County and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues, and investment interest income. Primary expenditures are for general and financial administration, public safety, judicial operations, health and welfare, and capital acquisition.

The Road and Bridge Special Revenue Fund is used to account for rehabilitation, repair and maintenance of the County's roadways and bridges. The Road and Bridge Fund is financed by a designated part of the annual property tax levy, as well as certain statutory fees.

The Debt Service Fund is used to account for the receipt and disbursement of funds to retire debt resulting from the issuance of general obligation bonds, certificates of obligation, and certain capital leases. Financing is provided by a specific annual property tax levy, and the investment interest earned thereon.

MONTGOMERY COUNTY, TEXAS
Notes to the Financial Statements
September 30, 2005

The Capital Projects-Road Bonds, Series 2003A Fund is used to account for the second phase of the countywide road construction plan. The proceeds from the issuance of an additional \$24million in general obligation bonds were used to finance this fund. A portion of the proceeds will be used to satisfy the County's obligation under several agreements with the State of Texas to improve state-owned roads in the County.

The Capital Projects-Road Bonds, Series 2004 Fund is used to account for the third and final phase of road construction bonds that were approved in 2001 by the voters of the County. The \$10,205,000 in proceeds will be used to satisfy the County's obligation under several agreements with the State of Texas to improve state-owned roads in the County.

The County reports the following *nonmajor governmental funds*:

Special revenue funds are used to account for specific revenue sources (other than capital projects) that are restricted to expenditures for specified purposes. These restrictions exist both externally (by agreement with other entities or by statute) and internally (by policy of Commissioners' Court).

Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital assets and infrastructure. Existing projects include construction of three new libraries, a courts building a jail expansion, road construction, airport improvements, and various remodeling plans.

The County reports the following *fiduciary funds*:

Agency funds are used to account for assets held by the County as custodian for individuals and other governmental units, such as officials' fee accounts, inmate trust funds, cash bail bonds, and other similar arrangements.

D) ASSETS, LIABILITIES, AND FUND EQUITY:

1. Cash and Investments

Cash and cash equivalents include amounts in demand deposits as well as bank certificates with a maturity date within three months of the date acquired by the County.

The County is authorized by the Public Funds Investment Act of 1987 to invest idle funds in a) obligations of the United States and its agencies or instrumentalities, b) obligations of the State of Texas, c) obligations of states, agencies, political subdivisions, and municipalities having a rating of not less than A, and d) fully collateralized direct repurchase agreements.

The County reports its investments as required by GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments with a maturity of less than a year at acquisition are reported at amortized cost. Investments in open-end mutual funds are reported at fair value, as determined by the funds' current share prices. This value also approximates cost. Additionally, the County's investments in the state's public funds investment pool are reported at fair value based on the value per share of the pool's underlying portfolio. Historically, the value per share in this public fund investment pool has approximated cost; therefore, the County's investments in this pool are reported at amortized cost.

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2005

2. Receivables

Property taxes are recognized as revenues in the period for which they are levied, regardless of the lien date. Property taxes for the County are levied based on taxable value on the lien date of January 1 prior to September 30 of the same year. They become due October 1 of that same year and delinquent after January 31 of the following year. Accordingly, receivables and revenues for prior-year levies delinquent at year end are reflected on the government-wide statement based on the full accrual method of accounting and under the modified accrual method in the fund statements.

Accounts receivable from other governments include amounts due from grantors in regards to approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time all eligibility requirements have been met and reimbursable costs are incurred.

Reimbursements for services performed are recorded as receivables and revenues when they become eligible for accrual in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts.

Receivables are shown net of an allowance for uncollectibles.

3. Inter-fund Transactions

Outstanding balances of lending and borrowing type activities between funds are classified as “due from other funds” and “due to other funds,” respectively, on the fund financial statements. Inter-fund activity has been eliminated for the government-wide statements.

4. Inventories and Prepaid Items

Inventory is valued at cost using the first-in, first-out (FIFO) method. Inventory in the Road and Bridge Fund consists of expendable paving materials held for consumption in accordance with several contracts. The cost is recorded as an expenditure at the time individual inventory items are consumed.

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

In the fund financial statements, reported inventories and prepaid items are offset by a reservation of fund balance, which indicates they do not represent “available spendable resources” even though they are a component of current assets.

5. Capital Assets

Capital assets, which include land, buildings, improvements, equipment, infrastructure, and construction in progress, are reported in the government-wide financial statements. By policy of the Commissioners’ Court, acquisitions are capitalized when they cost at least \$1,000 and have a useful life in excess of five years. The policy applied to infrastructure acquisitions requires a cost of at least \$10,000 and a useful life in excess of five years. Infrastructure assets include county-owned roads, bridges, signals, and runways; however, the government-wide statements include only those infrastructure assets acquired subsequent to the fiscal year ended September 30, 2002. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation.

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2005

The costs of normal maintenance and repair that do not add to the value of the asset or materially extend the asset's life are expensed rather than capitalized.

Capital assets, including infrastructure, are depreciated using the straight-line method over the following estimated useful lives (in years):

<u>Assets</u>	<u>Years</u>
Buildings	5-50
Improvements	10-30
Equipment	5-15
Infrastructure	5-50

6. Payables

Amounts due to suppliers for trade purchases and amounts due to employees for salaries and benefits are presented on both the government-wide statements and the fund statements as accounts payable. Amounts due to various contractors for funds previously deducted from construction draws are presented as retainage payable. Both categories represent current liabilities.

7. Deferred Revenue

The County records deferred revenue for uncollected taxes, received but unearned grant revenues and other miscellaneous fee revenues in the fund financial statements. In the government-wide statements, tax revenues are not deferred, but are recognized in the year of levy.

8. 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on 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.

9. Compensated Absences

A liability for unused vacation and compensatory time for all full-time regular employees is calculated and reported in the government-wide financial statements. For financial reporting purposes, the following criteria has been applied in considering the accrual of the liability associated with compensated absences: a) leave or compensation is attributable to services already rendered, and b) leave or compensation is not contingent on a specific event (such as illness).

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2005

GASB Interpretation No. 6 indicates that liabilities for compensated absences should only be recognized in the fund statements to the extent the liabilities have matured and are payable out of current available resources. Compensated absences are accrued in the government-wide statements.

Each full-time regular employee earns ten days of excused leave per year, and from ten to twenty-five days of vacation time may be earned per year. A maximum of sixty days for excused leave may be accrued, and for those employees hired prior to September 1987, the number of days of excused leave accrued at September 30, 1987, may be paid only upon retirement. A maximum of twenty-five days of vacation may be accrued, and is paid upon retirement, resignation, or discharge from the County. Compensatory time is earned in accordance with the provisions of the Fair Labor Standards Act, as it applies to government employees.

10. Arbitrage Rebate

The Tax Reform Act of 1986 established regulations for the rebate to the federal government of arbitrage earnings on local government bonds. Issuing governments must calculate any rebate due and remit the amount due at least every five years. There were no arbitrage rebate payments made during fiscal year 2005.

11. Net Assets/Fund Balance (reserved, restricted)

For the government-wide financial statements, restricted net assets represent externally imposed restrictions by creditors, grantors, contributors or laws or regulations of other governments. They may also represent restrictions imposed by law through constitutional provisions or enabling legislation.

For the fund financial statements, reserved fund balances represent those portions of fund equity not available for appropriation or that are legally segregated for a specific future use. Fund reservations include debt service, capital projects, prepaid items, and inventories.

Generally, resources that are *reserved* in the fund financial statements are broader in scope than resources that are *restricted*. However, in some instances, there may be some resources that would be considered restricted in the government-wide financial statements, but not considered reserved in the fund financial statements.

12. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MONTGOMERY COUNTY, TEXAS
Notes to the Financial Statements
September 30, 2005

NOTE 2- RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between **net changes in fund balances – total governmental funds** and **changes in net assets of governmental activities** as reported in the government-wide statement of activities. Several of the elements of that reconciliation are more fully explained below.

“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 difference are as follows:

Capital outlay	\$ 20,777,372
Depreciation expense	<u>(10,283,375)</u>

Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 10,493,997</u>
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“The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, seizures, and donations) is to increase net assets.” The details of this difference are as follows:

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	\$ 190,996
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The acquisition of capital assets by seizure and by donations increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources	26,151,508
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The statement of activities reports losses arising from the trade-in of existing capital assets, as well as the salvage of certain existing assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets or the retirement of a capital asset.	<u>(77,821)</u>
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Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 26,264,683</u>
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“The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (45,850,000)
Premium on bonds issued, net	(3,772,220)

MONTGOMERY COUNTY, TEXAS
Notes to the Financial Statements
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Capital lease financing	(1,264,452)
Payment to Bond Escrow Agent for refunding debt	49,904,606
Issuance Costs for refunding debt	618,647
Principal repayments:	
General obligation debt	2,767,847
Certificates of obligation debt	905,000
Capital leases	1,651,466

Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	\$ 4,960,894
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“Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Compensated absences	\$ (990,964)
Accrued interest	112,502
Amortization of gain on refunding bonds	20,445
Amortization of accrued interest on refunding bonds	(56,326)
Amortization of issuance costs	(164,342)
Amortization of bond discounts	(7,227)
Amortization of bond premiums	110,127
Reduction of receivable for reimbursement of county expenditures	46,295
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	\$ (929,490)

NOTE 3- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) BUDGETS AND BUDGETARY ACCOUNTING:

The budget law of the State of Texas provides that “the amounts budgeted for the current expenditures from the various funds of the County shall not exceed the balances in said funds plus the anticipated revenues for the current year for which the budget is made as estimated by the County Auditor.” In addition, the law states that the Commissioners’ Court “may, upon proper application, transfer an existing budget surplus during the year to a budget of like kind and fund, but no such transfer shall increase the total of the budget.”

The budget is prepared by the Budget Officer and adopted by the Commissioners’ Court following departmental budget reviews and a public hearing. A copy of the budget must be filed with the Clerk of the County Court and made available to the public. The Commissioners’ Court must provide for a public hearing on the budget on some date within seven calendar days after the filing of the budget and prior to its adoption.

The budget is legally adopted by an order of the Commissioners’ Court on a basis consistent with generally accepted accounting principles. The legal level of control (as set forth by statute) is total resources as appropriated to each fund. Any expenditure that alters the total budgeted amounts of a fund must be approved by Commissioners’ Court, and the budget amended. The annual budget is monitored and reported in the financial statements at the *function* level, as

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2005

management believes that this provides for a more thorough disclosure of the County's operations. In addition, management files notice of all line item transfers for public record.

For fiscal year 2005, formal budgets were adopted for the General Fund, the Special Revenue Funds, and the Debt Service Fund. Formal budgetary integration is not employed for Capital Project Funds, and legal budgets are not adopted, because budgetary control is achieved through legally binding construction contracts. All appropriations lapse at fiscal year end with the exception of grant awards and certain ongoing projects.

The Commissioners' Court may approve expenditures as an amendment to the budget to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonably diligent thought and attention. Such expenditures would include the re-appropriation of approved but unexpended amounts for encumbrances, grants, and certain projects from the previous fiscal year. In fiscal 2005, budget amendments totaling \$7,921,679 were approved that met this criteria.

The Commissioners' Court may also adopt a supplemental budget for the limited purpose of spending proceeds that become available for disbursement in a fiscal year, but are not included in the budget for that budget year. Included in this category are public or private grants or aid money, revenue from intergovernmental contracts, and proceeds from the issuance of debt. In fiscal 2005, supplemental appropriations were approved in the amounts of \$10,408,198, \$4,986,420, and \$1,264,452 for grants received, intergovernmental contracts executed, and capital leases approved, respectively.

B) EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS:

Expenditures exceeded appropriations in three funds during fiscal year 2005. Expenditures in the Forfeitures, FEMA Disaster Grants and Sheriff Commissary Special Revenue Funds exceeded appropriations by \$413,006, \$5,850, and \$755, respectively. These excesses were absorbed by unanticipated revenues and transfers from the General Fund, and had an immaterial impact on fund balances.

C) DEFICIT FUND EQUITY:

At September 30, 2005, the FEMA Disaster Grants Revenue Fund, the Capital Project-Certificates of Obligation, Series 2005 Fund, and the Capital Project-County Jail Fund had deficit fund balances of \$773, \$2,268,226, and \$856, respectively. Management anticipates that future revenues will replenish the FEMA Disaster Grants Fund. The deficit in the Capital Project-Certificates of Obligation, Series 2005 Fund will be addressed by issuing the certificates of obligation in the second half of the upcoming fiscal year. The shortage in the Capital Project-County Jail Fund will be covered with an operating transfer from the General Fund.

NOTE 4- DEPOSITS AND INVESTMENTS:

A) DEPOSITS:

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 County does not have a deposit policy for custodial credit risk. As of September 30, 2005, the County's bank balance (collected funds) was \$18,001,980. At that same date, none of the County's bank balance was exposed to custodial credit risk because the County's deposits were insured and collateralized by securities pledged by the depository and held by third party agents of the County in the County's name.

MONTGOMERY COUNTY, TEXAS
Notes to the Financial Statements
September 30, 2005

INVESTMENTS:

As of September 30, 2005, the County has the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>
Federal National Mortgage Association	\$ 2,976,074	0.25
Federal Home Loan Bank	2,988,290	0.26
State's Investment Pool (TEXPOOL)	1,127,959	0.15
Money Market Mutual Fund (ICT)	11,627,214	0.11
Money Market Mutual Fund (BPIF)	9,290,188	0.01
Money Market Mutual Fund (AIM)	15,053,892	0.08
Total Investments	<u>\$43,063,617</u>	

The County invested idle funds in a) the Government Portfolio of Investors' Cash Trust, b) the Trust for Federal Securities (T-Fund) with BlackRock Provident Institutional Funds, and c) the Short-Term Investments Trust (STIT) Government and Agency Portfolio with AIM Funds. These three mutual funds share several characteristics that have a positive effect on the safety of the County's funds, including:

- SEC registration and regulation,
- AAAM rating by Standard and Poor's,
- Limitations on investments to direct obligations of the US Treasury, US agencies, and its instrumentalities, and repurchase agreements collateralized by same,
- An average weighted maturity that is less than 90 days (0.25 years), and
- A portfolio valuation of net assets that is maintained at \$1 per share.

Additionally, funds were invested in the Texas Local Government Investment Pool (TexPool). This external investment pool was created in conformity with certain acts in the Government Code of the Texas Civil Statutes. The financial operations of the pool are managed by a third-party investment service and oversight is provided by the Comptroller of Public Accounts of the State of Texas, along with a statewide advisory board. Although TexPool is not SEC-registered, it adheres to the same standards as money market mutual funds for limitations on its investments, the length of its average weighted maturity, and the valuation of its net assets.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. While the County does not have an investment policy for custodial credit risk, there is no need for such policy because of the nature of the County's investments. A third party institution is required to hold the insured, registered securities underlying the County's investments in a safekeeping account in the County's name.

Interest rate risk In accordance with its written investment policy, the County manages its exposures to declines in fair value by limiting the maturity of its investments to less than one year at the time of purchase.

Credit risk. While state statutes allow for additional investments, the County's formal investment policy authorizes the County to only invest in the following:

- Obligations of the U.S. Treasury and Governmental Agencies,
- Time deposits,
- Negotiable Order of Withdrawal (NOW) Accounts,

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2005

- Investment Pools rated AAA or AAAM by at least 1 nationally recognized rating service,
- Certificates of Deposit, and
- Money Market mutual funds.

As stated above, Standard and Poor's has rated the state's investment pool and the three mutual funds AAAM. The County's investments in Federal National Mortgage Association (FNMA) and Federal Home Loan Bank (FHLB) were rated AAA by Standard and Poor's.

Concentration of credit risk. The County's investment policy does not have any provisions regarding the amount that may be invested in any one issuer. However, the Investment Committee regularly reviews that saturation for anything in excess of 25%. At September 30, 2005, more than 5% of the County's total invested amounts are in the Federal National Mortgage Association (6.91%) and Federal Home Loan Bank (6.94%).

NOTE 5- PROPERTY TAXES:

The County Tax Assessor-Collector bills and collects property taxes. Revenues are recognized in the Governmental Funds when levied to the extent that they result in current receivables. Property taxes are levied (assessed) and payable on October 1. They attach as an enforceable lien on property as of January 1 of the following year and become delinquent on February 1.

The County is permitted by the Texas State Constitution (Article VIII, Section 9) and statutes to levy taxes of up to \$0.80 per \$100 of assessed valuation for general governmental services and the payment of long-term debt. The combined current tax rate for the year end was \$0.4963 per \$100, which means that the County has a tax margin of \$0.3037 per \$100, and could raise up to \$57,606,517 in additional taxes from the present assessed valuation of \$18,968,230,832 before the limit is reached.

The thirty years' property taxes receivable at September 30, 2005, as reported by the Tax Assessor-Collector are presented as follows:

	<u>Taxes Receivable</u>	<u>Less: Allowance for Uncollectibles</u>	<u>Net Taxes Receivable</u>
General Fund	\$4,628,125	\$ 92,563	\$4,535,562
Road & Bridge Fund	641,576	12,832	628,744
Debt Service Fund	774,216	15,484	758,732
Total Receivable	<u>\$6,043,917</u>	<u>\$120,879</u>	<u>\$5,923,038</u>

NOTE 6- DUE FROM OTHER GOVERNMENTS:

Amounts due from other governments arise from funding received from federal and state grants, as well as interlocal agreements with local governments. At September 30, 2005, the following amounts were recorded as due to the County:

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
General Fund	\$1,491,309	\$ 522,070	\$ 465,863	\$2,479,242
Special Revenue Funds	927,392	225,572	55,245	1,208,209
Capital Project Funds	-	218,985	-	218,985
Total Due from Governments	<u>\$2,418,701</u>	<u>\$ 966,627</u>	<u>\$ 521,108</u>	<u>\$3,906,436</u>

MONTGOMERY COUNTY, TEXAS**Notes to the Financial Statements****September 30, 2005****NOTE 7- CAPITAL ASSETS:****A) CHANGES IN CAPITAL ASSETS FOR YEAR ENDED SEPTEMBER 30, 2005:**

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions (1)</u>	<u>Deletions (1)</u>	<u>Ending Balance</u>
Land	\$ 6,056,015	\$ 1,347,000	\$ (4,300)	\$ 7,398,715
Construction in Progress	1,529,467	6,351,169	(3,591,462)	4,289,174
Total Capital Assets not being depreciated	<u>7,585,482</u>	<u>7,698,169</u>	<u>(3,595,762)</u>	<u>11,687,889</u>
Buildings	99,624,866	6,007,982	(510,613)	105,122,235
Improvements	6,329,287	353,213	-	6,682,500
Equipment	39,611,440	5,382,213	(1,760,537)	43,233,116
Infrastructure	50,637,487	31,742,109	(183,204)	82,196,392
Total Capital Assets being depreciated	<u>196,203,080</u>	<u>43,485,517</u>	<u>(2,454,354)</u>	<u>237,234,243</u>
Less accumulated depreciation for:				
Buildings	(23,306,557)	(2,198,085)	225,769	(25,278,873)
Improvements	(3,263,282)	(381,386)	-	(3,644,668)
Equipment	(24,773,718)	(4,283,576)	1,682,715	(27,374,579)
Infrastructure	(7,260,144)	(3,420,328)	-	(10,680,472)
Total Capital Assets being depreciated, net	<u>\$ 145,184,861</u>	<u>\$ 40,900,311</u>	<u>\$(4,141,632)</u>	<u>\$ 181,943,540</u>

(1) Amounts representing transfers between categories are included in the columns for both additions and deletions.

B) DEPRECIATION EXPENSE:

Depreciation expense on capital assets is recorded in the Government-wide financial statements, but not in the Fund financial statements. For the year ended September 30, 2005, the County charged depreciation expense to functions/programs as follows:

Governmental activities:	
General Administration	\$ 1,707,045
Judicial	180,282
Legal Services	86,123
Elections	18,903
Financial Administration	36,779
Public Facilities	692,600
Public Safety	1,600,523
Health and Welfare	104,849
Culture and Recreation	1,132,199
Conservation	19,204
Public Transportation	4,704,868
Total depreciation expense-governmental activities	<u>\$ 10,283,375</u>

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2005

C) **CONSTRUCTION COMMITMENTS:**

The County has entered into contracts for the construction, renovation, and improvement of real property. The following projects were in progress at September 30, 2005:

<u>Project</u>	<u>Status</u>	<u>Commitment</u>	<u>Paid to Date</u>
Three Libraries	Substantially complete	\$ 10,500,000	\$ 7,673,556
Various road projects	Under construction	41,116,531	18,584,529
Airport Improvements	Design/planning phase	1,889,500	112,561
	Total	<u>\$ 53,506,031</u>	<u>\$ 26,370,646</u>

NOTE 8- DISAGGREGATION OF PAYABLE BALANCES:

A) **DUE TO OTHER GOVERNMENTS:**

The County records certain amounts due to other governments as a result of operating contracts and overpayment of certain grant funds. At September 30, 2005, the following amounts were due to other governments:

<u>Fund</u>	<u>Local</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
General	\$1,634,941	\$ -	\$ 2,005	\$ 1,636,946
Road & Bridge	-	-	54,252	54,252
Other Nonmajor	-	224	-	224
Total	<u>\$1,634,941</u>	<u>\$ 224</u>	<u>\$ 56,257</u>	<u>\$ 1,691,422</u>

B) **DEFERRED REVENUES:**

The county reports deferred revenues in the governmental funds that consist of two categories: a) receivables for revenues that are not considered to be available to liquidate liabilities of the current period, and b) resources that have been received, but not yet earned. At the end of September, deferred revenues were presented as follows:

<u>Fund</u>	<u>Property Taxes</u>	<u>Unearned Fees</u>	<u>Total Deferred Revenues</u>
General	\$ 4,345,511	\$ 87,786	\$ 4,433,297
Road & Bridge	631,228	-	631,228
Debt Service	719,973	-	719,973
Other Nonmajor	-	1,963,442	1,963,442
Total	<u>\$ 5,696,712</u>	<u>\$ 2,051,228</u>	<u>\$ 7,747,940</u>

NOTE 9- LONG-TERM DEBT:

Long-term debt consists of general obligation bonds, certificates of obligation, the County's accrued liability for compensated absences and compensatory time, capital leases, and arbitrage due the federal government. Principal and interest payments on the County's bonded debt are secured solely by ad valorem property taxes levied on all taxable property within the County. Payments are recorded in the Debt Service Fund.

