

MONTGOMERY COUNTY TEXAS

Comprehensive Annual Financial Report



**For the Fiscal Year Ended
September 30, 2006**

MONTGOMERY COUNTY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2006

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

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INTRODUCTORY SECTION





Montgomery County, Texas

Linda R. Breazeale

County Auditor

301 N. Thompson, Suite 202

Conroe, TX 77301

December 15, 2006

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, 2006, 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, 2006 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, 2006 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, 2006 the reported population was 376,104. This 28% growth in seven 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 Officer 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. 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 2006.

Long-term financial planning- The Commissioners' Court continues to be very active in infrastructure development, specifically road improvements, to help insure economic growth. In the second half of calendar year 2005, the County executed an agreement with the Texas Department of Transportation that will facilitate the improvement of five separate state-owned roads in the near future. This "pass-thru toll" agreement provides for the County to pledge local funds to improve these roads, with a partial reimbursement from federal highway funds at a later date. The County pledged \$100million of the Series 2006 \$160million voter-approved road bonds, as well as an additional \$86million of future bonds to leverage the federal funds for the projects in the hopes of gaining an estimated \$230million in improvements for the citizens of Montgomery County.

As part of this future planning, the Commissioners' Court created the Montgomery County Toll Road Authority ("MCTRA") in August 2006. The MCTRA will be charged with the task of collecting tolls from vehicles traveling on that portion of State Highway 242 which connects with Interstate 45 in southern Montgomery County. This project will improve one of the specific roads listed in the agreement with the Texas Department of Transportation, and is expected to be completed in early 2009. Revenue generated by the authority are anticipated to be used to either retire a portion of the debt related to the construction or to fund future improvements.

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 fourth 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, 2005. This was the eighteenth 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. Krissa Garner, Financial Analyst, was instrumental in the timely and accurate completion of this report, and should be commended for her contribution. I am especially grateful to Phyllis Martin, who has been appointed to succeed me upon my retirement effective December 31, 2006. Ms. Martin has exhibited a high level of performance in all areas of financial accounting and reporting that confirms that she is an excellent choice to hold the position of chief financial officer for the County.

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. BREAZEALE
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, 2005

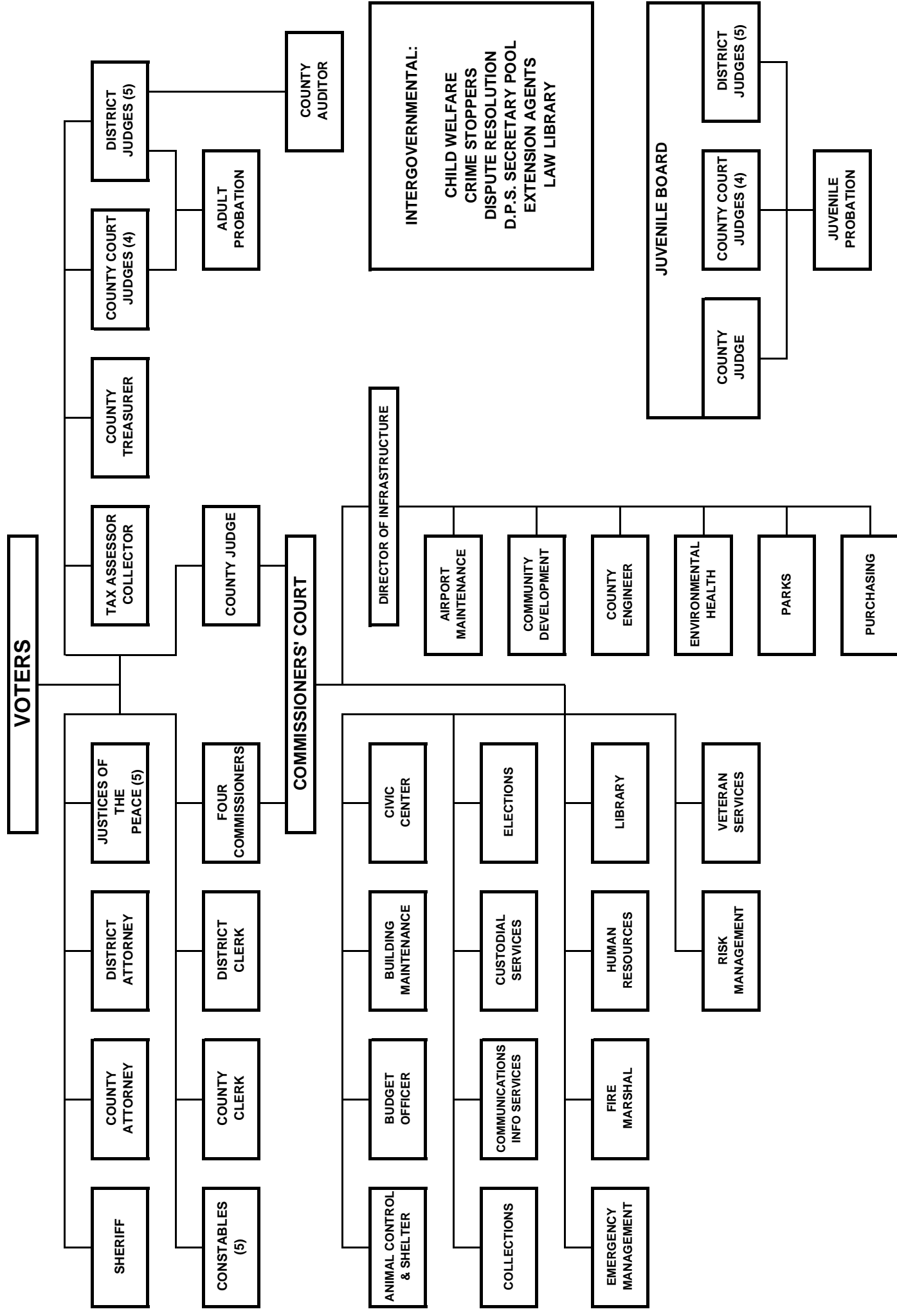
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

MONTGOMERY COUNTY, TEXAS ORGANIZATION CHART



MONTGOMERY COUNTY, TEXAS
DIRECTORY OF OFFICIALS
SEPTEMBER 30, 2006

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
Cara Wood
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, retired 12/31/2006
Phyllis L. Martin, appointed 1/1/2007
Carolyn Hooper
Julane Tolbert

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

* Designates appointed official. All others are elected.



FINANCIAL SECTION

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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, 2006, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. 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 of the County, as of September 30, 2006, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and Major Special Revenue Funds 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 and schedules, 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 and schedules, additional supplementary information, and schedules of capital assets used in the operation of governmental funds as listed in the table of contents 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

December 15, 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, 2006. 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 \$278,562,457 (net assets). Of this amount, \$6,009,968 is restricted for specific purposes. As required by Governmental Accounting Standards Board Statement No. 34 (GASB 34), net assets also reflect \$314,159,873 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 \$41,607,384. 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 \$199,823,511 and expenses were \$189,258,531. Rapid growth in the county brought about uncommon infrastructure contributions, adding to an increase in net assets of \$10,564,980.
- At September 30, 2006, the County's governmental funds reported combined ending fund balances of \$149,323,823, an increase of \$109,799,780 in comparison with the prior year. From the ending fund balance, \$128,598,786 is reserved for specific purposes. Approximately 14% of the ending balance, \$20,495,876, is available for spending at the government's discretion, with \$4,152,118 of those unreserved, undesignated funds being reported in the special revenue funds.
- At September 30, 2006, unreserved, undesignated fund balance for the General Fund was \$16,343,758, or 16.2% of total General Fund expenditures.
- The County's total net bonded debt increased by \$133,642,002 (86.2%) during the current fiscal year. This increase was brought about by the issuance of \$111,550,000 in voter-approved road bonds and \$26,320,000 in certificates of obligation.

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 disbursed. These statements include capital assets of the County (including infrastructure added since implementing GASB 34 in fiscal year 2003 and the portion of GASB 34 as it pertains to

retroactive infrastructure reporting) 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, 2006. 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 30 individual governmental funds during the fiscal year ended September 30, 2006. 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 Certificates of Obligation Series 2006 Fund, the Capital Projects Road Bonds Series 2006A Fund, and the Capital Projects Road Bonds Series 2006B 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 \$278,562,457 at September 30, 2006, as shown in the table below. This amount represents an increase through governmental activities of \$202,987,986 from the net assets at September 30, 2005. This increase is due in large part to a restatement of beginning net assets of \$192,423,006. This restatement comes as a result of the County's early implementation of the portion of Governmental Accounting Standards Board (GASB) Statement No. 34, as it pertains to infrastructure reporting. This reporting requirement states that the County will report the value of all infrastructure owned by the County prior to the implementation of GASBS No. 34.

Montgomery County, Texas		
Net Assets - Governmental Activities		
	FY 2006	FY 2005
Current and other assets	\$ 191,661,478	\$ 77,442,276
Capital assets	409,573,746	181,943,540
Total assets	601,235,224	259,385,816
Long-term liabilities outstanding	303,651,238	166,404,331
Other liabilities	19,021,529	17,407,014
Total liabilities	322,672,767	183,811,345
Net assets:		
Invested in capital assets, net of related debt	314,159,873	122,477,741
Restricted	6,009,968	5,219,862
Unrestricted	(41,607,384)	(52,123,132)
Total net assets	\$ 278,562,457	\$ 75,574,471

The County's total assets of \$601,235,224 are largely comprised of investments of \$146,058,963, or 24.3%, and capital assets net of accumulated depreciation of \$409,573,746, or 68.1%. 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 \$303,651,238 comprises the largest portion of the County's total liabilities of \$322,672,767, at 94.1%. Of total long-term liabilities, \$10,768,341 is due within one year, with the remainder of \$292,882,897 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 exceeded its liabilities by \$278,562,457 (net assets) on September 30, 2006. Roughly 2.1%, or \$6,009,968, 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, \$139,009 is restricted for capital projects and \$5,870,959 is restricted for debt service of compensated absences. The most significant portion (\$314,159,873) 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 \$10,564,980. The key components of this increase are as follows:

Montgomery County, Texas
Governmental Activities

	<u>FY 2006</u>	<u>FY 2005</u>
Revenues:		
<i>Program revenues:</i>		
Fees, fines, forfeitures, and charges for services	\$ 39,591,432	\$ 35,943,376
Federal grants and contributions	8,743,261	6,102,334
State grants and contributions	2,509,020	2,643,175
Other grants and contributions	38,682,758	26,828,081
<i>General revenues:</i>		
Property taxes	105,410,635	95,927,528
Other taxes	1,142,888	1,077,680
Other general revenues	3,743,517	2,783,733
Total revenues	<u>199,823,511</u>	<u>171,305,907</u>
Expenses:		
General administration	13,416,534	11,228,147
Judicial	16,761,386	14,787,696
Legal services	2,101,795	1,823,681
Elections	1,086,378	460,869
Financial administration	4,791,906	4,398,998
Public facilities	20,768,370	16,611,013
Public safety	41,162,610	38,293,859
Health and welfare	8,958,511	6,253,621
Culture and recreation	7,051,403	6,257,162
Conservation	721,982	721,238
Public transportation	58,874,891	23,780,503
Miscellaneous	3,009,024	4,519,314
Debt service interest and fiscal charges	10,553,741	7,464,112
Total expenses	<u>189,258,531</u>	<u>136,600,213</u>
Change in net assets	10,564,980	34,705,694
Net assets - beginning	<u>267,997,477</u>	<u>40,868,777</u>
Net assets - ending	<u>\$ 278,562,457</u>	<u>\$ 75,574,471</u>

The County's total revenues of \$199,823,511 were all from governmental activities. Property tax revenue accounts for \$105,410,635, or 52.8%; program revenues of fees, fines, forfeitures, and charges for services comprise \$39,591,432, or 19.8%; and grants and contributions encompass \$49,935,039, or 25.0% of total government-wide revenues. Exceptional infrastructure donations contribute to an increase of \$11,854,677 in other grants and contributions.

Expenses for the year totaled \$189,258,531. The public transportation function accounted for \$58,874,891, or 31.1% of this total. 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 primarily for the widening and improvement of State-owned roads, creating inflated expenditures in the public transportation function, with no offsetting asset capitalization. The public safety (\$41,162,610), public facilities (\$20,768,370), and judicial (\$16,761,386) functions represent 21.7%, 11.0%, and 8.9% of total government-wide expenditures, respectively. These three functions show marked interdependent increases. Expenses of the County jail and law enforcement agencies are reported in the public facilities and public safety functions, respectively. These two functions operate with the courts, which are housed in the judicial function.

The government's ending net assets of \$278,562,457 represent an increase of \$202,987,986 from the prior year's \$75,574,471 in net assets. As previously discussed, the County's beginning net assets for the fiscal year were restated by \$192,423,006 to include the portion of GASB Statement 34 as it pertains to the retroactive reporting of infrastructure only. The change in net assets as a result of governmental activities was \$10,564,980. The County's change in net assets is summarized by the following chart:

Montgomery County, Texas
Change in Net Assets

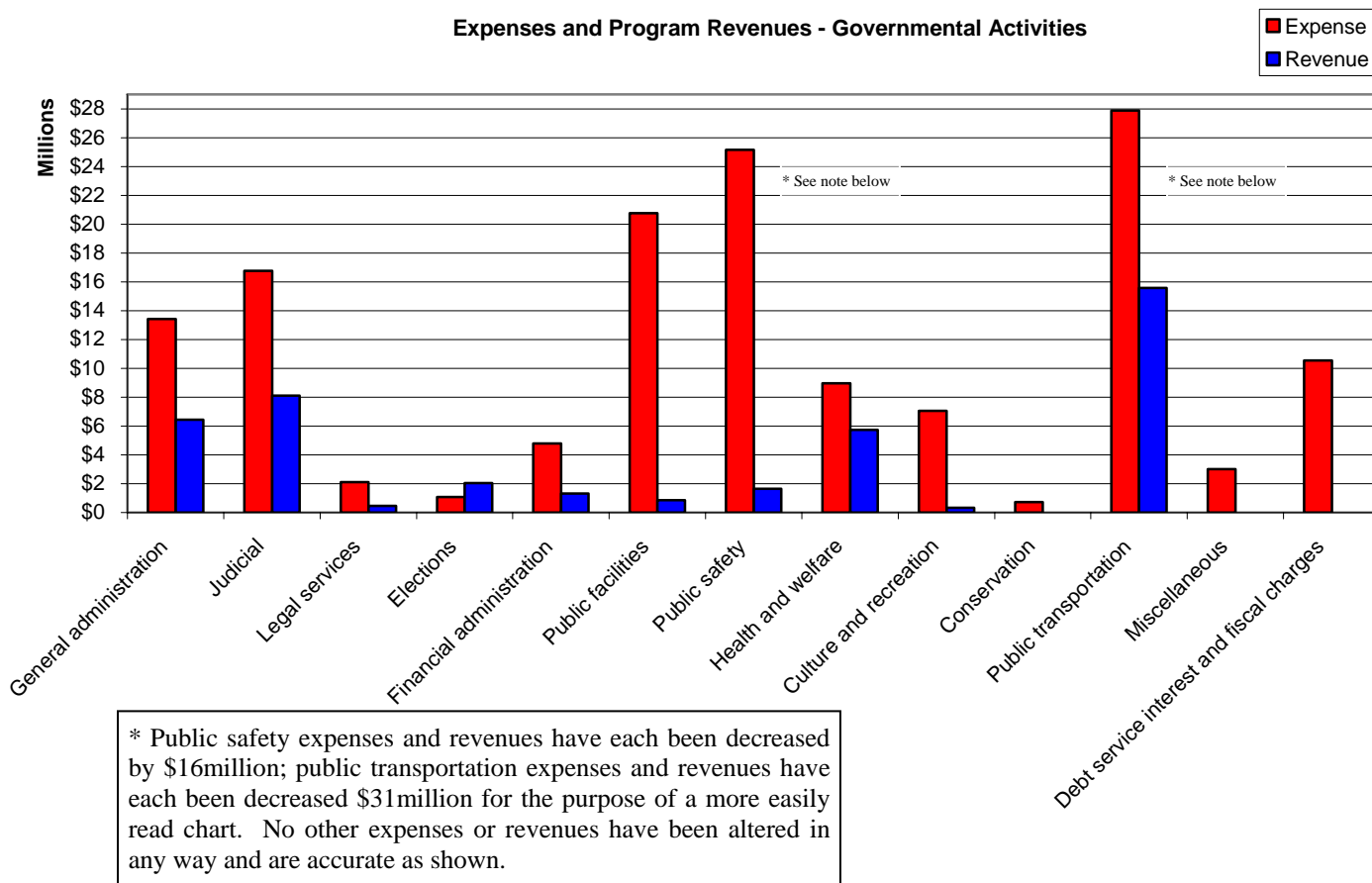
	<u>FY 2006</u>	<u>FY 2005</u>
<i>Governmental funds activity:</i>		
Total revenues	\$ 161,290,224	\$ 141,079,265
Total expenditures	<u>193,273,547</u>	<u>152,107,680</u>
Excess (Deficiency) of revenues over expenditures	(31,983,323)	(11,028,415)
Capital lease financing	262,529	1,264,452
Issuance of certificates of obligation	26,320,000	-
Issuance of general obligation bonds	111,550,000	45,850,000
Payment to refunded bond escrow agent	-	(49,904,606)
Premiums on obligations	<u>3,650,574</u>	<u>3,772,220</u>
Net change in fund balance	109,799,780	(10,046,349)
<i>Government-wide activity:</i>		
Difference between current year's capital outlay expenditures and depreciation expense	(1,710,972)	10,493,997
Net effect of capital asset sales, donations, trade-ins, etc.	36,918,174	26,264,683
Revenues not reported in funds because they do not provide current-period financial resources	1,615,112	3,961,959
Long-term debt not reported in funds because it does not affect the current period	(135,033,692)	4,960,894
Expenses not reported in the funds because they do not use current-period financial resources	<u>(1,023,422)</u>	<u>(929,490)</u>
Total change in net assets	<u>\$ 10,564,980</u>	<u>\$ 34,705,694</u>

This change in net assets begins with the current year's differences between governmental revenues and expenditures (\$31,983,323), along with other financing sources and uses (\$141,783,103). 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 (\$35,207,202) 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 (\$591,690). 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 (\$135,033,692). During the fiscal year, the County issued new debt and paid off a portion of its existing 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 \$10,564,980. Additionally, the increase of \$9,791,568 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 neither where management desires nor 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 between 15 and 25 percent of annual operating costs.

The following chart depicts expenses and program revenues for the fiscal year ending September 30, 2006 for governmental activities.



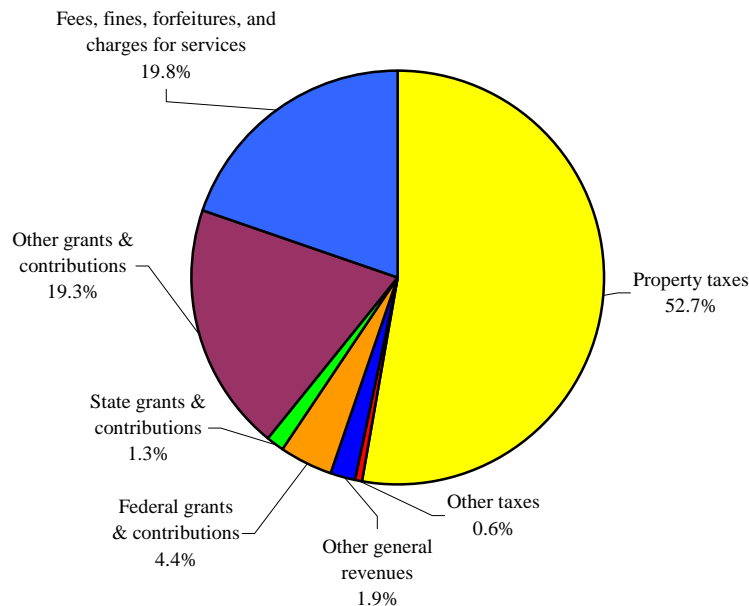
Key elements of the analysis of government-wide program revenues and expenses as they relate to each function reflect the following:

- Program revenues of \$89,526,471 are comprised in large part (52.0%) of public transportation's revenues of \$46,575,588 and public safety's revenues of \$17,651,539 (19.7%). The judicial function makes up 9.1% of program revenues with \$8,117,249, the general administration function covers 7.2% of program revenues with \$6,445,057, and the health and welfare function comprises 6.4% of program revenues with \$5,727,355. The expenses of these functions account for 31.1%, 21.7%, 8.9%, 7.1%, and 4.7%, respectively. As expected, general revenues provided the required support and coverage in areas where expenses exceeded revenues.
- The public transportation function experienced an increase in expenses of \$35,094,388 while realizing an increase in revenues of \$12,654,988. 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, because they are not 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 \$625,509 in expenses of the elections function is the purchase of electronic voting equipment in compliance with the Help America Vote Act of 2002.
- 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 were to be built to satisfy library needs. The George and Cynthia Woods-Mitchell Library and the Charles B. Stewart West Branch Library opened in fiscal years 2005 and 2006, respectively. The third library, located in the eastern part of the County, is scheduled to be opened late in fiscal year 2007. Increased operations have resulted in an increase of culture and recreation expense of \$794,241.

The following chart depicts revenues of the governmental activities for the fiscal year ended September 30, 2006.

Revenues by Source - Governmental Activities



GOVERNMENTAL FUND FINANCIAL ANALYSIS

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, 2006, the County's governmental funds reported combined ending unreserved, undesignated fund balances of \$20,495,876, an increase of \$10,341,820 in comparison with the prior year. This unreserved, undesignated fund balance is available for spending at the County'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 (\$124,460,927), pay debt service (\$2,246,764), reflect inventories (\$71,186), and reflect prepaid items (\$1,819,909). Commitments also come in the form of designations that will fund encumbrances from the prior year (\$229,161). On September 30, 2006, the total fund balance of the General Fund (the chief operating fund of the County) was \$16,851,740. Of that amount, \$16,343,758 was available for spending at the County's discretion, \$152,698 was designated for encumbrances, and \$355,284 was reserved for prepaid items.

Total assets in the General Fund amounted to \$34,601,113, accounting for 19.2% of total governmental fund assets. The total assets of other major funds include Road and Bridge Special Revenue Fund (\$5,090,941), Debt Service Fund (\$2,926,148), Capital Projects Certificates of Obligation Series 2006 Fund (\$21,843,410), Capital Projects Road Bonds Series 2006A Fund (\$37,003,738), and Capital Projects Road Bonds Series 2006B Fund (\$56,751,175). Together, all major funds account for \$158,216,525 (88.0%) of the County's \$179,830,588 in total assets.

The fund balance of the County's General Fund grew by \$7,033,728 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 \$181,971,941 and a decrease in the balance of outstanding delinquent taxes boosted ad valorem tax revenues \$8,367,958.
- Significant increases in fees collected for the County Clerk, District Clerk, Justices of the Peace, and Constables contributed toward total fee increases of \$2,641,673.
- The County has multiple contracts with outside entities for security services through the offices of the Sheriff and the Constables. Increases in the number of contracts generated larger than expected reimbursements from these organizations, resulting in an increase to contract reimbursements of \$1,077,728 over the past year.
- As part of the continued 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 \$692,529.

The Road and Bridge Special Revenue Fund has a total fund balance of \$3,574,510 which is reported as \$71,186 reserved for inventory, \$54,549 designated for encumbrances and \$3,448,775 unreserved, undesignated. The unreserved, undesignated portion of the fund balance increased \$2,676,285 during the current year due to decreases in the liabilities of the fund.

The Debt Service Fund has a total fund balance of \$2,246,764, all of which is reserved for the repayment of debt. The net increase of \$104,069 is largely due to budgeted transfers of \$164,474.