MONTGOMERY COUNTY, TEXAS**Notes to the Financial Statements****September 30, 2005****A) BONDED DEBT:**

A summary of the long-term bonded debt, at September 30, 2005 is presented:

	Interest Rate (%)	Issue Date	Maturity Date	Bonds Outstanding
GENERAL OBLIGATION BONDS:				
Library & Refunding, Series 1992	6.00-7.25	1992	2011	\$ 745,071
Refunding Bonds, Series 1997	5.10-5.60	1997	2017	9,510,607
Permanent Improvement, Series 2000	4.50-5.25	2000	2020	1,500,000
Road Bonds, Series 2002A	4.00-4.50	2002	2022	17,510,000
Refunding Bonds, Series 2002B	3.00-4.50	2002	2011	2,730,000
Road Bonds, Series 2003A	5.00	2003	2026	24,000,000
Library Bonds, Series 2003B	2.00-4.75	2003	2026	10,000,000
Road Bonds, Series 2004	5.50	2004	2026	10,205,000
Refunding Bonds, Series 2005	4.00-5.00	2005	2020	45,850,000
Total Principal				<u>122,050,678</u>
Accretion of Cap Appreciation Bonds:				
Library & Refunding, Series 1992	6.60-6.80	1992	2006	1,132,551
Refunding, Series 1997	5.10-5.60	1997	2017	5,999,445
Total Accretion				<u>7,131,996</u>
TOTAL GENERAL OBLIGATION BONDS PAYABLE				<u>\$129,182,674</u>
CERTIFICATES OF OBLIGATION:				
Series 1996	4.30-5.75	1996	2011	\$ 525,000
Series 1997	5.00-6.50	1997	2016	410,000
Series 1997A	4.10-6.00	1997	2015	6,565,000
Series 1998	4.60-6.50	1998	2018	2,520,000
Series 2001	4.65	2001	2011	1,640,000
Series 2003	2.00-4.75	2003	2022	11,600,000
Series 2004	3.00-4.60	2004	2020	2,600,000
TOTAL CERTIFICATES OF OBLIGATION				<u>\$ 25,860,000</u>
TOTAL BONDED DEBT				<u><u>\$155,042,674</u></u>

B) CHANGES IN LONG-TERM DEBT:

The following schedule illustrates changes in long-term debt for the year ended September 30, 2005. Reductions to general obligation bonds include an annual accretion reduction of capital appreciation bonds in the amount of \$713,111. For each category, management has presented the portion that will be due within one year.

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General Obligation	\$ 105,360,521	\$ 45,850,000	\$(22,027,847)	\$129,182,674	\$1,805,069
Certificates of obligation	54,270,000	-	(28,410,000)	25,860,000	2,025,000
Less deferred amounts:					
Issuance discounts	(112,902)	-	7,227	(105,675)	(7,227)
Unamortized premiums	1,189,152	3,772,220	(110,127)	4,851,245	325,683
Total bonds payable	160,706,771	49,622,220	(50,540,747)	159,788,244	4,148,525
Capital leases	1,790,377	1,264,452	(1,651,466)	1,403,363	802,570
Compensated absences	4,221,760	4,625,912	(3,634,948)	5,212,724	3,826,851
Total Long-term Liabilities	<u>\$166,718,908</u>	<u>\$ 55,512,584</u>	<u>\$(55,827,161)</u>	<u>\$166,404,331</u>	<u>\$8,777,946</u>

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2005

C) **ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY:**

The following table lists the amounts required to amortize bonded debt, by debt type.

Maturity	General Obligation		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2006	\$ 1,805,071	\$ 6,810,051	\$ 2,025,000	\$ 1,163,900
2007	2,625,000	5,517,358	2,540,000	1,041,047
2008	2,423,741	5,942,892	2,830,000	898,657
2009	4,106,809	5,876,423	1,320,000	799,161
2010	4,215,920	5,759,000	1,380,000	744,465
2011-2015	24,529,131	29,351,852	6,545,000	2,865,634
2016-2020	34,205,006	19,337,614	6,355,000	1,357,152
2021-2025	39,000,000	7,545,161	2,535,000	319,794
2026	9,140,000	233,363	330,000	8,250
Total	\$ 122,050,678	\$ 86,373,714	\$ 25,860,000	\$ 9,198,060

D) **ADVANCE REFUNDING:**

On July 20, 2005, to take advantage of lower interest rates, the County issued \$45,850,000 Limited Tax Refunding Bonds, Series 2005 with interest rates ranging from 4.0 percent to 5.0 percent to advance refund the following bonds:

<u>Series</u>	<u>Interest Rate (%)</u>	<u>Amount</u>
Certificates of Obligation, 1996	5.25-5.75	\$ 3,050,000
Certificates of Obligation, 1997	5.00	2,490,000
Certificates of Obligation, 1997A	4.85-5.00	6,835,000
Certificates of Obligation, 1998	4.60-5.00	15,130,000
Permanent Improvement Bonds, Series 2000	4.75-5.25	12,300,000
Road Bonds, Series 2002A	5.625	6,960,000
Total Refunded		\$ 46,765,000

The proceeds of this refunding were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the prior debt. As a result, that debt is considered to be defeased and the liability for the old debt has been removed from the Statement of Net Assets.

The County advance refunded the above debt to reduce its total debt service payments over the next fifteen years by \$2,185,316 and to obtain an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$1,788,905.

E) **PRIOR YEAR DEFEASANCE OF DEBT:**

In prior years, the County defeased the 1988 Series and portions of the 1992 Series bonds by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until it is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the government-wide financial statements. As of September 30, 2005, defeased but outstanding debt from prior a year refunding transaction consisted of the following:

Refunding Bonds, Series 1988	1,515,000
Refunding Bonds, Series 1992	<u>2,742,394</u>
Total Defeased but Outstanding	<u>\$ 4,257,394</u>

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2005

F) FUTURE BORROWING:

In September of 2005, the voters of Montgomery County approved the issuance of \$160,000,000 in unlimited tax road bonds to complete those projects that were begun with the Series 2002, 2003, and 2004 road bonds. It is anticipated that the first of three issues will occur in the second half of fiscal year 2006. When these bonds are issued, the County will report the debt with no corresponding asset due to the fact that these projects are primarily for the improvement of State-owned roads.

The County intends to issue certificates of obligation in the second half of fiscal year 2006 to fund improvements to existing libraries, the airport, the county jail, and a building recently acquired in the southern part of the county. In addition, the funds will be used to install fiber optic communications lines between various county buildings and to purchase additional voter equipment.

G) CONDUIT DEBT OBLIGATIONS:

Montgomery County Industrial Development Corporation and Harris County Health Facilities Development Corporation issued bonds to provide financial assistance to private and public sector entities engaged in activities that are deemed to be in the public interest. These bonds are obligations of the issuing entities payable solely from the proceeds of the underlying financing agreements and, in the opinion of legal counsel, do not represent indebtedness or liability to the issuing entity, to Montgomery County, Texas, to the State of Texas, or to any political subdivision; therefore, they are not reported as liabilities in the County's financial statements.

Montgomery County Industrial Development Corporation- The corporation issues industrial revenue bonds that promote and encourage employment and public welfare. As of September 30, 2005, there were fourteen series of bonds outstanding. The aggregate principal amount payable for the bonds issued prior to December 15, 1995, could not be determined; however, the original issues totaled \$44,895,000. The bonds will be repaid from sources defined in underlying financing agreements between the corporation and the entities for whose benefit the bonds were issued.

Harris County Health Facilities Development Corporation- The corporation issues bonds if there is a public benefit or purpose that is necessary or convenient for health care, research, or education. Its activity is included in this disclosure because its bonds have been issued for the benefit of organizations located in Montgomery County. As of September 30, 2005, there were twenty-seven series of bonds outstanding with an aggregate principal payable of \$3,447,510,000. The bonds will be repaid from sources defined in the various underlying financing agreements between the corporation and the entities for whose benefit the bonds were issued.

H) CAPITAL LEASES:

The County has entered into capital lease agreements for the lease/purchase of certain heavy road equipment, vehicles, and a building. Equipment with a value of \$1,892,182 and a building with a value of \$1,669,807 were acquired under capital leases and recorded in the Capital Assets portion of the government-wide financial statements. Depreciation expense for these assets is included as part of the depreciation expense detailed in Note 7. The lease agreements are classified as capital leases because title passes to the County at the end of the lease term, and are included as leases payable in the Long-Term Debt portion of the government-wide statements.

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2005

The present value of future minimum capital lease payments at September 30, 2005 and the funds from which they will be paid are as shown below:

<u>Year Ending</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>
2006	\$436,359	\$ 485,986
2007	436,359	113,044
Total Minimum Lease Payments	872,718	599,030
Less: amount representing interest	38,221	30,163
Present value-minimum lease payments	<u>\$834,497</u>	<u>\$ 568,867</u>

NOTE 10- INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS:

A) DUE FROM/DUE TO OTHER FUNDS:

Activity between funds that represents the current portion of lending/borrowing and inter-fund charges for goods and services arrangements outstanding at fiscal year end are referred to as "due from/due to other funds." Inter-fund balances are expected to be repaid within one year from the date of the financial statements, and are routine in nature. The composition of inter-fund balances as of September 30, 2005 is as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 4,051,446	\$ 4,969,042
Road and Bridge Fund	188,120	1,513,339
Debt Service Fund	1,226,178	-
Cap Project/Road Bonds 2003A	-	2,193,569
Cap Project/Road Bonds 2004	2,352,365	233,304
Non-major Governmental Funds	5,786,963	4,695,818
	<u>\$ 13,605,072</u>	<u>\$ 13,605,072</u>

B) TRANSFERS:

Transfers are used to a) move revenues from the fund that the statute or budget requires to collect them to the fund that the statute or budget requires to expend them, b) move receipts from bond refundings and residual balances from capital project funds to the Debt Service Fund to pay debt obligations, and c) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Inter-fund transfers for the year ended September 30, 2005 were:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,394,165	\$ 10,761,411
Road and Bridge Fund	131,302	1,289,064
Cap Project/Road Bonds 2003A	-	2,463,296
Cap Project/Road Bonds 2004	226,624	233,304
Nonmajor Governmental Funds	13,572,090	1,577,106
	<u>\$ 16,324,181</u>	<u>\$ 16,324,181</u>

Although inter-fund activity is reported in the fund financial statements, it has been eliminated in the government-wide financial statements.

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2005

NOTE 11- OPERATING LEASES:

The County is a party to several lease agreements. Significant terms are discussed below:

Automated Flight Service Station- The County leases the Automated Flight Service Station to the Federal Aviation Administration on an annually renewable lease that currently extends to September 30, 2006. The annual rent of \$102,500 is recorded in the General Fund. The Flight Service Station is recorded as a Capital Asset in the County's government-wide financial statements at a cost of \$802,428, less accumulated depreciation of \$337,020.

Office Space- The County leases 2,777 square feet of office space at the Montgomery County Annex Building to the Lone Star Groundwater Conservation District for a period of sixty months with two six-month extensions. The term of this lease is January 1, 2005 through December 31, 2009. The annual rent of \$4,998 is recorded in the General Fund. The building is recorded as a Capital Asset in the County's government-wide financial statements at a cost of \$5,167,303, less accumulated depreciation of \$205,561. Following is a schedule of lease payments receivable on office space leases through the ending dates of the agreements:

<u>Year Ending</u> <u>September 30,</u>	
2006	\$ 4,998
2007	4,998
2008	4,998
2009	4,998
2010	1,250
Total Lease Payments Receivable	<u>\$ 21,242</u>

NOTE 12- RISK MANAGEMENT:

A) EMPLOYEE HEALTH BENEFITS:

Effective January, 1989, the County established a partially self-funded trust plan which offers medical, dental, vision, life, and disability insurance coverage to employees and their dependents. The County maintains excess loss insurance, which limits annual claims paid from the plan to a maximum of \$125,000 for any individual claim. A third party administrator is employed by the plan to administer claims. A trustee has been engaged to receive employer and employee contributions and to disburse payments to the providers of the plan. Costs relating to the plan are recorded as expenditures in the General Fund. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The plan is funded to discharge liabilities as they become due. Claims incurred and reported, but not paid at September 30, 2005, were \$710,505. Claims incurred but not reported (IBNR) at September 30, 2005, are estimated to be \$1,781,206. Estimates are not based on actuarial calculations, but rather on historical trends. Both amounts have been recorded as expenditures in the General Fund and a liability has been established.

Changes in the health claims liability for the two fiscal years ended September 30, 2005 and September 30, 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Unpaid claims, beginning of year	\$ 2,158,215	\$ 1,603,273
Incurred claims (including IBNR)	12,769,975	12,640,505
Claim payments	(12,435,479)	(12,085,563)
Unpaid claims, end of year	<u>\$ 2,492,711</u>	<u>\$ 2,158,215</u>

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2005

During the year ended September 30, 2005, the plan received contributions in the amounts of \$13,166,244 and \$1,107,063 from the employer and employees, respectively. The contributions made by employees included contributions by qualified retirees and certain former employees covered by the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA). In addition to the claim payments made, the plan also expended \$393,138 in administrative costs and \$1,110,194 for reinsurance and insurance premiums.

B) WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY:

As of January 1, 2003, the County established a partially self-funded program to cover claims by employees arising from job related injuries. The program offers coverage at the statutorily required level of \$1,000,000 per occurrence. A third party administrator has been engaged by the County to administer claims. Excess loss insurance was purchased to limit the claims loss to the County to no more than \$100,000 in 2005.

Costs associated with this program are recorded as expenditures in the General Fund. Liabilities are recorded when it is probable that a loss has occurred and when an amount can be reasonably estimated. During the year ended September 30, 2005, the County expended \$41,907 for administrative costs and \$237,216 for excess loss insurance premiums.

Changes in the workers' compensation liability for the two fiscal years ended September 20, 2005 and September 30, 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Unpaid claims, beginning of year	\$1,174,350	\$ 262,846
Incurred claims (including IBNR)	591,344	1,402,190
Claim payments	(534,363)	(490,686)
Unpaid claims, end of year	<u>\$1,231,331</u>	<u>\$1,174,350</u>

C) PROPERTY AND CASUALTY:

The County purchased insurance coverage for certain plant, property, and equipment for the fiscal year. Deductibles are maintained at \$1,000 for each occurrence. The County paid \$357,980 in premiums in fiscal 2005, and recorded the expenditure in the General Fund. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

D) GENERAL LIABILITY:

Effective December 1, 2003, the County began participating in an individual public entity risk pool to transfer certain risks associated with property, casualty, and general liability. Note 15 describes the County's obligation under liability claims for 2005.

NOTE 13- EMPLOYEE RETIREMENT PLAN:

A) 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 TCERS Board of Trustees is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 517 nontraditional defined benefit pension plans. TCERS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCERS Board of Trustees at P. O. Box 2034, Austin, TX, 78768.

The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCERS (TCERS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service, but

MONTGOMERY COUNTY, TEXAS
Notes to the Financial Statements
September 30, 2005

must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the Commissioners' Court of the County within the actuarial constraints imposed by the TCDRS Act so that the 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 deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

B) FUNDING POLICY:

Montgomery County 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 County contributed using the actuarially determined rate of 9.35% for the months of the accounting year in 2004, and 9.13% for the months of the accounting year in 2005.

The deposit rate payable by the employee members for calendar year 2005 was 6.0% as adopted by the Commissioners' Court. The employee deposit rate and the employer contribution rate may be changed by the Commissioners' Court within the options available in the TCDRS Act.

C) ANNUAL PENSION COST:

For Montgomery County's accounting year ended September 30, 2005, the pension cost for the TCDRS plan was \$5,507,595, and the actual contributions were \$5,507,595.

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, 2002, and December 31, 2003, the basis for determining the contributions rates for calendar years 2004 and 2005. The December 31, 2004 actuarial valuation is the most recent valuation.

D) ACTUARIAL VALUATION INFORMATION:

Actuarial valuation date	12/31/2002	12/31/2003	12/31/2004
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	20	20	20
Asset valuation method	Long-term appreciation with adjustment	Long-term appreciation with adjustment	Long-term appreciation with adjustment
Actuarial assumptions:			
Investment return ⁽¹⁾	8.00%	8.00%	8.00%
Projected salary increase ⁽¹⁾	5.50%	5.50%	5.50%
Inflation	3.50%	3.50%	3.50%
Cost-of-living adjustments	0.00%	0.00%	0.00%

⁽¹⁾Includes inflation at the stated rate.

MONTGOMERY COUNTY, TEXAS
Notes to the Financial Statements
September 30, 2005

E) **TREND INFORMATION:**

Accounting Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/03	\$ 4,633,757	100.00%	\$ 0.00
9/30/04	5,053,942	100.00%	0.00
9/30/05	5,507,595	100.00%	0.00

F) **SCHEDULE OF FUNDING PROGRESS FOR THE RETIREMENT PLAN FOR EMPLOYEES OF MONTGOMERY COUNTY:** (Amounts expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll ⁽¹⁾	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	(a)	(b)	(b-a)	(a/b)	(c)	
12/31/02	\$ 89,840	\$107,275	\$ 17,435	83.74%	\$ 48,138	36.21%
12/31/03	102,230	119,499	17,269	85.55%	52,283	33.03%
12/31/04	113,133	131,656	18,523	85.93%	55,351	33.46%

⁽¹⁾ The annual covered payroll is based on the employee contributions received by TCDRS for the year ended with the valuation date.

NOTE 14- OTHER POST-EMPLOYMENT BENEFITS:

Effective January 1, 2000, Commissioners' Court adopted a plan to pay for health benefit coverage for qualified retirees. To qualify for inclusion in the coverage, an individual must attain 15 continuous years of employment with the County and be eligible for a retirement annuity from the Texas County and District Retirement System. The County is under no obligation to provide this benefit, and the decision to do so is made by the Commissioners' Court on a year-to-year basis.

The coverage is the same as that for a full time regular employee, as further disclosed in Note 12-A. Management funds this benefit on a "pay-as-you-go" basis, as actuarial estimates are not available. For the year ended September 30, 2005, 25 employees retired from service with the County. Fifteen of those retirees met the qualifications stated above. Currently, there are 74 retirees covered by this benefit. The cost recorded by the County is included in Note 12.

During the year, the County incurred \$683,474 in health care claims for retirees and their dependents. Retiree contributions for 2005 were \$116,336, and the County paid the remaining amount of the claims.

NOTE 15- CONTINGENT LIABILITIES:

A) **GENERAL LIABILITY:**

For fiscal year 2005, the County participated in a public entity risk pool, to which certain losses arising from liability claims were transferred. The premium for this coverage, \$325,075, was recorded in the General Fund. In addition, the County expended \$102,299 for damages in connection with twenty-nine claims, for which the deductible had not been satisfied.

B) **GRANTS:**

The County receives various grant moneys that are subject to audit and adjustment by the grantor agencies. Any disallowed expenditure will become a liability of the County. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2005

C) **LITIGATION:**

The County is a defendant in a number of lawsuits with claims for damages in excess of \$5,000,000. These claims result primarily from assertions by former employees that they were wrongfully discharged, allegations by jail inmates that their rights were violated while incarcerated in the County jail, and claims by individuals arising from property damages. The County paid \$41,521 for legal counsel to defend existing claims. The County intends to vigorously contest all the cases, and legal counsel is of the opinion that the County will prevail in all cases which may have a material effect on the financial position of the County.

NOTE 16- NEW ACCOUNTING PRONOUNCEMENTS:

The Governmental Accounting Standards Board (GASB) has recently issued several new statements. A listing follows of those that apply to the County. These statements will be implemented in subsequent years, as required by the GASB.

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which establishes accounting and financial reporting standards for impairment of capital assets, along with clarifying and establishing accounting requirements for insurance recoveries. This statement will be effective for the County for the fiscal year ending September 30, 2006.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, which establishes standards for the measurement, recognition, and display of other postemployment benefit expenditures and related liabilities, and note disclosures in the financial report. This statement will be effective for the County for the fiscal year ending September 30, 2009.

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation – an Amendment of GASB Statement No. 34*, which requires governments to disclose the portion of total net assets that is restricted by enabling legislation. This statement will be effective for the County for the fiscal year ending September 30, 2006.

GASB Statement No. 47, *Accounting for Termination Benefits*; which establishes accounting standards for voluntary and involuntary termination benefits. This statement will be effective for the County for the fiscal year ending September 30, 2009.



ADDITIONAL SUPPLEMENTARY INFORMATION

MONTGOMERY COUNTY, TEXAS**General Fund****Schedule of Revenues and Other Financing Sources****Budget (GAAP Basis) and Actual Year Ended September 30, 2005**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>TAXES:</u>				
Ad Valorem Current	\$ 70,329,712	\$ 71,039,712	\$ 71,202,712	\$ 163,000
Ad Valorem Delinquent	968,700	1,358,700	1,387,296	28,596
Penalty and Interest	746,700	1,253,700	1,262,859	9,159
Mixed Beverage	625,000	625,000	770,620	145,620
Bingo Tax	80,000	80,000	131,336	51,336
Miscellaneous Taxes	25,000	84,467	166,870	82,403
Total Taxes	<u>72,775,112</u>	<u>74,441,579</u>	<u>74,921,693</u>	<u>480,114</u>

LICENSES AND PERMITS:

Beer Licenses	70,720	70,720	71,252	532
Trial Fees	5,000	5,000	7,012	2,012
Stenographer Fees	80,000	96,140	109,210	13,070
Health Permits	535,000	535,000	558,118	23,118
Park Permits	57,000	57,000	49,535	(7,465)
Animal Control Fees	3,000	3,000	6,265	3,265
Food Service Permits	321,307	321,307	310,940	(10,367)
Alarm Permits	53,928	93,928	96,339	2,411
Hazardous Waste Mgmt Fees	-	-	21,927	21,927
Flood Plain Fees	-	24,614	30,460	5,846
Total Licenses and Permits	<u>1,125,955</u>	<u>1,206,709</u>	<u>1,261,058</u>	<u>54,349</u>

FEES:

County Judge	7,900	7,900	10,610	2,710
County Sheriff	205,000	205,000	245,034	40,034
County Attorney	77,000	77,000	83,555	6,555
County Clerk	2,901,606	3,110,861	3,603,125	492,264
Tax Assessor-Collector	604,800	1,225,854	1,167,804	(58,050)
District Clerk	795,000	952,724	1,025,024	72,300
Justice of the Peace	3,167,432	3,265,907	3,379,488	113,581
Constable	700,000	770,908	782,524	11,616
Voter Registration	5,000	5,000	1,548	(3,452)
Criminal Justice Fees	656,500	747,399	655,531	(91,868)
Total Fees	<u>9,120,238</u>	<u>10,368,553</u>	<u>10,954,243</u>	<u>585,690</u>

INTERGOVERNMENTAL:

Federal Grants:

Department of Agriculture	10,000	946,203	953,393	7,190
Dept Health/Human Services	-	32,212	35,150	2,938
Department of Homeland Security	-	2,346,620	2,332,431	(14,189)
Department of Justice	75,000	258,522	324,803	66,281
Department of Transportation	-	34,893	51,590	16,697
Federal Emergency Mgt Agency	25,000	25,000	24,883	(117)
General Services Administration	-	1,492,188	8,247	(1,483,941)
Total Federal Grants	<u>110,000</u>	<u>5,135,638</u>	<u>3,730,497</u>	<u>(1,405,141)</u>

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Revenues and Other Financing Sources

Budget (GAAP Basis) and Actual Year Ended September 30, 2005

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
INTERGOVERNMENTAL(cont'd)				
State Grants:				
Auto Theft Prevention Authority	-	405,563	369,973	(35,590)
Department of Health	-	99,022	99,022	-
Office of the Attorney General	-	75,920	75,920	-
Tx Comm on Environmental Quality	-	593,722	465,506	(128,216)
Total State Grants	-	1,174,227	1,010,421	(163,806)
Other:				
U.S. Marshal Transportation	-	46,705	46,705	-
Prosecutor Salary Supplement	-	12,131	62,981	50,850
Intergovernmental Contracts	15,000	15,000	15,982	982
Senate Bill 55/Tobacco Settlement	-	4,000	4,000	-
Voter Registration	-	49,898	73,120	23,222
Total Other	15,000	127,734	202,788	75,054
Total Intergovernmental	125,000	6,437,599	4,943,706	(1,493,893)
<u>CHARGES FOR SERVICES</u>	130,000	184,000	223,454	39,454
<u>INTEREST</u>	280,845	830,845	842,272	11,427
<u>CONTRACT REIMBURSEMENTS</u>	3,105,768	8,071,288	7,898,265	(173,023)
<u>INMATE HOUSING</u>	160,000	160,000	50,430	(109,570)
<u>FINES AND FORFEITURES</u>	96,000	96,000	208,906	112,906
<u>MISCELLANEOUS:</u>				
Lease of Facility	114,500	106,700	115,009	8,309
Commissions	505,000	580,000	589,676	9,676
Other	60,000	735,300	737,117	1,817
Total Miscellaneous	679,500	1,422,000	1,441,802	19,802
<u>TOTAL REVENUES</u>	87,598,418	103,218,573	102,745,829	(472,744)
<u>OTHER FINANCING SOURCES:</u>				
Transfers In	-	1,265,269	2,394,165	1,128,896
Capital Lease Financing	-	1,264,452	1,264,452	-
<u>TOTAL OTHER FINANCING SOURCES</u>	-	2,529,721	3,658,617	1,128,896
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	\$ 87,598,418	\$ 105,748,294	\$ 106,404,446	\$ 656,152

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Expenditures and Other Financing Uses

Budget (GAAP Basis) and Actual Year Ended September 30, 2005

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	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>GENERAL ADMINISTRATION:</u>				
County Judge:				
Salaries	\$ 212,860	\$ 216,534	\$ 216,534	\$ -
Employee Benefits	59,468	54,363	54,362	1
Supplies	9,100	10,884	5,308	5,576
Contract Services	8,200	28,575	26,772	1,803
Capital Outlay	1,200	1,200	1,002	198
Total County Judge	<u>290,828</u>	<u>311,556</u>	<u>303,978</u>	<u>7,578</u>
Human Resources:				
Salaries	166,654	179,385	179,385	-
Employee Benefits	55,847	56,359	56,359	-
Supplies	8,600	7,210	5,979	1,231
Contract Services	17,200	18,333	15,530	2,803
Capital Outlay	-	1,042	1,042	-
Total Human Resources	<u>248,301</u>	<u>262,329</u>	<u>258,295</u>	<u>4,034</u>
Risk Management:				
Salaries	131,836	148,245	148,121	124
Employee Benefits	49,980	50,080	48,961	1,119
Supplies	9,500	48,010	31,402	16,608
Contract Services	1,714,590	3,545,425	1,840,176	1,705,249
Total Risk Management	<u>1,905,906</u>	<u>3,791,760</u>	<u>2,068,660</u>	<u>1,723,100</u>
County Clerk:				
Salaries	1,337,582	1,368,441	1,368,853	(412)
Employee Benefits	530,090	511,913	511,789	124
Supplies	82,700	83,114	72,854	10,260
Contract Services	146,290	241,397	198,136	43,261
Capital Outlay	26,200	29,152	19,785	9,367
Total County Clerk	<u>2,122,862</u>	<u>2,234,017</u>	<u>2,171,417</u>	<u>62,600</u>
Collections:				
Salaries	281,615	283,610	283,608	2
Employee Benefits	108,603	96,478	96,474	4
Supplies	24,013	26,667	26,254	413
Contract Services	16,992	16,578	16,293	285
Total Collections	<u>431,223</u>	<u>423,333</u>	<u>422,629</u>	<u>704</u>

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Expenditures and Other Financing Uses

Budget (GAAP Basis) and Actual Year Ended September 30, 2005

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>GENERAL ADMINISTRATION(cont'd)</u>				
Veterans' Service:				
Salaries	79,315	83,085	83,085	-
Employee Benefits	27,248	25,340	25,340	-
Supplies	851	2,309	2,298	11
Contract Services	2,700	2,350	1,845	505
Total Veterans' Service	110,114	113,084	112,568	516
Communications/Information:				
Salaries	1,073,462	1,117,116	1,117,116	-
Employee Benefits	325,998	315,285	315,285	-
Supplies	109,974	156,984	87,596	69,388
Contract Services	365,168	1,205,481	1,131,946	73,535
Capital Outlay	50,000	104,510	87,575	16,935
Total Comms/Information	1,924,602	2,899,376	2,739,518	159,858
Purchasing Agent:				
Salaries	543,788	551,533	551,509	24
Employee Benefits	174,925	172,062	172,054	8
Supplies	16,500	37,881	18,833	19,048
Contract Services	208,977	202,129	135,739	66,390
Capital Outlay	250	6,750	6,750	-
Total Purchasing Agent	944,440	970,355	884,885	85,470
County-Wide:				
Supplies	606,000	595,617	587,756	7,861
Contract Services	3,311,500	2,439,883	2,303,865	136,018
Total County-Wide	3,917,500	3,035,500	2,891,621	143,879
<u>TOTAL GENERAL ADM</u>	11,895,776	14,041,310	11,853,571	2,187,739
<u>JUDICIAL:</u>				
County Court No1:				
Salaries	213,066	167,084	174,267	(7,183)
Employee Benefits	56,726	54,887	54,887	-
Supplies	6,924	12,039	9,277	2,762
Contract Services	8,025	8,337	5,921	2,416
Total County Court No1	284,741	242,347	244,352	(2,005)

MONTGOMERY COUNTY, TEXAS**General Fund****Schedule of Expenditures and Other Financing Uses****Budget (GAAP Basis) and Actual Year Ended September 30, 2005**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>JUDICIAL(cont'd)</u>				
County Court No2:				
Salaries	292,574	248,094	255,277	(7,183)
Employee Benefits	84,006	78,925	78,924	1
Supplies	6,500	9,243	6,783	2,460
Contract Services	5,630	5,742	2,246	3,496
Total County Court No2	388,710	342,004	343,230	(1,226)
County Court No3:				
Salaries	210,961	164,330	171,513	(7,183)
Employee Benefits	56,371	54,247	54,246	1
Supplies	15,800	11,484	10,393	1,091
Contract Services	15,075	14,610	13,012	1,598
Capital Outlay	-	13,224	7,334	5,890
Total County Court No3	298,207	257,895	256,498	1,397
County Court No4:				
Salaries	214,430	168,518	175,701	(7,183)
Employee Benefits	56,956	55,327	55,328	(1)
Supplies	13,300	18,616	13,691	4,925
Contract Services	8,600	8,714	6,874	1,840
Capital Outlay	-	22,350	22,350	-
Total County Court No4	293,286	273,525	273,944	(419)
District Attorney:				
Salaries	2,972,799	3,113,249	3,146,854	(33,605)
Employee Benefits	958,546	955,288	955,288	-
Supplies	71,496	67,670	67,275	395
Contract Services	123,530	142,581	104,156	38,425
Total District Attorney	4,126,371	4,278,788	4,273,573	5,215
District Clerk:				
Salaries	1,213,513	1,234,646	1,234,646	-
Employee Benefits	503,941	483,010	483,009	1
Supplies	38,000	44,307	40,614	3,693
Contract Services	46,466	44,716	38,421	6,295
Capital Outlay	1,000	36,257	36,257	-
Total District Clerk	1,802,920	1,842,936	1,832,947	9,989

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Expenditures and Other Financing Uses

Budget (GAAP Basis) and Actual Year Ended September 30, 2005

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>JUDICIAL(cont'd)</u>				
Justice of Peace Pct 1:				
Salaries	242,236	252,340	252,340	-
Employee Benefits	80,928	77,956	77,956	-
Supplies	8,000	13,853	13,843	10
Contract Services	9,330	25,023	23,538	1,485
Capital Outlay	1,000	1,142	1,051	91
Total Justice of Peace Pct 1	341,494	370,314	368,728	1,586
Justice of Peace Pct 2:				
Salaries	198,186	199,707	199,707	-
Employee Benefits	67,473	66,883	66,883	-
Supplies	5,350	5,375	5,374	1
Contract Services	9,620	9,995	7,593	2,402
Total Justice of Peace Pct 2	280,629	281,960	279,557	2,403
Justice of Peace Pct 3:				
Salaries	435,829	464,637	454,987	9,650
Employee Benefits	176,638	168,276	166,622	1,654
Supplies	8,861	17,596	15,083	2,513
Contract Services	12,525	18,575	16,593	1,982
Total Justice of Peace Pct 3	633,853	669,084	653,285	15,799
Justice of Peace Pct 4:				
Salaries	341,710	352,219	352,219	-
Employee Benefits	132,721	129,611	129,610	1
Supplies	9,903	11,987	11,976	11
Contract Services	10,737	11,795	11,216	579
Capital Outlay	-	1,051	1,051	-
Total Justice of Peace Pct 4	495,071	506,663	506,072	591
Justice of Peace Pct 5:				
Salaries	190,878	200,738	200,738	-
Employee Benefits	66,870	64,444	64,443	1
Supplies	9,362	12,229	9,060	3,169
Contract Services	7,750	25,127	22,763	2,364
Total Justice of Peace Pct 5	274,860	302,538	297,004	5,534
<u>TOTAL JUDICIAL</u>	9,220,142	9,368,054	9,329,190	38,864

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Expenditures and Other Financing Uses

Budget (GAAP Basis) and Actual Year Ended September 30, 2005

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>LEGAL:</u>				
County Attorney:				
Salaries	1,112,699	1,142,142	1,159,141	(16,999)
Employee Benefits	340,201	341,960	341,961	(1)
Supplies	28,430	25,761	27,898	(2,137)
Contract Services	19,700	20,600	20,189	411
Capital Outlay	-	-	1,054	(1,054)
<u>TOTAL LEGAL</u>	<u>1,501,030</u>	<u>1,530,463</u>	<u>1,550,243</u>	<u>(19,780)</u>
<u>ELECTIONS:</u>				
Salaries	341,586	460,249	462,017	(1,768)
Employee Benefits	99,190	100,347	100,347	-
Supplies	43,039	33,554	30,111	3,443
Contract Services	56,975	68,081	36,985	31,096
Capital Outlay	-	2,091,087	21,510	2,069,577
<u>TOTAL ELECTIONS</u>	<u>540,790</u>	<u>2,753,318</u>	<u>650,970</u>	<u>2,102,348</u>
<u>FINANCIAL ADMINISTRATION:</u>				
County Auditor:				
Salaries	671,453	665,510	664,490	1,020
Employee Benefits	231,143	210,711	210,540	171
Supplies	15,000	18,592	18,580	12
Contract Services	11,090	37,937	30,823	7,114
Capital Outlay	3,600	2,128	2,128	-
Total County Auditor	<u>932,286</u>	<u>934,878</u>	<u>926,561</u>	<u>8,317</u>
Budget Officer:				
Salaries	147,758	159,063	159,062	1
Employee Benefits	45,720	40,852	40,851	1
Supplies	4,760	10,280	9,160	1,120
Contract Services	5,755	12,668	9,572	3,096
Capital Outlay	3,083	-	-	-
Total Budget Officer	<u>207,076</u>	<u>222,863</u>	<u>218,645</u>	<u>4,218</u>
County Treasurer:				
Salaries	272,245	293,886	293,886	-
Employee Benefits	94,463	94,593	94,593	-
Supplies	16,850	16,441	13,394	3,047
Contract Services	14,892	18,414	17,941	473
Capital Outlay	-	2,252	1,042	1,210
Total County Treasurer	<u>398,450</u>	<u>425,586</u>	<u>420,856</u>	<u>4,730</u>

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Expenditures and Other Financing Uses

Budget (GAAP Basis) and Actual Year Ended September 30, 2005

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>FINANCIAL ADM(cont'd)</u>				
Tax Assessor-Collector:				
Salaries	1,834,199	1,888,811	1,882,153	6,658
Employee Benefits	723,757	692,071	691,747	324
Supplies	121,137	133,246	70,584	62,662
Contract Services	118,730	145,319	105,550	39,769
Capital Outlay	19,496	46,940	43,513	3,427
Total Tax Assessor-Collector	2,817,319	2,906,387	2,793,547	112,840
<u>TOTAL FINANCIAL ADM</u>	<u>4,355,131</u>	<u>4,489,714</u>	<u>4,359,609</u>	<u>130,105</u>
 <u>PUBLIC FACILITIES:</u>				
Custodial Services:				
Salaries	1,017,274	1,014,395	1,014,394	1
Employee Benefits	408,109	389,660	389,658	2
Supplies	201,716	207,043	205,418	1,625
Contract Services	84,866	78,636	73,684	4,952
Capital Outlay	38,370	117,699	117,181	518
Total Custodial Services	1,750,335	1,807,433	1,800,335	7,098
 Building Maintenance:				
Salaries	933,005	943,872	943,871	1
Employee Benefits	318,286	307,634	307,633	1
Supplies	398,096	442,353	436,558	5,795
Contract Services	124,936	776,837	771,289	5,548
Capital Outlay	-	100,339	96,289	4,050
Total Building Maintenance	1,774,323	2,571,035	2,555,640	15,395
 Jail:				
Salaries	6,045,834	6,205,632	6,166,700	38,932
Employee Benefits	2,219,585	2,103,273	2,103,272	1
Supplies	1,319,616	1,433,022	1,360,279	72,743
Contract Services	832,300	821,943	796,947	24,996
Capital Outlay	-	59,353	59,350	3
Total Jail	10,417,335	10,623,223	10,486,548	136,675
 Civic Center:				
Salaries	313,354	326,509	326,509	-
Employee Benefits	114,814	105,122	105,121	1
Supplies	83,600	78,104	72,707	5,397
Contract Services	306,394	379,959	344,958	35,001
Capital Outlay	-	21,939	21,939	-
Total Civic Center	818,162	911,633	871,234	40,399

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Expenditures and Other Financing Uses

Budget (GAAP Basis) and Actual Year Ended September 30, 2005

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>PUBLIC FACILITIES(cont'd)</u>				
Parks:				
Salaries	46,399	49,108	49,107	1
Employee Benefits	14,760	15,018	15,018	-
Supplies	3,300	3,302	2,385	917
Contract Services	13,100	22,109	15,246	6,863
Capital Outlay	250	3,037	40	2,997
Total Parks	77,809	92,574	81,796	10,778
<u>TOTAL PUBLIC FACILITIES</u>	<u>14,837,964</u>	<u>16,005,898</u>	<u>15,795,553</u>	<u>210,345</u>
<u>PUBLIC SAFETY:</u>				
Fire Marshal:				
Salaries	395,265	390,667	390,666	1
Employee Benefits	111,716	104,599	104,599	-
Supplies	13,750	13,752	13,063	689
Contract Services	14,495	17,685	14,048	3,637
Total Fire Marshal	535,226	526,703	522,376	4,327
Crimestoppers:				
Salaries	67,351	45,750	45,750	-
Employee Benefits	25,231	16,731	16,731	-
Total Crimestoppers	92,582	62,481	62,481	-
Constable Pct 1:				
Salaries	1,299,203	1,397,125	1,394,822	2,303
Employee Benefits	420,217	430,852	423,095	7,757
Supplies	68,559	77,536	69,386	8,150
Contract Services	38,781	67,933	62,784	5,149
Capital Outlay	-	19,054	19,054	-
Total Constable Pct 1	1,826,760	1,992,500	1,969,141	23,359
Constable Pct 2:				
Salaries	617,036	673,118	669,536	3,582
Employee Benefits	194,416	201,515	193,439	8,076
Supplies	34,773	27,629	26,112	1,517
Contract Services	17,400	28,832	21,248	7,584
Capital Outlay	-	16,105	7,591	8,514
Total Constable Pct 2	863,625	947,199	917,926	29,273

MONTGOMERY COUNTY, TEXAS**General Fund****Schedule of Expenditures and Other Financing Uses****Budget (GAAP Basis) and Actual Year Ended September 30, 2005**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>PUBLIC SAFETY(cont'd)</u>				
Constable Pct 3:				
Salaries	1,363,818	1,560,387	1,560,274	113
Employee Benefits	436,611	476,097	468,615	7,482
Supplies	28,200	48,545	45,219	3,326
Contract Services	18,880	23,282	14,537	8,745
Capital Outlay	-	12,400	8,338	4,062
Total Constable Pct 3	1,847,509	2,120,711	2,096,983	23,728
Constable Pct 4:				
Salaries	691,168	705,153	705,153	-
Employee Benefits	213,641	207,761	207,760	1
Supplies	17,190	16,028	16,013	15
Contract Services	16,857	16,254	15,868	386
Capital Outlay	-	324	324	-
Total Constable Pct 4	938,856	945,520	945,118	402
Constable Pct 5:				
Salaries	1,138,714	1,191,583	1,191,528	55
Employee Benefits	351,732	353,626	353,377	249
Supplies	41,275	37,276	34,343	2,933
Contract Services	28,115	46,715	43,920	2,795
Capital Outlay	-	21,950	20,756	1,194
Total Constable Pct 5	1,559,836	1,651,150	1,643,924	7,226
Sheriff:				
Salaries	10,397,218	11,717,948	11,384,236	333,712
Employee Benefits	3,602,732	3,825,094	3,701,388	123,706
Supplies	841,737	1,220,941	974,236	246,705
Contract Services	1,298,421	1,476,144	1,116,173	359,971
Capital Outlay	110,984	1,735,371	1,642,678	92,693
Total Sheriff	16,251,092	19,975,498	18,818,711	1,156,787
Juvenile Services:				
Salaries	2,353,976	2,361,075	2,358,398	2,677
Employee Benefits	889,725	865,918	865,892	26
Supplies	65,815	105,738	60,428	45,310
Contract Services	311,554	323,101	287,963	35,138
Capital Outlay	-	19,636	11,398	8,238
Total Juvenile Services	3,621,070	3,675,468	3,584,079	91,389

MONTGOMERY COUNTY, TEXAS**General Fund****Schedule of Expenditures and Other Financing Uses****Budget (GAAP Basis) and Actual Year Ended September 30, 2005**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>PUBLIC SAFETY(cont'd)</u>				
Adult Services:				
Salaries	-	3,834,000	3,833,377	623
Employee Benefits	-	777,200	775,992	1,208
Supplies	830	5,360	5,292	68
Contract Services	7,500	32,970	31,113	1,857
Total Adult Services	8,330	4,649,530	4,645,774	3,756
Emergency Management:				
Salaries	38,519	79,187	74,001	5,186
Employee Benefits	7,675	15,990	13,833	2,157
Supplies	2,250	395,160	359,225	35,935
Contract Services	4,570	4,020	3,105	915
Capital Outlay	-	2,043,184	1,950,984	92,200
Total Emergency Management	53,014	2,537,541	2,401,148	136,393
Department of Public Safety:				
Salaries	50,339	52,079	52,079	-
Employee Benefits	22,365	22,111	22,110	1
Supplies	450	450	40	410
Contract Services	-	375	374	1
Total Dept of Public Safety	73,154	75,015	74,603	412
<u>TOTAL PUBLIC SAFETY</u>	<u>27,671,054</u>	<u>39,159,316</u>	<u>37,682,264</u>	<u>1,477,052</u>
<u>HEALTH AND WELFARE:</u>				
Vehicle Emissions Program:				
Contract Services	-	593,722	465,506	128,216
Medical:				
Contract Services	81,000	1,082,005	1,082,005	-
Mental Health:				
Contract Services	231,340	256,340	254,555	1,785
Environmental Health:				
Salaries	835,717	858,929	858,928	1
Employee Benefits	307,412	294,312	294,312	-
Supplies	39,164	46,907	34,627	12,280
Contract Services	35,036	46,856	41,089	5,767
Capital Outlay	-	2,422	2,422	-
Total Environmental Health	1,217,329	1,249,426	1,231,378	18,048

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Expenditures and Other Financing Uses

Budget (GAAP Basis) and Actual Year Ended September 30, 2005

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>HEALTH/WELFARE(cont'd)</u>				
Animal Control:				
Salaries	351,302	364,493	364,493	-
Employee Benefits	156,375	145,241	145,240	1
Supplies	44,600	51,277	46,902	4,375
Contract Services	11,550	7,900	7,591	309
Total Animal Control	563,827	568,911	564,226	4,685
Welfare:				
Contract Services	871,122	871,122	871,122	-
<u>TOTAL HEALTH/WELFARE</u>	<u>2,964,618</u>	<u>4,621,526</u>	<u>4,468,792</u>	<u>152,734</u>
<u>CONSERVATION:</u>				
Extension Agent:				
Salaries	242,917	252,915	252,915	-
Employee Benefits	89,708	84,176	84,175	1
Supplies	12,700	14,722	14,721	1
Contract Services	32,207	50,552	48,223	2,329
Total Extension Agent	377,532	402,365	400,034	2,331
<u>TOTAL CONSERVATION</u>	<u>377,532</u>	<u>402,365</u>	<u>400,034</u>	<u>2,331</u>
<u>MISCELLANEOUS:</u>				
Salaries	2,041,599	-	-	-
Benefits	344,010	3,171,789	3,706,293	(534,504)
Contingency	2,379,291	3,621,118	813,021	2,808,097
<u>TOTAL MISCELLANEOUS</u>	<u>4,764,900</u>	<u>6,792,907</u>	<u>4,519,314</u>	<u>2,273,593</u>
<u>TOTAL EXPENDITURES</u>	<u>78,128,937</u>	<u>99,164,871</u>	<u>90,609,540</u>	<u>8,555,331</u>

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Expenditures and Other Financing Uses