The Capital Projects Certificates of Obligation Series 2006 Fund has a fund balance of \$21,635,267, the entire amount of which is reserved for capital projects. This fund showed a balance of (2,268,226) at September 30, 2005. The negative balance was due to the use of funds from a bond issue that was pending at that date. Several reimbursement resolutions allowed the General Fund to be repaid for expenditures made for projects listed as being funded by the Certificates. The change in fund balance of \$23,903,493 during the current fiscal year is a result of the bonds being issued in fiscal year 2006.

The issuance of voter-approved road bonds in the current fiscal year required that the County create two new capital projects funds. These issues constitute the initial phase of road construction bonds with the remainder to be issued in fiscal year 2007.

- The Capital Projects Road Bonds Series 2006A Fund was created with the issuance of \$47,800,000 in fixed rate bonds. The \$34,858,998 fund balance is reserved for capital projects.
- Funding for the Capital Projects Road Bonds Series 2006B Fund comes from the issuance of \$63,750,000 of variable rate road bonds. At year end, the fund balance of \$55,966,017 was reserved for capital projects. The County issued the variable rate bonds with the intent to retire the bonds early using State funding from the "pass-through toll" program.

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 \$100,632,860 and expenditures of \$90,979,668. The General Fund's final budget, as amended, contains revenues of \$114,183,011 and expenditures of \$112,880,769. The following table presents the changes between the original adopted budget and the final budget for the General Fund as of September 30, 2006.

**General Fund
Budget Variances
Year Ended September 30, 2006**

	Original Budget	Final Budget	Variance with Original Budget Positive (Negative)
Revenues:			
Taxes	\$ 81,206,200	\$ 83,393,700	\$ 2,187,500
Licenses and Permits	1,141,329	1,259,037	117,708
Fees	10,225,898	10,824,847	598,949
Intergovernmental	191,481	4,871,347	4,679,866
Charges for Services	175,000	365,550	190,550
Interest	473,708	1,544,791	1,071,083
Contract Reimbursements	3,992,806	9,318,423	5,325,617
Inmate Housing	2,152,088	1,353,388	(798,700)
Fines and Forfeitures	240,000	240,000	-
Miscellaneous	834,350	1,011,928	177,578
Total Revenues	<u>100,632,860</u>	<u>114,183,011</u>	<u>13,550,151</u>
Expenditures:			
General Administration	13,305,254	15,297,802	(1,992,548)
Judicial	10,177,172	10,663,212	(486,040)
Legal Services	1,554,723	1,878,096	(323,373)
Elections	723,058	3,160,125	(2,437,067)
Financial Administration	4,688,653	4,888,479	(199,826)
Public Facilities	19,689,621	22,272,876	(2,583,255)
Public Safety	31,368,702	41,938,363	(10,569,661)
Health and Welfare	3,286,007	4,987,169	(1,701,162)
Conservation	406,845	451,542	(44,697)
Miscellaneous	5,779,633	7,343,105	(1,563,472)
Total Expenditures	<u>90,979,668</u>	<u>112,880,769</u>	<u>(21,901,101)</u>
Excess Revenues Over Expenditures	<u>9,653,192</u>	<u>1,302,242</u>	<u>(8,350,950)</u>
Other Financing Sources/(Uses):			
Transfers In	-	2,784,814	2,784,814
Transfers Out	-	(2,113,162)	(2,113,162)
Capital Lease Financing	-	107,778	107,778
Total Other Financing Sources/(Uses)	<u>-</u>	<u>779,430</u>	<u>779,430</u>
Net Change in Fund Balances	9,653,192	2,081,672	(7,571,520)
Fund Balance - Beginning	9,818,012	9,818,012	-
Fund Balance - Ending	<u>\$ 19,471,204</u>	<u>\$ 11,899,684</u>	<u>\$ (7,571,520)</u>

Final budgeted revenues were higher than originally planned by \$13,550,151. The final amended budget for taxes increased \$2,187,500 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. Intergovernmental revenue contained \$4,679,866 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 adopted. The final budget for interest was \$1,071,083 higher than the original budget due to a more favorable investment climate during 2006.

The final budget for contract reimbursements was \$5,325,617 more than the original budget. The increase in the anticipated revenue was primarily due to a \$4,883,900 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 offset the expenditure differences of \$21,901,101 between the original budget and the final amended budget. The general administration function had a final expenditure budget that is \$1,992,548 higher than the original budget. This increase was 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 showed an increase in the final budget over the original budget of \$2,437,067. In the prior fiscal 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. The funds were budgeted for expenditure in the prior year, but not expended until the current fiscal year.

The public facilities function had a final budget \$2,583,255 higher than the original budget. During the year, the County budgeted a \$500,000 transfer from a capital project fund to replace the Jail's damaged roof. At the time of the original budget process, this amount was not readily identifiable. Additionally, the cost of utilities for county buildings is charged to the public facilities function. Higher than anticipated increases in utility services caused the County to increase the budget throughout the year.

Additionally, funds that were originally scheduled in prior fiscal years were not included in the original budget for fiscal year 2006. 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.

A \$10,569,661 increase in the final budget over the original budget for expenditures in the public safety function was 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 original, adopted 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. 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 \$1,701,162 higher than the original budget for 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, the expense is not budgeted until the revenue is budgeted, after the original budget process.

An increase in the final budget of \$1,563,472 over the original budget in the miscellaneous function was 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 costs.

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 \$7,571,520.

The following table presents the differences between the final amended budget and actual expenditures for the General Fund as of September 30, 2006.

General Fund Budget Variances Year Ended September 30, 2006			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 83,393,700	\$ 83,559,237	\$ 165,537
Licenses and Permits	1,259,037	1,381,107	122,070
Fees	10,824,847	13,595,913	2,771,066
Intergovernmental	4,871,347	6,132,239	1,260,892
Charges for Services	365,550	215,307	(150,243)
Interest	1,544,791	1,577,838	33,047
Contract Reimbursements	9,318,423	8,975,993	(342,430)
Inmate Housing	1,353,388	1,356,977	3,589
Fines and Forfeitures	240,000	144,680	(95,320)
Miscellaneous	1,011,928	1,335,673	323,745
Total Revenues	114,183,011	118,274,964	4,091,953
Expenditures:			
General Administration	15,297,802	12,140,648	3,157,154
Judicial	10,663,212	10,554,612	108,600
Legal Services	1,878,096	1,802,081	76,015
Elections	3,160,125	3,144,556	15,569
Financial Administration	4,888,479	4,751,654	136,825
Public Facilities	22,272,876	20,439,889	1,832,987
Public Safety	41,938,363	39,835,125	2,103,238
Health and Welfare	4,987,169	4,972,143	15,026
Conservation	451,542	449,853	1,689
Miscellaneous	7,343,105	3,009,024	4,334,081
Total Expenditures	112,880,769	101,099,585	11,781,184
Excess Revenues Over Expenditures	1,302,242	17,175,379	15,873,137
Other Financing Sources/(Uses):			
Transfers In	2,784,814	2,488,663	(296,151)
Transfers Out	(2,113,162)	(12,739,072)	(10,625,910)
Capital Lease Financing	107,778	108,758	980
Total Other Financing Sources/(Uses)	779,430	(10,141,651)	(10,921,081)
Net Change in Fund Balances	2,081,672	7,033,728	4,952,056
Fund Balance - Beginning	9,818,012	9,818,012	-
Fund Balance - Ending	\$ 11,899,684	\$ 16,851,740	\$ 4,952,056

Actual revenues exceeded budgeted revenues by \$4,091,953. Of that amount, \$1,260,892 represents inter-governmental revenues. Federal funds were awarded to the County for \$1,492,188 to purchase electronic voting equipment. The grant was awarded during the prior fiscal year, but the funds were not received until the current fiscal year. The budget was amended at the time of the grant award, creating this variance. Fee increases approved by the state legislature comprise an additional share of the increase (\$2,771,066).

Actual expenditures were \$11,781,184 lower than final budgeted expenditures. The general administration function contributed \$3,157,154 toward that amount. The risk management department of the County is charged with recording costs of various liability and property 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 public facilities function shows \$1,832,987 less in expenditures than was budgeted. The County had budgeted the cost of a new roof for the Jail; however, the replacement of the old roof had not been completed by September 30, 2006.

All departments in the public safety function of the General Fund expended less than was approved in the final amended budget by \$2,103,238. The addition of 60 new police vehicles in the prior fiscal year allowed the Sheriff's department to save a large amount of funds on repairs of outdated vehicles. In addition, the Sheriff's department received a year-long grant from the Texas Department of Transportation to combat speeding within the County. The grant allowed the County to be reimbursed for the extra overtime hours worked by deputies, in turn, incurring lower than anticipated payroll costs.

The miscellaneous function showed actual expenditures less than the final budget by \$4,334,081. As discussed in the original to final budget comparisons, this was 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 \$4,952,056 greater than anticipated with the final budget. This is the result of both an increase in actual revenues and a reduction in actual expenditures that were sufficient to cover transfers to other funds. The Jury Special Revenue Fund received \$4,233,547 more than shown in the final budget, and the Memorial Library Special Revenue Fund received \$6,451,967 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, 2006 amounted to \$409,573,746 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, and construction in progress. In the current fiscal year, the County elected to early implement the portion of GASB Statement 34 as it pertains to the retroactive reporting of infrastructure assets. The balance in capital assets includes investments in infrastructure projects that were purchased, completed or donated since fiscal years ending after September 30, 1981.

Major capital asset events during the current fiscal year included the following:

- The County retroactively reported infrastructure assets, as required by GASB Statement 34, in the amount of \$675,101,924.
- Purchases in the buildings category of \$481,086 included the HVAC system upgrade for energy conservation at the County Jail.
- Vehicles, vehicle modifications, and other various equipment items were purchased at a cost of \$6,084,562. To fulfill the requirements of the Help America Vote Act of 2002, the County purchased electronic voting equipment in the amount of \$1,953,909.
- 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 2006 amounted to \$18,106,199.
- Montgomery County is the 26th fastest growing 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 \$36,877,125.
- Projects that were capitalized from ongoing construction throughout the year, including a gun range and a library totaled \$3,780,112. Additional expenditures of \$3,554,620 were incurred for construction that was in progress throughout the year.
- Increases in assets were offset by depreciation expense of \$28,929,283.

**Montgomery County, Texas
Capital Assets
(net of depreciation)
September 30, 2006
with Comparative Totals for September 30, 2005**

	Value of Capital Asset Net of Accumulated Depreciation		Increase
	FY 2006	FY 2005	(Decrease)
Land	\$ 7,747,501	\$ 7,398,715	\$ 348,786
Buildings	81,235,608	79,843,362	1,392,246
Improvements	2,967,622	3,037,832	(70,210)
Equipment	17,235,427	15,858,537	1,376,890
Infrastructure	296,197,118	71,515,920	224,681,198
Construction in Progress	4,190,470	4,289,174	(98,704)
Total	<u>\$409,573,746</u>	<u>\$ 181,943,540</u>	<u>\$ 227,630,206</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, 2006, \$3,949,505, and \$2,147,742 had been spent on libraries in the eastern and western areas of the County, respectively. The library in the western area of the county has been completed, and was opened March 9, 2006. It was named the Charles B. Stewart West Branch Library in honor of the man who designed the Lone Star Flag.

The County has committed to multiple road construction projects in fiscal year 2007. 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. Road bonds in the amount of \$111,550,000, net of premiums and expenses, were issued in late 2006 and constituted the first phase of road construction funding. The County will use approximately \$100,000,000 to improve

¹ <http://ask.census.gov>

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.

Long-Term Debt

At September 30, 2006, Montgomery County had total bonded debt outstanding of \$288,684,676 (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’s rating was upgraded by Moody’s Investors Service during current fiscal year to “Aa3”. The County maintains “Aaa” and “AAA” ratings from Moody’s Investors Service, Inc. and Standard and Poor’s Corporation, respectively, by purchasing credit enhancement in the form of insurance.

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, \$231,795,605 corresponds to general obligation debt and \$50,155,000 represents certificates of obligation. Montgomery County’s total bonded debt had a net increase of \$133,642,002 during 2006. The following table represents the entire long-term debt of the County at September 30, 2006 on a comparative basis.

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

	<u>FY 2006</u>	<u>FY 2005</u>
General obligation bonds	\$ 231,795,605	\$ 122,050,678
Certificates of obligation	50,155,000	25,860,000
Accreted interest	6,734,071	7,131,996
Capital Leases	1,096,177	1,403,363
Premiums, net of discounts	7,999,426	4,745,570
Compensated absences	5,870,959	5,212,724
Total	<u>\$ 303,651,238</u>	<u>\$ 166,404,331</u>

Debt activity in 2006 included an issue of \$111,550,000 in voter-approved road bonds, to complete projects that were begun with the Series 2002, 2003, and 2004 road bonds. In addition, certificates of obligation were issued in the amount of \$26,320,000 to renovate and improve county-owned buildings. The County retired \$4,227,994 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 \$3,877,376,107, which is significantly in excess of the County’s outstanding debt obligation, despite the increases in debt issuance during 2006.

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 3.8%², which is a decrease from a rate of 4.5% a year ago. This compares favorably to the State's average unemployment rate of 4.7%³ and the national average rate of 4.5%⁴.
- Commissioners' Court approved allocating both a 3.0% salary increase and a 5.0% auto allowance increase in fiscal year 2007.
- Escalating fuel costs propelled Commissioners' Court to increase the fuel budget for vehicles in the Sheriff's fleet by \$242,000 over the prior fiscal year.
- Funding for 29 new positions to staff various County offices is anticipated at approximately \$1,700,000.
- Funds were allocated in Contingency to begin architectural work on a new office building and parking garage to relocate county administration offices and accommodate an expanding courts system. The new building will make room for the 9th Court of Appeals should the Justices decide to relocate to Montgomery County.
- 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, 2007.

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.

² The Work Source. <http://www.theworksource.org/employer/lmi/unemploymentrates/2006>.

³ The Work Source. <http://www.theworksource.org/employer/lmi/unemploymentrates/2006>.

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

BASIC FINANCIAL STATEMENTS

MONTGOMERY COUNTY, TEXAS

Statement of Net Assets

September 30, 2006

EXHIBIT I

ASSETS:	<u>Governmental Activities</u>
Cash	\$ 10,257,569
Investments, at Fair Value	146,058,963
Cash, Restricted for Retainage	717,059
Receivables:	
Taxes (net)	5,723,791
Accounts (net)	13,587,092
Accrued Interest	590,649
Due from Other Governments	5,659,090
Inventory, at Cost	71,186
Deferred Charges	7,176,170
Prepaid Items	1,819,909
Capital Assets, net of accumulated depreciation	
Land	7,747,501
Buildings	81,235,608
Improvements	2,967,622
Equipment	17,235,427
Infrastructure	296,197,118
Construction in Progress	4,190,470
Total Assets	<u>601,235,224</u>
LIABILITIES:	
Accounts Payable	14,799,239
Retainage Payable	948,576
Accrued Interest Payable	1,215,873
Due to Other Governments	1,430,591
Unearned Revenue	627,250
Noncurrent Liabilities:	
Due within one year	10,768,341
Due in more than one year	292,882,897
Total Liabilities	<u>322,672,767</u>
NET ASSETS:	
Invested in Capital Assets, net of related debt	314,159,873
Restricted for:	
Capital Projects	139,009
Debt Service	5,870,959
Unrestricted	(41,607,384)
Total Net Assets	<u>\$ 278,562,457</u>

See accompanying notes to the financial statements.

MONTGOMERY COUNTY, TEXAS**Statement of Activities****Year Ended September 30, 2006**

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	\$ 13,416,534	\$ 6,445,057	\$ -	\$ -	\$ (6,971,477)
Judicial	16,761,386	7,800,759	316,490	-	(8,644,137)
Legal Services	2,101,795	471,138	-	-	(1,630,657)
Elections	1,086,378	30,500	521,085	1,483,941	949,148
Financial Administration	4,791,906	1,325,948	-	-	(3,465,958)
Public Facilities	20,768,370	843,224	9,000	-	(19,916,146)
Public Safety	41,162,610	13,425,676	2,795,599	1,430,264	(23,511,071)
Health and Welfare	8,958,511	1,276,884	4,450,471	-	(3,231,156)
Culture and Recreation	7,051,403	246,400	78,447	-	(6,726,556)
Conservation	721,982	-	-	-	(721,982)
Public Transportation	58,874,891	7,725,846	172,303	38,677,439	(12,299,303)
Miscellaneous	3,009,024	-	-	-	(3,009,024)
Debt Service Interest and					
Fiscal Charges	10,553,741	-	-	-	(10,553,741)
Total Governmental Activities	<u>\$189,258,531</u>	<u>\$39,591,432</u>	<u>\$8,343,395</u>	<u>\$41,591,644</u>	<u>(99,732,060)</u>
General Revenues:					
Property Taxes					105,410,635
Other Taxes					75,448
Mixed Beverage Taxes					915,425
Bingo Taxes					152,015
Insurance Reimbursements					61,563
Unrestricted Investment Earnings					3,582,630
Gain on Sale of Capital Assets					99,324
Total General Revenues					<u>110,297,040</u>
Change in Net Assets					10,564,980
Net Assets - Beginning					<u>267,997,477</u>
Net Assets - Ending					<u>\$278,562,457</u>

Balance in Net Assets - Beginning has been increased due to GASBS 34 retroactive infrastructure
See accompanying notes to the financial statements.

MONTGOMERY COUNTY, TEXAS

Balance Sheet

Governmental Funds

September 30, 2006

EXHIBIT III

	General	Road and Bridge	Debt Service
<u>ASSETS:</u>			
Cash	\$ 2,843,022	\$ 639,321	\$ 440,782
Investments, at Fair Value	20,305,444	2,784,269	-
Cash, Restricted for Retainage	18,971	-	-
Receivables:			
Taxes (net)	4,441,143	607,579	675,069
Accounts (net)	1,643,531	25,584	51,016
Accrued Interest	262,765	42,747	-
Due from Other Funds	1,513,775	665,353	1,759,281
Due from Other Governments	3,217,178	254,902	-
Inventory, at Cost	-	71,186	-
Prepaid Items	355,284	-	-
<u>TOTAL ASSETS</u>	<u>\$ 34,601,113</u>	<u>\$ 5,090,941</u>	<u>\$ 2,926,148</u>
<u>LIABILITIES AND FUND BALANCES:</u>			
Liabilities:			
Accounts Payable	\$ 8,032,316	\$ 901,672	\$ 41,017
Retainage Payable	18,971	-	-
Due to Other Funds	3,849,450	-	-
Due to Other Governments	1,430,367	-	-
Deferred Revenue	4,418,269	614,759	638,367
Total liabilities	17,749,373	1,516,431	679,384
Fund Balances:			
Reserved for:			
Prepaid Items	355,284	-	-
Capital Projects	-	-	-
Inventory	-	71,186	-
Debt Service	-	-	2,246,764
Unreserved, designated for:			
Encumbrances	152,698	54,549	-
Unreserved, undesignated, reported in:			
General Fund	16,343,758	-	-
Special Revenue Funds	-	3,448,775	-
Total Fund Balances	16,851,740	3,574,510	2,246,764
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 34,601,113</u>	<u>\$ 5,090,941</u>	<u>\$ 2,926,148</u>

See accompanying notes to the financial statements.

Certificates of Obligation Series 2006	Road Bonds Series 2006A	Road Bonds Series 2006B	Other Governmental Funds	Total Governmental Funds
\$ 1,156,008	\$ 574,680	\$ 1,170,793	\$ 3,432,963	\$ 10,257,569
20,242,099	35,689,543	55,407,815	11,629,793	146,058,963
9,217	547,352	32,058	109,461	717,059
-	-	-	-	5,723,791
1,385	-	-	25,636	1,747,152
59,701	59,701	116,515	49,220	590,649
375,000	-	23,994	2,847,817	7,185,220
-	132,462	-	2,054,548	5,659,090
-	-	-	-	71,186
-	-	-	1,464,625	1,819,909
<u>\$ 21,843,410</u>	<u>\$ 37,003,738</u>	<u>\$ 56,751,175</u>	<u>\$ 21,614,063</u>	<u>\$ 179,830,588</u>
\$ 196,514	\$ 1,573,394	\$ 753,100	\$ 3,301,226	\$ 14,799,239
9,217	547,352	32,058	340,978	948,576
2,412	23,994	-	3,309,364	7,185,220
-	-	-	224	1,430,591
-	-	-	471,744	6,143,139
<u>208,143</u>	<u>2,144,740</u>	<u>785,158</u>	<u>7,423,536</u>	<u>30,506,765</u>
-	-	-	1,464,625	1,819,909
21,635,267	34,858,998	55,966,017	12,000,645	124,460,927
-	-	-	-	71,186
-	-	-	-	2,246,764
-	-	-	21,914	229,161
-	-	-	-	16,343,758
-	-	-	703,343	4,152,118
<u>21,635,267</u>	<u>34,858,998</u>	<u>55,966,017</u>	<u>14,190,527</u>	<u>149,323,823</u>
<u>\$ 21,843,410</u>	<u>\$ 37,003,738</u>	<u>\$ 56,751,175</u>	<u>\$ 21,614,063</u>	<u>\$ 179,830,588</u>



MONTGOMERY COUNTY, TEXAS
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Assets
Year Ended September 30, 2006

Total fund balances - governmental funds (page 31)	\$	149,323,823
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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.		7,176,170
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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	7,747,501	
Buildings	81,235,608	
Improvements	2,967,622	
Equipment	17,235,427	
Infrastructure	296,197,118	
Construction in Progress	4,190,470	
Total Capital Assets		409,573,746

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.		11,839,940
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Property taxes earned that are not available to pay for current-period expenditures are deferred in the funds.		5,515,889
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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	(1,215,873)	
Bonds and capital leases payable	(297,780,279)	
Compensated absences	(5,870,959)	
Total future period liabilities		(304,867,111)

Net assets of governmental activities	\$	278,562,457
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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, 2006

EXHIBIT IV

	General	Road and Bridge	Debt Service
<u>REVENUES:</u>			
Taxes	\$ 83,559,237	\$ 11,279,476	\$ 11,895,634
Licenses and Permits	1,381,107	6,206,344	-
Fees	13,595,913	-	-
Intergovernmental	6,132,239	150,703	-
Charges for Services	215,307	-	-
Interest	1,577,838	124,610	159,996
Contract Reimbursements	8,975,993	-	-
Inmate Housing	1,356,977	-	-
Fines and Forfeitures	144,680	1,021,101	-
Miscellaneous	1,335,673	572,307	-
<u>TOTAL REVENUES</u>	<u>118,274,964</u>	<u>19,354,541</u>	<u>12,055,630</u>
<u>EXPENDITURES:</u>			
Current:			
General Administration	12,140,648	-	-
Judicial	10,554,612	-	-
Legal Services	1,802,081	-	-
Elections	3,144,556	-	-
Financial Administration	4,751,654	-	-
Public Facilities	20,439,889	-	-
Public Safety	39,835,125	-	-
Health and Welfare	4,972,143	-	-
Culture and Recreation	-	-	-
Conservation	449,853	196,349	-
Public Transportation	-	16,658,192	-
Miscellaneous	3,009,024	-	-
Capital Projects	-	-	-
Debt Service:			
Principal Retirement	-	-	3,830,069
Interest and Fiscal Charges	-	-	8,285,966
Issuance Costs	-	-	-
<u>TOTAL EXPENDITURES</u>	<u>101,099,585</u>	<u>16,854,541</u>	<u>12,116,035</u>
Excess (Deficiency) Revenues Over Expenditures	<u>17,175,379</u>	<u>2,500,000</u>	<u>(60,405)</u>
<u>OTHER FINANCING SOURCES/(USES):</u>			
Transfers In	2,488,663	-	164,474
Transfers Out	(12,739,072)	-	-
Capital Lease Financing	108,758	153,771	-
Proceeds of Certificates of Obligation	-	-	-
Proceeds of General Obligation Bonds	-	-	-
Premium on Debt Issuance	-	-	-
<u>TOTAL OTHER FINANCING SOURCES/(USES)</u>	<u>(10,141,651)</u>	<u>153,771</u>	<u>164,474</u>
Net Change in Fund Balances	7,033,728	2,653,771	104,069
Fund Balances at Beginning of Year	9,818,012	920,739	2,142,695
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$ 16,851,740</u>	<u>\$ 3,574,510</u>	<u>\$ 2,246,764</u>

See accompanying notes to the financial statements.