Budget (GAAP Basis) and Actual Year Ended September 30, 2005

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>OTHER FINANCING USES:</u>				
Transfers Out:				
To Attorney Administration	-	-	13,570	(13,570)
To Jury	-	48,805	4,333,000	(4,284,195)
To Road and Bridge	-	302,995	-	302,995
To Memorial Library	-	31,000	5,735,000	(5,704,000)
To Community Development	-	-	260,109	(260,109)
To Animal Shelter	-	-	330,500	(330,500)
To Historical Commission	-	-	28,232	(28,232)
To Alternative Dispute Res.	-	200	-	200
To Juvenile Probation	-	129,870	-	129,870
To Child Welfare	-	32,212	61,000	(28,788)
To Airport Maintenance	-	3,200	-	3,200
<u>TOTAL FINANCING USES</u>	<u>-</u>	<u>548,282</u>	<u>10,761,411</u>	<u>(10,213,129)</u>
<u>TOTAL EXPENDITURES AND FINANCING USES</u>	<u>\$ 78,128,937</u>	<u>\$ 99,713,153</u>	<u>\$ 101,370,951</u>	<u>\$ (1,657,798)</u>

MONTGOMERY COUNTY, TEXAS
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Debt Service Fund
Year Ended September 30, 2005

A-3

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Taxes	\$11,409,491	\$ 11,491,703	\$ 11,687,384	\$ 195,681
Interest	224,247	535,526	318,995	(216,531)
<u>TOTAL REVENUES</u>	<u>11,633,738</u>	<u>12,027,229</u>	<u>12,006,379</u>	<u>(20,850)</u>
<u>EXPENDITURES:</u>				
Debt Service:				
Principal Retirement	3,034,931	3,034,931	3,034,930	1
Interest and Fiscal Charges	8,602,116	8,094,572	8,087,980	6,592
Issuance Costs	-	618,650	618,647	3
<u>TOTAL EXPENDITURES</u>	<u>11,637,047</u>	<u>11,748,153</u>	<u>11,741,557</u>	<u>6,596</u>
Excess (Deficiency) Revenues Over Expenditures	<u>(3,309)</u>	<u>279,076</u>	<u>264,822</u>	<u>(14,254)</u>
<u>OTHER FINANCING SOURCES/(USES):</u>				
Proceeds of Refunding Bonds	-	45,850,000	45,850,000	-
Premium on Refunding Bonds	-	3,772,220	3,772,220	-
Payment to Refunded Bond Escrow Agent	-	(49,904,606)	(49,904,606)	-
<u>TOTAL OTHER FINANCING SOURCES</u>	<u>-</u>	<u>(282,386)</u>	<u>(282,386)</u>	<u>-</u>
Net Changes in Fund Balance	(3,309)	(3,310)	(17,564)	(14,254)
Fund Balance at Beginning of Year	<u>2,160,259</u>	<u>2,160,259</u>	<u>2,160,259</u>	<u>-</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ 2,156,950</u>	<u>\$ 2,156,949</u>	<u>\$ 2,142,695</u>	<u>\$ (14,254)</u>



**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

MONTGOMERY COUNTY, TEXAS
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2005

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	Special Revenue	Capital Projects	Total
<u>ASSETS:</u>			
Cash	\$ 851,531	\$ 439,343	\$ 1,290,874
Investments, at Fair Value	567,764	5,671,376	6,239,140
Cash, Restricted for Retainage	-	296,897	296,897
Receivables:			
Accounts	43,900	-	43,900
Accrued Interest	2,307	6,057	8,364
Due from Other Funds	914,580	4,872,383	5,786,963
Due from Other Governments	942,517	193,155	1,135,672
Prepaid Items	1,799,127	-	1,799,127
<u>TOTAL ASSETS</u>	<u>\$ 5,121,726</u>	<u>\$ 11,479,211</u>	<u>\$ 16,600,937</u>

LIABILITIES AND FUND BALANCES:

<u>LIABILITIES:</u>			
Accounts Payable	\$ 970,419	\$ 1,646,320	\$ 2,616,739
Retainage Payable	-	305,210	305,210
Due to Other Funds	2,318,960	2,376,858	4,695,818
Due to Other Governments	224	-	224
Deferred Revenue	372,843	1,590,599	1,963,442
Total Liabilities	<u>3,662,446</u>	<u>5,918,987</u>	<u>9,581,433</u>

FUND BALANCES:

Reserved for:			
Prepaid Items	1,799,127	-	1,799,127
Capital Projects	-	5,560,224	5,560,224
Unreserved, designated for:			
Encumbrances	1,915	-	1,915
Unreserved, undesignated	(341,762)	-	(341,762)
Total Fund Balances	<u>1,459,280</u>	<u>5,560,224</u>	<u>7,019,504</u>

**TOTAL LIABILITIES AND
FUND BALANCES**

<u>\$ 5,121,726</u>	<u>\$ 11,479,211</u>	<u>\$ 16,600,937</u>
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MONTGOMERY COUNTY, TEXAS

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended September 30, 2005

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	Special Revenue	Capital Projects	Totals
<u>REVENUES:</u>			
Licenses and Permits	\$ 77,426	\$ -	\$ 77,426
Fees	291,010	-	291,010
Intergovernmental	4,367,415	-	4,367,415
Charges for Services	985,150	-	985,150
Interest	15,109	233,284	248,393
Contract Reimbursements	127,838	-	127,838
Fines and Forfeitures	951,851	-	951,851
Miscellaneous	275,294	263,872	539,166
<u>TOTAL REVENUES</u>	<u>7,091,093</u>	<u>497,156</u>	<u>7,588,249</u>
<u>EXPENDITURES:</u>			
Current:			
General Administration	102,903	-	102,903
Judicial	5,204,608	-	5,204,608
Legal Services	270,554	-	270,554
Public Safety	2,308,455	-	2,308,455
Health and Welfare	2,510,329	-	2,510,329
Culture and Recreation	6,102,610	-	6,102,610
Public Transportation	556,189	-	556,189
Capital Projects	-	10,251,379	10,251,379
<u>TOTAL EXPENDITURES</u>	<u>17,055,648</u>	<u>10,251,379</u>	<u>27,307,027</u>
(Deficiency) Revenues Over Expenditures	<u>(9,964,555)</u>	<u>(9,754,223)</u>	<u>(19,718,778)</u>
<u>OTHER FINANCING SOURCES/(USES):</u>			
Transfers In	11,085,911	2,486,179	13,572,090
Transfers Out	(1,092,612)	(484,494)	(1,577,106)
<u>TOTAL OTHER FINANCING SOURCES</u>	<u>9,993,299</u>	<u>2,001,685</u>	<u>11,994,984</u>
Net Change in Fund Balances	28,744	(7,752,538)	(7,723,794)
Fund Balances at Beginning of Year	<u>1,430,536</u>	<u>13,312,762</u>	<u>14,743,298</u>
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$ 1,459,280</u>	<u>\$ 5,560,224</u>	<u>\$ 7,019,504</u>



NONMAJOR SPECIAL REVENUE FUNDS

Attorney Administration Fund - to account for the operations of the County's returned check collection service provided by the County and District attorneys. Fees charged to offenders finance this fund.

Forfeitures Fund - to account for funds received by prosecutors and law enforcement agencies from forfeitures and/or seizures. Chapter 59 of the Criminal Code of Procedure governs expenditure of these funds.

Civic Center Complex Fund - to account for the proceeds of an interlocal agreement with the City of Conroe, whereby the city contributes a portion of its hotel/motel occupancy taxes for the operation of a countywide civic center.

FEMA Disaster Grants Fund - to account for grants from the Federal Emergency Management Agency. The purpose of these grants is to assist the County in recovering from Hurricanes Rita and Katrina.

Jury Fund - to account for the operations of the courts. Financing is provided by ad valorem taxes transferred from General Fund.

Sheriff Commissary Fund - to account for the proceeds from sale of personal items in the jail commissary. Expenditures are restricted to providing education and entertainment for inmates of the county jail.

Memorial Library Fund - to account for the operations of a countywide library system. Financing includes ad valorem taxes and user fees.

Community Development Fund - to account for annual grants from U.S. Department of Housing and Urban Development (HUD), both Block Grants and HOME Partnership grants. Grants are intended to alleviate substandard housing conditions in the County.

Animal Shelter Fund - to account for operations of the Montgomery County Animal Shelter. Funding is provided by ad valorem taxes and user fees.

Law Library Fund - to account for the operations of a law library. Financing is provided by a fee assessed on each civil case filed in County and District Courts.

Historical Commission Fund - to account for certain expenditures toward historical projects within the County. Donations and transfers from General Fund finance these projects.

Alternate Dispute Resolution Fund - to account for the operations of the Dispute Resolution Center created by Commissioners' Court in agreement with the Montgomery County Bar Association. Financing is provided by fees assessed on court cases.

Juvenile Probation Fund - to account for expenditure of state grants-in-aid and federal reimbursements associated with the care and custody of minors under the supervision of the juvenile courts.

Child Welfare Fund - to account for expenditures made in connection with a contract between the County and the State of Texas for the care of neglected and abused children.

Airport Maintenance Fund - to account for operations of the County airport. Funding is provided by user fees and ad valorem taxes.

MONTGOMERY COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Balance Sheet
September 30, 2005

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	Attorney Administration	Forfeitures	Civic Center Complex	FEMA Disaster Grants
<u>ASSETS:</u>				
Cash	\$ 24,625	\$ 554,271	\$ -	\$ -
Investments, at Fair Value	-	-	-	-
Receivables:				
Accounts	4,935	-	2,191	-
Accrued Interest	-	-	-	-
Due from Other Funds	-	-	56,805	-
Due from Other Governments	-	-	44,206	111,520
Prepaid Items	-	-	-	10,000
<u>TOTAL ASSETS</u>	<u>\$ 29,560</u>	<u>\$ 554,271</u>	<u>\$ 103,202</u>	<u>\$ 121,520</u>

LIABILITIES AND FUND BALANCES:

<u>LIABILITIES:</u>				
Accounts Payable	\$ 1,516	\$ -	\$ 7,007	\$ 82,380
Due to Other Funds	8,654	-	-	39,913
Due to Other Governments	-	-	-	-
Deferred Revenue	-	-	-	-
Total Liabilities	<u>10,170</u>	<u>-</u>	<u>7,007</u>	<u>122,293</u>

FUND BALANCES:

Reserved for:				
Prepaid Items	-	-	-	10,000
Unreserved, designated for:				
Encumbrances	-	-	-	-
Unreserved, undesignated	19,390	554,271	96,195	(10,773)
Total Fund Balances	<u>19,390</u>	<u>554,271</u>	<u>96,195</u>	<u>(773)</u>

**TOTAL LIABILITIES AND
FUND BALANCES**

<u>\$ 29,560</u>	<u>\$ 554,271</u>	<u>\$ 103,202</u>	<u>\$ 121,520</u>
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Jury	Sheriff Commissary	Memorial Library	Memo Totals from Page 91	Totals
\$ 13,604	\$ 129,130	\$ 530	\$ 129,371	\$ 851,531
-	-	-	567,764	567,764
252	-	34,277	2,245	43,900
-	-	-	2,307	2,307
250,005	-	232,767	375,003	914,580
88,520	-	-	698,271	942,517
-	-	-	1,789,127	1,799,127
<u>\$ 352,381</u>	<u>\$ 129,130</u>	<u>\$ 267,574</u>	<u>\$ 3,564,088</u>	<u>\$ 5,121,726</u>
\$ 351,395	\$ -	\$ 245,713	\$ 282,408	\$ 970,419
-	-	20,945	2,249,448	2,318,960
-	-	-	224	224
-	-	-	372,843	372,843
<u>351,395</u>	<u>-</u>	<u>266,658</u>	<u>2,904,923</u>	<u>3,662,446</u>
-	-	-	1,789,127	1,799,127
986	-	916	13	1,915
-	129,130	-	(1,129,975)	(341,762)
<u>986</u>	<u>129,130</u>	<u>916</u>	<u>659,165</u>	<u>1,459,280</u>
<u>\$ 352,381</u>	<u>\$ 129,130</u>	<u>\$ 267,574</u>	<u>\$ 3,564,088</u>	<u>\$ 5,121,726</u>

MONTGOMERY COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Balance Sheet
September 30, 2005

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	<u>Community Development</u>	<u>Animal Shelter</u>	<u>Law Library</u>
<u>ASSETS:</u>			
Cash	\$ -	\$ -	\$ 71,348
Investments, at Fair Value	-	-	567,764
Receivables:			
Accounts	-	1,678	-
Accrued Interest	-	-	2,307
Due from Other Funds	-	27,995	-
Due from Other Governments	438,309	-	-
Prepaid Items	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 438,309</u>	<u>\$ 29,673</u>	<u>\$ 641,419</u>

LIABILITIES AND FUND BALANCES:

<u>LIABILITIES:</u>			
Accounts Payable	\$ 70,573	\$ 29,435	\$ 9,592
Due to Other Funds	367,735	-	1,747
Due to Other Governments	-	-	-
Deferred Revenue	-	-	-
Total Liabilities	<u>438,308</u>	<u>29,435</u>	<u>11,339</u>

FUND BALANCES:

Reserved for:			
Prepaid Items	-	-	-
Unreserved, designated for:			
Encumbrances	-	-	13
Unreserved, undesignated	1	238	630,067
Total Fund Balances	<u>1</u>	<u>238</u>	<u>630,080</u>

**TOTAL LIABILITIES AND
FUND BALANCES**

<u>\$ 438,309</u>	<u>\$ 29,673</u>	<u>\$ 641,419</u>
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Historical Commission	Alternate Dispute Resolution	Juvenile Probation	Child Welfare	Airport Maintenance	Memo Totals to Page 89
\$ -	\$ 13,873	\$ 802	\$ 43,301	\$ 47	\$ 129,371
-	-	-	-	-	567,764
-	-	81	-	486	2,245
-	-	-	-	-	2,307
1,980	-	25,528	-	319,500	375,003
-	-	233,026	9,492	17,444	698,271
-	-	-	-	1,789,127	1,789,127
<u>\$ 1,980</u>	<u>\$ 13,873</u>	<u>\$ 259,437</u>	<u>\$ 52,793</u>	<u>\$ 2,126,604</u>	<u>\$ 3,564,088</u>

\$ 1,980	\$ 1,925	\$ 145,727	\$ 5,392	\$ 17,784	\$ 282,408
-	-	-	46,611	1,833,355	2,249,448
-	-	-	-	224	224
-	-	97,843	-	275,000	372,843
<u>1,980</u>	<u>1,925</u>	<u>243,570</u>	<u>52,003</u>	<u>2,126,363</u>	<u>2,904,923</u>

-	-	-	-	1,789,127	1,789,127
-	-	-	-	-	13
-	11,948	15,867	790	(1,788,886)	(1,129,975)
<u>-</u>	<u>11,948</u>	<u>15,867</u>	<u>790</u>	<u>241</u>	<u>659,165</u>

<u>\$ 1,980</u>	<u>\$ 13,873</u>	<u>\$ 259,437</u>	<u>\$ 52,793</u>	<u>\$ 2,126,604</u>	<u>\$ 3,564,088</u>
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MONTGOMERY COUNTY, TEXAS

Nonmajor Special Revenue Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended September 30, 2005

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	Attorney Administration	Forfeitures	Civic Center Complex	FEMA Disaster Grants
<u>REVENUES:</u>				
Licenses and Permits	\$ -	\$ -	\$ -	\$ -
Fees	12	-	-	-
Intergovernmental	-	-	162,328	111,520
Charges for Services	118,307	-	308,650	-
Interest	80	2,684	-	-
Contract Reimbursements	-	-	-	-
Fines and Forfeitures	-	622,699	-	-
Miscellaneous	-	-	-	-
<u>TOTAL REVENUES</u>	<u>118,399</u>	<u>625,383</u>	<u>470,978</u>	<u>111,520</u>
<u>EXPENDITURES:</u>				
General Administration	102,903	-	-	-
Judicial	-	-	-	-
Legal Services	-	-	-	-
Public Safety	-	476,915	-	112,293
Health and Welfare	-	-	-	-
Culture and Recreation	-	-	-	-
Public Transportation	-	-	-	-
<u>TOTAL EXPENDITURES</u>	<u>102,903</u>	<u>476,915</u>	<u>-</u>	<u>112,293</u>
Excess (Deficiency) Revenues Over Expenditures	<u>15,496</u>	<u>148,468</u>	<u>470,978</u>	<u>(773)</u>
<u>OTHER FINANCING SOURCES/ (USES):</u>				
Transfers In	13,570	-	-	-
Transfers Out	-	-	(900,000)	-
<u>TOTAL OTHER FINANCING SOURCES/(USES)</u>	<u>13,570</u>	<u>-</u>	<u>(900,000)</u>	<u>-</u>
Net Change in Fund Balances	29,066	148,468	(429,022)	(773)
Fund Balances at Beginning of Year	<u>(9,676)</u>	<u>405,803</u>	<u>525,217</u>	<u>-</u>
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$ 19,390</u>	<u>\$ 554,271</u>	<u>\$ 96,195</u>	<u>\$ (773)</u>

Jury	Sheriff Commissary	Memorial Library	Memo Totals from Page 95	Totals
\$ -	\$ -	\$ -	\$ 77,426	\$ 77,426
-	-	-	290,998	291,010
329,813	-	31,026	3,732,728	4,367,415
77,844	143,710	103,664	232,975	985,150
213	777	36	11,319	15,109
127,838	-	-	-	127,838
329,152	-	-	-	951,851
2,734	-	226,513	46,047	275,294
867,594	144,487	361,239	4,391,493	7,091,093
-	-	-	-	102,903
5,204,608	-	-	-	5,204,608
-	-	-	270,554	270,554
-	116,955	-	1,602,292	2,308,455
-	-	-	2,510,329	2,510,329
-	-	6,074,378	28,232	6,102,610
-	-	-	556,189	556,189
5,204,608	116,955	6,074,378	4,967,596	17,055,648
(4,337,014)	27,532	(5,713,139)	(576,103)	(9,964,555)
4,338,000	-	5,735,000	999,341	11,085,911
-	-	(20,945)	(171,667)	(1,092,612)
4,338,000	-	5,714,055	827,674	9,993,299
986	27,532	916	251,571	28,744
-	101,598	-	407,594	1,430,536
\$ 986	\$ 129,130	\$ 916	\$ 659,165	\$ 1,459,280

MONTGOMERY COUNTY, TEXAS**Nonmajor Special Revenue Funds****Combining Statement of Revenues, Expenditures, and Changes in Fund Balances****Year Ended September 30, 2005**

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	Community Development	Animal Shelter	Law Library	Historical Commission
<u>REVENUES:</u>				
Licenses and Permits	\$ -	\$ 77,426	\$ -	\$ -
Fees	-	-	220,538	-
Intergovernmental	1,942,376	-	-	-
Charges for Services	-	21,508	-	-
Interest	-	-	10,142	-
Contract Reimbursements	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous	-	34,978	-	-
<u>TOTAL REVENUES</u>	<u>1,942,376</u>	<u>133,912</u>	<u>230,680</u>	<u>-</u>
<u>EXPENDITURES:</u>				
General Administration	-	-	-	-
Judicial	-	-	-	-
Legal Services	-	-	128,555	-
Public Safety	-	-	-	-
Health and Welfare	1,948,245	464,174	-	-
Culture and Recreation	-	-	-	28,232
Public Transportation	-	-	-	-
<u>TOTAL EXPENDITURES</u>	<u>1,948,245</u>	<u>464,174</u>	<u>128,555</u>	<u>28,232</u>
Excess (Deficiency) Revenues Over Expenditures	<u>(5,869)</u>	<u>(330,262)</u>	<u>102,125</u>	<u>(28,232)</u>
<u>OTHER FINANCING SOURCES/ (USES):</u>				
Transfers In	260,109	330,500	-	28,232
Transfers Out	-	-	(5,000)	-
<u>TOTAL OTHER FINANCING SOURCES/(USES)</u>	<u>260,109</u>	<u>330,500</u>	<u>(5,000)</u>	<u>28,232</u>
Net Change in Fund Balances	254,240	238	97,125	-
Fund Balances at Beginning of Year	<u>(254,239)</u>	<u>-</u>	<u>532,955</u>	<u>-</u>
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$ 1</u>	<u>\$ 238</u>	<u>\$ 630,080</u>	<u>\$ -</u>

Alternate Dispute Resolution	Juvenile Probation	Child Welfare	Airport Maintenance	Memo Totals to Page 93
\$ -	\$ -	\$ -	\$ -	\$ 77,426
70,460	-	-	-	290,998
-	1,524,621	26,631	239,100	3,732,728
24,500	22,709	-	164,258	232,975
302	636	-	239	11,319
-	-	-	-	-
-	-	-	-	-
-	-	11,069	-	46,047
95,262	1,547,966	37,700	403,597	4,391,493
-	-	-	-	-
-	-	-	-	-
141,999	-	-	-	270,554
-	1,602,292	-	-	1,602,292
-	-	97,910	-	2,510,329
-	-	-	-	28,232
-	-	-	556,189	556,189
141,999	1,602,292	97,910	556,189	4,967,596
(46,737)	(54,326)	(60,210)	(152,592)	(576,103)
-	-	61,000	319,500	999,341
-	-	-	(166,667)	(171,667)
-	-	61,000	152,833	827,674
(46,737)	(54,326)	790	241	251,571
58,685	70,193	-	-	407,594
\$ 11,948	\$ 15,867	\$ 790	\$ 241	\$ 659,165

MONTGOMERY COUNTY, TEXAS
Attorney Administration Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2005

C-3

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Fees	\$ -	\$ -	\$ 12	\$ 12
Charges for Service	199,289	199,289	118,307	(80,982)
Interest	-	-	80	80
Total Revenues	<u>199,289</u>	<u>199,289</u>	<u>118,399</u>	<u>(80,890)</u>
<u>EXPENDITURES:</u>				
General Administration:				
Salaries	126,535	126,535	64,067	62,468
Employee Benefits	48,684	48,684	25,612	23,072
Supplies	10,037	10,037	7,881	2,156
Contract Services	14,033	14,033	5,343	8,690
Total Expenditures	<u>199,289</u>	<u>199,289</u>	<u>102,903</u>	<u>96,386</u>
Excess Revenues Over Expenditures	-	-	15,496	15,496
<u>OTHER FINANCING SOURCES:</u>				
Transfers In	<u>-</u>	<u>-</u>	<u>13,570</u>	<u>13,570</u>
Net Change in Fund Balance	-	-	29,066	29,066
Fund Balance at Beginning of Year	<u>(9,676)</u>	<u>(9,676)</u>	<u>(9,676)</u>	<u>-</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ (9,676)</u>	<u>\$ (9,676)</u>	<u>\$ 19,390</u>	<u>\$ 29,066</u>

MONTGOMERY COUNTY, TEXAS
Forfeitures Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2005

C-4

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Interest	\$ -	\$ -	\$ 2,684	\$ 2,684
Fines and Forfeitures	65,909	65,909	622,699	556,790
Total Revenues	65,909	65,909	625,383	559,474
<u>EXPENDITURES:</u>				
Public Safety:				
Salaries	12,669	12,669	10,867	1,802
Supplies	46,268	44,268	366,588	(322,320)
Contract Services	6,972	6,972	53,720	(46,748)
Capital Outlay	-	-	45,740	(45,740)
Total Expenditures	65,909	63,909	476,915	(413,006)
Excess Revenues Over Expenditures	-	2,000	148,468	146,468
<u>OTHER FINANCING (USES):</u>				
Transfers Out	-	(2,000)	-	2,000
Net Change in Fund Balance	-	-	148,468	148,468
Fund Balance at Beginning of Year	405,803	405,803	405,803	-
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ 405,803</u>	<u>\$ 405,803</u>	<u>\$ 554,271</u>	<u>\$ 148,468</u>

MONTGOMERY COUNTY, TEXAS
Civic Center Complex Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2005

C-5

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Intergovernmental	\$ 160,000	\$ 160,000	\$ 162,328	\$ 2,328
Charges for Services	313,000	313,000	308,650	(4,350)
Total Revenues	<u>473,000</u>	<u>473,000</u>	<u>470,978</u>	<u>(2,022)</u>
 <u>OTHER FINANCING (USES):</u>				
Transfers Out	<u>-</u>	<u>-</u>	<u>(900,000)</u>	<u>(900,000)</u>
 Net Change in Fund Balance	473,000	473,000	(429,022)	(902,022)
 Fund Balance at Beginning of Year	<u>525,217</u>	<u>525,217</u>	<u>525,217</u>	<u>-</u>
 <u>FUND BALANCE AT END OF YEAR</u>	<u>\$ 998,217</u>	<u>\$ 998,217</u>	<u>\$ 96,195</u>	<u>\$ (902,022)</u>

MONTGOMERY COUNTY, TEXAS
FEMA Disaster Grants Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2005

C-6

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Intergovernmental	\$ -	\$ 106,443	\$ 111,520	\$ 5,077
Total Revenues	-	106,443	111,520	5,077
<u>EXPENDITURES:</u>				
Public Safety:				
Salaries	-	11,800	13,225	(1,425)
Employee Benefits	-	2,000	2,219	(219)
Supplies	-	12,700	12,703	(3)
Contract Services	-	79,943	84,146	(4,203)
Capital Outlay	-	-	-	-
Total Expenditures	-	106,443	112,293	(5,850)
(Deficiency) Revenues Over Expenditures	-	-	(773)	(773)
Fund Balance at Beginning of Year	-	-	-	-
<u>FUND BALANCE AT END OF YEAR</u>	\$ -	\$ -	\$ (773)	\$ (773)

MONTGOMERY COUNTY, TEXAS

Jury Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget (GAAP Basis) and Actual Year Ended September 30, 2005

C-7

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Intergovernmental:				
Federal Grants	\$ -	\$ 109,375	\$ 113,955	\$ 4,580
State Grants	225,000	125,000	160,858	35,858
Other	15,000	15,000	55,000	40,000
Charges for Services	82,000	82,000	77,844	(4,156)
Interest	500	500	213	(287)
Contract Reimbursements	108,130	129,030	127,838	(1,192)
Fines and Forfeitures	270,000	320,000	329,152	9,152
Miscellaneous	-	-	2,734	2,734
Total Revenues	<u>700,630</u>	<u>780,905</u>	<u>867,594</u>	<u>86,689</u>
<u>EXPENDITURES:</u>				
Judicial:				
Salaries	1,086,111	1,126,783	1,126,776	7
Employee Benefits	384,309	357,284	357,231	53
Supplies	66,825	70,558	43,364	27,194
Contract Services	3,644,144	3,730,534	3,663,656	66,878
Capital Outlay	-	25,530	13,581	11,949
Total Expenditures	<u>5,181,389</u>	<u>5,310,689</u>	<u>5,204,608</u>	<u>106,081</u>
(Deficiency) Revenues Over Expenditures	<u>(4,480,759)</u>	<u>(4,529,784)</u>	<u>(4,337,014)</u>	<u>192,770</u>
<u>OTHER FINANCING SOURCES/(USES):</u>				
Transfers In	-	48,805	4,338,000	4,289,195
Transfers Out	<u>-</u>	<u>(49,508)</u>	<u>-</u>	<u>49,508</u>
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>(703)</u>	<u>4,338,000</u>	<u>4,338,703</u>
Net Change in Fund Balance	(4,480,759)	(4,530,487)	986	4,531,473
Fund Balance at Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ (4,480,759)</u>	<u>\$ (4,530,487)</u>	<u>\$ 986</u>	<u>\$ 4,531,473</u>

MONTGOMERY COUNTY, TEXAS
Sheriff Commissary Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2005

C-8

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Charges for Services	\$ 116,200	\$ 116,200	\$ 143,710	\$ 27,510
Interest	-	-	777	777
Total Revenues	<u>116,200</u>	<u>116,200</u>	<u>144,487</u>	<u>28,287</u>
<u>EXPENDITURES:</u>				
Public Safety:				
Salaries	19,200	19,200	21,440	(2,240)
Supplies	73,000	73,000	72,102	898
Contract Services	10,000	10,000	9,399	601
Capital Outlay	14,000	14,000	14,014	(14)
Total Expenditures	<u>116,200</u>	<u>116,200</u>	<u>116,955</u>	<u>(755)</u>
Excess Revenues Over Expenditures	-	-	27,532	27,532
Fund Balance at Beginning of Year	<u>101,598</u>	<u>101,598</u>	<u>101,598</u>	<u>-</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ 101,598</u>	<u>\$ 101,598</u>	<u>\$ 129,130</u>	<u>\$ 27,532</u>

MONTGOMERY COUNTY, TEXAS
Memorial Library Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2005

C-9

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Intergovernmental	\$ -	\$ 31,026	\$ 31,026	\$ -
Charges for Service	85,000	85,000	103,664	18,664
Interest	-	-	36	36
Miscellaneous	-	242,799	226,513	(16,286)
Total Revenues	<u>85,000</u>	<u>358,825</u>	<u>361,239</u>	<u>2,414</u>
<u>EXPENDITURES:</u>				
Culture and Recreation:				
Salaries	2,880,378	2,937,894	2,637,892	300,002
Employee Benefits	1,115,752	1,102,423	902,423	200,000
Supplies	638,523	796,292	626,478	169,814
Contract Services	549,170	627,214	519,212	108,002
Capital Outlay	1,388,978	1,498,634	1,388,373	110,261
Total Expenditures	<u>6,572,801</u>	<u>6,962,457</u>	<u>6,074,378</u>	<u>888,079</u>
(Deficiency) Revenues Over Expenditures	<u>(6,487,801)</u>	<u>(6,603,632)</u>	<u>(5,713,139)</u>	<u>890,493</u>
<u>OTHER FINANCING SOURCES/(USES):</u>				
Transfers In	-	31,000	5,735,000	5,704,000
Transfers Out	-	(102,425)	(20,945)	81,480
<u>TOTAL OTHER FINANCING SOURCES</u>	<u>-</u>	<u>(71,425)</u>	<u>5,714,055</u>	<u>5,785,480</u>
Net Change in Fund Balance	(6,487,801)	(6,675,057)	916	6,675,973
Fund Balance at Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u><u>\$(6,487,801)</u></u>	<u><u>\$(6,675,057)</u></u>	<u><u>\$ 916</u></u>	<u><u>\$ 6,675,973</u></u>

MONTGOMERY COUNTY, TEXAS
Community Development Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2005

C-10

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Intergovernmental	\$ 2,065,000	\$ 2,065,000	\$ 1,942,376	\$ (122,624)
<u>EXPENDITURES:</u>				
Health and Welfare:				
Salaries	348,537	518,258	239,878	278,380
Employee Benefits	67,341	136,454	68,615	67,839
Supplies	20,000	905,943	18,507	887,436
Contract Services	656,570	2,851,949	1,367,099	1,484,850
Capital Outlay	972,552	887,090	254,146	632,944
Total Expenditures	2,065,000	5,299,694	1,948,245	3,351,449
 (Deficiency) Revenues Over Expenditures	-	(3,234,694)	(5,869)	3,228,825
<u>OTHER FINANCING SOURCES:</u>				
Transfers In	-	-	260,109	260,109
 Net Change in Fund Balance	-	(3,234,694)	254,240	3,488,934
 Fund Balance at Beginning of Year	(254,239)	(254,239)	(254,239)	-
 <u>FUND BALANCE AT END OF YEAR</u>	<u>\$ (254,239)</u>	<u>\$ (3,488,933)</u>	<u>\$ 1</u>	<u>\$ 3,488,934</u>

MONTGOMERY COUNTY, TEXAS
Animal Shelter Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2005

C-11

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Licenses and Permits	\$ 90,000	\$ 94,832	\$ 77,426	\$ (17,406)
Charges for Service	-	21,478	21,508	30
Miscellaneous	11,000	37,000	34,978	(2,022)
Total Revenues	101,000	153,310	133,912	(19,398)
<u>EXPENDITURES:</u>				
Health and Welfare:				
Salaries	201,715	203,856	203,855	1
Employee Benefits	96,082	91,076	91,076	-
Supplies	37,700	90,082	82,521	7,561
Contract Services	80,662	95,862	85,397	10,465
Capital Outlay	2,138	2,138	1,325	813
Total Expenditures	418,297	483,014	464,174	18,840
(Deficiency) Revenues Over Expenditures	(317,297)	(329,704)	(330,262)	(558)
<u>OTHER FINANCING SOURCES/(USES):</u>				
Transfers In	-	8,737	330,500	321,763
Transfers Out		(8,737)	-	8,737
<u>TOTAL OTHER FINANCING SOURCES</u>	-	-	330,500	330,500
Net Change in Fund Balance	(317,297)	(329,704)	238	329,942
Fund Balance at Beginning of Year	-	-	-	-
<u>FUND BALANCE AT END OF YEAR</u>	\$ (317,297)	\$ (329,704)	\$ 238	\$ 329,942

MONTGOMERY COUNTY, TEXAS
Law Library Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2005

C-12

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Fees	\$ 246,385	\$ 246,385	\$ 220,538	\$ (25,847)
Interest	-	-	10,142	10,142
Total Revenues	<u>246,385</u>	<u>246,385</u>	<u>230,680</u>	<u>(15,705)</u>
<u>EXPENDITURES:</u>				
Legal Services:				
Salaries	26,000	26,000	26,601	(601)
Employee Benefits	10,985	10,985	10,941	44
Supplies	79,800	79,800	1,162	78,638
Contract Services	19,600	19,600	10,906	8,694
Capital Outlay	110,000	110,000	78,945	31,055
Total Expenditures	<u>246,385</u>	<u>246,385</u>	<u>128,555</u>	<u>117,830</u>
Excess Revenues Over Expenditures	-	-	102,125	102,125
<u>OTHER FINANCING (USES):</u>				
Transfers Out	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>
Net Change in Fund Balance	-	-	97,125	97,125
Fund Balance at Beginning of Year	<u>532,955</u>	<u>532,955</u>	<u>532,955</u>	<u>-</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ 532,955</u>	<u>\$ 532,955</u>	<u>\$ 630,080</u>	<u>\$ 97,125</u>

MONTGOMERY COUNTY, TEXAS
Historical Commission Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2005

C-13

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>EXPENDITURES:</u>				
Culture and Recreation:				
Contract Services	\$ 9,000	\$ 29,344	\$ 28,232	\$ 1,112
 (Deficiency) Revenues Over Expenditures	 (9,000)	 (29,344)	 (28,232)	 1,112
 <u>OTHER FINANCING</u>				
<u>SOURCES:</u>				
Transfers In	-	20,000	28,232	8,232
 Net Change in Fund Balance	 (9,000)	 (9,344)	 -	 9,344
 Fund Balance at Beginning of Year	 -	 -	 -	 -
 <u>FUND BALANCE AT</u>				
<u>END OF YEAR</u>	 \$ (9,000)	 \$ (9,344)	 \$ -	 \$ 9,344

MONTGOMERY COUNTY, TEXAS
Alternate Dispute Resolution Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2005

C-14

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Fees	\$ 152,865	\$ 152,865	\$ 70,460	\$ (82,405)
Charges for Services	-	-	24,500	24,500
Interest	-	-	302	302
Total Revenues	<u>152,865</u>	<u>152,865</u>	<u>95,262</u>	<u>(57,603)</u>
<u>EXPENDITURES:</u>				
Legal Services:				
Salaries	113,000	113,000	107,522	5,478
Employee Benefits	39,865	39,865	34,301	5,564
Contract Services	-	200	176	24
Total Expenditures	<u>152,865</u>	<u>153,065</u>	<u>141,999</u>	<u>11,066</u>
(Deficiency) Revenues Over Expenditures	-	(200)	(46,737)	(46,537)
<u>OTHER FINANCING SOURCES:</u>				
Transfers In	<u>-</u>	<u>200</u>	<u>-</u>	<u>(200)</u>
Net Change in Fund Balance	-	-	(46,737)	(46,737)
Fund Balance at Beginning of Year	<u>58,685</u>	<u>58,685</u>	<u>58,685</u>	<u>-</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ 58,685</u>	<u>\$ 58,685</u>	<u>\$ 11,948</u>	<u>\$ (46,737)</u>

MONTGOMERY COUNTY, TEXAS
Juvenile Probation Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2005

C-15

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Intergovernmental:				
Dept Health/Human Services Grant	\$ -	\$ 441,348	\$ 263,526	\$ (177,822)
Texas Juvenile Prob Comm Grants	-	1,213,772	1,261,095	47,323
Charges for Services	-	-	22,709	22,709
Interest	-	-	636	636
Total Revenues	-	1,655,120	1,547,966	(107,154)
<u>EXPENDITURES:</u>				
Public Safety:				
Salaries	-	1,510,233	760,597	749,636
Benefits	-	497,593	227,958	269,635
Supplies	-	111,852	71,952	39,900
Contract Services	-	1,435,972	486,910	949,062
Capital Outlay	-	54,875	54,875	-
Total Expenditures	-	3,610,525	1,602,292	2,008,233
(Deficiency) Revenues Over Expenditures	-	(1,955,405)	(54,326)	1,901,079
<u>OTHER FINANCING SOURCES:</u>				
Transfers In	-	129,870	-	(129,870)
Net Change in Fund Balance	-	(1,825,535)	(54,326)	1,771,209
Fund Balance at Beginning of Year	-	70,193	70,193	-
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ -</u>	<u>\$(1,755,342)</u>	<u>\$ 15,867</u>	<u>\$ 1,771,209</u>

MONTGOMERY COUNTY, TEXAS
Child Welfare Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2005

C-16

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Intergovernmental	\$ 15,000	\$ 15,000	\$ 26,631	\$ 11,631
Miscellaneous	-	-	11,069	11,069
Total Revenues	15,000	15,000	37,700	22,700
<u>EXPENDITURES:</u>				
Health and Welfare:				
Salaries	-	20,000	19,375	625
Supplies	31,250	43,862	35,683	8,179
Contract Services	44,700	44,385	42,852	1,533
Total Expenditures	75,950	108,247	97,910	10,337
(Deficiency) Revenues Over Expenditures	(60,950)	(93,247)	(60,210)	33,037
<u>OTHER FINANCING</u>				
<u>SOURCES:</u>				
Transfers In	-	32,212	61,000	28,788
Net Change in Fund Balance	(60,950)	(61,035)	790	61,825
Fund Balance at Beginning of Year	-	-	-	-
<u>FUND BALANCE AT</u>				
<u>END OF YEAR</u>	\$ (60,950)	\$ (61,035)	\$ 790	\$ 61,825

MONTGOMERY COUNTY, TEXAS
Airport Maintenance Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2005

C-17

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Intergovernmental:				
Federal Grants	\$ -	\$ 2,375,869	\$ 203,986	\$ (2,171,883)
State Grants	-	30,000	35,114	5,114
Charges for Services	182,500	182,500	164,258	(18,242)
Interest	-	-	239	239
Total Revenues	<u>182,500</u>	<u>2,588,369</u>	<u>403,597</u>	<u>(2,184,772)</u>
<u>EXPENDITURES:</u>				
Public Transportation:				
Salaries	198,963	206,796	206,796	-
Employee Benefits	59,194	58,559	58,559	-
Supplies	29,927	29,649	23,976	5,673
Contract Services	43,250	46,933	44,967	1,966
Capital Outlay	-	221,857	221,891	(34)
Total Expenditures	<u>331,334</u>	<u>563,794</u>	<u>556,189</u>	<u>7,605</u>
(Deficiency) Revenues Over Expenditures	<u>(148,834)</u>	<u>2,024,575</u>	<u>(152,592)</u>	<u>(2,177,167)</u>
<u>OTHER FINANCING SOURCES/(USES):</u>				
Transfers In	-	3,200	319,500	316,300
Transfers Out	-	(2,204,823)	(166,667)	2,038,156
<u>TOTAL OTHER FINANCING SOURCES</u>	<u>-</u>	<u>(2,201,623)</u>	<u>152,833</u>	<u>2,354,456</u>
Net Change in Fund Balance	(148,834)	(177,048)	241	177,289
Fund Balance at Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ (148,834)</u>	<u>\$ (177,048)</u>	<u>\$ 241</u>	<u>\$ 177,289</u>

NONMAJOR CAPITAL PROJECT FUNDS

County Jail - to account for the construction of a County Law Enforcement Complex, including a Juvenile Service Center. Financing for this fund includes the proceeds from the issuance of general obligation bonds.

Library Construction - to account for the construction of three libraries. Financing for this fund includes the proceeds from the issuance of general obligation bonds.

Road Bonds Series 2002A - to account for various road improvements to be made with the proceeds of general obligation bonds.

Certificates of Obligation, Series 1997A/1998 - to account for the construction of a civic center and multipurpose facility, the construction of a law enforcement building in South County, and improvements to various roads and parks throughout the county. Funding is provided by the issuance of certificates of obligation.

Certificates of Obligation, Series 2001 - to account for the acquisition and renovation of a former church building and parking area to be utilized as a courts building. Funding for this fund is provided by the issuance of \$2.5million in certificates of obligation.

Certificates of Obligation, Series 2003 - to account for the acquisition of a parking garage, an animal shelter, and an office building, and the second phase of construction of an office building for court support services. Funding is provided by the issuance of \$11.6million in certificates of obligation.

Certificates of Obligation, Series 2004 - to account for the remodel of county buildings and improvements to the County's municipal airport. Financing is provided by the issuance of \$2.6million in certificates of obligation.

Certificates of Obligation, Series 2006 - to account for library improvements, the purchase of a building for use by the County as a replacement for the inadequate south county courts and public safety buildings, and the acquisition of certain equipment. The County intends to reimburse itself for these current expenditures upon issuance of certificates of obligation in late 2006.

MONTGOMERY COUNTY, TEXAS
Nonmajor Capital Project Funds
Combining Balance Sheet
September 30, 2005

D-1

	County Jail	Library Construction	Road Bonds Series 2002A	Certificates Obligation Series 97A-98
<u>ASSETS:</u>				
Cash	\$ 44	\$ 218,971	\$ -	\$ 49,050
Investments, at Fair Value	-	4,211,091	421,740	200,000
Cash, Restricted for Retainage	-	281,080	15,817	-
Receivables:				
Accrued Interest	-	-	-	1,537
Due from Other Funds	-	20,945	2,288,599	-
Due from Other Governments	-	-	193,155	-
<u>TOTAL ASSETS</u>	<u>\$ 44</u>	<u>\$ 4,732,087</u>	<u>\$ 2,919,311</u>	<u>\$ 250,587</u>

LIABILITIES AND FUND BALANCES:

<u>LIABILITIES:</u>				
Accounts Payable	\$ -	\$ 1,017,200	\$ 616,684	\$ -
Retainage Payable	-	281,080	19,878	-
Due to Other Funds	900	118,089	-	-
Deferred Revenue	-	-	-	-
Total Liabilities	<u>900</u>	<u>1,416,369</u>	<u>636,562</u>	<u>-</u>

FUND BALANCES:

Reserved for Capital Projects	<u>(856)</u>	<u>3,315,718</u>	<u>2,282,749</u>	<u>250,587</u>
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TOTAL LIABILITIES AND

<u>FUND BALANCES</u>	<u>\$ 44</u>	<u>\$ 4,732,087</u>	<u>\$ 2,919,311</u>	<u>\$ 250,587</u>
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Certificates Obligation Series 2001	Certificates Obligation Series 2003	Certificates Obligation Series 2004	Certificates Obligation Series 2006	Totals
\$ 126,758	\$ 7,994	\$ 36,526	\$ -	\$ 439,343
-	-	838,545	-	5,671,376
-	-	-	-	296,897
-	-	4,520	-	6,057
-	-	2,562,839	-	4,872,383
-	-	-	-	193,155
<u>\$ 126,758</u>	<u>\$ 7,994</u>	<u>\$ 3,442,430</u>	<u>\$ -</u>	<u>\$ 11,479,211</u>
\$ 1,331	\$ -	\$ 5,000	\$ 6,105	\$ 1,646,320
-	-	-	4,252	305,210
-	-	-	2,257,869	2,376,858
-	-	1,590,599	-	1,590,599
<u>1,331</u>	<u>-</u>	<u>1,595,599</u>	<u>2,268,226</u>	<u>5,918,987</u>
<u>125,427</u>	<u>7,994</u>	<u>1,846,831</u>	<u>(2,268,226)</u>	<u>5,560,224</u>
<u>\$ 126,758</u>	<u>\$ 7,994</u>	<u>\$ 3,442,430</u>	<u>\$ -</u>	<u>\$ 11,479,211</u>

MONTGOMERY COUNTY, TEXAS

Nonmajor Capital Project Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended September 30, 2005

D-2

	County Jail	Library Construction	Road Bonds Series 2002A	Certificates Obligation Series 97A-98
<u>REVENUES:</u>				
Interest	\$ 403	\$ 172,958	\$ 31,373	\$ 3,287
Miscellaneous	-	263,872	-	-
<u>TOTAL REVENUES</u>	<u>403</u>	<u>436,830</u>	<u>31,373</u>	<u>3,287</u>
<u>EXPENDITURES:</u>				
Capital Outlay	-	6,200,953	1,638,891	-
<u>TOTAL EXPENDITURES</u>	<u>-</u>	<u>6,200,953</u>	<u>1,638,891</u>	<u>-</u>
Excess (Deficiency) Revenues Over Expenditures	<u>403</u>	<u>(5,764,123)</u>	<u>(1,607,518)</u>	<u>3,287</u>
<u>OTHER FINANCING SOURCES/(USES):</u>				
Transfers In	-	20,945	2,298,567	-
Transfers Out	(76,000)	(100,636)	(192,912)	-
<u>TOTAL OTHER FINANCING SOURCES/(USES)</u>	<u>(76,000)</u>	<u>(79,691)</u>	<u>2,105,655</u>	<u>-</u>
Excess (Deficiency) Revenues/ Other Sources Over Expenditures/ Other Uses	<u>(75,597)</u>	<u>(5,843,814)</u>	<u>498,137</u>	<u>3,287</u>
Fund Balance at Beginning of Year	<u>74,741</u>	<u>9,159,532</u>	<u>1,784,612</u>	<u>247,300</u>
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$ (856)</u>	<u>\$ 3,315,718</u>	<u>\$ 2,282,749</u>	<u>\$ 250,587</u>

Certificates Obligation Series 2001	Certificates Obligation Series 2003	Certificates Obligation Series 2004	Certificates Obligation Series 2006	Totals
\$ 1,563	\$ 117	\$ 23,583	\$ -	\$ 233,284
-	-	-	-	263,872
1,563	117	23,583	-	497,156
63,223	-	80,086	2,268,226	10,251,379
63,223	-	80,086	2,268,226	10,251,379
(61,660)	117	(56,503)	(2,268,226)	(9,754,223)
-	-	166,667	-	2,486,179
-	-	(114,946)	-	(484,494)
-	-	51,721	-	2,001,685
(61,660)	117	(4,782)	(2,268,226)	(7,752,538)
187,087	7,877	1,851,613	-	13,312,762
\$ 125,427	\$ 7,994	\$ 1,846,831	\$ (2,268,226)	\$ 5,560,224



AGENCY FUNDS

Restitution Center Fund - to account for the earnings by probationers housed in the Montgomery County Residential Treatment Center. Expenditure of the funds is limited to obligations incurred by the probationers while residing in the Center.