Certificates of Obligation Series 2006	Road Bonds Series 2006A	Road Bonds Series 2006B	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 106,734,347
-	-	-	117,740	7,705,191
-	-	-	369,937	13,965,850
-	-	-	6,646,037	12,928,979
-	-	-	1,263,797	1,479,104
174,114	272,227	435,631	838,233	3,582,649
-	-	-	129,703	9,105,696
-	-	-	-	1,356,977
-	-	-	844,255	2,010,036
-	450,000	-	63,415	2,421,395
174,114	722,227	435,631	10,273,117	161,290,224
-	-	-	108,590	12,249,238
-	-	-	6,067,142	16,621,754
-	-	-	311,692	2,113,773
-	-	-	-	3,144,556
-	-	-	-	4,751,654
-	-	-	-	20,439,889
-	-	-	1,959,245	41,794,370
-	-	-	3,997,561	8,969,704
-	-	-	6,948,700	6,948,700
-	-	-	-	646,202
-	-	-	732,476	17,390,668
-	-	-	-	3,009,024
1,492,756	13,884,918	9,495,374	16,253,234	41,126,282
-	-	-	-	3,830,069
-	-	-	-	8,285,966
374,090	658,803	918,805	-	1,951,698
1,866,846	14,543,721	10,414,179	36,378,640	193,273,547
(1,692,732)	(13,821,494)	(9,978,548)	(26,105,523)	(31,983,323)
375,000	-	-	12,866,854	15,894,991
(1,674,292)	-	-	(1,481,627)	(15,894,991)
-	-	-	-	262,529
26,320,000	-	-	-	26,320,000
-	47,800,000	63,750,000	-	111,550,000
575,517	880,492	2,194,565	-	3,650,574
25,596,225	48,680,492	65,944,565	11,385,227	141,783,103
23,903,493	34,858,998	55,966,017	(14,720,296)	109,799,780
(2,268,226)	-	-	28,910,823	39,524,043
\$ 21,635,267	\$ 34,858,998	\$ 55,966,017	\$ 14,190,527	\$ 149,323,823



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, 2006

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)	\$ 109,799,780
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.	(1,710,972)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, seizures, and donations) is to increase net assets.	36,918,174
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,615,112
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.	(135,033,692)
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.	<u>(1,023,422)</u>
Change in net assets of governmental activities (page 29)	<u><u>\$ 10,564,980</u></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, 2006

EXHIBIT V
Page 1 of 3

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Taxes	\$81,206,200	\$83,393,700	\$ 83,559,237	\$ 165,537
Licenses and Permits	1,141,329	1,259,037	1,381,107	122,070
Fees	10,225,898	10,824,847	13,595,913	2,771,066
Intergovernmental	191,481	4,871,347	6,132,239	1,260,892
Charges for Services	175,000	365,550	215,307	(150,243)
Interest	473,708	1,544,791	1,577,838	33,047
Contract Reimbursements	3,992,806	9,318,423	8,975,993	(342,430)
Inmate Housing	2,152,088	1,353,388	1,356,977	3,589
Fines and Forfeitures	240,000	240,000	144,680	(95,320)
Miscellaneous	834,350	1,011,928	1,335,673	323,745
<u>TOTAL REVENUES</u>	<u>100,632,860</u>	<u>114,183,011</u>	<u>118,274,964</u>	<u>4,091,953</u>
<u>EXPENDITURES:</u>				
Current:				
General Administration	13,305,254	15,297,802	12,140,648	3,157,154
Judicial	10,177,172	10,663,212	10,554,612	108,600
Legal Services	1,554,723	1,878,096	1,802,081	76,015
Elections	723,058	3,160,125	3,144,556	15,569
Financial Administration	4,688,653	4,888,479	4,751,654	136,825
Public Facilities	19,689,621	22,272,876	20,439,889	1,832,987
Public Safety	31,368,702	41,938,363	39,835,125	2,103,238
Health and Welfare	3,286,007	4,987,169	4,972,143	15,026
Conservation	406,845	451,542	449,853	1,689
Public Transportation	-	-	-	-
Miscellaneous	5,779,633	7,343,105	3,009,024	4,334,081
<u>TOTAL EXPENDITURES</u>	<u>90,979,668</u>	<u>112,880,769</u>	<u>101,099,585</u>	<u>11,781,184</u>
Excess Revenues Over Expenditures	9,653,192	1,302,242	17,175,379	15,873,137
<u>OTHER FINANCING SOURCES/ (USES):</u>				
Transfers In	-	2,784,814	2,488,663	(296,151)
Transfers Out	-	(2,113,162)	(12,739,072)	(10,625,910)
Capital Lease Financing	-	107,778	108,758	980
<u>TOTAL OTHER FINANCING (USES)</u>	<u>-</u>	<u>779,430</u>	<u>(10,141,651)</u>	<u>(10,921,081)</u>
Net Change in Fund Balances	9,653,192	2,081,672	7,033,728	4,952,056
Fund Balances at Beginning of Year	9,818,012	9,818,012	9,818,012	-
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$19,471,204</u>	<u>\$11,899,684</u>	<u>\$ 16,851,740</u>	<u>\$ 4,952,056</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, 2006

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	\$11,256,600	\$11,256,600	\$11,279,476	\$ 22,876
Licenses and Permits	5,655,700	5,655,700	6,206,344	550,644
Fees	-	-	-	-
Intergovernmental	130,000	139,000	150,703	11,703
Charges for Services	-	-	-	-
Interest	-	-	124,610	124,610
Contract Reimbursements	-	-	-	-
Inmate Housing	-	-	-	-
Fines and Forfeitures	1,200,000	1,200,000	1,021,101	(178,899)
Miscellaneous	-	239,562	572,307	332,745
<u>TOTAL REVENUES</u>	<u>18,242,300</u>	<u>18,490,862</u>	<u>19,354,541</u>	<u>863,679</u>
<u>EXPENDITURES:</u>				
Current:				
General Administration	-	-	-	-
Judicial	-	-	-	-
Legal Services	-	-	-	-
Elections	-	-	-	-
Financial Administration	-	-	-	-
Public Facilities	-	-	-	-
Public Safety	-	-	-	-
Health and Welfare	-	-	-	-
Conservation	188,357	224,759	196,349	28,410
Public Transportation	15,830,984	19,396,294	16,658,192	2,738,102
Miscellaneous	-	-	-	-
<u>TOTAL EXPENDITURES</u>	<u>16,019,341</u>	<u>19,621,053</u>	<u>16,854,541</u>	<u>2,766,512</u>
Excess Revenues Over Expenditures	2,222,959	(1,130,191)	2,500,000	3,630,191
<u>OTHER FINANCING SOURCES/ (USES):</u>				
Transfers In	-	838,669	-	(838,669)
Transfers Out	-	(154,210)	-	154,210
Capital Lease Financing	-	153,771	153,771	-
<u>TOTAL OTHER FINANCING SOURCES</u>	<u>-</u>	<u>838,230</u>	<u>153,771</u>	<u>(684,459)</u>
Net Change in Fund Balances	2,222,959	(291,961)	2,653,771	2,945,732
Fund Balances at Beginning of Year	920,739	920,739	920,739	-
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$ 3,143,698</u>	<u>\$ 628,778</u>	<u>\$ 3,574,510</u>	<u>\$ 2,945,732</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, 2006

EXHIBIT V
Page 3 of 3

	Totals			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Taxes	\$92,462,800	\$94,650,300	\$94,838,713	\$ 188,413
Licenses and Permits	6,797,029	6,914,737	7,587,451	672,714
Fees	10,225,898	10,824,847	13,595,913	2,771,066
Intergovernmental	321,481	5,010,347	6,282,942	1,272,595
Charges for Services	175,000	365,550	215,307	(150,243)
Interest	473,708	1,544,791	1,702,448	157,657
Contract Reimbursements	3,992,806	9,318,423	8,975,993	(342,430)
Inmate Housing	2,152,088	1,353,388	1,356,977	3,589
Fines and Forfeitures	1,440,000	1,440,000	1,165,781	(274,219)
Miscellaneous	834,350	1,251,490	1,907,980	656,490
<u>TOTAL REVENUES</u>	<u>118,875,160</u>	<u>132,673,873</u>	<u>137,629,505</u>	<u>4,955,632</u>
<u>EXPENDITURES:</u>				
Current:				
General Administration	13,305,254	15,297,802	12,140,648	3,157,154
Judicial	10,177,172	10,663,212	10,554,612	108,600
Legal Services	1,554,723	1,878,096	1,802,081	76,015
Elections	723,058	3,160,125	3,144,556	15,569
Financial Administration	4,688,653	4,888,479	4,751,654	136,825
Public Facilities	19,689,621	22,272,876	20,439,889	1,832,987
Public Safety	31,368,702	41,938,363	39,835,125	2,103,238
Health and Welfare	3,286,007	4,987,169	4,972,143	15,026
Conservation	595,202	676,301	646,202	30,099
Public Transportation	15,830,984	19,396,294	16,658,192	2,738,102
Miscellaneous	5,779,633	7,343,105	3,009,024	4,334,081
<u>TOTAL EXPENDITURES</u>	<u>106,999,009</u>	<u>132,501,822</u>	<u>117,954,126</u>	<u>14,547,696</u>
Excess Revenues Over Expenditures	11,876,151	172,051	19,675,379	19,503,328
<u>OTHER FINANCING SOURCES/ (USES):</u>				
Transfers In	-	3,623,483	2,488,663	(1,134,820)
Transfers Out	-	(2,267,372)	(12,739,072)	(10,471,700)
Capital Lease Financing	-	261,549	262,529	980
<u>TOTAL OTHER FINANCING (USES)</u>	<u>-</u>	<u>1,617,660</u>	<u>(9,987,880)</u>	<u>(11,605,540)</u>
Net Change in Fund Balances	11,876,151	1,789,711	9,687,499	7,897,788
Fund Balances at Beginning of Year	10,738,751	10,738,751	10,738,751	-
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$22,614,902</u>	<u>\$12,528,462</u>	<u>\$20,426,250</u>	<u>\$ 7,897,788</u>

See accompanying notes to the financial statements.

MONTGOMERY COUNTY, TEXAS
Statement of Assets and Liabilities
Fiduciary Funds
September 30, 2006

EXHIBIT VI

	<u>Agency Funds</u>
<u>ASSETS:</u>	
Cash	\$ 11,667,218
Investments, at Fair Value	1,262,555
Accounts Receivable	<u>4,672</u>
<u>TOTAL ASSETS</u>	<u>\$ 12,934,445</u>
<u>LIABILITIES:</u>	
Accounts Payable	\$ 7,957,145
Due to Other Governments	<u>4,977,300</u>
<u>TOTAL LIABILITIES</u>	<u>\$ 12,934,445</u>

See accompanying notes to the financial statements.



MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2006

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, 2006

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 STANDARD:

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

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as it pertains to the retroactive reporting of infrastructure assets only. For more information, see Note 7 beginning on page 55.

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.

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.

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2006

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, 2005 that were due October 1, 2005, have been assessed to finance the budget of the fiscal year ending September 30, 2006. In accordance with the modified accrual basis of accounting, the balances outstanding at September 30, 2006, 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 and certificates of obligation. Financing is provided by a specific annual property tax levy, and the investment interest earned thereon.

The Capital Projects-Certificates of Obligation, Series 2006A Fund is used to account for improvements to several county buildings and the County park system. The \$26,320,000 in proceeds will be used to acquire, construct and equip various county facilities to improve services to the County's residents.

The Capital Projects-Road Bonds, Series 2006A Fund is used to account for countywide road improvements. The proceeds from the issuance of an additional \$47,800,000 in general obligation bonds were used to finance this fund. A portion of the proceeds will be used to satisfy

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2006

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 2006B Fund is used to account for an additional phase of variable rate road construction bonds that were approved in 2005 by the voters of the County. The \$63,750,000 in proceeds will be used to satisfy the County's obligation under a "pass-through toll" agreement with the State of Texas to improve six specific 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, 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 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.

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

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2006

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, drainage improvements, bridges, signals, and runways. 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.

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.

MONTGOMERY COUNTY, TEXAS
Notes to the Financial Statements
September 30, 2006

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 have 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).

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.

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2006

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 2006.

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, 2006

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	\$ 27,218,311
Depreciation expense	<u>(28,929,283)</u>

Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,710,972)</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.	\$ 178,456
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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	36,934,126
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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>(194,408)</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>\$ 36,918,174</u>
--	----------------------

“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	\$ (111,550,000)
Issuance of certificates of obligation	(26,320,000)
Premium on bonds issued	(3,650,574)

MONTGOMERY COUNTY, TEXAS
Notes to the Financial Statements
September 30, 2006

Capital lease financing	(262,529)
Issuance Costs for new debt	1,951,698
Principal repayments:	
General obligation debt	2,202,998
Certificates of obligation debt	2,025,000
Capital leases	569,715
	<hr/>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	\$ (135,033,692)
	<hr/> <hr/>

“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	\$ (658,235)
Accrued interest	(510,257)
Amortization of gain on refunding bonds	121,963
Amortization of accrued interest on refunding bonds	(336,013)
Amortization of issuance costs	(347,085)
Amortization of bond discounts	(7,823)
Amortization of bond premiums	404,541
Reduction of receivable for reimbursement of county expenditures	309,487
	<hr/>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	\$ (1,023,422)
	<hr/> <hr/>

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, 2006

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 2006, 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 2006, budget amendments totaling \$10,641,764 were approved that met these 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 2006, supplemental appropriations were approved in the amounts of \$12,871,203, \$5,325,617, and \$262,529 for grants received, intergovernmental contracts executed, and capital leases approved, respectively.

B) EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS:

Expenditures exceeded appropriations in five funds during fiscal year 2006. Expenditures in the Forfeitures, FEMA Disaster Grants, Sheriff Commissary and Airport Maintenance Special Revenue Funds exceeded appropriations by \$4,246, \$598,347, \$12,809 and \$367,818, respectively. These excesses were absorbed by unanticipated revenues and transfers from the General Fund, and had an immaterial impact on fund balances. The \$188,015 excess of expenditures over appropriations in the Debt Service Fund was remedied by transfers from the Certificates of Obligation Series 97A-98 and Certificates of Obligation Series 2003 Capital Projects Funds.

C) DEFICIT FUND EQUITY:

At September 30, 2006, the FEMA Disaster Grants Revenue Fund, had a deficit fund balance of \$1. Management anticipates that future revenues will replenish the FEMA Disaster Grants 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 policy for custodial credit risk. As of September 30, 2006, the County's bank balance (collected funds) was \$26,270,665. At that same date, none of the County's bank balance was exposed to custodial credit risk since 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
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B) **INVESTMENTS:**

As of September 30, 2006, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>
Federal National Mortgage Association	\$ 8,882,493	0.12
Federal Farm Credit Bureau	7,815,091	0.47
Federal Home Loan Bank	33,587,091	0.37
State's Investment Pool (TEXPOOL)	1,282,151	0.15
Money Market Mutual Fund (ICT)	36,799,545	0.12
Money Market Mutual Fund (BPIF)	31,773,983	0.05
Money Market Mutual Fund (AIM)	27,181,164	0.08
Total Investments	<u>\$147,321,518</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, 2006

- 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), Federal Farm Credit Bank (FFCB) 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, 2006, more than 5% of the County's total invested amounts were in Federal National Mortgage Association (6.03%), Federal Farm Credit Bank (5.30%) and Federal Home Loan Bank (22.80%).

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 \$58,159,166 in additional taxes from the present assessed valuation of \$19,150,202,773 before the limit is reached.

The thirty years' property taxes receivable at September 30, 2006, 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	\$4,531,778	\$ 90,635	\$4,441,143
Road & Bridge Fund	619,979	12,400	607,579
Debt Service Fund	688,846	13,777	675,069
Total Receivable	<u>\$5,840,603</u>	<u>\$116,812</u>	<u>\$5,723,791</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, 2006, the following amounts were recorded as due to the County:

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
General Fund	\$1,954,233	\$ 719,779	\$ 543,166	\$3,217,178
Special Revenue Funds	1,900,537	339,043	69,870	2,309,450
Capital Project Funds	-	132,462	-	132,462
Total Due from Governments	<u>\$3,854,770</u>	<u>\$1,191,284</u>	<u>\$ 613,036</u>	<u>\$5,659,090</u>

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2006

NOTE 7- CAPITAL ASSETS:

A) CHANGES IN CAPITAL ASSETS FOR YEAR ENDED SEPTEMBER 30, 2006:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions (1)</u>	<u>Deletions (1)</u>	<u>Ending Balance</u>
Land	\$ 7,398,715	\$ 1,112,499	\$ (763,713)	\$ 7,747,501
Construction in Progress	4,289,174	3,740,369	(3,839,073)	4,190,470
Total Capital Assets not being depreciated	11,687,889	4,852,868	(4,602,786)	11,937,971
Buildings	105,122,235	8,231,933	(4,531,617)	108,822,551
Improvements	6,682,500	3,390,680	(3,062,020)	7,011,160
Equipment	43,233,116	6,898,734	(3,363,935)	46,767,915
Infrastructure (2)	757,298,316	55,137,259	(1,213,356)	811,222,219
Total Capital Assets being depreciated	912,336,167	73,658,606	(12,170,928)	973,823,845
Less accumulated depreciation for:				
Buildings	(25,278,873)	(2,308,070)	-	(27,586,943)
Improvements	(3,644,668)	(398,870)	-	(4,043,538)
Equipment	(27,374,579)	(4,556,631)	2,398,722	(29,532,488)
Infrastructure (2)	(493,359,389)	(21,665,712)	-	(515,025,101)
Total Capital Assets, net of Accumulated depreciation	\$ 374,366,547	\$ 49,582,191	\$(14,374,992)	\$ 409,573,746

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

(2) The beginning balance for Infrastructure has been increased by \$192,423,006, net of accumulated depreciation. This increase resulted from the implementation of the portion of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as it pertains to retroactive reporting of infrastructure assets. These assets were acquired prior to the implementation of GASB Statement No. 34 in the fiscal year ended September 30, 2003.

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, 2006, the County charged depreciation expense to functions/programs as follows:

Governmental activities:	
General Administration	\$ 1,625,333
Judicial	130,736
Legal Services	84,227
Elections	331,209
Financial Administration	34,658
Public Facilities	1,006,740
Public Safety	1,684,367
Health and Welfare	102,309
Culture and Recreation	1,222,706
Conservation	74,270
Public Transportation	22,632,728
Total depreciation expense-governmental activities	<u>\$28,929,283</u>

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2006

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, 2006:

<u>Project</u>	<u>Status</u>	<u>Commitment</u>	<u>Paid to Date</u>
Tullis Branch Library	Substantially complete	\$ 4,437,431	\$ 3,699,518
Various Road Projects	Under construction	136,353,559	55,463,721
Airport Improvement	Design/planning phase	8,673,685	849,219
Park Improvements	Planning phase	13,510,000	422,361
Ed Chance Annex	Design/planning phase	3,200,000	339,588
	Total	<u>\$166,174,675</u>	<u>\$ 60,774,407</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, 2006, the following amounts were due to other governments:

<u>Fund</u>	<u>Local</u>	<u>State</u>	<u>Total</u>
General	\$1,430,367	\$ -	\$ 1,430,367
Other Nonmajor	-	224	224
Total	<u>\$1,430,367</u>	<u>\$ 224</u>	<u>\$ 1,430,591</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	\$ 4,262,763	\$ 155,506	\$ 4,418,269
Road & Bridge	614,759	-	614,759
Debt Service	638,367	-	638,367
Other Nonmajor	-	471,744	471,744
Total	<u>\$ 5,515,889</u>	<u>\$ 627,250</u>	<u>\$ 6,143,139</u>

NOTE 9- LONG-TERM DEBT:

General 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, 2006****A) BONDED DEBT:**

A summary of the long-term bonded debt, at September 30, 2006 is presented:

	Interest Rate (%)	Issue Date	Maturity Date	Bonds Outstanding
GENERAL OBLIGATION BONDS:				
Refunding Bonds, Series 1997	5.10-5.60	1997	2017	9,510,605
Permanent Improvement, Series 2000	4.50-5.25	2000	2020	1,200,000
Road Bonds, Series 2002A	4.00-4.50	2002	2022	17,260,000
Refunding Bonds, Series 2002B	3.00-4.50	2002	2011	2,320,000
Road Bonds, Series 2003A	5.00	2003	2026	24,000,000
Library Bonds, Series 2003B	2.00-4.75	2003	2026	9,900,000
Road Bonds, Series 2004	5.50	2004	2026	10,205,000
Refunding Bonds, Series 2005	4.00-5.00	2005	2020	45,850,000
Road Bonds Fixed Rate, Series 2006A	3.75-5.00	2006	2027	47,800,000
Road Bonds Adj. Rate, Series 2006B	5.00	2006	2030	63,750,000
Total Principal				<u>231,795,605</u>
Accretion of Cap Appreciation Bonds:				
Refunding, Series 1997	5.10-5.60	1997	2017	<u>6,734,071</u>
TOTAL GENERAL OBLIGATION BONDS PAYABLE				<u>\$238,529,676</u>
CERTIFICATES OF OBLIGATION:				
Series 1997	5.00-6.50	1997	2016	210,000
Series 1997A	4.10-6.00	1997	2015	6,140,000
Series 1998	4.60-6.50	1998	2018	2,095,000
Series 2001	4.65	2001	2011	1,400,000
Series 2003	2.00-4.75	2003	2022	11,525,000
Series 2004	3.00-4.60	2004	2020	2,465,000
Series 2006	3.75-5.00	2006	2027	26,320,000
TOTAL CERTIFICATES OF OBLIGATION				<u>\$ 50,155,000</u>
TOTAL BONDED DEBT				<u>\$288,684,676</u>

All of the County's outstanding bonded debt is assigned a fixed rate of interest, with the exception of the Series 2006B Road Bonds. The Series 2006B bonds were issued with a variable rate of interest, initially set at 5.0%. The initial rate period for these bonds ends in 2008, and at that time a term rate will be determined by a remarketing agent (currently Goldman, Sachs, and Co.)

B) CHANGES IN LONG-TERM DEBT:

The following schedule illustrates changes in long-term debt for the year ended September 30, 2006. Reductions to general obligation bonds include an annual accretion reduction of capital appreciation bonds in the amount of \$397,929. For each category, management has presented the portion that will be due within one year.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General Obligation	\$ 129,182,674	\$111,550,000	\$ (2,202,998)	\$238,529,676	\$2,725,000
Certificates of obligation	25,860,000	26,320,000	(2,025,000)	50,155,000	2,640,000
Less deferred amounts:					
Issuance discounts	(105,675)	-	7,823	(97,852)	(6,336)
Unamortized premiums	4,851,245	3,650,574	(404,541)	8,097,278	536,225
Total bonds payable	159,788,244	141,520,574	(4,624,716)	296,684,102	5,894,889
Capital leases	1,403,363	262,529	(569,715)	1,096,177	580,600
Compensated absences	5,212,724	4,608,462	(3,950,227)	5,870,959	4,292,852
Total Long-term Liabilities	\$166,404,331	\$146,391,565	\$ (9,144,658)	\$303,651,238	\$10,768,341

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2006

At year end, \$894,290 of special revenue funds compensated absences are included in the above amounts. The remaining balance (\$4,976,669) will be liquidated by the general fund. This follows the prior year allocation of liability between operating funds.