County Officials Fund - to account for the collection of fees and court ordered payments collected by various elected county officials and distribution of those funds on their behalf.

MONTGOMERY COUNTY, TEXAS
Agency Funds
Combining Statement of Assets and Liabilities
September 30, 2005

E-1

	Restitution Center	County Officials	Totals
<u>ASSETS:</u>			
Cash	\$ 11,304	\$ 8,559,307	\$ 8,570,611
Investments, at Fair Value	-	1,107,852	1,107,852
Accounts Receivable	-	5,075	5,075
<u>TOTAL ASSETS</u>	<u>\$ 11,304</u>	<u>\$ 9,672,234</u>	<u>\$ 9,683,538</u>
<u>LIABILITIES:</u>			
Accounts Payable	\$ 11,304	\$ 5,057,375	\$ 5,068,679
Due to Other Governments	-	4,614,859	4,614,859
<u>TOTAL LIABILITIES</u>	<u>\$ 11,304</u>	<u>\$ 9,672,234</u>	<u>\$ 9,683,538</u>

MONTGOMERY COUNTY, TEXAS
Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended September 30, 2005

E-2

	Balance October 1, 2004	Additions	Deductions	Balance September 30, 2005
<u>RESTITUTION CENTER:</u>				
Assets:				
Cash	\$ 5,476	\$ 509,062	\$ 503,234	\$ 11,304
Liabilities:				
Accounts Payable	\$ 5,476	\$ 509,062	\$ 503,234	\$ 11,304

COUNTY OFFICIALS:

Assets:				
Cash	\$ 8,556,074	\$ 796,535,381	\$ 796,532,148	\$ 8,559,307
Investments, at Fair Value	962,918	1,434,511	1,289,577	1,107,852
Accounts Receivable	5,236	8,966	9,127	5,075
Due from Other Funds	-	25	25	-
Total Assets	\$ 9,524,228	\$ 797,978,883	\$ 797,830,877	\$ 9,672,234
Liabilities:				
Accounts Payable	\$ 3,733,809	\$ 15,094,668	\$ 13,771,102	\$ 5,057,375
Due to Other Funds	1,022,599	322,270,056	323,292,655	-
Due to Other Governments	4,767,820	460,614,159	460,767,120	4,614,859
Total Liabilities	\$ 9,524,228	\$ 797,978,883	\$ 797,830,877	\$ 9,672,234

TOTALS - ALL AGENCY FUNDS:

Assets:				
Cash	\$ 8,561,550	\$ 797,044,443	\$ 797,035,382	\$ 8,570,611
Investments, at Fair Value	962,918	1,434,511	1,289,577	1,107,852
Accounts Receivable	5,236	8,966	9,127	5,075
Due from Other Funds	-	25	25	-
Total Assets	\$ 9,529,704	\$ 798,487,945	\$ 798,334,111	\$ 9,683,538
Liabilities:				
Accounts Payable	\$ 3,739,285	\$ 15,603,730	\$ 14,274,336	\$ 5,068,679
Due to Other Funds	1,022,599	322,270,056	323,292,655	-
Due to Other Governments	4,767,820	460,614,159	460,767,120	4,614,859
Total Liabilities	\$ 9,529,704	\$ 798,487,945	\$ 798,334,111	\$ 9,683,538

**CAPITAL ASSETS
USED IN THE OPERATION
OF
GOVERNMENTAL FUNDS**

MONTGOMERY COUNTY, TEXAS
Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
September 30, 2005

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GOVERNMENTAL FUNDS CAPITAL ASSETS:

Land	\$ 7,398,715
Buildings	105,122,235
Improvements Other than Buildings	6,682,500
Equipment	43,233,116
Infrastructure	82,196,392
Construction in Progress	4,289,174

<u>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</u>	<u>\$ 248,922,132</u>
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INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS

BY SOURCE:

General Fund	\$ 106,633,098
Special Revenue Funds	137,999,860
Capital Project Funds	4,289,174

<u>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</u>	<u>\$ 248,922,132</u>
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MONTGOMERY COUNTY, TEXAS
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
September 30, 2005

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Function and Activity	Total	Land	Buildings	Improvements Other than Buildings	Equipment
<u>GENERAL ADMINISTRATION:</u>					
County Judge	\$ 24,471	\$ -	\$ -	\$ -	\$ 24,471
Human Resources	15,415	-	-	-	15,415
Risk Management	12,926	-	-	-	12,926
County Clerk	621,082	-	-	-	621,082
Collections	23,808	-	-	-	23,808
Veterans' Service	1,376	-	-	-	1,376
Purchasing Agent	61,238	-	-	-	61,238
Motor Pool	42,569	-	-	-	42,569
Commns/Info Services	1,171,262	-	86,900	8,000	1,076,362
County Buildings	76,013,447	-	75,991,305	22,142	-
County Land	4,597,222	4,481,376	-	115,846	-
Worthless Check Administration	11,622	-	-	-	11,622
<u>TOTAL GENERAL ADM</u>	<u>82,596,438</u>	<u>4,481,376</u>	<u>76,078,205</u>	<u>145,988</u>	<u>1,890,869</u>
<u>FINANCIAL ADMINISTRATION:</u>					
County Auditor	77,042	-	-	-	77,042
Budget Office	8,622	-	-	-	8,622
County Treasurer	32,116	-	-	-	32,116
Tax Assessor/Collector	306,286	-	-	-	306,286
<u>TOTAL FINANCIAL ADM</u>	<u>424,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>424,066</u>
<u>CONSERVATION:</u>					
Extension Agents	68,433	-	8,948	15,520	43,965
Recycling Stations	164,142	-	66,318	20,722	77,102
<u>TOTAL CONSERVATION</u>	<u>232,575</u>	<u>-</u>	<u>75,266</u>	<u>36,242</u>	<u>121,067</u>
<u>ELECTIONS:</u>					
Elections Administrator	371,663	-	-	-	371,663
<u>TOTAL ELECTIONS ADM</u>	<u>371,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>371,663</u>
<u>FACILITIES:</u>					
Custodial Services	594,503	-	168,474	-	426,029
Building Maintenance	716,218	-	124,994	5,668	585,556
Parks	6,386,292	817,488	2,139,669	3,341,286	87,849
Jail	593,903	-	250,567	-	343,336
Civic Center	15,162,309	88,216	14,316,797	157,066	600,230
<u>TOTAL FACILITIES</u>	<u>23,453,225</u>	<u>905,704</u>	<u>17,000,501</u>	<u>3,504,020</u>	<u>2,043,000</u>
<u>HEALTH AND WELFARE:</u>					
Public Health	2,407,582	49,211	2,111,495	-	246,876
Child Welfare	5,600	-	-	-	5,600
Community Development	1,333,524	-	1,229,324	-	104,200
<u>TOTAL HEALTH/WELFARE</u>	<u>3,746,706</u>	<u>49,211</u>	<u>3,340,819</u>	<u>-</u>	<u>356,676</u>

MONTGOMERY COUNTY, TEXAS
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
September 30, 2005

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Function and Activity	Total	Land	Buildings	Improvements Other than Buildings	Equipment	Infrastructure
<u>JUDICIAL:</u>						
Courts	431,198	-	-	924	430,274	-
District Attorney	345,144	-	-	-	345,144	-
District Clerk	465,440	-	-	-	465,440	-
Justice of Peace	165,471	-	6,580	1,440	157,451	-
<u>TOTAL JUDICIAL</u>	<u>1,407,253</u>	<u>-</u>	<u>6,580</u>	<u>2,364</u>	<u>1,398,309</u>	<u>-</u>
<u>LEGAL SERVICES:</u>						
County Attorney	66,833	-	-	-	66,833	-
Law Library	713,569	-	-	-	713,569	-
<u>TOTAL LEGAL SERVICES</u>	<u>780,402</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>780,402</u>	<u>-</u>
<u>PUBLIC SAFETY:</u>						
Emergency Management	1,224,121	-	-	-	1,224,121	-
Fire Marshal	21,184	-	-	-	21,184	-
Department of Public Safety	3,648	-	-	-	3,648	-
Constables	1,644,164	-	36,891	1,440	1,605,833	-
Sheriff	10,569,314	10,907	306,551	528,900	9,722,956	-
District Attorney Forfeitures	29,194	-	-	8,900	20,294	-
County Attorney Forfeitures	2,752	-	-	-	2,752	-
Juvenile Probation	316,777	-	14,127	-	302,650	-
Adult Probation	69,285	-	-	-	69,285	-
<u>TOTAL PUBLIC SAFETY</u>	<u>13,880,439</u>	<u>10,907</u>	<u>357,569</u>	<u>539,240</u>	<u>12,972,723</u>	<u>-</u>
<u>PUBLIC TRANSPORTATION:</u>						
Engineer	106,774	-	-	-	106,774	-
Commissioners' Operations	96,323,315	1,165,452	2,557,342	1,992,328	11,884,296	78,723,897
Airport	5,872,959	86,806	1,652,537	453,974	207,147	3,472,495
<u>TOTAL PUBLIC TRANSPORTATION</u>	<u>102,303,048</u>	<u>1,252,258</u>	<u>4,209,879</u>	<u>2,446,302</u>	<u>12,198,217</u>	<u>82,196,392</u>
<u>CULTURE AND RECREATION:</u>						
Memorial Library	15,437,143	699,259	4,053,416	8,344	10,676,124	-
<u>TOTAL CULTURE/REC</u>	<u>15,437,143</u>	<u>699,259</u>	<u>4,053,416</u>	<u>8,344</u>	<u>10,676,124</u>	<u>-</u>
<u>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</u>	<u>244,632,958</u>	<u>\$7,398,715</u>	<u>\$105,122,235</u>	<u>\$6,682,500</u>	<u>\$43,233,116</u>	<u>\$82,196,392</u>
Construction In Progress	4,289,174					
<u>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</u>	<u>\$248,922,132</u>					

MONTGOMERY COUNTY, TEXAS
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended September 30, 2005

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Function and Activity	Govtl Funds Capital Assets October 1, 2004	Additions	Deletions	Govtl Funds Capital Assets September 30, 2005
<u>GENERAL ADMINISTRATION:</u>				
County Judge	\$ 27,967	\$ 1,002	\$ 4,498	\$ 24,471
Human Resources	13,165	4,438	2,188	15,415
Risk Management	13,442	-	516	12,926
County Clerk	612,938	8,662	518	621,082
Collections	31,095	-	7,287	23,808
Veterans' Service	2,115	-	739	1,376
Purchasing Agent	32,343	36,441	7,546	61,238
Motor Pool	42,569	-	-	42,569
Commns/Info Services	1,050,106	133,921	12,765	1,171,262
County Buildings	74,036,801	2,445,884	469,238	76,013,447
County Land	4,150,222	447,000	-	4,597,222
Worthless Check Administration	12,521	-	899	11,622
<u>TOTAL GENERAL ADM</u>	<u>80,025,284</u>	<u>3,077,348</u>	<u>506,194</u>	<u>82,596,438</u>
<u>FINANCIAL ADMINISTRATION:</u>				
County Auditor	71,041	6,001	-	77,042
Budget Office	9,992	-	1,370	8,622
County Treasurer	36,985	1,042	5,911	32,116
Tax Assessor/Collector	271,883	42,337	7,934	306,286
<u>TOTAL FINANCIAL ADM</u>	<u>389,901</u>	<u>49,380</u>	<u>15,215</u>	<u>424,066</u>
<u>CONSERVATION:</u>				
Extension Agents	75,652	-	7,219	68,433
Recycling Stations	152,102	12,040	-	164,142
<u>TOTAL CONSERVATION</u>	<u>227,754</u>	<u>12,040</u>	<u>7,219</u>	<u>232,575</u>
<u>ELECTIONS:</u>				
Elections Administrator	345,614	39,524	13,475	371,663
<u>TOTAL ELECTIONS</u>	<u>345,614</u>	<u>39,524</u>	<u>13,475</u>	<u>371,663</u>
<u>FACILITIES:</u>				
Custodial Services	321,998	272,505	-	594,503
Building Maintenance	678,868	37,350	-	716,218
Parks	6,387,181	-	889	6,386,292
Jail	432,721	169,122	7,940	593,903
Civic Center	15,261,446	22,527	121,664	15,162,309
<u>TOTAL FACILITIES</u>	<u>23,082,214</u>	<u>501,504</u>	<u>130,493</u>	<u>23,453,225</u>
<u>HEALTH AND WELFARE:</u>				
Public Health	2,395,466	58,690	46,574	2,407,582
Child Welfare	6,739	-	1,139	5,600
Community Development	1,330,577	2,947	-	1,333,524
<u>TOTAL HEALTH & WELFARE</u>	<u>3,732,782</u>	<u>61,637</u>	<u>47,713</u>	<u>3,746,706</u>

MONTGOMERY COUNTY, TEXAS
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended September 30, 2005

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Function and Activity	Govtl Funds Capital Assets October 1, 2004	Additions	Deletions	Govtl Funds Capital Assets September 30, 2005
<u>JUDICIAL:</u>				
Courts	416,416	38,243	23,461	431,198
District Attorney	416,316	1,334	72,506	345,144
District Clerk	430,018	36,257	835	465,440
Justice of Peace	167,857	4,652	7,038	165,471
<u>TOTAL JUDICIAL</u>	<u>1,430,607</u>	<u>80,486</u>	<u>103,840</u>	<u>1,407,253</u>
<u>LEGAL SERVICES:</u>				
County Attorney	68,286	1,054	2,507	66,833
Law Library	619,623	94,806	860	713,569
<u>TOTAL LEGAL SERVICES</u>	<u>687,909</u>	<u>95,860</u>	<u>3,367</u>	<u>780,402</u>
<u>PUBLIC SAFETY:</u>				
Emergency Management	76,028	1,148,093	-	1,224,121
Fire Marshal	22,161	-	977	21,184
Department of Public Safety	15,220	-	11,572	3,648
Constables	1,502,139	238,489	96,464	1,644,164
Sheriff	9,862,800	1,613,541	907,027	10,569,314
District Attorney Forfeitures	31,288	1,079	3,173	29,194
County Attorney Forfeitures	2,752	-	-	2,752
Juvenile Probation	264,397	66,273	13,893	316,777
Adult Probation	69,285	-	-	69,285
<u>TOTAL PUBLIC SAFETY</u>	<u>11,846,070</u>	<u>3,067,475</u>	<u>1,033,106</u>	<u>13,880,439</u>
<u>PUBLIC TRANSPORTATION:</u>				
Engineers	116,919	1,870	12,015	106,774
Commissioners' Operations	64,467,520	32,405,238	549,443	96,323,315
Airport	5,740,277	134,532	1,850	5,872,959
<u>TOTAL PUBLIC TRANS</u>	<u>70,324,716</u>	<u>32,541,640</u>	<u>563,308</u>	<u>102,303,048</u>
<u>CULTURE & RECREATION:</u>				
Memorial Library	10,166,244	5,305,623	34,724	15,437,143
<u>TOTAL CULTURE/REC</u>	<u>10,166,244</u>	<u>5,305,623</u>	<u>34,724</u>	<u>15,437,143</u>
Construction In Progress	1,529,467	6,351,169	3,591,462	4,289,174
<u>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</u>	<u>\$ 203,788,562</u>	<u>\$ 51,183,686</u>	<u>\$ 6,050,116</u>	<u>\$ 248,922,132</u>



STATISTICAL SECTION

STATISTICAL SECTION

(unaudited)

This part of Montgomery County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and additional supplementary information says about the County's overall financial health.

Contents

Table

Financial Trends - These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	I, II, III, IV
Revenue Capacity - These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.	V, VI, VII, VIII
Debt Capacity - These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.	IX, X, XI
Economic and Demographic Indicators - These schedules offer economic and demographic indicators to help the reader understand the environment within which the County's financial activities take place.	XII, XIII
Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides.	XIV, XV, XVI

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

MONTGOMERY COUNTY, TEXAS

Net Assets by Component

Last Three Fiscal Years

(accrual basis of accounting)

TABLE I

Governmental Activities:

	Invested in Capital Assets, Net of Related Debt	Restricted for:		Unrestricted	Total Net Assets
		Capital Projects	Debt Service		
2003	\$ 70,953,418	\$ 9,716,809	\$ 3,998,299	\$ (50,153,484)	\$ 34,515,042
2004	78,432,519	82,619	4,221,760	(41,868,121)	40,868,777
2005	122,477,741	7,138	5,212,724	(52,123,132)	75,574,471

Note: Accounting standards require that net assets be reported in 3 components in the financial statements: Invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted when (1) an external party, such as the state or federal government, places a restriction on how the resources may be used, or (2) enabling legislation is enacted.

MONTGOMERY COUNTY, TEXAS**Changes in Net Assets****Last Three Fiscal Years**

(accrual basis of accounting)

TABLE II

	Fiscal Year		
	2003	2004	2005
Expenses			
Governmental Activities:			
General Administration	\$ 11,648,705	\$ 11,020,255	\$ 11,228,147
Judicial	12,773,623	14,196,220	14,787,696
Legal	1,535,772	1,688,226	1,823,681
Elections	578,472	741,325	460,869
Financial Administration	3,545,228	3,775,200	4,398,998
Public Facilities	6,756,690	6,351,995	16,611,013
Public Safety	39,426,821	41,783,788	38,293,859
Health and Welfare	4,735,049	5,679,181	6,253,621
Culture and Recreation	4,207,762	4,746,828	6,257,162
Conservation	595,714	565,941	721,238
Public Transportation	1,447,670	14,662,727	23,780,503
Debt Service	8,229,368	8,062,860	7,464,112
Miscellaneous	4,589,512	7,234,220	4,519,314
Total Governmental Activities Expenses	100,070,386	120,508,766	136,600,213
Total Primary Government Expenses	<u>\$ 100,070,386</u>	<u>\$ 120,508,766</u>	<u>\$ 136,600,213</u>
Program Revenues			
Governmental Activities:			
Fees, Fines, Forfeitures and Charges for Services	\$ 28,355,009	\$ 31,299,005	\$ 35,943,376
Operating Grants and Contributions	6,205,454	5,787,485	8,238,497
Capital Grants and Contributions	319,745	1,032,241	27,335,093
Total Governmental Activities Program Revenues	34,880,208	38,118,731	71,516,966
Total Primary Government Program Revenues	<u>\$ 34,880,208</u>	<u>\$ 38,118,731</u>	<u>\$ 71,516,966</u>
Net (Expense) Revenue	<u>\$ (65,190,178)</u>	<u>\$ (82,390,035)</u>	<u>\$ (65,083,247)</u>
General Revenues and Other Changes in Net Assets			
Governmental Activities:			
Taxes			
Property Taxes	\$ 78,482,657	\$ 86,767,811	\$ 95,927,528
Other Taxes	730,506	929,853	1,077,680
Unrestricted Grants and Contributions	1,016,103	-	-
Investment Earnings	1,168,435	785,873	2,007,229
Miscellaneous	130,806	260,233	776,504
Total Governmental Activities	81,528,507	88,743,770	99,788,941
Total Primary Government	<u>\$ 81,528,507</u>	<u>\$ 88,743,770</u>	<u>\$ 99,788,941</u>
Change in Net Assets	<u>\$ 16,338,329</u>	<u>\$ 6,353,735</u>	<u>\$ 34,705,694</u>

MONTGOMERY COUNTY, TEXAS
Governmental Fund Balances
Last Ten Fiscal Years

	Fiscal Year			
	1996	1997	1998	1999
General Fund				
Reserved for:				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Unreserved	7,487,153	8,715,824	9,529,258	8,193,737
Total General Fund	<u>\$ 7,487,153</u>	<u>\$ 8,715,824</u>	<u>\$ 9,529,258</u>	<u>\$ 8,193,737</u>
All Other Governmental Funds				
Reserved for:				
Prepaid items	\$ 176	\$ 176	\$ 176	\$ -
Capital projects	3,476,017	18,573,531	27,255,971	19,992,422
Inventory	11,922	16,014	3,346	25,642
Debt service	818,225	844,838	1,065,497	1,005,634
Unreserved, reported in:				
Special revenue funds	4,947,799	4,175,796	5,404,266	6,015,497
Total All Other Governmental Funds	<u>\$ 9,254,139</u>	<u>\$ 23,610,355</u>	<u>\$ 33,729,256</u>	<u>\$ 27,039,195</u>

TABLE III

Fiscal Year					
2000	2001	2002	2003	2004	2005
\$ -	\$ -	\$ -	\$ 25,209	\$ 186,540	\$ -
5,703,369	1,097,068	1,452,802	3,111,416	4,597,977	9,818,012
<u>\$ 5,703,369</u>	<u>\$ 1,097,068</u>	<u>\$ 1,452,802</u>	<u>\$ 3,136,625</u>	<u>\$ 4,784,517</u>	<u>\$ 9,818,012</u>
\$ 500	\$ 10,468	\$ 293,686	\$ 44,865	\$ 56,219	\$ 1,799,127
6,221,991	13,836,579	23,390,216	42,881,808	40,717,540	25,183,317
33,786	49,274	59,883	72,409	77,008	80,227
811,885	2,860,746	1,580,961	2,043,861	2,160,259	2,142,695
5,711,670	4,987,601	4,390,626	2,466,223	1,774,849	500,665
<u>\$ 12,779,832</u>	<u>\$ 21,744,668</u>	<u>\$ 29,715,372</u>	<u>\$ 47,509,166</u>	<u>\$ 44,785,875</u>	<u>\$ 29,706,031</u>

MONTGOMERY COUNTY, TEXAS
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)

	1996	1997	1998	1999
Revenues				
Taxes	\$ 42,386,987	\$ 45,180,562	\$ 48,584,808	\$ 52,611,626
Licenses and Permits	4,597,463	4,936,810	5,426,093	5,858,172
Fees	4,397,037	4,661,065	5,714,570	6,704,550
Intergovernmental	11,372,008	2,419,889	3,159,165	4,892,718
Charges for Services	657,206	696,049	753,979	817,254
Interest	1,252,815	1,816,309	2,545,836	2,893,175
Contract Reimbursements	4,494,549	4,700,322	5,368,916	5,435,479
Inmate Housing	3,100,532	2,797,921	2,890,049	2,777,248
Fines and Forfeitures	997,313	1,045,391	1,146,969	1,547,650
Miscellaneous	1,134,194	1,107,811	2,141,712	2,805,512
Total Revenues	74,390,104	69,362,129	77,732,097	86,343,384
Expenditures				
General Administration	5,470,242	6,400,141	7,505,752	8,141,208
Judicial	4,991,447	5,648,210	6,331,292	6,800,845
Legal Services	1,405,570	1,434,643	1,515,382	1,583,830
Elections	415,223	369,015	441,725	330,022
Financial Administration	2,095,901	2,228,841	2,463,660	2,686,149
Public Facilities	2,400,533	2,902,725	3,127,051	3,651,170
Public Safety	22,927,729	24,114,850	27,104,453	28,561,434
Health and Welfare	13,488,725	2,837,989	3,751,987	4,950,959
Culture and Recreation	2,577,360	2,378,063	2,829,968	3,317,301
Conservation	220,986	260,656	264,074	272,788
Public Transportation	11,723,319	13,424,111	12,551,589	14,823,006
Miscellaneous	994,271	633,668	1,820,432	3,017,333
Capital Outlay	567,189	3,778,928	11,279,364	9,507,853
Debt Service:				
Principal Retirement	4,010,000	3,351,139	2,589,398	3,031,236
Interest and Fiscal Charges	1,726,317	2,805,312	3,074,921	3,849,657
Issuance Costs	-	318,185	59,352	33,889
Total Expenditures	75,014,812	72,886,476	86,710,400	94,558,680
(Deficiency) Revenues over Expenditures	(624,708)	(3,524,347)	(8,978,303)	(8,215,296)
Other Financing Sources/(Uses)				
Transfers In	9,702,527	3,909,073	5,986,790	4,918,647
Transfers Out	(9,702,527)	(3,909,073)	(5,986,790)	(4,918,647)
Capital Lease Financing	717,660	152,300	1,560,638	189,714
Issuance of Refunding Bonds	-	9,510,608	-	-
Payment to Refunded Bond Escrow Agent	-	(9,304,166)	-	-
Issuance of Other Bonds	4,973,172	18,750,492	18,350,000	-
Discounts/Premiums on Debt Issuance	-	-	-	-
Total Other Financing Sources/(Uses)	5,690,832	19,109,234	19,910,638	189,714
Prior Period Adjustment	-	-	-	-
Net Change in Fund Balances	\$ 5,066,124	\$ 15,584,887	\$ 10,932,335	\$ (8,025,582)
Debt Service as a percentage of noncapital expenditures	7.7%	9.4%	7.6%	8.1%

TABLE IV

2000	2001	2002	2003	2004	2005
\$ 55,606,396	\$ 61,792,434	\$ 69,165,276	\$ 79,235,180	\$ 87,999,696	\$ 96,881,886
6,203,717	6,134,638	6,848,251	6,774,170	7,391,938	7,090,124
7,354,016	7,866,591	8,661,726	9,704,730	10,355,267	11,245,253
4,344,212	6,031,959	8,493,436	7,528,351	7,780,777	9,753,650
783,919	948,496	1,078,794	1,126,189	1,159,017	1,208,604
2,514,623	2,135,375	1,201,707	888,724	785,873	2,007,225
5,647,519	6,160,532	7,351,963	6,952,378	7,587,085	8,026,103
1,356,444	375,313	448,159	479,399	118,818	50,430
1,659,434	1,636,656	1,570,219	1,586,335	2,421,254	2,338,177
2,731,521	2,404,469	1,864,084	2,143,431	1,706,620	2,477,813
88,201,801	95,486,463	106,683,615	116,418,887	127,306,345	141,079,265
7,503,373	7,967,743	12,629,952	10,299,486	9,656,917	11,956,474
7,750,470	9,078,900	10,294,847	12,775,232	14,135,706	14,533,798
1,713,202	1,468,205	1,452,800	1,560,404	1,712,325	1,820,797
441,851	450,201	588,836	562,397	730,253	650,970
2,749,449	3,151,028	3,464,350	3,520,998	3,737,425	4,359,609
4,092,645	5,055,180	5,418,380	6,093,188	6,376,545	15,795,553
30,857,263	33,238,674	37,018,409	39,615,733	42,296,886	39,990,719
5,007,622	6,985,594	6,312,253	6,590,080	6,426,018	6,979,121
3,615,564	4,253,302	4,281,759	4,390,872	4,473,911	6,102,610
299,612	379,251	609,646	712,160	755,853	707,684
16,606,255	16,353,845	19,224,885	16,860,588	18,210,470	16,857,418
2,352,687	3,937,048	6,427,786	5,594,822	7,234,220	4,519,314
16,810,895	10,129,605	15,460,863	17,544,646	14,361,966	16,092,056
3,123,227	3,355,000	3,685,806	9,700,493	3,237,591	3,034,930
3,564,820	3,191,279	4,375,931	6,169,771	8,831,163	8,087,980
10,456	276,020	438,436	760,392	262,523	618,647
106,499,391	109,270,875	131,684,939	142,751,262	142,439,772	152,107,680
(18,297,590)	(13,784,412)	(25,001,324)	(26,332,375)	(15,133,427)	(11,028,415)
8,089,320	11,554,566	13,891,059	19,849,875	14,571,754	16,324,181
(8,089,320)	(11,554,566)	(13,891,059)	(19,849,875)	(14,571,754)	(16,324,181)
1,660,192	2,397,596	8,230,514	151,948	581,915	1,264,452
-	-	3,800,000	-	-	45,850,000
-	-	(3,702,752)	-	-	(49,904,606)
-	17,500,000	25,000,000	45,699,907	12,805,000	-
-	-	-	-	671,113	3,772,220
1,660,192	19,897,596	33,327,762	45,851,855	14,058,028	982,066
-	(1,754,649)	-	-	-	-
\$ (16,637,398)	\$ 4,358,535	\$ 8,326,438	\$ 19,519,480	\$ (1,075,399)	(10,046,349)

7.5%

6.9%

7.3%

13.3%

9.6%

8.6%



MONTGOMERY COUNTY, TEXAS
Taxable Assessed Value and Actual Value of Property^{(1) (2)}
Last Ten Fiscal Years

TABLE V

Fiscal Year	Residential Property	Commercial Property	Other Property	Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate ⁽³⁾
1996	\$ 4,708,172	\$ 984,527	\$ 1,855,508	\$ 1,308,349	\$ (567,144)	\$ 8,289,412	\$ 0.5325
1997	5,131,538	1,064,217	1,841,056	1,434,865	(872,114)	8,599,561	0.5285
1998	5,777,742	1,090,680	1,780,664	1,510,582	(837,323)	9,322,345	0.5110
1999	6,416,375	1,178,010	1,869,304	1,593,073	(866,137)	10,190,625	0.5110
2000	7,264,885	1,282,579	1,852,495	1,704,490	(902,675)	11,201,772	0.4907
2001	8,324,588	1,414,658	1,951,662	1,865,436	(1,019,818)	12,536,525	0.4747
2002	9,778,759	1,704,851	2,060,537	2,030,021	(1,292,141)	14,282,028	0.4710
2003	11,355,674	2,155,239	2,280,789	2,134,447	(1,636,767)	16,289,381	0.4710
2004	12,224,993	2,473,292	2,250,623	2,212,393	(1,568,846)	17,592,455	0.4828
2005	13,394,640	2,611,940	2,279,231	2,381,924	(1,699,504)	18,968,231	0.4963

⁽¹⁾ Amounts expressed in thousands.

⁽²⁾ Property in the County is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value.

⁽³⁾ Tax rates are per \$100 of assessed value.

Source: Montgomery Central Appraisal District

MONTGOMERY COUNTY, TEXAS
Property Tax Rates⁽¹⁾ - Direct and Overlapping Governments
Last Ten Fiscal Years

	1996	1997	1998	1999
<u>MONTGOMERY COUNTY, TEXAS:</u>				
General Fund	\$ 0.3693	\$ 0.3631	\$ 0.3669	\$ 0.3583
Special Revenue Funds	0.0740	0.0746	0.0746	0.0746
Debt Service Fund	0.0494	0.0550	0.0482	0.0568
Total Montgomery County, Texas	0.4927	0.4927	0.4897	0.4897
<u>SOUTH MONTGOMERY COUNTY,</u>				
<u>TEXAS ROAD DISTRICT NO. 1:</u>				
Debt Service Fund	0.0398	0.0358	0.0213	0.0213
<u>OVERLAPPING GOVERNMENTS:</u>				
Special Districts:				
Chateau Woods M.U.D.	0.9047	0.8976	0.8190	0.6761
Clover Creek M.U.D.	-	1.0000	1.2500	-
Corinthian Point M.U.D.	0.8410	0.8380	0.8836	0.8459
East Montgomery County M.U.D. #1	1.0500	0.6000	0.6300	0.5000
East Montgomery County M.U.D. #3	-	-	-	-
East Plantation U.D.	1.7013	0.8350	0.7810	0.7590
Far Hills U.D.	0.6500	0.6300	0.5900	0.5700
Harris County U.D. #1	0.9362	Annexed	Annexed	Annexed
Harris County U.D. #4	0.7677	Annexed	Annexed	Annexed
Kingwood Place South M.U.D.	1.5072	Annexed	Annexed	Annexed
Kings Manor M.U.D.	1.2900	1.2900	1.2900	1.2900
Lake Conroe Hills M.U.D.	1.1060	1.0899	0.8736	0.7712
Lazy River I.D.	0.5433	0.4746	0.4792	0.5000
Montgomery County D.D. #6	0.6039	0.5111	0.4046	0.3520
Montgomery County D.D. #10	-	-	-	-
Montgomery County F.W.S.D. #6	0.3723	0.3833	0.3652	0.3619
Montgomery County Hospital Dist	0.0885	0.0885	0.0785	0.0785
Montgomery County M.U.D. #6	0.6500	0.6500	0.6010	0.5652
Montgomery County M.U.D. #7	0.6000	0.6000	0.5544	0.4840
Montgomery County M.U.D. #8	0.5500	0.5495	0.4986	0.4895
Montgomery County M.U.D. #9	1.1422	1.1700	1.0700	1.0200

TABLE VI

Page 1 of 4

2000	2001	2002	2003	2004	2005
\$ 0.3498	\$ 0.3446	\$ 0.3509	\$ 0.3568	\$ 0.3627	\$ 0.3822
0.0746	0.0746	0.0746	0.0525	0.0523	0.0528
0.0503	0.0555	0.0455	0.0617	0.0678	0.0613
0.4747	0.4747	0.4710	0.4710	0.4828	0.4963
0.0160	-	-	-	-	-
0.5215	0.5019	0.2500	0.2500	0.2500	0.2332
1.2500	1.2500	1.2500	1.2500	1.2500	1.2500
0.8175	0.8175	0.8175	0.7987	0.7987	0.7694
0.4397	0.4000	0.3800	0.3800	0.3800	0.3800
-	-	-	0.5000	0.5000	0.7500
0.7430	0.7300	0.7300	0.7300	0.7300	0.7700
0.5700	0.5650	0.4950	0.4950	0.4950	0.4800
Annexed	Annexed	Annexed	Annexed	Annexed	Annexed
Annexed	Annexed	Annexed	Annexed	Annexed	Annexed
Annexed	Annexed	Annexed	Annexed	Annexed	Annexed
1.2900	1.2900	1.2900	1.2900	1.2900	1.2900
0.6593	0.6300	0.5000	0.5000	0.5000	0.5000
0.8285	0.7848	0.7500	0.7200	0.7200	0.6339
0.3358	0.3052	0.3052	0.2922	0.2922	0.2800
-	-	-	-	-	0.4580
0.3618	0.4200	0.3924	0.3774	0.3774	0.3945
0.1378	0.1378	0.1338	0.1082	0.1082	0.0999
0.5650	0.5550	0.5000	0.3000	0.3000	0.2500
0.4576	0.4400	0.4200	0.3800	0.3800	0.3400
0.2671	0.2682	0.2263	0.2263	0.2263	0.2171
0.9700	0.9700	0.8600	0.7000	0.7000	0.6000

MONTGOMERY COUNTY, TEXAS
Property Tax Rates⁽¹⁾ - Direct and Overlapping Governments
Last Ten Fiscal Years

	1996	1997	1998	1999
Special Districts (continued):				
Montgomery County M.U.D. #15	2.2151	2.0209	2.0386	1.9010
Montgomery County M.U.D. #16	5.5700	5.3700	5.3700	5.0800
Montgomery County M.U.D. #18	0.8317	0.8237	0.7200	0.6800
Montgomery County M.U.D. #19	0.9954	0.9500	0.6500	0.5000
Montgomery County M.U.D. #24	2.5400	2.5000	1.8500	1.7900
Montgomery County M.U.D. #36	0.4300	0.4200	0.4148	0.3956
Montgomery County M.U.D. #39	0.9000	0.8700	0.8800	0.8800
Montgomery County M.U.D. #40	0.6225	0.5825	0.5418	0.4250
Montgomery County M.U.D. #42	-	0.5000	0.9500	1.2500
Montgomery County M.U.D. #43	0.9000	3.3100	-	-
Montgomery County M.U.D. #46	0.8500	0.8450	0.8400	0.7950
Montgomery County M.U.D. #47	0.6200	0.5900	0.5443	0.5200
Montgomery County M.U.D. #48	2.7963	Annexed	Annexed	Annexed
Montgomery County M.U.D. #53	1.8500	1.8500	-	-
Montgomery County M.U.D. #56	-	1.2500	1.2500	1.2500
Montgomery County M.U.D. #58	4.0500	Annexed	Annexed	Annexed
Montgomery County M.U.D. #60	0.7000	0.6500	0.6400	0.6100
Montgomery County M.U.D. #67	0.5900	0.5200	0.4780	0.4700
Montgomery County M.U.D. #83	-	-	-	1.0000
Montgomery County M.U.D. #89	-	-	-	-
Montgomery County M.U.D. #94	-	-	-	-
Montgomery County M.U.D. #95	-	-	-	-
Montgomery County U.D. #2	0.9896	0.9062	0.7625	0.7342
Montgomery County U.D. #3	0.5783	0.5783	0.5783	0.5733
Montgomery County U.D. #4	0.7500	0.7500	0.6500	0.4100
Montgomery County W.C.I.D. #1	1.1700	1.1122	1.1136	0.9341
New Caney M.U.D.	0.5862	0.5827	0.5188	0.5076
No Harris/Mont. Comm. College	0.1012	0.1228	0.1198	0.1174
Oak Ridge M.U.D.	0.8721	Annexed	Annexed	Annexed

TABLE VI

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2000	2001	2002	2003	2004	2005
1.8088	2.1442	2.0800	1.6000	1.6000	1.5000
5.0800	5.0800	4.8300	3.9600	3.9600	2.4600
0.6600	0.6400	0.5860	0.5600	0.5600	0.5100
0.4919	0.4500	0.4500	0.4500	0.4500	0.4000
1.6800	1.5900	1.5900	1.5900	1.5900	1.5700
0.3956	0.3900	0.3600	0.3600	0.3600	0.3600
0.8200	0.7200	0.7200	0.7200	0.7200	0.7000
0.4150	0.4050	0.3650	0.3200	0.3200	0.2800
1.5000	1.5000	1.5000	1.4800	1.4800	1.3800
-	-	-	-	-	-
0.7800	0.6950	0.6300	0.6000	0.6000	0.5800
0.4340	0.4200	0.3950	0.3700	0.3700	0.3600
Annexed	Annexed	Annexed	Annexed	Annexed	Annexed
-	-	-	-	-	-
1.2500	1.2500	1.2500	1.2500	1.2500	1.2500
Annexed	Annexed	Annexed	Annexed	Annexed	Annexed
0.5949	0.5500	0.4500	0.4200	0.4200	0.4200
0.4700	0.4700	0.4700	0.4700	0.4700	0.4500
0.9880	0.9880	1.0000	1.2500	1.2500	1.2500
-	-	-	1.3900	1.3900	1.3900
-	-	-	1.2200	1.2200	1.2200
-	-	-	1.2500	1.2500	1.2500
0.6893	0.6800	0.6000	0.5900	0.5900	0.5700
0.5765	0.5765	0.5765	0.5765	0.5765	0.4516
0.3300	0.3800	0.3800	0.3800	0.3800	0.3300
0.9378	0.8500	0.8200	0.8200	0.8200	0.8200
0.5076	0.5076	0.5076	0.5076	0.5076	0.5076
0.1100	0.1100	0.1055	0.1145	0.1145	0.1145
Annexed	Annexed	Annexed	Annexed	Annexed	Annexed

MONTGOMERY COUNTY, TEXAS
Property Tax Rates⁽¹⁾ - Direct and Overlapping Governments
Last Ten Fiscal Years

	1996	1997	1998	1999
Special Districts (continued):				
Point Aquarius M.U.D.	0.7012	0.7000	0.6800	0.6800
Porter M.U.D.	0.5293	0.5293	0.5200	0.5150
Rayford Road M.U.D.	0.6756	0.6400	0.6890	0.7416
River Plantation M.U.D.	0.6832	0.6379	0.6104	0.6109
Roman Forest Cons. M.U.D.	0.8087	0.7849	0.7750	0.7237
Roman Forest P.U.D. #3	-	4.0000	1.8900	2.1400
Roman Forest P.U.D. #4	2.5000	2.5000	2.0959	2.0193
South Montgomery County M.U.D.	0.2392	0.2341	0.2266	0.2985
Spring Creek U.D.	1.1000	1.0460	0.9490	0.9400
Stanley Lake M.U.D.	1.0400	1.0376	0.8000	0.6700
Texas National M.U.D.	0.8144	0.7500	0.6566	0.7500
Wood Trace M.U.D. #1	-	-	-	-
Woodlands Metro-Center M.U.D.	0.5400	0.4600	0.4500	0.4500
Woodlands M.U.D. #2	0.5100	0.4800	0.4800	0.4800
Woodlands R.U.D. #1	0.4900	0.4900	0.5000	0.5000
Emergency Service District #1	0.0299	0.0850	0.0884	0.0950
Emergency Service District #2	0.0300	0.0800	0.0875	0.0934
Emergency Service District #3	0.0300	0.1000	0.1000	0.1000
Emergency Service District #4	0.0300	0.1000	0.1000	0.1000
Emergency Service District #5	0.0300	0.0600	0.0908	0.0984
Emergency Service District #6	0.0300	0.1000	0.1000	0.1000
Emergency Service District #7	0.0300	0.1000	0.0965	0.1000
Emergency Service District #8	0.0300	0.0300	0.0700	0.0790
Emergency Service District #9	0.0300	0.1000	0.1000	0.1000
Emergency Service District #10	0.0300	0.0800	0.0905	0.1000
Emergency Service District #11	0.0300	0.1000	0.0995	0.0927
Emergency Service District #12	0.0300	0.0300	0.0957	0.1000
Emergency Service District #14	0.0300	0.1000	0.1000	0.1000
Total Special Districts	57.8342	54.0666	44.6205	42.8640

TABLE VI

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2000	2001	2002	2003	2004	2005
0.6708	0.6666	0.5877	0.5558	0.5558	0.5347
0.5150	0.5150	0.5150	0.5150	0.5150	0.5150
0.7620	0.7620	0.7620	0.7620	0.7620	0.7620
0.6055	0.5357	0.5026	0.4895	0.4895	0.4812
0.6429	0.6100	0.5900	0.5800	0.5800	0.5650
1.8900	1.8900	1.2500	1.2500	1.2500	1.2500
1.8965	1.2500	1.1500	1.1500	1.1500	1.1500
0.2704	0.2704	0.2704	0.2704	0.2704	0.2326
0.9100	0.9100	0.9100	1.0100	1.0100	1.0100
0.6345	0.6345	0.6345	0.6000	0.6000	0.5800
1.1400	1.1400	1.1200	1.1100	1.1100	0.9022
-	-	1.5000	1.2500	1.2500	1.2500
0.4000	0.4000	0.3200	0.3000	0.3000	0.3000
0.4800	0.4600	0.4400	0.4100	0.4100	0.3750
0.4925	0.5000	0.5000	0.5000	0.5000	0.5000
0.0967	0.1000	0.1000	0.1000	0.1000	0.1000
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.0978	0.1000	0.1000	0.1000	0.1000	0.1000
0.0948	0.0893	0.0820	0.1000	0.1000	0.0980
0.0977	0.1000	0.1000	0.1000	0.1000	0.1000
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.0784	0.0646	0.0545	0.0562	0.0562	0.0722
0.1000	0.1000	0.1000	0.0620	0.0620	0.0981
0.0983	0.1000	0.1000	0.1000	0.1000	0.1000
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
43.3078	42.2598	41.2545	43.5173	43.5173	41.4957

MONTGOMERY COUNTY, TEXAS
Property Tax Rates⁽¹⁾ - Direct and Overlapping Governments
Last Ten Fiscal Years

	1996	1997	1998	1999
Cities:				
Conroe	0.4200	0.4200	0.4200	0.4200
Magnolia	0.5647	0.5649	0.5747	0.5337
Montgomery	0.2735	0.1017	0.1060	0.4221
Oak Ridge North	0.3102	1.1533	1.1296	1.0600
Panorama Village	0.7344	0.7437	0.7445	0.7355
Patton Village	0.2606	0.2606	0.2606	0.2569
Roman Forest	0.4310	0.4310	0.4959	0.4891
Shenandoah Village	0.7977	0.8000	0.7638	0.7251
Splendora	-	-	-	0.3000
Stagecoach	0.3680	0.3796	0.6376	0.6497
Willis	0.6450	0.6421	0.6449	0.6280
Woodbranch Village	0.5499	0.5360	0.5355	0.5376
Woodloch	1.5600	0.9400	0.0928	0.9185
Houston (County Line City)	-	0.6650	0.6650	0.6650
Total Cities	6.9150	7.6379	7.0709	8.3412
School Districts:				
Cleveland I.S.D.	1.2624	1.3288	1.4000	1.3750
Conroe I.S.D.	1.5955	1.6355	1.7505	1.6905
Magnolia I.S.D.	1.6200	1.6900	1.7500	1.7100
Montgomery I.S.D.	1.4800	1.5100	1.6100	1.6400
New Caney I.S.D.	1.6874	1.7400	1.8300	1.6900
Richards I.S.D.	1.3000	1.3000	1.3800	1.2220
Splendora I.S.D.	1.7100	1.7400	1.7600	1.3800
Tomball I.S.D.	1.5000	1.5900	1.5900	1.5900
Willis I.S.D.	1.7100	1.7100	1.7600	1.6700
Total School Districts	13.8653	14.2443	14.8305	13.9675
<u>TOTAL PROPERTY TAX RATES -</u>				
<u>DIRECT AND OVERLAPPING</u>				
<u>GOVERNMENTS</u>	<u>\$79.1470</u>	<u>\$76.4773</u>	<u>\$67.0329</u>	<u>\$65.6837</u>

⁽¹⁾ Per \$100 of assessed valuation.