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
2007	\$ 2,725,000	\$ 11,354,712	\$ 2,640,000	\$ 2,474,163
2008	2,523,741	11,476,029	2,930,000	2,165,413
2009	4,456,809	11,400,880	1,695,000	2,056,750
2010	4,615,920	11,268,675	1,780,000	1,986,787
2011	5,340,387	11,094,177	2,435,000	1,899,001
2012-2016	27,179,044	56,536,069	12,210,000	7,922,831
2017-2021	43,654,704	42,363,075	12,970,000	4,865,706
2022-2026	62,550,000	27,998,819	11,340,000	1,952,456
2027-2030	78,750,000	8,450,000	2,155,000	53,875
Total	\$ 231,795,605	\$ 191,942,436	\$ 50,155,000	\$ 25,376,982

D) PRIOR YEAR DEFEASANCE OF DEBT:

In prior years, the County defeased multiple debt issues 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, 2006, defeased but outstanding debt from prior year refunding transactions consisted of the following:

Series	Amount
Library and Refunding Bonds, Series 1992	\$ 3,625,000
Certificates of Obligation, 1996	3,050,000
Certificates of Obligation, 1997	2,490,000
Certificates of Obligation, 1997A	6,835,000
Certificates of Obligation, 1998	15,130,000
Permanent Improvement Bonds, Series 2000	12,300,000
Road Bonds, Series 2002A	6,960,000
Total Defeased but Outstanding	\$ 50,390,000

E) 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. The first of these issues occurred in July 2006 for \$111,550,000, net of premiums and expenses. It is anticipated that the second and final issue will occur in the second half of fiscal year 2007 for the remaining \$47,200,000 authorized. When these bonds are issued, the County will report the debt with very little corresponding asset due to the fact that these projects are primarily for the improvement of State-owned roads.

The County is in the process of issuing refunding bonds to take advantage of lower interest rates for the retirement of old debt. It is anticipated that the issue, scheduled to occur in February of

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2006

2007, will be for \$41,495,000 and will save the County approximately \$1.3million in interest payments.

The County intends to issue approximately \$14,000,000 in certificates of obligation in the second half of fiscal year 2007 to fund a new county building and parking garage for the housing of administrative departments. It is anticipated that the building that currently houses those offices will be remodeled to accommodate two new courts.

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, 2006, 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, 2006, there were forty (40) series of bonds outstanding with an aggregate principal payable of \$4,612,927,000. 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 \$262,529 was 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, 2006**

The present value of future minimum capital lease payments at September 30, 2006 and the funds from which they will be paid are as shown below:

<u>Year</u> <u>Ending</u>	<u>General</u> <u>Fund</u>	<u>Special Revenue</u> <u>Funds</u>
2007	\$461,727	\$ 147,867
2008	25,369	365,015
2009	25,368	34,823
2010	25,368	34,823
2011	8,458	34,823
Total Minimum Lease Payments	546,290	617,351
Less: amount representing interest	27,117	40,347
Present value-minimum lease payments	<u>\$519,173</u>	<u>\$ 577,004</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, 2006 was as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 1,513,775	\$ 3,849,450
Road and Bridge Fund	665,353	-
Debt Service Fund	1,759,281	-
Certificates of Obligation, 2006	375,000	2,412
Cap Project/Road Bonds 2006A	-	23,994
Cap Project/Road Bonds 2006B	23,994	-
Non-major Governmental Funds	2,847,817	3,309,364
Total	<u>\$ 7,185,220</u>	<u>\$ 7,185,220</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, 2006 were:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,488,663	\$ 12,739,072
Debt Service Fund	164,474	-
Certificates of Obligation 2006	375,000	1,674,292
Nonmajor Governmental Funds	12,866,854	1,481,627
Total	<u>\$ 15,894,991</u>	<u>\$ 15,894,991</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, 2006

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, 2007. 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 \$353,068.

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 \$7,414 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 \$315,071. 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>	
2007	\$ 7,414
2008	7,414
2009	7,414
2010	1,854
Total Lease Payments Receivable	<u>\$ 24,096</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, and life 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 \$150,000 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, 2006, were \$704,914. Claims incurred but not reported (IBNR) at September 30, 2006, are estimated to be \$1,645,090. 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, 2006 and September 30, 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Unpaid claims, beginning of year	\$ 2,491,712	\$ 2,158,215
Incurred claims (including IBNR)	13,838,151	12,768,976
Claim payments	(13,979,859)	(12,435,479)
Unpaid claims, end of year	<u>\$ 2,350,004</u>	<u>\$ 2,491,712</u>

During the year ended September 30, 2006, the plan received contributions in the amounts of \$14,237,683 and \$1,219,102 from the employer and employees, respectively. The contributions

MONTGOMERY COUNTY, TEXAS
Notes to the Financial Statements
September 30, 2006

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 \$423,749 in administrative costs and \$1,194,886 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 2006.

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, 2006, the County expended \$125,733 for administrative costs and \$222,847 for excess loss insurance premiums.

Changes in the workers' compensation liability for the two fiscal years ended September 30, 2006 and September 30, 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Unpaid claims, beginning of year	\$1,231,331	\$1,174,350
Incurred claims (including IBNR)	518,710	591,344
Claim payments	(531,117)	(534,363)
Unpaid claims, end of year	<u>\$1,218,924</u>	<u>\$1,231,331</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 \$371,951 in premiums in fiscal 2006, and recorded the expenditure in the General Fund. Settled claims have not exceeded commercial coverage in any of the past two 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 2006.

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 TCDRS Board of Trustees is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 575 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS 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 TCDRS (TCDRS 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 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.

MONTGOMERY COUNTY, TEXAS
Notes to the Financial Statements
September 30, 2006

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 9.13% for the months of the accounting year in 2005, and 9.12% for the months of the accounting year in 2006.

The deposit rate payable by the employee members for calendar year 2006 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, 2006, the pension cost for the TCDRS plan was \$6,108,857, and the actual contributions were \$6,108,857.

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, 2003, and December 31, 2004, the basis for determining the contributions rates for calendar years 2005 and 2006. The December 31, 2005 actuarial valuation is the most recent valuation.

D) ACTUARIAL VALUATION INFORMATION:

Actuarial valuation date	<u>12/31/2003</u>	<u>12/31/2004</u>	<u>12/31/2005</u>
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%	5.30%
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, 2006

E) TREND INFORMATION:

<u>Accounting Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/04	\$ 5,053,942	100.00%	\$ 0.00
9/30/05	5,507,595	100.00%	0.00
9/30/06	6,108,857	100.00%	0.00

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll⁽¹⁾</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
	<u>(a)</u>	<u>(b)</u>	<u>(b-a)</u>	<u>(a/b)</u>	<u>(c)</u>	
12/31/03	102,230	119,499	17,269	85.55%	52,283	33.03%
12/31/04	113,133	132,345	19,213	85.48%	55,351	34.71%
12/31/05	125,920	145,746	19,826	86.40%	59,274	33.45%

⁽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 full-time employment with the County and be eligible for a retirement annuity from the Texas County and District Retirement System. The employee can elect to waive health benefit coverage. 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, 2006, 26 employees retired from service with the County. Twenty-two of those retirees met the qualifications stated above. Currently, there are 94 retirees covered by this benefit. The cost recorded by the County is included in Note 12.

During the year, the County incurred \$603,572 in health care claims for retirees and their dependents. Retiree contributions for 2006 were \$113,330, and the County paid the remaining amount of the claims.

NOTE 15- CONTINGENT LIABILITIES:

A) GENERAL LIABILITY:

For fiscal year 2006, the County participated in a public entity risk pool, to which certain losses arising from liability claims were transferred. The premium for this coverage, \$355,335, was recorded in the General Fund. In addition, the County expended \$261,752 for damages in connection with thirty-two 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, 2006

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 \$92,730 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. 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. 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.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which establishes accounting and reporting standards for pollution (including contamination) remediation obligations. This statement will be effective for the County for the fiscal year ending September 30, 2009.

NOTE 17- SUBSEQUENT EVENTS:

On September 25, 2006, the Commissioners' Court adopted articles of incorporation and by-laws to establish the Montgomery County Jail Financing Corporation, a local government corporation (LGC). The LGC was established to pursue the issuance of \$45million in tax-exempt bonds for the purpose of constructing a new jail facility.

In January 2007, the Internal Revenue Service issued a letter ruling to Montgomery County in support of the tax-exempt status of the proposed transaction. The LGC anticipates issuing the bonds in the late spring of 2007.

The County also executed an agreement with the GEO Group, an international operator of prisons and jails to assist in the development of the project and to ultimately manage the new facility. The County expects to house federal prisoners in the facility, and to be reimbursed for their care, until such time as the facility is needed for the housing of local inmates.



ADDITIONAL SUPPLEMENTARY INFORMATION

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Revenues and Other Financing Sources

Budget (GAAP Basis) and Actual Year Ended September 30, 2006

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>TAXES:</u>				
Ad Valorem Current	\$ 78,742,500	\$ 79,492,500	\$ 79,533,047	\$ 40,547
Ad Valorem Delinquent	914,100	1,314,100	1,357,728	43,628
Penalty and Interest	704,600	1,317,100	1,330,050	12,950
Mixed Beverage	700,000	900,000	915,425	15,425
Bingo Tax	120,000	120,000	152,015	32,015
Miscellaneous Taxes	25,000	250,000	270,972	20,972
Total Taxes	81,206,200	83,393,700	83,559,237	165,537

LICENSES AND PERMITS:

Beer Licenses	75,100	75,100	86,070	10,970
Trial Fees	7,000	7,000	5,340	(1,660)
Stenographer Fees	100,000	112,535	118,592	6,057
Health Permits	535,000	585,000	590,207	5,207
Park Permits	50,000	50,000	53,549	3,549
Animal Control Fees	4,000	4,000	18,400	14,400
Food Service Permits	306,000	306,000	332,012	26,012
Alarm Permits	59,229	109,229	114,876	5,647
Hazardous Waste Mgmt Fees	5,000	5,000	26,196	21,196
Flood Plain Fees	-	5,173	35,865	30,692
Total Licenses and Permits	1,141,329	1,259,037	1,381,107	122,070

FEES:

County Judge	9,100	9,100	11,139	2,039
County Sheriff	215,000	215,000	276,840	61,840
County Attorney	85,000	85,000	71,873	(13,127)
County Clerk	2,976,390	3,186,271	5,407,481	2,221,210
Tax Assessor-Collector	1,098,465	1,102,956	1,325,948	222,992
District Clerk	955,418	955,418	1,076,027	120,609
Justice of the Peace	3,434,525	3,663,876	3,753,003	89,127
Constable	823,000	826,826	782,505	(44,321)
Voter Registration	1,500	1,500	8,639	7,139
Criminal Justice Fees	627,500	778,900	882,458	103,558
Total Fees	10,225,898	10,824,847	13,595,913	2,771,066

INTERGOVERNMENTAL:

Federal Grants:				
Department of Agriculture	40,000	893,985	880,571	(13,414)
Dept Health/Human Services	16,015	114,243	52,591	(61,652)
Department of Homeland Security	-	1,904,864	1,521,000	(383,864)
Department of Justice	75,000	260,056	257,672	(2,384)
Department of Transportation	-	198,971	190,320	(8,651)
Federal Emergency Mgt Agency	27,450	36,567	36,931	364
General Services Administration	-	-	1,483,941	1,483,941
Total Federal Grants	158,465	3,408,686	4,423,026	1,014,340

MONTGOMERY COUNTY, TEXAS**General Fund****Schedule of Revenues and Other Financing Sources****Budget (GAAP Basis) and Actual Year Ended September 30, 2006**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
INTERGOVERNMENTAL(cont'd)				
State Grants:				
Auto Theft Prevention Authority	-	385,563	359,390	(26,173)
Department of Health Services	-	83,358	83,358	-
Office of the Attorney General	-	30,108	8,627	(21,481)
Tx Comm on Environmental Quality	-	478,510	455,694	(22,816)
Total State Grants	-	977,539	907,069	(70,470)
Other:				
U.S. Marshal Transportation	-	146,302	162,227	15,925
Prosecutor Salary Supplement	-	84,340	100,456	16,116
Intergovernmental Contracts	-	17,700	18,376	676
Voter Registration	33,016	236,780	521,085	284,305
Total Other	33,016	485,122	802,144	317,022
Total Intergovernmental	191,481	4,871,347	6,132,239	1,260,892
<u>CHARGES FOR SERVICES</u>	175,000	365,550	215,307	(150,243)
<u>INTEREST</u>	473,708	1,544,791	1,577,838	33,047
<u>CONTRACT REIMBURSEMENTS</u>	3,992,806	9,318,423	8,975,993	(342,430)
<u>INMATE HOUSING</u>	2,152,088	1,353,388	1,356,977	3,589
<u>FINES AND FORFEITURES</u>	240,000	240,000	144,680	(95,320)
<u>MISCELLANEOUS:</u>				
Lease of Facility	114,100	114,100	112,316	(1,784)
Commissions	680,250	660,250	599,062	(61,188)
Other	40,000	237,578	624,295	386,717
Total Miscellaneous	834,350	1,011,928	1,335,673	323,745
<u>TOTAL REVENUES</u>	100,632,860	114,183,011	118,274,964	4,091,953
<u>OTHER FINANCING SOURCES:</u>				
Transfers In	-	2,784,814	2,488,663	(296,151)
Capital Lease Financing	-	107,778	108,758	980
<u>TOTAL OTHER FINANCING SOURCES</u>	-	2,892,592	2,597,421	(295,171)
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	\$ 100,632,860	\$ 117,075,603	\$ 120,872,385	\$ 3,796,782

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Expenditures and Other Financing Uses

Budget (GAAP Basis) and Actual Year Ended September 30, 2006

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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	\$ 239,372	\$ 232,109	\$ 231,785	\$ 324
Employee Benefits	73,074	66,037	65,503	534
Supplies	7,500	7,502	5,232	2,270
Contract Services	9,300	42,425	17,188	25,237
Capital Outlay	1,200	790	-	790
Total County Judge	<u>330,446</u>	<u>348,863</u>	<u>319,708</u>	<u>29,155</u>
Human Resources:				
Salaries	214,886	217,892	217,636	256
Employee Benefits	77,220	73,417	73,267	150
Supplies	8,600	6,742	6,741	1
Contract Services	17,200	19,234	18,892	342
Total Human Resources	<u>317,906</u>	<u>317,285</u>	<u>316,536</u>	<u>749</u>
Risk Management:				
Salaries	147,695	156,184	156,091	93
Employee Benefits	57,692	58,132	58,074	58
Supplies	14,000	19,900	15,344	4,556
Contract Services	1,964,590	4,255,776	1,365,896	2,889,880
Capital Outlay	-	6,500	6,117	383
Total Risk Management	<u>2,183,977</u>	<u>4,496,492</u>	<u>1,601,522</u>	<u>2,894,970</u>
County Clerk:				
Salaries	1,409,973	1,419,810	1,418,980	830
Employee Benefits	605,922	590,972	587,142	3,830
Supplies	82,700	105,345	83,146	22,199
Contract Services	148,315	218,988	175,917	43,071
Capital Outlay	27,262	35,204	34,504	700
Total County Clerk	<u>2,274,172</u>	<u>2,370,319</u>	<u>2,299,689</u>	<u>70,630</u>
Collections:				
Salaries	367,996	374,043	372,982	1,061
Employee Benefits	160,474	146,663	142,805	3,858
Supplies	37,112	40,988	38,459	2,529
Contract Services	21,655	19,033	18,470	563
Capital Outlay	1,250	2,322	2,322	-
Total Collections	<u>588,487</u>	<u>583,049</u>	<u>575,038</u>	<u>8,011</u>

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Expenditures and Other Financing Uses

Budget (GAAP Basis) and Actual Year Ended September 30, 2006

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>GENERAL ADMINISTRATION(cont'd)</u>				
Veterans' Service:				
Salaries	81,860	83,413	83,357	56
Employee Benefits	30,190	30,985	30,918	67
Supplies	851	1,551	1,521	30
Contract Services	2,700	2,300	1,902	398
Total Veterans' Service	115,601	118,249	117,698	551
Communications/Information:				
Salaries	1,193,249	1,274,644	1,274,600	44
Employee Benefits	380,399	392,812	392,632	180
Supplies	129,974	197,470	164,374	33,096
Contract Services	365,168	1,298,240	1,112,724	185,516
Capital Outlay	50,000	82,244	35,803	46,441
Total Comms/Information	2,118,790	3,245,410	2,980,133	265,277
Purchasing Agent:				
Salaries	621,394	663,425	662,635	790
Employee Benefits	219,445	214,639	213,984	655
Supplies	16,500	27,091	25,116	1,975
Contract Services	8,977	179,656	134,608	45,048
Capital Outlay	250	3,315	3,260	55
Total Purchasing Agent	866,566	1,088,126	1,039,603	48,523
County-Wide:				
Supplies	651,000	551,000	549,971	1,029
Contract Services	3,858,309	2,179,009	2,340,750	(161,741)
Total County-Wide	4,509,309	2,730,009	2,890,721	(160,712)
<u>TOTAL GENERAL ADM</u>	<u>13,305,254</u>	<u>15,297,802</u>	<u>12,140,648</u>	<u>3,157,154</u>
<u>JUDICIAL:</u>				
County Court No1:				
Salaries	171,587	190,686	190,230	456
Employee Benefits	61,024	62,893	62,375	518
Supplies	6,924	9,213	7,331	1,882
Contract Services	8,025	6,060	5,505	555
Total County Court No1	247,560	268,852	265,441	3,411

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Expenditures and Other Financing Uses

Budget (GAAP Basis) and Actual Year Ended September 30, 2006

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>JUDICIAL(cont'd)</u>				
County Court No2:				
Salaries	273,977	292,447	292,106	341
Employee Benefits	94,686	96,735	96,334	401
Supplies	6,500	9,533	8,960	573
Contract Services	5,630	3,630	3,006	624
Total County Court No2	380,793	402,345	400,406	1,939
County Court No3:				
Salaries	168,916	184,227	183,803	424
Employee Benefits	60,577	61,810	61,213	597
Supplies	15,800	11,176	10,336	840
Contract Services	15,075	16,098	15,427	671
Capital Outlay	-	9,467	5,808	3,659
Total County Court No3	260,368	282,778	276,587	6,191
County Court No4:				
Salaries	172,998	192,971	192,517	454
Employee Benefits	61,261	63,278	62,809	469
Supplies	13,300	12,165	7,083	5,082
Contract Services	8,600	8,650	4,018	4,632
Capital Outlay	-	2,308	1,080	1,228
Total County Court No4	256,159	279,372	267,507	11,865
District Attorney:				
Salaries	3,335,850	3,527,553	3,527,181	372
Employee Benefits	1,159,650	1,160,608	1,159,370	1,238
Supplies	89,358	100,497	98,359	2,138
Contract Services	125,330	126,114	105,345	20,769
Capital Outlay	20,000	18,481	18,481	-
Total District Attorney	4,730,188	4,933,253	4,908,736	24,517
District Clerk:				
Salaries	1,285,300	1,338,495	1,337,756	739
Employee Benefits	577,823	589,776	587,643	2,133
Supplies	47,101	63,403	57,085	6,318
Contract Services	46,334	41,005	39,986	1,019
Capital Outlay	1,000	-	-	-
Total District Clerk	1,957,558	2,032,679	2,022,470	10,209

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Expenditures and Other Financing Uses

Budget (GAAP Basis) and Actual Year Ended September 30, 2006

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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	300,869	307,745	307,177	568
Employee Benefits	122,646	110,135	109,289	846
Supplies	8,000	7,977	7,863	114
Contract Services	9,983	46,212	45,046	1,166
Capital Outlay	-	6,101	6,101	-
Total Justice of Peace Pct 1	<u>441,498</u>	<u>478,170</u>	<u>475,476</u>	<u>2,694</u>
Justice of Peace Pct 2:				
Salaries	230,524	224,268	223,323	945
Employee Benefits	87,263	79,402	79,195	207
Supplies	5,350	7,730	7,526	204
Contract Services	9,620	9,372	7,208	2,164
Capital Outlay	-	1,069	-	1,069
Total Justice of Peace Pct 2	<u>332,757</u>	<u>321,841</u>	<u>317,252</u>	<u>4,589</u>
Justice of Peace Pct 3:				
Salaries	455,016	505,286	485,337	19,949
Employee Benefits	207,984	208,726	200,775	7,951
Supplies	18,861	18,140	16,419	1,721
Contract Services	12,525	19,525	14,555	4,970
Capital Outlay	-	2,550	2,544	6
Total Justice of Peace Pct 3	<u>694,386</u>	<u>754,227</u>	<u>719,630</u>	<u>34,597</u>
Justice of Peace Pct 4:				
Salaries	355,926	385,883	385,500	383
Employee Benefits	207,837	166,031	164,866	1,165
Supplies	9,903	7,431	6,953	478
Contract Services	10,737	13,809	13,774	35
Total Justice of Peace Pct 4	<u>584,403</u>	<u>573,154</u>	<u>571,093</u>	<u>2,061</u>
Justice of Peace Pct 5:				
Salaries	199,739	211,832	211,803	29
Employee Benefits	74,651	75,663	74,935	728
Supplies	9,362	10,986	8,590	2,396
Contract Services	7,750	38,060	34,686	3,374
Total Justice of Peace Pct 5	<u>291,502</u>	<u>336,541</u>	<u>330,014</u>	<u>6,527</u>
<u>TOTAL JUDICIAL</u>	<u>10,177,172</u>	<u>10,663,212</u>	<u>10,554,612</u>	<u>108,600</u>

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Expenditures and Other Financing Uses

Budget (GAAP Basis) and Actual Year Ended September 30, 2006

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>LEGAL:</u>				
County Attorney:				
Salaries	1,111,422	1,351,411	1,311,099	40,312
Employee Benefits	392,171	440,258	418,030	22,228
Supplies	30,430	46,689	45,807	882
Contract Services	20,700	24,253	21,279	2,974
Capital Outlay	-	15,485	5,866	9,619
<u>TOTAL LEGAL</u>	<u>1,554,723</u>	<u>1,878,096</u>	<u>1,802,081</u>	<u>76,015</u>
<u>ELECTIONS:</u>				
Salaries	465,034	673,636	673,195	441
Employee Benefits	142,098	157,105	156,976	129
Supplies	43,039	86,062	85,920	142
Contract Services	72,887	139,737	124,882	14,855
Capital Outlay	-	2,103,585	2,103,583	2
<u>TOTAL ELECTIONS</u>	<u>723,058</u>	<u>3,160,125</u>	<u>3,144,556</u>	<u>15,569</u>
<u>FINANCIAL ADMINISTRATION:</u>				
County Auditor:				
Salaries	697,090	693,970	693,967	3
Employee Benefits	256,884	245,683	245,580	103
Supplies	15,500	21,422	15,954	5,468
Contract Services	12,085	21,186	20,848	338
Capital Outlay	1,800	3,059	3,059	-
Total County Auditor	<u>983,359</u>	<u>985,320</u>	<u>979,408</u>	<u>5,912</u>
Budget Officer:				
Salaries	219,770	215,013	214,700	313
Employee Benefits	69,785	67,169	67,077	92
Supplies	4,760	6,283	5,879	404
Contract Services	5,755	5,263	4,247	1,016
Capital Outlay	-	3,002	3,002	-
Total Budget Officer	<u>300,070</u>	<u>296,730</u>	<u>294,905</u>	<u>1,825</u>
County Treasurer:				
Salaries	292,838	306,973	306,880	93
Employee Benefits	106,727	110,504	110,476	28
Supplies	16,850	16,041	13,836	2,205
Contract Services	15,166	18,617	17,916	701
Capital Outlay	-	1,209	1,209	-
Total County Treasurer	<u>431,581</u>	<u>453,344</u>	<u>450,317</u>	<u>3,027</u>

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Expenditures and Other Financing Uses