NOTE: The County's property tax rate may only be changed in a public hearing.

Sources: Montgomery Central Appraisal District, Harris County Appraisal District, Liberty County Appraisal District, Tomball Independent School District.

TABLE VI

Page 4 of 4

2000	2001	2002	2003	2004	2005
0.4200	0.4200	0.4165	0.4335	0.4335	0.4335
0.5090	0.4603	0.4052	0.4186	0.4186	0.4963
0.4106	0.3620	0.3869	0.3869	0.3869	0.3869
0.9950	0.8950	0.7710	0.7579	0.7579	0.7579
0.6802	0.6633	0.6663	0.6586	0.6586	0.6653
0.2636	0.2673	0.2779	0.4340	0.4340	0.4585
0.4891	0.4845	0.5000	0.5000	0.5000	0.5198
0.6163	0.5000	0.4187	0.4099	0.4099	0.4010
0.3000	0.3000	0.3000	0.3000	0.3000	0.3000
0.5054	0.5176	0.5316	0.5330	0.5330	0.5520
0.5243	0.5310	0.5647	0.5784	0.5784	0.5903
0.5364	0.5214	0.4986	0.4919	0.4919	0.4775
0.9446	0.8187	0.7642	0.7186	0.7186	0.6884
0.6550	0.6550	0.6550	0.6550	0.6500	0.6500
7.8495	7.3961	7.1566	7.2763	7.2713	7.3774
1.3750	1.5750	1.6000	1.7000	1.7000	1.7000
1.7025	1.7025	1.7225	1.7325	1.7325	1.7325
1.5500	1.6900	1.6900	1.6800	1.6800	1.6800
1.6400	1.6600	1.6600	1.6600	1.6600	1.6600
1.7696	1.6554	1.7100	1.7700	1.7700	1.7700
1.4000	1.4600	1.4629	1.5000	1.5000	1.5000
1.4200	1.5700	1.6500	1.7300	1.7300	1.7300
1.6500	1.6800	1.7500	1.7300	1.7300	1.7300
1.6600	1.7200	1.7300	1.7100	1.7100	1.7350
14.1671	14.7129	14.9754	15.2125	15.2125	15.2375
<u>\$65.8151</u>	<u>\$64.8435</u>	<u>\$63.8575</u>	<u>\$66.4771</u>	<u>\$66.4839</u>	<u>\$64.6069</u>

MONTGOMERY COUNTY, TEXAS**Principal Taxpayers****Current Year and Nine Years Ago****TABLE VII**

2005 Taxpayer	Type of Business	2005 Assessed Valuation ⁽¹⁾	Percentage of Total Assessed Valuation ⁽²⁾
Wal-Mart Real Estate Bus Trust	Land Development	\$ 230,295,718	1.21 %
Gulf States Utilities Company	Electric Utility	166,928,160	0.88
Woodlands Land Development, LP	Land Development	101,052,710	0.53
Huntsman Petrochemical Corp.	Industrial	95,626,773	0.50
Conroe Hospital Corporation	Medical	73,584,080	0.39
Consolidated Communications of Texas	Communications	69,977,630	0.37
CVS Distribution Center and Regional Offices	Retail	61,185,954	0.32
The Woodlands Mall Association	Retail	58,698,870	0.31
SBC Communications Inc.	Telephone Utility	51,764,976	0.27
Devon Energy Operating Company	Industrial	47,211,230	0.25
		<u>\$ 956,326,101</u>	<u>5.03 %</u>
1996 Taxpayer	Type of Business	1996 Assessed Valuation ⁽¹⁾	Percentage of Total Assessed Valuation ⁽³⁾
Woodlands Corporation	Land Development	\$ 327,701,020	3.95 %
Exxon Corporation	Oil Properties	112,681,080	1.36
Gulf States Utilities	Electric Utility	99,876,140	1.20
Compaq Computer, Inc.	Manufacturer	88,159,021	1.06
Huntsman Corp.	Chemical Productions	79,484,379	0.96
Conroe Hospital Corp.	Medical	78,263,908	0.94
Lufkin-Conroe Telephone	Telephone Utility	50,605,190	0.61
Eckerd Distribution	Retail Distribution	45,364,412	0.55
Ball Manufacturing	Manufacturer	33,830,330	0.41
Crown Cork & Seal Co.	Manufacturer	28,377,040	0.34
		<u>\$ 944,342,520</u>	<u>11.38 %</u>

⁽¹⁾ Source: Montgomery Central Appraisal District⁽²⁾ Net Assessed Valuation - 2005 \$ 18,968,230,832⁽³⁾ Net Assessed Valuation - 1996 \$ 8,289,411,384

MONTGOMERY COUNTY, TEXAS
Property Tax Levies and Collections ⁽¹⁾
Last Ten Fiscal Years

TABLE VIII

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>
1996	\$ 41,110,603	\$ 39,921,462	97.1 %	\$ 1,187,826	\$ 41,109,288	100.0 %
1997	43,694,149	42,119,201	96.4	1,764,514	43,883,715	100.4
1998	46,937,541	45,882,279	97.8	1,208,829	47,091,108	100.3
1999	50,889,079	49,887,250	98.0	1,247,664	51,134,914	100.5
2000	54,051,832	52,810,108	97.7	1,244,737	54,054,845	100.0
2001	59,831,094	58,384,869	97.6	1,547,076	59,931,945	100.2
2002	67,447,935	65,714,723	97.4	1,608,717	67,323,440	99.8
2003	77,043,931	75,232,037	97.6	1,784,876	77,016,913	100.0
2004	85,764,910	83,960,577	97.9	1,839,076	85,799,653	100.0
2005	94,513,506	92,527,246	97.9	1,856,421	94,383,667	99.9

⁽¹⁾ Taxes levied in any year which are collected from October 1 through June 30 are shown as current collections. Such amounts include collections of the current levy after February 1, which is the date taxes become legally delinquent.

Source: Montgomery County Tax Assessor-Collector

MONTGOMERY COUNTY, TEXAS
Ratios of Outstanding Debt by Type⁽¹⁾
Last Ten Fiscal Years

TABLE IX

Fiscal Year	General Obligation Bonds	Certificates of Obligation	Capital Leases Obligation	Total Long-Term Debt	Percent of Personal Income ⁽²⁾	Per Capita ⁽²⁾
1996	\$ 37,216,656	\$ 5,000,000	\$ 2,304,550	\$ 44,521,206	0.74 %	\$ 188.89
1997	33,656,104	23,775,000	1,541,680	58,972,784	0.85	250.20
1998	33,915,028	41,725,000	1,969,579	77,609,607	0.98	329.27
1999	31,122,243	41,295,000	1,391,288	73,808,531	0.87	280.53
2000	29,537,239	40,730,000	2,048,336	72,315,575	0.74	249.00
2001	42,686,392	42,630,000	3,888,079	89,204,471	0.85	303.66
2002	65,821,669	41,775,000	10,509,449	118,106,118	1.11	375.10
2003	97,746,800	52,540,000	2,588,746	152,875,546	1.38	444.59
2004	97,515,414	54,270,000	1,790,377	153,575,791	N/A	426.10
2005	122,050,678	25,860,000	1,403,363	149,314,041	N/A	397.62

⁽¹⁾ Details regarding the County's outstanding debt can be found in the notes to the financial statements.

⁽²⁾ See Table XII for personal income and population data.
Personal income for 2004 and 2005 not available.

MONTGOMERY COUNTY, TEXAS
Ratios of Net General Bonded Debt Outstanding⁽¹⁾
Last Ten Fiscal Years

TABLE X

Fiscal Year	General Bonded Debt Outstanding ⁽²⁾			Less: Amounts Available for Debt Service	Total	Percentage of Actual Value of Property ⁽³⁾	Per Capita ⁽⁴⁾
	General Obligation Bonds	Certificates of Obligation	Total				
1996	\$37,216,656	\$ 5,000,000	\$ 42,216,656	\$ 818,225	\$ 41,398,431	0.50 %	\$ 175.64
1997	33,656,104	23,775,000	57,431,104	844,838	56,586,266	0.66	240.08
1998	33,915,028	41,725,000	75,640,028	1,065,497	74,574,531	0.80	316.40
1999	31,122,243	41,295,000	72,417,243	1,005,634	71,411,609	0.70	271.42
2000	29,537,239	40,730,000	70,267,239	811,885	69,455,354	0.62	239.15
2001	42,686,392	42,630,000	85,316,392	2,860,746	82,455,646	0.66	280.68
2002	65,821,669	41,775,000	107,596,669	1,580,961	106,015,708	0.74	336.70
2003	97,746,800	52,540,000	150,286,800	2,043,861	148,242,939	0.91	431.12
2004	97,515,414	54,270,000	151,785,414	2,160,259	149,625,155	0.85	415.14
2005	122,050,678	25,860,000	147,910,678	2,142,695	145,767,983	0.77	388.18

⁽¹⁾ Details regarding the County's outstanding debt can be found in the notes to the financial statements.

⁽²⁾ Includes debt of South Montgomery County, Texas Road District No. 1 for fiscal years through 1999.

⁽³⁾ Taxable Assessed Valuation can be found in Table V.

⁽⁴⁾ Population data can be found in Table XII.

MONTGOMERY COUNTY, TEXAS

Legal Debt Margin

Last Ten Fiscal Years⁽¹⁾

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Assessed value	\$ 6,981,063	\$ 7,164,696	\$ 7,811,763	\$ 8,597,552
Debt limit ⁽²⁾	1,745,266	1,791,174	1,952,941	2,149,388
Debt applicable to limit				
Total bonded debt	42,217	57,431	75,640	72,417
Less: Assets in Debt				
Service Funds available				
for payment of principal	<u>(819)</u>	<u>(845)</u>	<u>(1,065)</u>	<u>(1,006)</u>
Total debt applicable				
to limit	<u>41,398</u>	<u>56,586</u>	<u>74,575</u>	<u>71,411</u>
Legal debt margin	<u>\$ 1,703,867</u>	<u>\$ 1,734,588</u>	<u>\$ 1,878,366</u>	<u>\$ 2,077,977</u>
Total debt applicable				
to the limit as a				
percent of debt limit	2.37%	3.16%	3.82%	3.32%

⁽¹⁾ Amounts expressed in thousands.

⁽²⁾ The County is authorized under Article III, Section 52 of the State Constitution to issue bonds payable from ad valorem taxes for the construction and maintenance of roads. There is no constitutional or statutory limit as to rate on bonds issued pursuant to such constitutional provision. However, the amount of bonds which may be issued is limited to 25% of the assessed valuation of real property in the County.

TABLE XI

2000	2001	2002	2003	2004	2005
\$ 9,497,283	\$ 10,671,089	\$ 12,252,007	\$ 14,154,934	\$ 15,380,063	\$ 16,586,307
2,374,321	2,667,772	3,063,002	3,538,734	3,845,016	4,146,577
70,267	85,316	107,597	150,287	159,631	155,043
(812)	(2,860)	(1,581)	(2,044)	(2,160)	(2,143)
69,455	82,456	106,016	148,243	157,470	152,900
\$ 2,304,865	\$ 2,585,317	\$ 2,956,986	\$ 3,390,491	\$ 3,687,545	\$ 3,993,677
2.93%	3.09%	3.46%	4.19%	4.10%	3.69%

MONTGOMERY COUNTY, TEXAS
Demographic and Economic Statistics
Last Ten Fiscal Years

TABLE XII

<u>Year</u>	<u>Population ⁽¹⁾</u>	<u>Personal Income ⁽²⁾⁽³⁾</u>	<u>Per Capita Personal Income ⁽³⁾</u>	<u>School Enrollment ⁽⁴⁾</u>	<u>School Average Daily Attendance ⁽⁴⁾</u>	<u>Unemployment Rate ⁽⁵⁾</u>
1996	235,700	\$ 6,054,408	\$ 24,893	56,363	51,026	4.2 %
1997	235,700	6,915,429	27,060	59,073	54,051	3.4
1998	235,700	7,922,471	29,447	61,933	56,608	3.5
1999	263,100	8,460,358	29,762	64,589	60,591	3.6
2000	290,426	9,815,483	32,989	67,430	61,575	3.3
2001	293,768	10,459,126	33,446	70,201	64,461	3.4
2002	314,866	10,637,961	32,383	75,091	68,723	4.6
2003	343,856	11,052,146	32,068	77,693	71,479	5.4
2004	360,419	N/A	N/A	80,364	74,120	4.7
2005	375,519	N/A	N/A	84,924	78,259	4.5

⁽¹⁾ Source: Greater Conroe Economic Development Council, U.S. Census Bureau

⁽²⁾ Amounts expressed in thousands.

⁽³⁾ Source: Texas Workforce Commission website
<http://www.tracer2.com/cga/dataAnalysis/incomeReport.asp>
 Personal income information for 2004 and 2005 is not available.

⁽⁴⁾ Source: Superintendent's Annual Report: Includes the nine independent school districts located in the County.

⁽⁵⁾ Source: The Work Source website
<http://www.theworksource.org/employer/lmio/unemploymentrates/2005>
 Information for fiscal years 1996 through 2004 was obtained from the financial reports of the appropriate year.

MONTGOMERY COUNTY, TEXAS**Principal Employers****Current Year and Nine Years Ago****TABLE XIII**

<u>2005 Employer ⁽¹⁾</u>	<u>Employees</u>	<u>Percentage of Total County Employment ⁽²⁾</u>
Conroe Independent School District	5,149	2.99 %
Anadarko Petroleum	1,900	1.10
Hewitt Associates	1,800	1.05
Montgomery County, Texas	1,471	0.85
Conroe Regional Medical Center	1,200	0.70
Memorial Hermann The Woodlands Hospital	1,050	0.61
Montgomery College	751	0.44
Lexicon Genetics, Inc.	710	0.41
Woodlands Resort & Conference Center	611	0.36
Chevron Phillips Chemical Co.	600	0.35
	<u>15,242</u>	<u>8.86 %</u>
<u>1996 Employer ⁽³⁾</u>	<u>Employees</u>	
Hughes Christensen	250-499	
Huntsman Corporation	250-499	
Ball Metal Container Corporation	100-249	
Capro Inc.	100-249	
Drexel Oilfield Services	100-249	
Maverick Tube Company	100-249	
OIC Tanks	100-249	
Sparkler Filters	100-249	
Surgimedics/TMP	100-249	
Texas Oil Tools Inc.	100-249	

⁽¹⁾ Source: <http://socrates.cdr.state.tx.us/iSocrates/Employers/EmployerContacts2.asp>

Information has been derived from the South Montgomery County Economic Development Partnership and the SOCRATES database listed above since county-wide information is not available.

⁽²⁾ County Employment for 2005: 172,082

Source: The Work Source

⁽³⁾ 1996 Information is limited to manufacturers in the County and available in the form of ranges of employees.

Information has been derived from 1996 Directory of Texas Manufacturers and the Conroe Chamber of Commerce.

No information regarding County employment in prior years is available.



MONTGOMERY COUNTY, TEXAS**County Employees by Function** ⁽¹⁾**Last Ten Fiscal Years****TABLE XIV**

<u>Function</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u> ⁽²⁾
General Administration	72	74	70	69	80	85	90	94	100	101
Judicial	111	117	133	139	141	151	168	190	190	201
Legal Services	31	31	31	30	32	33	23	23	25	26
Elections	5	5	5	5	5	5	6	5	6	6
Financial Administration	72	72	71	74	79	80	82	83	85	87
Public Facilities	35	32	36	39	45	50	57	65	69	238
Public Safety	482	483	497	529	554	671	666	647	670	498
Health and Welfare	15	14	18	24	21	28	40	43	48	49
Culture and Recreation	74	76	78	82	85	82	86	90	87	89
Conservation	10	10	10	10	10	10	9	11	12	14
Public Transportation	151	156	165	160	159	167	159	156	162	162
Total ⁽³⁾	<u>1,058</u>	<u>1,070</u>	<u>1,114</u>	<u>1,161</u>	<u>1,211</u>	<u>1,362</u>	<u>1,386</u>	<u>1,407</u>	<u>1,454</u>	<u>1,471</u>

⁽¹⁾ Information derived from the annual salary schedules adopted by Montgomery County Commissioners' Court.

⁽²⁾ In FY 2005, the Jail moved from the Public Safety function to the Public Facilities function.

⁽³⁾ Comprehensive Annual Financial Reports prior to FY 2005 accounted for total employees, including staff that was temporary in nature. Beginning in FY 2005, the County has only accounted for those employees with permanent status.

MONTGOMERY COUNTY, TEXAS**Operating Indicators by Function****Last Ten Fiscal Years**

<u>Function</u>	Fiscal Year			
	1996	1997	1998	1999
General Government				
Construction permits issued ⁽¹⁾	4,215	4,018	5,393	4,301
Estimated value of construction ^{(1) (2)}	456,782	497,484	740,439	507,108
Health inspections performed ⁽³⁾	1,066	3,706	4,242	5,204
Birth certificates filed ⁽⁴⁾	3,488	3,682	3,956	4,265
Death certificates filed ⁽⁴⁾	1,269	1,363	1,359	1,589
Marriage license applications ⁽⁴⁾	2,120	2,427	2,638	2,637
Registered voters ⁽⁵⁾	140,159	149,651	159,571	166,449
Number of voting precincts ⁽⁵⁾	63	70	70	72
Public Safety - Sheriff				
Total arrests ⁽⁶⁾	13,474	13,124	14,228	15,040
Average number of inmates ⁽⁶⁾	601	680	667	699
Calls for service ⁽⁶⁾	220,752	223,532	249,905	266,369
Number of accidents investigated ⁽⁶⁾	1,219	1,300	1,719	2,076
Miles patrolled ⁽⁶⁾	2,589,413	2,411,464	2,520,767	2,715,095
Gallons of gas used ⁽⁶⁾	233,978	227,509	261,663	257,920
Culture and Recreation - Libraries				
Number of items checked out ⁽⁷⁾	818,039	919,707	978,157	1,021,234
Number of libraries ⁽⁷⁾	6	6	6	6
Volumes in collection ⁽⁷⁾	295,523	323,354	352,293	352,530
Number of library visits ⁽⁷⁾	530,038	686,616	793,181	880,415
Library programs attendance ⁽⁷⁾	59,326	62,187	58,661	63,713

⁽¹⁾ Source: Montgomery County Engineer. Years 1996 through 2004 include the City of Conroe.

⁽²⁾ Dollar values are in thousands.

⁽³⁾ Source: Montgomery County Health Department.

⁽⁴⁾ Source: Montgomery County Clerk.

⁽⁵⁾ Source: Montgomery County Elections Administrator.

⁽⁶⁾ Source: Montgomery County Sheriff's Department. Information is available for a calendar year. 2005 information is only through October 31, 2005.

⁽⁷⁾ Source: Montgomery County Memorial Library System Annual Report. Information for 2005 will not be available until April 2006.

TABLE XV

Fiscal Year					
2000	2001	2002	2003	2004	2005
3,604	3,792	4,747	5,569	6,569	5,565
1,404,168	696,631	818,130	1,284,674	1,145,750	1,088,171
6,219	5,847	5,805	5,774	7,616	7,882
4,699	4,720	4,440	5,044	5,544	4,453
1,644	1,781	1,755	1,898	1,859	1,520
2,611	2,742	2,830	2,755	2,892	2,122
184,170	186,295	192,951	197,626	214,098	213,414
72	85	85	85	85	85
14,448	15,104	16,503	16,335	18,960	16,045
550	558	593	640	726	826
277,185	276,576	273,439	225,576	212,919	187,390
2,205	2,139	2,159	1,965	1,898	1,646
2,523,192	2,860,529	2,847,347	2,932,365	2,812,515	2,825,393
249,967	254,863	248,517	272,922	263,816	276,738
1,057,882	1,062,826	1,094,744	1,193,392	1,196,770	N/A
6	6	6	6	6	N/A
428,355	389,716	418,369	446,221	478,205	N/A
788,730	878,619	993,045	990,066	1,011,056	N/A
64,138	66,937	83,527	90,591	85,220	N/A

MONTGOMERY COUNTY, TEXAS
Capital Asset and Infrastructure Statistics by Function
Last Ten Fiscal Years

<u>Function</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
General Government				
Office Buildings/Courthouses ⁽¹⁾	18	18	20	22
Public Safety - Sheriff				
Sheriff's Vehicles ⁽²⁾	188	202	207	231
Academy Square Footage ⁽¹⁾	9,600	9,600	9,600	9,600
Public Transportation				
County Roads (miles) ⁽³⁾	1,943	2,004	2,026	2,059
Bridges ⁽³⁾	112	113	112	117
Public Facilities				
Park Acreage ⁽⁴⁾	192	196	196	196
Convention Center Square Footage ⁽⁵⁾	N/A	N/A	N/A	N/A
Community Centers ⁽²⁾	10	11	12	13
Culture and Recreation				
Total Library Square Footage ⁽⁶⁾	N/A	N/A	N/A	108,400

¹⁾ Montgomery County Risk Management Department.

²⁾ Montgomery County Auditor's Office Capital Assets Listing.

³⁾ Montgomery County Engineer.

⁴⁾ Montgomery County Parks Department.

⁵⁾ Montgomery County Civic Center Complex; The convention center was completed and put into service in 2000.

⁶⁾ Montgomery County Memorial Library System Annual Report. Information for 1996 through 1998 was not kept. Information for 2005 will not be available until April 2006.

TABLE XVI

2000	2001	2002	2003	2004	2005
22	23	24	24	24	25
242	247	257	271	256	269
9,600	13,800	13,800	13,800	13,800	13,800
2,120	2,127	2,219	2,283	2,319	2,342
124	124	126	126	144	140
196	208	228	228	228	228
N/A	56,000	56,000	56,000	56,000	56,000
13	13	16	16	17	17
108,400	108,400	108,400	108,400	108,400	N/A