Budget (GAAP Basis) and Actual Year Ended September 30, 2006

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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	1,887,840	2,011,625	1,991,588	20,037
Employee Benefits	816,138	818,629	816,275	2,354
Supplies	125,877	113,487	66,743	46,744
Contract Services	135,788	191,984	140,086	51,898
Capital Outlay	8,000	17,360	12,332	5,028
Total Tax Assessor-Collector	2,973,643	3,153,085	3,027,024	126,061
<u>TOTAL FINANCIAL ADM</u>	<u>4,688,653</u>	<u>4,888,479</u>	<u>4,751,654</u>	<u>136,825</u>
 <u>PUBLIC FACILITIES:</u>				
Custodial Services:				
Salaries	1,192,702	1,192,809	1,192,247	562
Employee Benefits	501,580	499,709	496,458	3,251
Supplies	279,459	274,236	258,144	16,092
Contract Services	86,139	85,422	77,917	7,505
Capital Outlay	40,120	40,120	39,224	896
Total Custodial Services	2,100,000	2,092,296	2,063,990	28,306
 Building Maintenance:				
Salaries	1,126,833	1,160,719	1,160,490	229
Employee Benefits	435,892	411,176	410,580	596
Supplies	443,136	471,439	434,494	36,945
Contract Services	144,532	925,697	916,679	9,018
Capital Outlay	96,142	99,070	98,577	493
Total Building Maintenance	2,246,535	3,068,101	3,020,820	47,281
 Jail:				
Salaries	8,273,051	8,209,160	8,168,135	41,025
Employee Benefits	3,315,448	3,053,014	3,050,711	2,303
Supplies	1,788,516	2,549,342	1,616,862	932,480
Contract Services	1,031,300	987,600	968,546	19,054
Capital Outlay	8,793	1,240,302	493,148	747,154
Total Jail	14,417,108	16,039,418	14,297,402	1,742,016
 Civic Center:				
Salaries	322,193	337,334	337,269	65
Employee Benefits	128,107	118,839	118,630	209
Supplies	111,466	104,244	104,048	196
Contract Services	272,000	400,392	394,140	6,252
Capital Outlay	5,600	-	-	-
Total Civic Center	839,366	960,809	954,087	6,722

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Expenditures and Other Financing Uses

Budget (GAAP Basis) and Actual Year Ended September 30, 2006

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>PUBLIC FACILITIES(cont'd)</u>				
Parks:				
Salaries	48,582	66,307	66,288	19
Employee Benefits	16,380	19,637	19,572	65
Supplies	3,300	1,872	1,255	617
Contract Services	18,100	22,711	15,000	7,711
Capital Outlay	250	1,725	1,475	250
Total Parks	86,612	112,252	103,590	8,662
<u>TOTAL PUBLIC FACILITIES</u>	<u>19,689,621</u>	<u>22,272,876</u>	<u>20,439,889</u>	<u>1,832,987</u>
<u>PUBLIC SAFETY:</u>				
Fire Marshal:				
Salaries	462,716	466,348	466,314	34
Employee Benefits	139,147	134,314	134,053	261
Supplies	13,750	14,044	12,982	1,062
Contract Services	19,013	33,775	29,499	4,276
Total Fire Marshal	634,626	648,481	642,848	5,633
Constable Pct 1:				
Salaries	1,543,994	1,646,439	1,614,402	32,037
Employee Benefits	547,028	540,732	527,110	13,622
Supplies	86,745	99,418	97,045	2,373
Contract Services	45,165	79,301	77,087	2,214
Capital Outlay	28,038	34,719	34,719	-
Total Constable Pct 1	2,250,970	2,400,609	2,350,363	50,246
Constable Pct 2:				
Salaries	683,085	750,261	729,086	21,175
Employee Benefits	218,705	233,341	231,043	2,298
Supplies	34,773	25,751	21,146	4,605
Contract Services	17,400	29,277	21,916	7,361
Capital Outlay	-	19,895	15,544	4,351
Total Constable Pct 2	953,963	1,058,525	1,018,735	39,790
Constable Pct 3:				
Salaries	1,550,590	1,769,409	1,750,806	18,603
Employee Benefits	548,134	585,025	565,951	19,074
Supplies	48,843	51,965	32,994	18,971
Contract Services	18,880	22,523	18,629	3,894
Capital Outlay	-	5,098	4,029	1,069
Total Constable Pct 3	2,166,447	2,434,020	2,372,409	61,611

MONTGOMERY COUNTY, TEXAS**General Fund****Schedule of Expenditures and Other Financing Uses****Budget (GAAP Basis) and Actual Year Ended September 30, 2006**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>PUBLIC SAFETY(cont'd)</u>				
Constable Pct 4:				
Salaries	824,094	900,971	897,844	3,127
Employee Benefits	278,141	280,741	279,900	841
Supplies	23,586	24,007	23,901	106
Contract Services	18,290	19,343	18,479	864
Capital Outlay	17,228	19,695	19,694	1
Total Constable Pct 4	<u>1,161,339</u>	<u>1,244,757</u>	<u>1,239,818</u>	<u>4,939</u>
Constable Pct 5:				
Salaries	1,202,343	1,325,541	1,324,399	1,142
Employee Benefits	407,428	423,711	422,464	1,247
Supplies	41,275	34,284	32,840	1,444
Contract Services	28,115	44,474	40,231	4,243
Capital Outlay	-	9,436	9,436	-
Total Constable Pct 5	<u>1,679,161</u>	<u>1,837,446</u>	<u>1,829,370</u>	<u>8,076</u>
Sheriff:				
Salaries	11,625,670	12,746,658	12,243,520	503,138
Employee Benefits	4,318,152	4,666,349	4,434,804	231,545
Supplies	1,214,148	1,487,744	1,338,447	149,297
Contract Services	1,364,721	1,340,355	1,154,277	186,078
Capital Outlay	-	677,027	519,582	157,445
Total Sheriff	<u>18,522,691</u>	<u>20,918,133</u>	<u>19,690,630</u>	<u>1,227,503</u>
Juvenile Services:				
Salaries	2,512,393	2,577,367	2,570,091	7,276
Employee Benefits	1,041,574	1,019,169	1,017,603	1,566
Supplies	65,815	71,409	57,180	14,229
Contract Services	226,945	353,397	348,446	4,951
Capital Outlay	-	102,402	70,325	32,077
Total Juvenile Services	<u>3,846,727</u>	<u>4,123,744</u>	<u>4,063,645</u>	<u>60,099</u>
Adult Services:				
Salaries	-	4,168,900	4,166,919	1,981
Employee Benefits	-	715,000	713,566	1,434
Supplies	7,650	5,797	5,797	-
Contract Services	11,676	34,223	34,166	57
Capital Outlay	1,499	-	-	-
Total Adult Services	<u>20,825</u>	<u>4,923,920</u>	<u>4,920,448</u>	<u>3,472</u>

MONTGOMERY COUNTY, TEXAS**General Fund****Schedule of Expenditures and Other Financing Uses****Budget (GAAP Basis) and Actual Year Ended September 30, 2006**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>PUBLIC SAFETY(cont'd)</u>				
Emergency Management:				
Salaries	36,000	158,460	126,007	32,453
Employee Benefits	10,155	47,296	32,766	14,530
Supplies	3,925	35,122	2,858	32,264
Contract Services	4,420	53,148	9,690	43,458
Capital Outlay	-	1,972,265	1,453,834	518,431
Total Emergency Management	54,500	2,266,291	1,625,155	641,136
Department of Public Safety:				
Salaries	51,849	53,504	53,436	68
Employee Benefits	25,154	25,815	25,722	93
Supplies	450	2,697	2,195	502
Contract Services	-	375	351	24
Capital Outlay	-	46	-	46
Total Dept of Public Safety	77,453	82,437	81,704	733
<u>TOTAL PUBLIC SAFETY</u>	<u>31,368,702</u>	<u>41,938,363</u>	<u>39,835,125</u>	<u>2,103,238</u>
<u>HEALTH AND WELFARE:</u>				
Vehicle Emissions Program:				
Contract Services	-	402,870	402,870	-
Medical:				
Contract Services	90,000	993,358	994,282	(924)
Mental Health:				
Contract Services	191,930	271,930	269,671	2,259
Environmental Health:				
Salaries	936,057	1,070,965	1,070,061	904
Employee Benefits	362,745	389,010	387,922	1,088
Supplies	28,586	32,933	29,953	2,980
Contract Services	44,944	46,394	37,977	8,417
Capital Outlay	-	3,032	3,032	-
Total Environmental Health	1,372,332	1,542,334	1,528,945	13,389
Animal Control:				
Salaries	422,617	461,016	460,496	520
Employee Benefits	194,320	200,035	199,655	380
Supplies	58,909	53,698	54,297	(599)
Contract Services	32,700	30,951	30,950	1
Capital Outlay	-	107,778	107,778	-
Total Animal Control	708,546	853,478	853,176	302

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Expenditures and Other Financing Uses

Budget (GAAP Basis) and Actual Year Ended September 30, 2006

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>HEALTH/WELFARE(cont'd)</u>				
Welfare:				
Contract Services	923,199	923,199	923,199	-
<u>TOTAL HEALTH/WELFARE</u>	<u>3,286,007</u>	<u>4,987,169</u>	<u>4,972,143</u>	<u>15,026</u>
<u>CONSERVATION:</u>				
Extension Agent:				
Salaries	257,125	269,745	268,910	835
Employee Benefits	97,004	104,457	104,015	442
Supplies	12,700	18,635	18,629	6
Contract Services	40,016	54,684	54,279	405
Capital Outlay	-	4,021	4,020	1
<u>TOTAL CONSERVATION</u>	<u>406,845</u>	<u>451,542</u>	<u>449,853</u>	<u>1,689</u>
<u>MISCELLANEOUS:</u>				
Salaries	3,078,427	-	-	-
Benefits	564,949	2,146,300	2,079,760	66,540
Contingency	2,136,257	5,196,805	929,264	4,267,541
<u>TOTAL MISCELLANEOUS</u>	<u>5,779,633</u>	<u>7,343,105</u>	<u>3,009,024</u>	<u>4,334,081</u>
<u>TOTAL EXPENDITURES</u>	<u>90,979,668</u>	<u>112,880,769</u>	<u>101,099,585</u>	<u>11,781,184</u>

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Expenditures and Other Financing Uses

Budget (GAAP Basis) and Actual Year Ended September 30, 2006

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>OTHER FINANCING USES:</u>				
Transfers Out:				
To Jury	-	1,006,453	5,240,000	(4,233,547)
To Road and Bridge	-	675,850	-	675,850
To Memorial Library	-	257,033	6,709,000	(6,451,967)
To Animal Shelter	-	12,860	316,500	(303,640)
To Historical Commission	-	85	26,662	(26,577)
To Alternative Dispute Res.	-	200	-	200
To Juvenile Probation	-	141,646	-	141,646
To Child Welfare	-	-	70,154	(70,154)
To Airport Maintenance	-	19,035	375,900	(356,865)
To Jail	-	-	856	(856)
<u>TOTAL FINANCING USES</u>	<u>-</u>	<u>2,113,162</u>	<u>12,739,072</u>	<u>(10,625,910)</u>
<u>TOTAL EXPENDITURES AND FINANCING USES</u>	<u>\$ 90,979,668</u>	<u>\$ 114,993,931</u>	<u>\$ 113,838,657</u>	<u>\$ 1,155,274</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, 2006

A-3

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Taxes	\$11,644,800	\$ 11,744,800	\$ 11,895,634	\$ 150,834
Interest	183,220	183,220	159,996	(23,224)
<u>TOTAL REVENUES</u>	<u>11,828,020</u>	<u>11,928,020</u>	<u>12,055,630</u>	<u>127,610</u>
<u>EXPENDITURES:</u>				
Debt Service:				
Principal Retirement	3,830,070	3,830,070	3,830,069	1
Interest and Fiscal Charges	7,997,950	7,997,950	8,285,966	(288,016)
Issuance Costs	-	100,000	-	100,000
<u>TOTAL EXPENDITURES</u>	<u>11,828,020</u>	<u>11,928,020</u>	<u>12,116,035</u>	<u>(188,015)</u>
(Deficiency) Revenues Over Expenditures	-	-	(60,405)	(60,405)
<u>OTHER FINANCING SOURCES:</u>				
Transfers In	-	-	164,474	164,474
Net Change in Fund Balance	-	-	104,069	104,069
Fund Balance at Beginning of Year	2,142,695	2,142,695	2,142,695	-
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ 2,142,695</u>	<u>\$ 2,142,695</u>	<u>\$ 2,246,764</u>	<u>\$ 104,069</u>



**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

MONTGOMERY COUNTY, TEXAS
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2006

B-1

	Special Revenue	Capital Projects	Total
<u>ASSETS:</u>			
Cash	\$ 1,024,951	\$ 2,408,012	\$ 3,432,963
Investments, at Fair Value	630,512	10,999,281	11,629,793
Cash, Restricted for Retainage	-	109,461	109,461
Receivables:			
Accounts	25,636	-	25,636
Accrued Interest	10,440	38,780	49,220
Due from Other Funds	1,175,069	1,672,748	2,847,817
Due from Other Governments	2,054,548	-	2,054,548
Prepaid Items	1,464,625	-	1,464,625
<u>TOTAL ASSETS</u>	<u>\$ 6,385,781</u>	<u>\$ 15,228,282</u>	<u>\$ 21,614,063</u>

LIABILITIES AND FUND BALANCES:

<u>LIABILITIES:</u>			
Accounts Payable	\$ 860,956	\$ 2,440,270	\$ 3,301,226
Retainage Payable	-	340,978	340,978
Due to Other Funds	2,862,975	446,389	3,309,364
Due to Other Governments	224	-	224
Deferred Revenue	471,744	-	471,744
Total Liabilities	<u>4,195,899</u>	<u>3,227,637</u>	<u>7,423,536</u>

FUND BALANCES:

Reserved for:			
Prepaid Items	1,464,625	-	1,464,625
Capital Projects	-	12,000,645	12,000,645
Unreserved, designated for:			
Encumbrances	21,914	-	21,914
Unreserved, undesignated	703,343	-	703,343
Total Fund Balances	<u>2,189,882</u>	<u>12,000,645</u>	<u>14,190,527</u>

**TOTAL LIABILITIES AND
FUND BALANCES**

<u>\$ 6,385,781</u>	<u>\$ 15,228,282</u>	<u>\$ 21,614,063</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, 2006

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	Special Revenue	Capital Projects	Totals
<u>REVENUES:</u>			
Licenses and Permits	\$ 117,740	\$ -	\$ 117,740
Fees	369,937	-	369,937
Intergovernmental	6,375,737	270,300	6,646,037
Charges for Services	1,263,797	-	1,263,797
Interest	34,044	804,189	838,233
Contract Reimbursements	129,703	-	129,703
Fines and Forfeitures	844,255	-	844,255
Miscellaneous	63,415	-	63,415
<u>TOTAL REVENUES</u>	<u>9,198,628</u>	<u>1,074,489</u>	<u>10,273,117</u>
<u>EXPENDITURES:</u>			
Current:			
General Administration	108,590	-	108,590
Judicial	6,067,142	-	6,067,142
Legal Services	311,692	-	311,692
Public Safety	1,959,245	-	1,959,245
Health and Welfare	3,997,561	-	3,997,561
Culture and Recreation	6,948,700	-	6,948,700
Public Transportation	732,476	-	732,476
Capital Projects	-	16,253,234	16,253,234
<u>TOTAL EXPENDITURES</u>	<u>20,125,406</u>	<u>16,253,234</u>	<u>36,378,640</u>
(Deficiency) Revenues Over Expenditures	<u>(10,926,778)</u>	<u>(15,178,745)</u>	<u>(26,105,523)</u>
<u>OTHER FINANCING SOURCES/(USES):</u>			
Transfers In	12,738,216	128,638	12,866,854
Transfers Out	<u>(1,080,836)</u>	<u>(400,791)</u>	<u>(1,481,627)</u>
<u>TOTAL OTHER FINANCING SOURCES/(USES)</u>	<u>11,657,380</u>	<u>(272,153)</u>	<u>11,385,227</u>
Net Change in Fund Balances	730,602	(15,450,898)	(14,720,296)
Fund Balances at Beginning of Year	<u>1,459,280</u>	<u>27,451,543</u>	<u>28,910,823</u>
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$ 2,189,882</u>	<u>\$ 12,000,645</u>	<u>\$ 14,190,527</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, 2006

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	Attorney Administration	Forfeitures	Civic Center Complex	FEMA Disaster Grants
<u>ASSETS:</u>				
Cash	\$ 24,973	\$ 700,016	\$ -	\$ -
Investments, at Fair Value	-	-	-	-
Receivables:				
Accounts		63	1,116	-
Accrued Interest	-	-		-
Due from Other Funds	-	-		-
Due from Other Governments	-	-	43,215	1,355,004
Prepaid Items	-	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 24,973</u>	<u>\$ 700,079</u>	<u>\$ 44,331</u>	<u>\$ 1,355,004</u>

LIABILITIES AND FUND BALANCES:

<u>LIABILITIES:</u>				
Accounts Payable	\$ 1,561	\$ 361	\$ 2,563	\$ -
Due to Other Funds	3,381	-	21,189	1,355,005
Due to Other Governments	-	-	-	-
Deferred Revenue	-	-	-	-
Total Liabilities	<u>4,942</u>	<u>361</u>	<u>23,752</u>	<u>1,355,005</u>

FUND BALANCES:

Reserved for:				
Prepaid Items	-	-	-	-
Unreserved, designated for:				
Encumbrances	-	-	-	-
Unreserved, undesignated	20,031	699,718	20,579	(1)
Total Fund Balances	<u>20,031</u>	<u>699,718</u>	<u>20,579</u>	<u>(1)</u>

**TOTAL LIABILITIES AND
FUND BALANCES**

<u>\$ 24,973</u>	<u>\$ 700,079</u>	<u>\$ 44,331</u>	<u>\$ 1,355,004</u>
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Jury	Sheriff Commissary	Memorial Library	Memo Totals from Page 91	Totals
\$ 10,933	\$ 87,114	\$ 530	\$ 201,385	\$ 1,024,951
-	-	-	630,512	630,512
19,312	-	3,257	1,888	25,636
-	-	-	10,440	10,440
295,212	-	336,266	543,591	1,175,069
96,179	-	-	560,150	2,054,548
-	-	-	1,464,625	1,464,625
<u>\$ 421,636</u>	<u>\$ 87,114</u>	<u>\$ 340,053</u>	<u>\$ 3,412,591</u>	<u>\$ 6,385,781</u>

\$ 346,933	\$ -	\$ 272,298	\$ 237,240	\$ 860,956
-	-	20,945	1,462,455	2,862,975
-	-	-	224	224
-	-	46,250	425,494	471,744
<u>346,933</u>	<u>-</u>	<u>339,493</u>	<u>2,125,413</u>	<u>4,195,899</u>

-	-	-	1,464,625	1,464,625
15,618	-	560	5,736	21,914
59,085	87,114	-	(183,183)	703,343
<u>74,703</u>	<u>87,114</u>	<u>560</u>	<u>1,287,178</u>	<u>2,189,882</u>
<u>\$ 421,636</u>	<u>\$ 87,114</u>	<u>\$ 340,053</u>	<u>\$ 3,412,591</u>	<u>\$ 6,385,781</u>

MONTGOMERY COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Balance Sheet
September 30, 2006

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	<u>Community Development</u>	<u>Animal Shelter</u>	<u>Law Library</u>
<u>ASSETS:</u>			
Cash	\$ -	\$ -	\$ 99,548
Investments, at Fair Value	-	-	630,512
Receivables:			
Accounts	80	-	111
Accrued Interest	-	-	10,440
Due from Other Funds	-	27,394	-
Due from Other Governments	345,067	-	-
Prepaid Items	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 345,147</u>	<u>\$ 27,394</u>	<u>\$ 740,611</u>

LIABILITIES AND FUND BALANCES:

<u>LIABILITIES:</u>			
Accounts Payable	\$ 92,913	\$ 26,952	\$ 17,329
Due to Other Funds	252,163	-	1,287
Due to Other Governments	-	-	-
Deferred Revenue	70	-	-
Total Liabilities	<u>345,146</u>	<u>26,952</u>	<u>18,616</u>

FUND BALANCES:

Reserved for:			
Prepaid Items	-	-	-
Unreserved, designated for:			
Encumbrances	-	321	3,965
Unreserved, undesignated	1	121	718,030
Total Fund Balances	<u>1</u>	<u>442</u>	<u>721,995</u>

**TOTAL LIABILITIES AND
FUND BALANCES**

<u>\$ 345,147</u>	<u>\$ 27,394</u>	<u>\$ 740,611</u>
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Historical Commission	Alternate Dispute Resolution	Juvenile Probation	Child Welfare	Airport Maintenance	Memo Totals to Page 89
\$ -	\$ 42,542	\$ 23,122	\$ 35,249	\$ 924	\$ 201,385
-	-	-	-	-	630,512
-	-	280	9	1,408	1,888
-	-	-	-	-	10,440
26,662	-	179,072	-	310,463	543,591
-	-	186,175	9,911	18,997	560,150
-	-	-	-	1,464,625	1,464,625
<u>\$ 26,662</u>	<u>\$ 42,542</u>	<u>\$ 388,649</u>	<u>\$ 45,169</u>	<u>\$ 1,796,417</u>	<u>\$ 3,412,591</u>

\$ 544	\$ 2,752	\$ 72,241	\$ 7,572	\$ 16,937	\$ 237,240
26,118	5,271	-	33,489	1,144,127	1,462,455
-	-	-	-	224	224
-	-	155,424	-	270,000	425,494
<u>26,662</u>	<u>8,023</u>	<u>227,665</u>	<u>41,061</u>	<u>1,431,288</u>	<u>2,125,413</u>

-	-	-	-	1,464,625	1,464,625
-	-	-	-	1,450	5,736
-	34,519	160,984	4,108	(1,100,946)	(183,183)
<u>-</u>	<u>34,519</u>	<u>160,984</u>	<u>4,108</u>	<u>365,129</u>	<u>1,287,178</u>

<u>\$ 26,662</u>	<u>\$ 42,542</u>	<u>\$ 388,649</u>	<u>\$ 45,169</u>	<u>\$ 1,796,417</u>	<u>\$ 3,412,591</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, 2006

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	Attorney Administration	Forfeitures	Civic Center Complex	FEMA Disaster Grants
<u>REVENUES:</u>				
Licenses and Permits	\$ -	\$ -	\$ -	\$ -
Fees	-	-	-	-
Intergovernmental	-	-	221,389	1,976,471
Charges for Services	109,096	-	402,995	-
Interest	135	6,405	-	-
Contract Reimbursements	-	-	-	-
Fines and Forfeitures	-	498,824	-	-
Miscellaneous	-	-	-	-
<u>TOTAL REVENUES</u>	<u>109,231</u>	<u>505,229</u>	<u>624,384</u>	<u>1,976,471</u>
<u>EXPENDITURES:</u>				
General Administration	108,590	-	-	-
Judicial	-	-	-	-
Legal Services	-	-	-	-
Public Safety	-	356,830	-	-
Health and Welfare	-	-	-	1,972,815
Culture and Recreation	-	-	-	-
Public Transportation	-	-	-	-
<u>TOTAL EXPENDITURES</u>	<u>108,590</u>	<u>356,830</u>	<u>-</u>	<u>1,972,815</u>
Excess (Deficiency) Revenues Over Expenditures	<u>641</u>	<u>148,399</u>	<u>624,384</u>	<u>3,656</u>
<u>OTHER FINANCING SOURCES/ (USES):</u>				
Transfers In	-	-	-	-
Transfers Out	-	(2,952)	(700,000)	(2,884)
<u>TOTAL OTHER FINANCING SOURCES/(USES)</u>	<u>-</u>	<u>(2,952)</u>	<u>(700,000)</u>	<u>(2,884)</u>
Net Change in Fund Balances	641	145,447	(75,616)	772
Fund Balances at Beginning of Year	<u>19,390</u>	<u>554,271</u>	<u>96,195</u>	<u>(773)</u>
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$ 20,031</u>	<u>\$ 699,718</u>	<u>\$ 20,579</u>	<u>\$ (1)</u>

Jury	Sheriff Commissary	Memorial Library	Memo Totals from Page 95	Totals
\$ -	\$ -	\$ -	\$ 117,740	\$ 117,740
-	-	-	369,937	369,937
341,490	-	30,505	3,805,882	6,375,737
83,985	163,903	133,190	370,628	1,263,797
250	684	37	26,533	34,044
129,703	-	-	-	129,703
345,431	-	-	-	844,255
-	-	48,950	14,465	63,415
900,859	164,587	212,682	4,705,185	9,198,628
-	-	-	-	108,590
6,067,142	-	-	-	6,067,142
-	-	-	311,692	311,692
-	206,603	-	1,395,812	1,959,245
-	-	-	2,024,746	3,997,561
-	-	6,922,038	26,662	6,948,700
-	-	-	732,476	732,476
6,067,142	206,603	6,922,038	4,491,388	20,125,406
(5,166,283)	(42,016)	(6,709,356)	213,797	(10,926,778)
5,240,000	-	6,709,000	789,216	12,738,216
-	-	-	(375,000)	(1,080,836)
5,240,000	-	6,709,000	414,216	11,657,380
73,717	(42,016)	(356)	628,013	730,602
986	129,130	916	659,165	1,459,280
\$ 74,703	\$ 87,114	\$ 560	\$ 1,287,178	\$ 2,189,882

MONTGOMERY COUNTY, TEXAS**Nonmajor Special Revenue Funds****Combining Statement of Revenues, Expenditures, and Changes in Fund Balances****Year Ended September 30, 2006**C-2
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	Community Development	Animal Shelter	Law Library	Historical Commission
<u>REVENUES:</u>				
Licenses and Permits	\$ -	\$ 117,740	\$ -	\$ -
Fees	-	-	251,793	-
Intergovernmental	1,360,072	-	-	-
Charges for Services	-	123,600	-	-
Interest	-	-	25,623	-
Contract Reimbursements	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous	-	14,032	-	-
<u>TOTAL REVENUES</u>	<u>1,360,072</u>	<u>255,372</u>	<u>277,416</u>	<u>-</u>
<u>EXPENDITURES:</u>				
General Administration	-	-	-	-
Judicial	-	-	-	-
Legal Services	-	-	185,501	-
Public Safety	-	-	-	-
Health and Welfare	1,360,072	571,668	-	-
Culture and Recreation	-	-	-	26,662
Public Transportation	-	-	-	-
<u>TOTAL EXPENDITURES</u>	<u>1,360,072</u>	<u>571,668</u>	<u>185,501</u>	<u>26,662</u>
Excess (Deficiency) Revenues Over Expenditures	<u>-</u>	<u>(316,296)</u>	<u>91,915</u>	<u>(26,662)</u>
<u>OTHER FINANCING SOURCES/ (USES):</u>				
Transfers In	-	316,500	-	26,662
Transfers Out	-	-	-	-
<u>TOTAL OTHER FINANCING SOURCES</u>	<u>-</u>	<u>316,500</u>	<u>-</u>	<u>26,662</u>
Net Change in Fund Balances	-	204	91,915	-
Fund Balances at Beginning of Year	<u>1</u>	<u>238</u>	<u>630,080</u>	<u>-</u>
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$ 1</u>	<u>\$ 442</u>	<u>\$ 721,995</u>	<u>\$ -</u>

Alternate Dispute Resolution	Juvenile Probation	Child Welfare	Airport Maintenance	Memo Totals to Page 93
\$ -	\$ -	\$ -	\$ -	\$ 117,740
118,144	-	-	-	369,937
-	1,506,835	26,170	912,805	3,805,882
30,000	33,579	-	183,449	370,628
618	82	-	210	26,533
-	-	-	-	-
-	-	-	-	-
-	433	-	-	14,465
148,762	1,540,929	26,170	1,096,464	4,705,185
-	-	-	-	-
-	-	-	-	-
126,191	-	-	-	311,692
-	1,395,812	-	-	1,395,812
-	-	93,006	-	2,024,746
-	-	-	-	26,662
-	-	-	732,476	732,476
126,191	1,395,812	93,006	732,476	4,491,388
22,571	145,117	(66,836)	363,988	213,797
-	-	70,154	375,900	789,216
-	-	-	(375,000)	(375,000)
-	-	70,154	900	414,216
22,571	145,117	3,318	364,888	628,013
11,948	15,867	790	241	659,165
\$ 34,519	\$ 160,984	\$ 4,108	\$ 365,129	\$ 1,287,178

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, 2006

C-3

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Charges for Service	\$ 120,480	\$ 124,430	\$ 109,096	\$ (15,334)
Interest	-	-	135	135
Total Revenues	<u>120,480</u>	<u>124,430</u>	<u>109,231</u>	<u>(15,199)</u>
<u>EXPENDITURES:</u>				
General Administration:				
Salaries	61,490	67,529	67,529	-
Employee Benefits	34,999	34,999	28,725	6,274
Supplies	10,037	12,912	4,687	8,225
Contract Services	13,954	8,990	7,649	1,341
Total Expenditures	<u>120,480</u>	<u>124,430</u>	<u>108,590</u>	<u>15,840</u>
Excess Revenues Over Expenditures	-	-	641	641
Fund Balance at Beginning of Year	<u>19,390</u>	<u>19,390</u>	<u>19,390</u>	<u>-</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ 19,390</u>	<u>\$ 19,390</u>	<u>\$ 20,031</u>	<u>\$ 641</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, 2006

C-4

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Interest	\$ -	\$ -	\$ 6,405	\$ 6,405
Fines and Forfeitures	62,641	355,536	498,824	143,288
Total Revenues	62,641	355,536	505,229	149,693
<u>EXPENDITURES:</u>				
Public Safety:				
Salaries	12,669	13,861	14,011	(150)
Supplies	48,950	134,724	133,702	1,022
Contract Services	1,022	56,373	58,992	(2,619)
Capital Outlay	-	147,626	150,125	(2,499)
Total Expenditures	62,641	352,584	356,830	(4,246)
Excess Revenues Over Expenditures	-	2,952	148,399	145,447
<u>OTHER FINANCING (USES):</u>				
Transfers Out	-	(2,952)	(2,952)	-
Net Change in Fund Balance	-	-	145,447	145,447
Fund Balance at Beginning of Year	554,271	554,271	554,271	-
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ 554,271</u>	<u>\$ 554,271</u>	<u>\$ 699,718</u>	<u>\$ 145,447</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, 2006

C-5

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Intergovernmental	\$ 175,000	\$ 200,000	\$ 221,389	\$ 21,389
Charges for Services	363,000	386,000	402,995	16,995
Total Revenues	<u>538,000</u>	<u>586,000</u>	<u>624,384</u>	<u>38,384</u>
 <u>OTHER FINANCING (USES):</u>				
Transfers Out	<u>-</u>	<u>(48,000)</u>	<u>(700,000)</u>	<u>(652,000)</u>
 Net Change in Fund Balance	538,000	538,000	(75,616)	(613,616)
 Fund Balance at Beginning of Year	<u>96,195</u>	<u>96,195</u>	<u>96,195</u>	<u>-</u>
 <u>FUND BALANCE AT END OF YEAR</u>	<u>\$ 634,195</u>	<u>\$ 634,195</u>	<u>\$ 20,579</u>	<u>\$ (613,616)</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, 2006

C-6

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Intergovernmental	\$ -	\$ 1,374,468	\$ 1,976,471	\$ 602,003
Total Revenues	-	1,374,468	1,976,471	602,003
<u>EXPENDITURES:</u>				
Health and Welfare:				
Salaries	-	19,691	275,111	(255,420)
Employee Benefits	-	3,585	46,164	(42,579)
Supplies	-	348,171	642,255	(294,084)
Contract Services	-	956,533	974,419	(17,886)
Capital Outlay	-	46,488	34,866	11,622
Total Expenditures	-	1,374,468	1,972,815	(598,347)
Excess Revenues Over Expenditures	-	-	3,656	3,656
<u>OTHER FINANCING (USES):</u>				
Transfers Out	-	-	(2,884)	(2,884)
Net Change in Fund Balance	-	-	772	772
Fund Balance at Beginning of Year	(773)	(773)	(773)	-
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ (773)</u>	<u>\$ (773)</u>	<u>\$ (1)</u>	<u>\$ 772</u>

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, 2006

C-7

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Intergovernmental:				
Federal Grants	\$ -	\$ 130,050	\$ 127,353	\$ (2,697)
State Grants	250,000	150,000	189,137	39,137
Other	27,500	27,500	25,000	(2,500)
Charges for Services	80,000	80,000	83,985	3,985
Interest	-	-	250	250
Contract Reimbursements	162,477	162,477	129,703	(32,774)
Fines and Forfeitures	330,000	330,000	345,431	15,431
Total Revenues	<u>849,977</u>	<u>880,027</u>	<u>900,859</u>	<u>20,832</u>
<u>EXPENDITURES:</u>				
Judicial:				
Salaries	1,208,752	1,248,911	1,225,949	22,962
Employee Benefits	466,095	438,093	423,770	14,323
Supplies	65,690	79,384	56,403	22,981
Contract Services	3,499,999	4,399,069	4,349,736	49,333
Capital Outlay		14,661	11,284	3,377
Total Expenditures	<u>5,240,536</u>	<u>6,180,118</u>	<u>6,067,142</u>	<u>112,976</u>
(Deficiency) Revenues Over Expenditures	<u>(4,390,559)</u>	<u>(5,300,091)</u>	<u>(5,166,283)</u>	<u>133,808</u>
<u>OTHER FINANCING SOURCES/(USES):</u>				
Transfers In	-	1,006,453	5,240,000	4,233,547
Transfers Out	<u>-</u>	<u>(107,496)</u>	<u>-</u>	<u>107,496</u>
Total Other Financing Sources	<u>-</u>	<u>898,957</u>	<u>5,240,000</u>	<u>4,341,043</u>
Net Change in Fund Balance	(4,390,559)	(4,401,134)	73,717	4,474,851
Fund Balance at Beginning of Year	<u>986</u>	<u>986</u>	<u>986</u>	<u>-</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ (4,389,573)</u>	<u>\$ (4,400,148)</u>	<u>\$ 74,703</u>	<u>\$ 4,474,851</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, 2006

C-8

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Charges for Services	\$ 105,080	\$ 193,794	\$ 163,903	\$ (29,891)
Interest	-	-	684	684
Total Revenues	<u>105,080</u>	<u>193,794</u>	<u>164,587</u>	<u>(29,207)</u>
<u>EXPENDITURES:</u>				
Public Safety:				
Salaries	22,080	22,080	22,080	-
Supplies	73,000	138,614	147,941	(9,327)
Contract Services	10,000	19,690	21,709	(2,019)
Capital Outlay	-	13,410	14,873	(1,463)
Total Expenditures	<u>105,080</u>	<u>193,794</u>	<u>206,603</u>	<u>(12,809)</u>
(Deficiency) Revenues Over Expenditures	-	-	(42,016)	(42,016)
Fund Balance at Beginning of Year	<u>129,130</u>	<u>129,130</u>	<u>129,130</u>	<u>-</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ 129,130</u>	<u>\$ 129,130</u>	<u>\$ 87,114</u>	<u>\$ (42,016)</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, 2006

C-9

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Intergovernmental	\$ -	\$ 76,755	\$ 30,505	\$ (46,250)
Charges for Service	95,000	95,000	133,190	38,190
Interest	-	-	37	37
Miscellaneous	-	68,073	48,950	(19,123)
Total Revenues	<u>95,000</u>	<u>239,828</u>	<u>212,682</u>	<u>(27,146)</u>
<u>EXPENDITURES:</u>				
Culture and Recreation:				
Salaries	3,925,731	3,441,226	3,440,917	309
Employee Benefits	1,649,644	1,371,422	1,367,858	3,564
Supplies	580,680	937,497	611,971	325,526
Contract Services	593,781	736,757	660,657	76,100
Capital Outlay	868,300	997,901	840,635	157,266
Total Expenditures	<u>7,618,136</u>	<u>7,484,803</u>	<u>6,922,038</u>	<u>562,765</u>
(Deficiency) Revenues Over Expenditures	<u>(7,523,136)</u>	<u>(7,244,975)</u>	<u>(6,709,356)</u>	<u>535,619</u>
<u>OTHER FINANCING SOURCES/(USES):</u>				
Transfers In	-	257,033	6,709,000	6,451,967
Transfers Out	-	(1,039,250)	-	1,039,250
Total Other Financing Sources	<u>-</u>	<u>(782,217)</u>	<u>6,709,000</u>	<u>7,491,217</u>
Net Change in Fund Balance	(7,523,136)	(8,027,192)	(356)	8,026,836
Fund Balance at Beginning of Year	<u>916</u>	<u>916</u>	<u>916</u>	<u>-</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u><u>\$ (7,522,220)</u></u>	<u><u>\$ (8,026,276)</u></u>	<u><u>\$ 560</u></u>	<u><u>\$ 8,026,836</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, 2006

C-10

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Intergovernmental	\$ 2,524,125	\$ 3,126,361	\$ 1,360,072	\$ (1,766,289)
<u>EXPENDITURES:</u>				
Health and Welfare:				
Salaries	696,628	579,767	240,076	339,691
Employee Benefits	70,826	169,706	75,460	94,246
Supplies	25,000	790,654	15,475	775,179
Contract Services	775,301	2,557,455	793,822	1,763,633
Capital Outlay	956,370	2,380,228	235,239	2,144,989
Total Expenditures	2,524,125	6,477,810	1,360,072	5,117,738
Excess Revenues Over Expenditures	-	(3,351,449)	-	3,351,449
Fund Balance at Beginning of Year	1	1	1	-
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ 1</u>	<u>\$(3,351,448)</u>	<u>\$ 1</u>	<u>\$ 3,351,449</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, 2006

C-11

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Licenses and Permits	\$ 80,500	\$ 120,021	\$ 117,740	\$ (2,281)
Charges for Service	-	117,382	123,600	6,218
Miscellaneous	9,000	10,031	14,032	4,001
Total Revenues	89,500	247,434	255,372	7,938
<u>EXPENDITURES:</u>				
Health and Welfare:				
Salaries	207,319	202,431	202,354	77
Employee Benefits	108,276	100,923	100,388	535
Supplies	37,700	184,295	165,336	18,959
Contract Services	88,800	104,543	103,590	953
Capital Outlay	2,138	-	-	-
Total Expenditures	444,233	592,192	571,668	20,524
(Deficiency) Revenues Over Expenditures	(354,733)	(344,758)	(316,296)	28,462
<u>OTHER FINANCING SOURCES/(USES):</u>				
Transfers In	-	12,860	316,500	303,640
Transfers Out	-	(26,062)	-	26,062
Total Other Financing Sources	-	(13,202)	316,500	329,702
Net Change in Fund Balance	(354,733)	(357,960)	204	358,164
Fund Balance at Beginning of Year	238	238	238	-
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ (354,495)</u>	<u>\$ (357,722)</u>	<u>\$ 442</u>	<u>\$ 358,164</u>

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, 2006

C-12

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Fees	\$ 410,852	\$ 410,852	\$ 251,793	\$ (159,059)
Interest	-	-	25,623	25,623
Total Revenues	<u>410,852</u>	<u>410,852</u>	<u>277,416</u>	<u>(133,436)</u>
<u>EXPENDITURES:</u>				
Legal Services:				
Salaries	52,042	52,042	28,058	23,984
Employee Benefits	24,577	24,577	12,948	11,629
Supplies	79,800	66,862	13,192	53,670
Contract Services	19,600	32,538	30,238	2,300
Capital Outlay	110,000	110,000	101,065	8,935
Total Expenditures	<u>286,019</u>	<u>286,019</u>	<u>185,501</u>	<u>100,518</u>
Excess Revenues Over Expenditures	124,833	124,833	91,915	(32,918)
Fund Balance at Beginning of Year	<u>630,080</u>	<u>630,080</u>	<u>630,080</u>	<u>-</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ 754,913</u>	<u>\$ 754,913</u>	<u>\$ 721,995</u>	<u>\$ (32,918)</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, 2006

C-13

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>EXPENDITURES:</u>				
Culture and Recreation:				
Supplies	\$ -	\$ 312	\$ -	\$ 312
Contract Services	9,000	26,662	26,662	-
Capital Outlay	-	2,111	-	2,111
Total Expenditures	<u>9,000</u>	<u>29,085</u>	<u>26,662</u>	<u>2,423</u>
 (Deficiency) Revenues Over Expenditures	 <u>(9,000)</u>	 <u>(29,085)</u>	 <u>(26,662)</u>	 <u>2,423</u>
<u>OTHER FINANCING</u>				
<u>SOURCES:</u>				
Transfers In	<u>-</u>	<u>85</u>	<u>26,662</u>	<u>26,577</u>
 Net Change in Fund Balance	 (9,000)	 (29,000)	 -	 29,000
 Fund Balance at Beginning of Year	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
<u>FUND BALANCE AT</u>				
<u>END OF YEAR</u>	<u><u>\$ (9,000)</u></u>	<u><u>\$ (29,000)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 29,000</u></u>

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, 2006

C-14

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Fees	\$ 161,547	\$ 161,547	\$ 118,144	\$ (43,403)
Charges for Services	-	-	30,000	30,000
Interest	-	-	618	618
Total Revenues	<u>161,547</u>	<u>161,547</u>	<u>148,762</u>	<u>(12,785)</u>
<u>EXPENDITURES:</u>				
Legal Services:				
Salaries	117,200	117,200	93,380	23,820
Employee Benefits	44,347	44,347	32,728	11,619
Contract Services	-	200	83	117
Total Expenditures	<u>161,547</u>	<u>161,747</u>	<u>126,191</u>	<u>35,556</u>
Excess Revenues Over Expenditures	-	(200)	22,571	22,771
<u>OTHER FINANCING</u>				
<u>SOURCES:</u>				
Transfers In	-	200	-	(200)
Net Change in Fund Balance	-	-	22,571	22,571
Fund Balance at Beginning of Year	<u>11,948</u>	<u>11,948</u>	<u>11,948</u>	<u>-</u>
<u>FUND BALANCE AT</u>				
<u>END OF YEAR</u>	<u>\$ 11,948</u>	<u>\$ 11,948</u>	<u>\$ 34,519</u>	<u>\$ 22,571</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, 2006

C-15

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Intergovernmental:				
Dept Health/Human Services Grant	\$ -	\$ 136,648	\$ 189,992	\$ 53,344
Texas Juvenile Prob Comm Grants	-	1,324,589	1,316,843	(7,746)
Charges for Services	-	-	33,579	33,579
Interest	-	-	82	82
Miscellaneous	-	270	433	163
Total Revenues	-	1,461,507	1,540,929	79,422
<u>EXPENDITURES:</u>				
Public Safety:				
Salaries	-	1,546,555	730,333	816,222
Benefits	-	571,226	256,368	314,858
Supplies	-	94,712	38,945	55,767
Contract Services	-	853,364	359,213	494,151
Capital Outlay	-	12,670	10,953	1,717
Total Expenditures	-	3,078,527	1,395,812	1,682,715
Excess Revenues Over Expenditures	-	(1,617,020)	145,117	1,762,137
<u>OTHER FINANCING</u>				
<u>SOURCES:</u>				
Transfers In	-	141,646	-	(141,646)
Net Change in Fund Balance	-	(1,475,374)	145,117	1,620,491
Fund Balance at Beginning of Year	-	15,867	15,867	-
<u>FUND BALANCE AT</u>				
<u>END OF YEAR</u>	\$ -	\$(1,459,507)	\$ 160,984	\$ 1,620,491

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, 2006

C-16

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Intergovernmental	\$ -	\$ -	\$ 26,170	\$ 26,170
<u>EXPENDITURES:</u>				
Health and Welfare:				
Salaries	-	20,000	19,325	675
Supplies	31,250	40,566	39,914	652
Contract Services	44,700	44,441	33,767	10,674
Total Expenditures	75,950	105,007	93,006	12,001
(Deficiency) Revenues Over Expenditures	(75,950)	(105,007)	(66,836)	38,171
<u>OTHER FINANCING</u>				
<u>SOURCES:</u>				
Transfers In	-	-	70,154	70,154
Net Change in Fund Balance	(75,950)	(105,007)	3,318	108,325
Fund Balance at Beginning of Year	790	790	790	-
<u>FUND BALANCE AT</u>				
<u>END OF YEAR</u>	\$ (75,160)	\$ (104,217)	\$ 4,108	\$ 108,325

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, 2006

C-17

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Intergovernmental:				
Federal Grants	\$ -	\$ 5,059,698	\$ 882,205	\$ (4,177,493)
State Grants	-	30,000	30,600	600
Charges for Services	164,000	164,000	183,449	19,449
Interest	-	-	210	210
Total Revenues	164,000	5,253,698	1,096,464	(4,157,234)
<u>EXPENDITURES:</u>				
Public Transportation:				
Salaries	205,439	218,359	218,332	27
Employee Benefits	65,148	68,063	67,906	157
Supplies	30,969	31,211	27,056	4,155
Contract Services	48,050	47,025	38,821	8,204
Capital Outlay	-	-	380,361	(380,361)
Total Expenditures	349,606	364,658	732,476	(367,818)
Excess Revenues Over Expenditures	(185,606)	4,889,040	363,988	(4,525,052)
<u>OTHER FINANCING</u>				
<u>SOURCES/(USES):</u>				
Transfers In	-	19,035	375,900	356,865
Transfers Out	-	(5,095,388)	(375,000)	4,720,388
Total Other Financing Sources	-	(5,076,353)	900	5,077,253
Net Change in Fund Balance	(185,606)	(187,313)	364,888	552,201
Fund Balance at Beginning of Year	241	241	241	-
<u>FUND BALANCE AT</u>				
<u>END OF YEAR</u>	\$ (185,365)	\$ (187,072)	\$ 365,129	\$ 552,201

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 throughout the County. The issuance of \$25million in general obligation bonds was the first phase of road construction bonds that were approved in 2001 by the voters of the County.

Road Bonds Series 2003A - to account for various road improvements to be made with the proceeds of \$24million in general obligation bonds. This is the second phase of road construction bonds that were approved in 2001 by the voters of the County.

Road Bonds Series 2004 - to account for various improvements to be made to both County and state-owned roads. The \$10.2million bond issue is the third and final phase of road construction bonds that were approved in 2001 by the voters of the County.

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.

MONTGOMERY COUNTY, TEXAS
Nonmajor Capital Project Funds
Combining Balance Sheet
September 30, 2006

D-1

	County Jail	Library Construction	Road Bonds Series 2002A	Road Bonds Series 2003A
<u>ASSETS:</u>				
Cash	\$ -	\$ -	\$ 40,783	\$ 44,049
Investments, at Fair Value	-	1,705,073	-	5,610,333
Cash, Restricted for Retainage	-	109,461	-	-
Receivables:				
Accrued Interest	-	-	-	-
Due from Other Funds	-	20,945	95,564	109,820
Due from Other Governments	-	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ -</u>	<u>\$ 1,835,479</u>	<u>\$ 136,347</u>	<u>\$ 5,764,202</u>

LIABILITIES AND FUND BALANCES:

<u>LIABILITIES:</u>				
Accounts Payable	\$ -	\$ 658	\$ 47,008	\$ 1,668,153
Retainage Payable	-	340,978	-	-
Due to Other Funds	-	-	-	138,473
Deferred Revenue	-	-	-	-
Total Liabilities	<u>-</u>	<u>341,636</u>	<u>47,008</u>	<u>1,806,626</u>

FUND BALANCES:

Reserved for Capital Projects	<u>-</u>	<u>1,493,843</u>	<u>89,339</u>	<u>3,957,576</u>
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TOTAL LIABILITIES AND

<u>FUND BALANCES</u>	<u>\$ -</u>	<u>\$ 1,835,479</u>	<u>\$ 136,347</u>	<u>\$ 5,764,202</u>
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Road Bonds Series 2004	Certificates Obligation Series 97A-98	Certificates Obligation Series 2001	Certificates Obligation Series 2003	Certificates Obligation Series 2004	Totals
\$ 1,666,800	\$ 1,641	\$ 81	\$ -	\$ 654,658	\$ 2,408,012
3,333,875	250,000	100,000	-	-	10,999,281
-	-	-	-	-	109,461
28,696	7,712	-	-	2,372	38,780
677,292	-	-	-	769,127	1,672,748
-	-	-	-	-	-
<u>\$ 5,706,663</u>	<u>\$ 259,353</u>	<u>\$ 100,081</u>	<u>\$ -</u>	<u>\$ 1,426,157</u>	<u>\$ 15,228,282</u>
\$ 698,661	\$ -	\$ 8,748	\$ -	\$ 17,042	\$ 2,440,270
-	-	-	-	-	340,978
109,820	156,433	41,663	-	-	446,389
-	-	-	-	-	-
<u>808,481</u>	<u>156,433</u>	<u>50,411</u>	<u>-</u>	<u>17,042</u>	<u>3,227,637</u>
<u>4,898,182</u>	<u>102,920</u>	<u>49,670</u>	<u>-</u>	<u>1,409,115</u>	<u>12,000,645</u>
<u>\$ 5,706,663</u>	<u>\$ 259,353</u>	<u>\$ 100,081</u>	<u>\$ -</u>	<u>\$ 1,426,157</u>	<u>\$ 15,228,282</u>

MONTGOMERY COUNTY, TEXAS
Nonmajor Capital Project Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2006

D-2

	<u>County Jail</u>	<u>Library Construction</u>	<u>Road Bonds Series 2002A</u>	<u>Road Bonds Series 2003A</u>
<u>REVENUES:</u>				
Intergovernmental-Federal	\$ -	\$ -	\$ -	\$ -
Interest	-	119,588	1,497	370,217
<u>TOTAL REVENUES</u>	<u>-</u>	<u>119,588</u>	<u>1,497</u>	<u>370,217</u>
<u>EXPENDITURES:</u>				
Capital Outlay	-	1,941,463	2,212,869	7,041,741
<u>TOTAL EXPENDITURES</u>	<u>-</u>	<u>1,941,463</u>	<u>2,212,869</u>	<u>7,041,741</u>
Excess (Deficiency) Revenues Over Expenditures	<u>-</u>	<u>(1,821,875)</u>	<u>(2,211,372)</u>	<u>(6,671,524)</u>
<u>OTHER FINANCING SOURCES/(USES):</u>				
Transfers In	856	-	17,962	109,820
Transfers Out	-	-	-	(126,497)
<u>TOTAL OTHER FINANCING SOURCES/(USES)</u>	<u>856</u>	<u>-</u>	<u>17,962</u>	<u>(16,677)</u>
Net Change in Fund Balance	856	(1,821,875)	(2,193,410)	(6,688,201)
Fund Balances at Beginning of Year	<u>(856)</u>	<u>3,315,718</u>	<u>2,282,749</u>	<u>10,645,777</u>
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$ -</u>	<u>\$ 1,493,843</u>	<u>\$ 89,339</u>	<u>\$ 3,957,576</u>

Road Bonds Series 2004	Certificates Obligation Series 97A-98	Certificates Obligation Series 2001	Certificates Obligation Series 2003	Certificates Obligation Series 2004	Totals
\$ -	\$ -	\$ -	\$ -	\$ 270,300	\$ 270,300
274,976	8,766	456	47	28,642	804,189
<u>274,976</u>	<u>8,766</u>	<u>456</u>	<u>47</u>	<u>298,942</u>	<u>1,074,489</u>
4,244,290	-	76,213	-	736,658	16,253,234
<u>4,244,290</u>	<u>-</u>	<u>76,213</u>	<u>-</u>	<u>736,658</u>	<u>16,253,234</u>
<u>(3,969,314)</u>	<u>8,766</u>	<u>(75,757)</u>	<u>47</u>	<u>(437,716)</u>	<u>(15,178,745)</u>
-	-	-	-	-	128,638
<u>(109,820)</u>	<u>(156,433)</u>	<u>-</u>	<u>(8,041)</u>	<u>-</u>	<u>(400,791)</u>
<u>(109,820)</u>	<u>(156,433)</u>	<u>-</u>	<u>(8,041)</u>	<u>-</u>	<u>(272,153)</u>
(4,079,134)	(147,667)	(75,757)	(7,994)	(437,716)	(15,450,898)
<u>8,977,316</u>	<u>250,587</u>	<u>125,427</u>	<u>7,994</u>	<u>1,846,831</u>	<u>27,451,543</u>
<u>\$ 4,898,182</u>	<u>\$ 102,920</u>	<u>\$ 49,670</u>	<u>\$ -</u>	<u>\$ 1,409,115</u>	<u>\$ 12,000,645</u>



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, 2006

E-1

	Restitution Center	County Officials	Totals
<u>ASSETS:</u>			
Cash	\$ 7,293	\$ 11,659,925	\$ 11,667,218
Investments, at Fair Value	-	1,262,555	1,262,555
Accounts Receivable	-	4,672	4,672
<u>TOTAL ASSETS</u>	<u>\$ 7,293</u>	<u>\$ 12,927,152</u>	<u>\$ 12,934,445</u>
<u>LIABILITIES:</u>			
Accounts Payable	\$ 7,293	\$ 7,949,852	\$ 7,957,145
Due to Other Governments	-	4,977,300	4,977,300
<u>TOTAL LIABILITIES</u>	<u>\$ 7,293</u>	<u>\$ 12,927,152</u>	<u>\$ 12,934,445</u>

MONTGOMERY COUNTY, TEXAS
Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended September 30, 2006

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	Balance October 1, 2005	Additions	Deductions	Balance September 30, 2006
<u>RESTITUTION CENTER:</u>				
Assets:				
Cash	\$ 11,304	\$ 455,580	\$ 459,591	\$ 7,293
Liabilities:				
Accounts Payable	\$ 11,304	\$ 455,580	\$ 459,591	\$ 7,293

COUNTY OFFICIALS:

Assets:				
Cash	\$ 8,559,307	\$ 897,758,133	\$ 894,657,515	\$ 11,659,925
Investments, at Fair Value	1,107,852	1,619,980	1,465,277	1,262,555
Accounts Receivable	5,075	9,405	9,808	4,672
Due from Other Funds	-	25	25	-
Total Assets	\$ 9,672,234	\$ 899,387,543	\$ 896,132,625	\$ 12,927,152
Liabilities:				
Accounts Payable	\$ 5,057,375	\$ 20,007,871	\$ 17,115,394	\$ 7,949,852
Due to Other Funds	-	365,283,928	365,283,928	-
Due to Other Governments	4,614,859	514,095,744	513,733,303	4,977,300
Total Liabilities	\$ 9,672,234	\$ 899,387,543	\$ 896,132,625	\$ 12,927,152

TOTALS - ALL AGENCY FUNDS:

Assets:				
Cash	\$ 8,570,611	\$ 898,213,713	\$ 895,117,106	\$ 11,667,218
Investments, at Fair Value	1,107,852	1,619,980	1,465,277	1,262,555
Accounts Receivable	5,075	9,405	9,808	4,672
Due from Other Funds	-	25	25	-
Total Assets	\$ 9,683,538	\$ 899,843,123	\$ 896,592,216	\$ 12,934,445
Liabilities:				
Accounts Payable	\$ 5,068,679	\$ 20,463,451	\$ 17,574,985	\$ 7,957,145
Due to Other Funds	-	365,283,928	365,283,928	-
Due to Other Governments	4,614,859	514,095,744	513,733,303	4,977,300
Total Liabilities	\$ 9,683,538	\$ 899,843,123	\$ 896,592,216	\$ 12,934,445

**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, 2006

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GOVERNMENTAL FUNDS CAPITAL ASSETS:

Land	\$ 7,747,501
Buildings	108,822,551
Improvements Other than Buildings	7,011,160
Equipment	46,767,915
Infrastructure	811,222,219
Construction in Progress	4,190,470

<u>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</u>	<u>\$ 985,761,816</u>
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INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS

BY SOURCE:

General Fund	\$ 128,922,061
Special Revenue Funds	852,649,285
Capital Project Funds	4,190,470

<u>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</u>	<u>\$ 985,761,816</u>
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MONTGOMERY COUNTY, TEXAS
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
September 30, 2006

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Page 1 of 2

Function and Activity	Total	Land	Buildings	Improvements Other than Buildings	Equipment
<u>GENERAL ADMINISTRATION:</u>					
County Judge	\$ 15,865	\$ -	\$ -	\$ -	\$ 15,865
Human Resources	6,642	-	-	-	6,642
Risk Management	17,563	-	-	-	17,563
County Clerk	639,300	-	-	-	639,300
Collections	23,420	-	-	-	23,420
Veterans' Service	1,376	-	-	-	1,376
Purchasing Agent	155,078	-	-	-	155,078
Commns/Info Services	1,008,595	-	86,900	8,000	913,695
County Buildings	73,637,379	-	73,628,541	8,838	-
County Land	4,225,706	4,115,955	-	109,751	-
Worthless Check Administration	6,284	-	-	-	6,284
<u>TOTAL GENERAL ADM</u>	<u>79,737,208</u>	<u>4,115,955</u>	<u>73,715,441</u>	<u>126,589</u>	<u>1,779,223</u>
<u>FINANCIAL ADMINISTRATION:</u>					
County Auditor	70,917	-	-	-	70,917
Budget Office	10,530	-	-	-	10,530
County Treasurer	32,675	-	-	-	32,675
Tax Assessor/Collector	221,909	-	-	-	221,909
<u>TOTAL FINANCIAL ADM</u>	<u>336,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>336,031</u>
<u>CONSERVATION:</u>					
Extension Agents	72,454	-	8,949	15,520	47,985
Recycling Stations	163,219	-	66,318	20,722	76,179
<u>TOTAL CONSERVATION</u>	<u>235,673</u>	<u>-</u>	<u>75,267</u>	<u>36,242</u>	<u>124,164</u>
<u>ELECTIONS:</u>					
Elections Administrator	2,966,931	-	482,977	62,453	2,421,501
<u>TOTAL ELECTIONS ADM</u>	<u>2,966,931</u>	<u>-</u>	<u>482,977</u>	<u>62,453</u>	<u>2,421,501</u>
<u>FACILITIES:</u>					
Custodial Services	620,551	-	168,473	-	452,078
Building Maintenance	758,300	-	124,994	5,668	627,638
Parks	12,292,576	1,619,967	6,410,708	4,139,396	122,505
Jail	745,422	-	356,095	-	389,327
Civic Center	16,532,701	88,216	14,528,196	1,321,858	594,431
<u>TOTAL FACILITIES</u>	<u>30,949,550</u>	<u>1,708,183</u>	<u>21,588,466</u>	<u>5,466,922</u>	<u>2,185,979</u>
<u>HEALTH AND WELFARE:</u>					
Public Health	2,351,330	49,211	2,111,495	-	190,624
Child Welfare	5,600	-	-	-	5,600
Community Development	1,333,524	-	1,229,324	-	104,200
<u>TOTAL HEALTH/WELFARE</u>	<u>3,690,454</u>	<u>49,211</u>	<u>3,340,819</u>	<u>-</u>	<u>300,424</u>

MONTGOMERY COUNTY, TEXAS
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
September 30, 2006

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Page 2 of 2

Function and Activity	Total	Land	Buildings	Improvements Other than Buildings	Equipment	Infrastructure
<u>JUDICIAL:</u>						
Courts	453,383	-	-	924	452,459	-
District Attorney	348,445	-	-	-	348,445	-
District Clerk	445,934	-	-	-	445,934	-
Justice of Peace	171,401	-	6,580	1,440	163,381	-
<u>TOTAL JUDICIAL</u>	<u>1,419,163</u>	<u>-</u>	<u>6,580</u>	<u>2,364</u>	<u>1,410,219</u>	<u>-</u>
<u>LEGAL SERVICES:</u>						
County Attorney	47,649	-	-	-	47,649	-
Law Library	812,291	-	-	-	812,291	-
<u>TOTAL LEGAL SERVICES</u>	<u>859,940</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>859,940</u>	<u>-</u>
<u>PUBLIC SAFETY:</u>						
Emergency Management	2,623,617	-	-	122,302	2,501,315	-
Fire Marshal	18,785	-	-	-	18,785	-
Department of Public Safety	1,213	-	-	-	1,213	-
Constables	1,540,470	-	36,890	1,440	1,502,140	-
Sheriff	9,963,854	122,756	316,386	532,695	8,992,017	-
District Attorney Forfeitures	112,133	-	-	8,900	103,233	-
Juvenile Probation	330,847	-	35,397	-	295,450	-
Adult Probation	43,692	-	-	-	43,692	-
<u>TOTAL PUBLIC SAFETY</u>	<u>14,634,611</u>	<u>122,756</u>	<u>388,673</u>	<u>665,337</u>	<u>13,457,845</u>	<u>-</u>
<u>PUBLIC TRANSPORTATION:</u>						
Engineer	76,756	-	-	-	76,756	-
Commissioners' Operations	822,098,819	790,331	1,409,744	162,924	12,001,383	807,734,437
Airport	5,910,334	86,806	1,652,537	479,985	203,224	3,487,782
<u>TOTAL PUBLIC TRANSPORTATION</u>	<u>828,085,909</u>	<u>877,137</u>	<u>3,062,281</u>	<u>642,909</u>	<u>12,281,363</u>	<u>811,222,219</u>
<u>CULTURE AND RECREATION:</u>						
Memorial Library	18,655,876	874,259	6,162,047	8,344	11,611,226	-
<u>TOTAL CULTURE/REC</u>	<u>18,655,876</u>	<u>874,259</u>	<u>6,162,047</u>	<u>8,344</u>	<u>11,611,226</u>	<u>-</u>
<u>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</u>	<u>981,571,346</u>	<u>\$7,747,501</u>	<u>\$108,822,551</u>	<u>\$7,011,160</u>	<u>\$46,767,915</u>	<u>\$811,222,219</u>
Construction In Progress	4,190,470					
<u>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</u>	<u>\$985,761,816</u>					

MONTGOMERY COUNTY, TEXAS
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended September 30, 2006

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Page 1 of 2

Function and Activity	Govtl Funds Capital Assets October 1, 2005	Additions	Deletions	Govtl Funds Capital Assets September 30, 2006
<u>GENERAL ADMINISTRATION:</u>				
County Judge	\$ 24,471	\$ -	\$ 8,606	\$ 15,865
Human Resources	15,415	-	8,773	6,642
Risk Management	12,926	6,117	1,480	17,563
County Clerk	621,082	106,048	87,830	639,300
Collections	23,808	1,272	1,660	23,420
Veterans' Service	1,376	-	-	1,376
Purchasing Agent	61,238	323,513	229,673	155,078
Motor Pool	42,569	-	42,569	-
Commns/Info Services	1,171,262	108,227	270,894	1,008,595
County Buildings	76,013,447	298,299	2,674,367	73,637,379
County Land	4,597,222	-	371,516	4,225,706
Worthless Check Administration	11,622	-	5,338	6,284
<u>TOTAL GENERAL ADM</u>	<u>82,596,438</u>	<u>843,476</u>	<u>3,702,706</u>	<u>79,737,208</u>
<u>FINANCIAL ADMINISTRATION:</u>				
County Auditor	77,042	3,059	9,184	70,917
Budget Office	8,622	3,002	1,094	10,530
County Treasurer	32,116	1,209	650	32,675
Tax Assessor/Collector	306,286	8,976	93,353	221,909
<u>TOTAL FINANCIAL ADM</u>	<u>424,066</u>	<u>16,246</u>	<u>104,281</u>	<u>336,031</u>
<u>CONSERVATION:</u>				
Extension Agents	68,433	4,021	-	72,454
Recycling Stations	164,142	-	923	163,219
<u>TOTAL CONSERVATION</u>	<u>232,575</u>	<u>4,021</u>	<u>923</u>	<u>235,673</u>
<u>ELECTIONS:</u>				
Elections Administrator	371,663	2,595,268	-	2,966,931
<u>TOTAL ELECTIONS</u>	<u>371,663</u>	<u>2,595,268</u>	<u>-</u>	<u>2,966,931</u>
<u>FACILITIES:</u>				
Custodial Services	594,503	39,224	13,176	620,551
Building Maintenance	716,218	96,841	54,759	758,300
Parks	6,386,292	7,338,264	1,431,980	12,292,576
Jail	593,903	154,886	3,367	745,422
Civic Center	15,162,309	1,377,241	6,849	16,532,701
<u>TOTAL FACILITIES</u>	<u>23,453,225</u>	<u>9,006,456</u>	<u>1,510,131</u>	<u>30,949,550</u>
<u>HEALTH AND WELFARE:</u>				
Public Health	2,407,582	110,810	167,062	2,351,330
Child Welfare	5,600	-	-	5,600
Community Development	1,333,524	-	-	1,333,524
<u>TOTAL HEALTH & WELFARE</u>	<u>3,746,706</u>	<u>110,810</u>	<u>167,062</u>	<u>3,690,454</u>

MONTGOMERY COUNTY, TEXAS
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended September 30, 2006

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Page 2 of 2

Function and Activity	Govtl Funds Capital Assets October 1, 2005	Additions	Deletions	Govtl Funds Capital Assets September 30, 2006
<u>JUDICIAL:</u>				
Courts	431,198	37,995	15,810	453,383
District Attorney	345,144	18,481	15,180	348,445
District Clerk	465,440	-	19,506	445,934
Justice of Peace	165,471	9,869	3,939	171,401
<u>TOTAL JUDICIAL</u>	<u>1,407,253</u>	<u>66,345</u>	<u>54,435</u>	<u>1,419,163</u>
<u>LEGAL SERVICES:</u>				
County Attorney	66,833	8,103	27,287	47,649
Law Library	713,569	99,461	739	812,291
<u>TOTAL LEGAL SERVICES</u>	<u>780,402</u>	<u>107,564</u>	<u>28,026</u>	<u>859,940</u>
<u>PUBLIC SAFETY:</u>				
Emergency Management	1,224,121	1,418,313	18,817	2,623,617
Fire Marshal	21,184	-	2,399	18,785
Department of Public Safety	3,648	-	2,435	1,213
Constables	1,644,164	115,854	219,548	1,540,470
Sheriff	10,569,314	641,321	1,246,781	9,963,854
District Attorney Forfeitures	29,194	82,939	-	112,133
County Attorney Forfeitures	2,752	-	2,752	-
Juvenile Probation	316,777	90,591	76,521	330,847
Adult Probation	69,285	-	25,593	43,692
<u>TOTAL PUBLIC SAFETY</u>	<u>13,880,439</u>	<u>2,349,018</u>	<u>1,594,846</u>	<u>14,634,611</u>
<u>PUBLIC TRANSPORTATION:</u>				
Engineer	106,774	1,095	31,113	76,756
Commissioners' Operations	771,425,239	56,218,060	5,544,480	822,098,819
Airport	5,872,959	71,081	33,706	5,910,334
<u>TOTAL PUBLIC TRANS</u>	<u>777,404,972</u>	<u>56,290,236</u>	<u>5,609,299</u>	<u>828,085,909</u>
<u>CULTURE & RECREATION:</u>				
Memorial Library	15,437,143	3,381,665	162,932	18,655,876
<u>TOTAL CULTURE/REC</u>	<u>15,437,143</u>	<u>3,381,665</u>	<u>162,932</u>	<u>18,655,876</u>
Construction In Progress	4,289,174	3,740,369	3,839,073	4,190,470
<u>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</u>	<u>\$ 924,024,056</u>	<u>\$ 78,511,474</u>	<u>\$ 16,773,714</u>	<u>\$ 985,761,816</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, XII
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.	XIII, XIV
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.	XV, XVI, XVII

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 Four 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
2006	314,159,873	139,009	5,870,959	(41,607,384)	278,562,457

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 Four Fiscal Years**

(accrual basis of accounting)

TABLE II

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental Activities:				
General Administration	\$ 11,648,705	\$ 11,020,255	\$ 11,228,147	\$ 13,416,534
Judicial	12,773,623	14,196,220	14,787,696	16,761,386
Legal	1,535,772	1,688,226	1,823,681	2,101,795
Elections	578,472	741,325	460,869	1,086,378
Financial Administration	3,545,228	3,775,200	4,398,998	4,791,906
Public Facilities	6,756,690	6,351,995	16,611,013	20,768,370
Public Safety	39,426,821	41,783,788	38,293,859	41,162,610
Health and Welfare	4,735,049	5,679,181	6,253,621	8,958,511
Culture and Recreation	4,207,762	4,746,828	6,257,162	7,051,403
Conservation	595,714	565,941	721,238	721,982
Public Transportation	1,447,670	14,662,727	23,780,503	58,874,891
Miscellaneous	4,589,512	7,234,220	4,519,314	3,009,024
Debt Service	8,229,368	8,062,860	7,464,112	10,553,741
Total Governmental Activities Expenses	100,070,386	120,508,766	136,600,213	189,258,531
Total Primary Government Expenses	<u>\$100,070,386</u>	<u>\$120,508,766</u>	<u>\$136,600,213</u>	<u>\$189,258,531</u>
Program Revenues				
Governmental Activities:				
Fees, Fines, Forfeitures and Charges for Services	\$ 28,355,009	\$ 31,299,005	\$ 35,943,376	39,591,432
Operating Grants and Contributions	6,205,454	5,787,485	8,238,497	8,343,395
Capital Grants and Contributions	319,745	1,032,241	27,335,093	41,591,644
Total Governmental Activities Program Revenues	34,880,208	38,118,731	71,516,966	89,526,471
Total Primary Government Program Revenues	<u>\$ 34,880,208</u>	<u>\$ 38,118,731</u>	<u>\$ 71,516,966</u>	<u>\$ 89,526,471</u>
Net (Expense) Revenue	<u>\$(65,190,178)</u>	<u>\$(82,390,035)</u>	<u>\$(65,083,247)</u>	<u>\$(99,732,060)</u>
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes				
Property Taxes	\$ 78,482,657	\$ 86,767,811	\$ 95,927,528	105,410,635
Other Taxes	730,506	929,853	1,077,680	1,142,888
Unrestricted Grants and Contributions	1,016,103	-	-	-
Investment Earnings	1,168,435	785,873	2,007,229	3,582,630
Miscellaneous	130,806	260,233	776,504	160,887
Total Governmental Activities	81,528,507	88,743,770	99,788,941	110,297,040
Total Primary Government	<u>\$ 81,528,507</u>	<u>\$ 88,743,770</u>	<u>\$ 99,788,941</u>	<u>\$110,297,040</u>
Change in Net Assets	<u>\$ 16,338,329</u>	<u>\$ 6,353,735</u>	<u>\$ 34,705,694</u>	<u>\$ 10,564,980</u>

MONTGOMERY COUNTY, TEXAS

Governmental Fund Balances

Last Ten Fiscal Years

	Fiscal Year			
	1997	1998	1999	2000
General Fund				
Reserved for:				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Unreserved	8,715,824	9,529,258	8,193,737	5,703,369
Total General Fund	<u>\$ 8,715,824</u>	<u>\$ 9,529,258</u>	<u>\$ 8,193,737</u>	<u>\$ 5,703,369</u>
All Other Governmental Funds				
Reserved for:				
Prepaid items	\$ 176	\$ 176	\$ -	\$ 500
Capital projects	18,573,531	27,255,971	19,992,422	6,221,991
Inventory	16,014	3,346	25,642	33,786
Debt service	844,838	1,065,497	1,005,634	811,885
Unreserved, reported in:				
Special revenue funds	4,175,796	5,404,266	6,015,497	5,711,670
Total All Other Governmental Funds	<u>\$ 23,610,355</u>	<u>\$ 33,729,256</u>	<u>\$ 27,039,195</u>	<u>\$ 12,779,832</u>

TABLE III

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ -	\$ -	\$ 25,209	\$ 186,540	\$ -	\$ 355,284
1,097,068	1,452,802	3,111,416	4,597,977	9,818,012	16,496,456
<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>	<u>\$ 16,851,740</u>
\$ 10,468	\$ 293,686	\$ 44,865	\$ 56,219	\$ 1,799,127	\$ 1,464,625
13,836,579	23,390,216	42,881,808	40,717,540	25,183,317	124,460,927
49,274	59,883	72,409	77,008	80,227	71,186
2,860,746	1,580,961	2,043,861	2,160,259	2,142,695	2,246,764
4,987,601	4,390,626	2,466,223	1,774,849	500,665	4,228,581
<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>	<u>\$ 132,472,083</u>

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

(modified accrual basis of accounting)

	1997	1998	1999	2000
Revenues				
Taxes	\$ 45,180,562	\$ 48,584,808	\$ 52,611,626	\$ 55,606,396
Licenses and Permits	4,936,810	5,426,093	5,858,172	6,203,717
Fees	4,661,065	5,714,570	6,704,550	7,354,016
Intergovernmental	2,419,889	3,159,165	4,892,718	4,344,212
Charges for Services	696,049	753,979	817,254	783,919
Interest	1,816,309	2,545,836	2,893,175	2,514,623
Contract Reimbursements	4,700,322	5,368,916	5,435,479	5,647,519
Inmate Housing	2,797,921	2,890,049	2,777,248	1,356,444
Fines and Forfeitures	1,045,391	1,146,969	1,547,650	1,659,434
Miscellaneous	1,107,811	2,141,712	2,805,512	2,731,521
Total Revenues	69,362,129	77,732,097	86,343,384	88,201,801
Expenditures				
General Administration	6,400,141	7,505,752	8,141,208	7,503,373
Judicial	5,648,210	6,331,292	6,800,845	7,750,470
Legal Services	1,434,643	1,515,382	1,583,830	1,713,202
Elections	369,015	441,725	330,022	441,851
Financial Administration	2,228,841	2,463,660	2,686,149	2,749,449
Public Facilities	2,902,725	3,127,051	3,651,170	4,092,645
Public Safety	24,114,850	27,104,453	28,561,434	30,857,263
Health and Welfare	2,837,989	3,751,987	4,950,959	5,007,622
Culture and Recreation	2,378,063	2,829,968	3,317,301	3,615,564
Conservation	260,656	264,074	272,788	299,612
Public Transportation	13,424,111	12,551,589	14,823,006	16,606,255
Miscellaneous	633,668	1,820,432	3,017,333	2,352,687
Capital Outlay	3,778,928	11,279,364	9,507,853	16,810,895
Debt Service:				
Principal Retirement	3,351,139	2,589,398	3,031,236	3,123,227
Interest and Fiscal Charges	2,805,312	3,074,921	3,849,657	3,564,820
Issuance Costs	318,185	59,352	33,889	10,456
Total Expenditures	72,886,476	86,710,400	94,558,680	106,499,391
(Deficiency) Revenues over Expenditures	(3,524,347)	(8,978,303)	(8,215,296)	(18,297,590)
Other Financing Sources/(Uses)				
Transfers In	3,909,073	5,986,790	4,918,647	8,089,320
Transfers Out	(3,909,073)	(5,986,790)	(4,918,647)	(8,089,320)
Capital Lease Financing	152,300	1,560,638	189,714	1,660,192
Issuance of Refunding Bonds	9,510,608	-	-	-
Payment to Refunded Bond Escrow Agent	(9,304,166)	-	-	-
Issuance of Other Bonds	18,750,492	18,350,000	-	-
Discounts/Premiums on Debt Issuance	-	-	-	-
Total Other Financing Sources/(Uses)	19,109,234	19,910,638	189,714	1,660,192
Prior Period Adjustment	-	-	-	-
Net Change in Fund Balances	\$ 15,584,887	\$ 10,932,335	\$ (8,025,582)	\$ (16,637,398)
Debt Service as a percentage of noncapital expenditures	9.4%	7.6%	8.1%	7.5%

TABLE IV

2001	2002	2003	2004	2005	2006
\$ 61,792,434	\$ 69,165,276	\$ 79,235,180	\$ 87,999,696	\$ 96,881,886	\$ 106,734,347
6,134,638	6,848,251	6,774,170	7,391,938	7,090,124	7,705,191
7,866,591	8,661,726	9,704,730	10,355,267	11,245,253	13,965,850
6,031,959	8,493,436	7,528,351	7,780,777	9,753,650	12,928,979
948,496	1,078,794	1,126,189	1,159,017	1,208,604	1,479,104
2,135,375	1,201,707	888,724	785,873	2,007,225	3,582,649
6,160,532	7,351,963	6,952,378	7,587,085	8,026,103	9,105,696
375,313	448,159	479,399	118,818	50,430	1,356,977
1,636,656	1,570,219	1,586,335	2,421,254	2,338,177	2,010,036
2,404,469	1,864,084	2,143,431	1,706,620	2,477,813	2,421,395
95,486,463	106,683,615	116,418,887	127,306,345	141,079,265	161,290,224
7,967,743	12,629,952	10,299,486	9,656,917	11,956,474	12,249,238
9,078,900	10,294,847	12,775,232	14,135,706	14,533,798	16,621,754
1,468,205	1,452,800	1,560,404	1,712,325	1,820,797	2,113,773
450,201	588,836	562,397	730,253	650,970	3,144,556
3,151,028	3,464,350	3,520,998	3,737,425	4,359,609	4,751,654
5,055,180	5,418,380	6,093,188	6,376,545	15,795,553	20,439,889
33,238,674	37,018,409	39,615,733	42,296,886	39,990,719	41,794,370
6,985,594	6,312,253	6,590,080	6,426,018	6,979,121	8,969,704
4,253,302	4,281,759	4,390,872	4,473,911	6,102,610	6,948,700
379,251	609,646	712,160	755,853	707,684	646,202
16,353,845	19,224,885	16,860,588	18,210,470	16,857,418	17,390,668
3,937,048	6,427,786	5,594,822	7,234,220	4,519,314	3,009,024
10,129,605	15,460,863	17,544,646	14,361,966	16,092,056	41,126,282
3,355,000	3,685,806	9,700,493	3,237,591	3,034,930	3,830,069
3,191,279	4,375,931	6,169,771	8,831,163	8,087,980	8,285,966
276,020	438,436	760,392	262,523	618,647	1,951,698
109,270,875	131,684,939	142,751,262	142,439,772	152,107,680	193,273,547
(13,784,412)	(25,001,324)	(26,332,375)	(15,133,427)	(11,028,415)	(31,983,323)
11,554,566	13,891,059	19,849,875	14,571,754	16,324,181	15,894,991
(11,554,566)	(13,891,059)	(19,849,875)	(14,571,754)	(16,324,181)	(15,894,991)
2,397,596	8,230,514	151,948	581,915	1,264,452	262,529
-	3,800,000	-	-	45,850,000	-
-	(3,702,752)	-	-	(49,904,606)	-
17,500,000	25,000,000	45,699,907	12,805,000	-	137,870,000
-	-	-	671,113	3,772,220	3,650,574
19,897,596	33,327,762	45,851,855	14,058,028	982,066	141,783,103
(1,754,649)	-	-	-	-	-
\$ 4,358,535	\$ 8,326,438	\$ 19,519,480	\$ (1,075,399)	\$ (10,046,349)	\$ 109,799,780
6.9%	7.3%	13.3%	9.6%	8.6%	9.2%



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⁾
1997	\$ 5,131,538	\$ 1,064,217	\$ 1,841,056	\$ 1,434,865	\$ (872,114)	\$ 8,599,562	\$ 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)	11,201,774	0.4907
2001	8,324,588	1,414,658	1,951,662	1,865,436	(1,019,818)	12,536,526	0.4747
2002	9,778,759	1,704,851	2,060,537	2,030,021	(1,292,141)	14,282,027	0.4710
2003	11,355,674	2,155,239	2,280,789	2,134,447	(1,636,767)	16,289,382	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
2006	13,358,120	2,853,812	2,347,028	2,494,947	(1,903,704)	19,150,203	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. Includes tax rate for South Montgomery County, Texas Road District No. 1, a blended component unit, through 1999.

Source: Montgomery Central Appraisal District

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

	1997	1998	1999	2000
<u>MONTGOMERY COUNTY, TEXAS:</u>				
General Fund	\$ 0.3631	\$ 0.3669	\$ 0.3583	\$ 0.3498
Special Revenue Funds	0.0746	0.0746	0.0746	0.0746
Debt Service Fund	0.0550	0.0482	0.0568	0.0503
Total Montgomery County, Texas	0.4927	0.4897	0.4897	0.4747
<u>SOUTH MONTGOMERY COUNTY,</u>				
<u>TEXAS ROAD DISTRICT NO. 1:</u>				
Debt Service Fund	0.0358	0.0213	0.0213	0.0160
<u>OVERLAPPING GOVERNMENTS:</u>				
Special Districts:				
Chateau Woods M.U.D.	0.8976	0.8190	0.6761	0.5215
Clover Creek M.U.D.	1.0000	1.2500	-	1.2500
Corinthian Point M.U.D.	0.8380	0.8836	0.8459	0.8175
East Montgomery County M.U.D. #1	0.6000	0.6300	0.5000	0.4397
East Montgomery County M.U.D. #3	-	-	-	-
East Plantation U.D.	0.8350	0.7810	0.7590	0.7430
Far Hills U.D.	0.6300	0.5900	0.5700	0.5700
Grand Oaks M.U.D.	-	-	-	-
Harris County U.D. #1	Annexed	Annexed	Annexed	Annexed
Harris County U.D. #4	Annexed	Annexed	Annexed	Annexed
Kingwood Place South M.U.D.	Annexed	Annexed	Annexed	Annexed
Kings Manor M.U.D.	1.2900	1.2900	1.2900	1.2900
Lake Conroe Hills M.U.D.	1.0899	0.8736	0.7712	0.6593
Lazy River I.D.	0.4746	0.4792	0.5000	0.8285
Montgomery County D.D. #6	0.5111	0.4046	0.3520	0.3358
Montgomery County D.D. #10	-	-	-	-
Montgomery County F.W.S.D. #6	0.3833	0.3652	0.3619	0.3618
Montgomery County Hospital Dist	0.0885	0.0785	0.0785	0.1378
Montgomery County M.U.D. #6	0.6500	0.6010	0.5652	0.5650
Montgomery County M.U.D. #7	0.6000	0.5544	0.4840	0.4576
Montgomery County M.U.D. #8	0.5495	0.4986	0.4895	0.2671
Montgomery County M.U.D. #9	1.1700	1.0700	1.0200	0.9700

TABLE VI

Page 1 of 4

2001	2002	2003	2004	2005	2006
\$ 0.3446	\$ 0.3509	\$ 0.3568	\$ 0.3627	\$ 0.3822	\$ 0.3869
0.0746	0.0746	0.0525	0.0523	0.0528	0.0528
0.0555	0.0455	0.0617	0.0678	0.0613	0.0566
0.4747	0.4710	0.4710	0.4828	0.4963	0.4963
-	-	-	-	-	-
0.5019	0.2500	0.2500	0.2500	0.2332	0.1939
1.2500	1.2500	1.2500	1.2500	1.2500	1.2500
0.8175	0.8175	0.7987	0.7987	0.7694	0.7222
0.4000	0.3800	0.3800	0.3800	0.3800	0.3600
-	-	0.5000	0.5000	0.7500	0.9500
0.7300	0.7300	0.7300	0.7300	0.7700	0.8100
0.5650	0.4950	0.4950	0.4950	0.4800	0.4800
-	-	-	-	-	1.3500
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	1.2000
0.6300	0.5000	0.5000	0.5000	0.5000	0.5000
0.7848	0.7500	0.7200	0.7200	0.6339	0.6220
0.3052	0.3052	0.2922	0.2922	0.2800	0.2733
-	-	-	-	0.4580	0.4580
0.4200	0.3924	0.3774	0.3774	0.3945	0.3945
0.1378	0.1338	0.1082	0.1082	0.0999	0.0850
0.5550	0.5000	0.3000	0.3000	0.2500	0.2200
0.4400	0.4200	0.3800	0.3800	0.3400	0.3000
0.2682	0.2263	0.2263	0.2263	0.2171	0.2012
0.9700	0.8600	0.7000	0.7000	0.6000	0.6000

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

	1997	1998	1999	2000
Special Districts (continued):				
Montgomery County M.U.D. #15	2.0209	2.0386	1.9010	1.8088
Montgomery County M.U.D. #16	5.3700	5.3700	5.0800	5.0800
Montgomery County M.U.D. #18	0.8237	0.7200	0.6800	0.6600
Montgomery County M.U.D. #19	0.9500	0.6500	0.5000	0.4919
Montgomery County M.U.D. #24	2.5000	1.8500	1.7900	1.6800
Montgomery County M.U.D. #36	0.4200	0.4148	0.3956	0.3956
Montgomery County M.U.D. #39	0.8700	0.8800	0.8800	0.8200
Montgomery County M.U.D. #40	0.5825	0.5418	0.4250	0.4150
Montgomery County M.U.D. #42	0.5000	0.9500	1.2500	1.5000
Montgomery County M.U.D. #43	3.3100	-	-	-
Montgomery County M.U.D. #46	0.8450	0.8400	0.7950	0.7800
Montgomery County M.U.D. #47	0.5900	0.5443	0.5200	0.4340
Montgomery County M.U.D. #48	Annexed	Annexed	Annexed	Annexed
Montgomery County M.U.D. #53	1.8500	-	-	-
Montgomery County M.U.D. #56	1.2500	1.2500	1.2500	1.2500
Montgomery County M.U.D. #58	Annexed	Annexed	Annexed	Annexed
Montgomery County M.U.D. #60	0.6500	0.6400	0.6100	0.5949
Montgomery County M.U.D. #67	0.5200	0.4780	0.4700	0.4700
Montgomery County M.U.D. #83	-	-	1.0000	0.9880
Montgomery County M.U.D. #84	-	-	-	-
Montgomery County M.U.D. #88	-	-	-	-
Montgomery County M.U.D. #89	-	-	-	-
Montgomery County M.U.D. #90	-	-	-	-
Montgomery County M.U.D. #92	-	-	-	-
Montgomery County M.U.D. #94	-	-	-	-
Montgomery County M.U.D. #95	-	-	-	-
Montgomery County M.U.D. #98	-	-	-	-
Montgomery County U.D. #2	0.9062	0.7625	0.7342	0.6893
Montgomery County U.D. #3	0.5783	0.5783	0.5733	0.5765
Montgomery County U.D. #4	0.7500	0.6500	0.4100	0.3300
Montgomery County W.C.I.D. #1	1.1122	1.1136	0.9341	0.9378
New Caney M.U.D.	0.5827	0.5188	0.5076	0.5076
No Harris/Mont. Comm. College	0.1228	0.1198	0.1174	0.1100
Oak Ridge M.U.D.	Annexed	Annexed	Annexed	Annexed

TABLE VI

Page 2 of 4

2001	2002	2003	2004	2005	2006
2.1442	2.0800	1.6000	1.6000	1.5000	1.4500
5.0800	4.8300	3.9600	3.9600	2.4600	1.5800
0.6400	0.5860	0.5600	0.5600	0.5100	0.5100
0.4500	0.4500	0.4500	0.4500	0.4000	0.3500
1.5900	1.5900	1.5900	1.5900	1.5700	1.4900
0.3900	0.3600	0.3600	0.3600	0.3600	0.3230
0.7200	0.7200	0.7200	0.7200	0.7000	0.5800
0.4050	0.3650	0.3200	0.3200	0.2800	0.2500
1.5000	1.5000	1.4800	1.4800	1.3800	1.3500
-	-	-	-	-	-
0.6950	0.6300	0.6000	0.6000	0.5800	0.5000
0.4200	0.3950	0.3700	0.3700	0.3600	0.3100
Annexed	Annexed	Annexed	Annexed	Annexed	Annexed
-	-	-	-	-	-
1.2500	1.2500	1.2500	1.2500	1.2500	1.2500
Annexed	Annexed	Annexed	Annexed	Annexed	Annexed
0.5500	0.4500	0.4200	0.4200	0.4200	0.3500
0.4700	0.4700	0.4700	0.4700	0.4500	0.4300
0.9880	1.0000	1.2500	1.2500	1.2500	1.2500
-	-	-	-	-	1.2500
-	-	-	-	-	No Tax
-	-	1.3900	1.3900	1.3900	1.3900
-	-	-	-	-	0.6000
-	-	-	-	-	0.6000
-	-	1.2200	1.2200	1.2200	1.2200
-	-	1.2500	1.2500	1.2500	1.2500
-	-	-	-	-	1.2500
0.6800	0.6000	0.5900	0.5900	0.5700	0.5700
0.5765	0.5765	0.5765	0.5765	0.4516	0.4516
0.3800	0.3800	0.3800	0.3800	0.3300	0.3800
0.8500	0.8200	0.8200	0.8200	0.8200	0.8200
0.5076	0.5076	0.5076	0.5076	0.5076	0.5376
0.1100	0.1055	0.1145	0.1145	0.1145	0.1207
Annexed	Annexed	Annexed	Annexed	Annexed	Annexed

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

	1997	1998	1999	2000
Special Districts (continued):				
Point Aquarius M.U.D.	0.7000	0.6800	0.6800	0.6708
Porter M.U.D.	0.5293	0.5200	0.5150	0.5150
Rayford Road M.U.D.	0.6400	0.6890	0.7416	0.7620
River Plantation M.U.D.	0.6379	0.6104	0.6109	0.6055
Roman Forest Cons. M.U.D.	0.7849	0.7750	0.7237	0.6429
Roman Forest P.U.D. #3	4.0000	1.8900	2.1400	1.8900
Roman Forest P.U.D. #4	2.5000	2.0959	2.0193	1.8965
South Montgomery County M.U.D.	0.2341	0.2266	0.2985	0.2704
Spring Creek U.D.	1.0460	0.9490	0.9400	0.9100
Stanley Lake M.U.D.	1.0376	0.8000	0.6700	0.6345
Texas National M.U.D.	0.7500	0.6566	0.7500	1.1400
Wood Trace M.U.D. #1	-	-	-	-
Woodlands Metro-Center M.U.D.	0.4600	0.4500	0.4500	0.4000
Woodlands M.U.D. #2	0.4800	0.4800	0.4800	0.4800
Woodlands R.U.D. #1	0.4900	0.5000	0.5000	0.4925
Emergency Service District #1	0.0850	0.0884	0.0950	0.0967
Emergency Service District #2	0.0800	0.0875	0.0934	0.1000
Emergency Service District #3	0.1000	0.1000	0.1000	0.0978
Emergency Service District #4	0.1000	0.1000	0.1000	0.0948
Emergency Service District #5	0.0600	0.0908	0.0984	0.0977
Emergency Service District #6	0.1000	0.1000	0.1000	0.1000
Emergency Service District #7	0.1000	0.0965	0.1000	0.1000
Emergency Service District #8	0.0300	0.0700	0.0790	0.0784
Emergency Service District #9	0.1000	0.1000	0.1000	0.1000
Emergency Service District #10	0.0800	0.0905	0.1000	0.0983
Emergency Service District #11	0.1000	0.0995	0.0927	0.1000
Emergency Service District #12	0.0300	0.0957	0.1000	0.1000
Emergency Service District #14	0.1000	0.1000	0.1000	0.1000
Total Special Districts	54.0666	44.6206	42.8640	43.3078

TABLE VI

Page 3 of 4

2001	2002	2003	2004	2005	2006
0.6666	0.5877	0.5558	0.5558	0.5347	0.5132
0.5150	0.5150	0.5150	0.5150	0.5150	0.5150
0.7620	0.7620	0.7620	0.7620	0.7620	0.7620
0.5357	0.5026	0.4895	0.4895	0.4812	0.4504
0.6100	0.5900	0.5800	0.5800	0.5650	0.4760
1.8900	1.2500	1.2500	1.2500	1.2500	1.2500
1.2500	1.1500	1.1500	1.1500	1.1500	1.1500
0.2704	0.2704	0.2704	0.2704	0.2326	0.2200
0.9100	0.9100	1.0100	1.0100	1.0100	1.0000
0.6345	0.6345	0.6000	0.6000	0.5800	0.5800
1.1400	1.1200	1.1100	1.1100	0.9022	0.8918
-	1.5000	1.2500	1.2500	1.2500	1.0000
0.4000	0.3200	0.3000	0.3000	0.3000	0.2700
0.4600	0.4400	0.4100	0.4100	0.3750	0.3350
0.5000	0.5000	0.5000	0.5000	0.5000	0.4817
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
0.0893	0.0820	0.1000	0.1000	0.0980	0.0908
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	0.0983
0.0646	0.0545	0.0562	0.0562	0.0722	0.0713
0.1000	0.1000	0.0620	0.0620	0.0981	0.0948
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	0.1000
42.2598	41.2545	43.5173	43.5173	41.4957	44.5333

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

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Cities:				
Conroe	0.4200	0.4200	0.4200	0.4200
Magnolia	0.5649	0.5747	0.5337	0.5090
Montgomery	0.1017	0.1060	0.4221	0.4106
Oak Ridge North	1.1533	1.1296	1.0600	0.9950
Panorama Village	0.7437	0.7445	0.7355	0.6802
Patton Village	0.2606	0.2606	0.2569	0.2636
Roman Forest	0.4310	0.4959	0.4891	0.4891
Shenandoah Village	0.8000	0.7638	0.7251	0.6163
Splendora	-	-	0.3000	0.3000
Stagecoach	0.3796	0.6376	0.6497	0.5054
Willis	0.6421	0.6449	0.6280	0.5243
Woodbranch Village	0.5360	0.5355	0.5376	0.5364
Woodloch	0.9400	0.0928	0.9185	0.9446
Houston (County Line City)	0.6650	0.6650	0.6650	0.6550
Total Cities	<u>7.6379</u>	<u>7.0709</u>	<u>8.3412</u>	<u>7.8495</u>
School Districts:				
Cleveland I.S.D.	1.3288	1.4000	1.3750	1.3750
Conroe I.S.D.	1.6355	1.7505	1.6905	1.7025
Magnolia I.S.D.	1.6900	1.7500	1.7100	1.5500
Montgomery I.S.D.	1.5100	1.6100	1.6400	1.6400
New Caney I.S.D.	1.7400	1.8300	1.6900	1.7696
Richards I.S.D.	1.3000	1.3800	1.2220	1.4000
Splendora I.S.D.	1.7400	1.7600	1.3800	1.4200
Tomball I.S.D.	1.5900	1.5900	1.5900	1.6500
Willis I.S.D.	1.7100	1.7600	1.6700	1.6600
Total School Districts	<u>14.2443</u>	<u>14.8305</u>	<u>13.9675</u>	<u>14.1671</u>
<u>TOTAL PROPERTY TAX RATES -</u>				
<u>DIRECT AND OVERLAPPING</u>				
<u>GOVERNMENTS</u>	<u>\$76.4773</u>	<u>\$67.0329</u>	<u>\$65.6837</u>	<u>\$65.8151</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

2001	2002	2003	2004	2005	2006
0.4200	0.4165	0.4335	0.4335	0.4335	0.4335
0.4603	0.4052	0.4186	0.4186	0.4963	0.4935
0.3620	0.3869	0.3869	0.3869	0.3869	0.5605
0.8950	0.7710	0.7579	0.7579	0.7579	0.7300
0.6633	0.6663	0.6586	0.6586	0.6653	0.6653
0.2673	0.2779	0.4340	0.4340	0.4585	0.5000
0.4845	0.5000	0.5000	0.5000	0.5198	0.5000
0.5000	0.4187	0.4099	0.4099	0.4010	0.4010
0.3000	0.3000	0.3000	0.3000	0.3000	0.3000
0.5176	0.5316	0.5330	0.5330	0.5520	0.5373
0.5310	0.5647	0.5784	0.5784	0.5903	0.5934
0.5214	0.4986	0.4919	0.4919	0.4775	0.4179
0.8187	0.7642	0.7186	0.7186	0.6884	0.6300
0.6550	0.6550	0.6550	0.6500	0.6500	0.6475
7.3961	7.1566	7.2763	7.2713	7.3774	7.4099
1.5750	1.6000	1.7000	1.7000	1.7000	1.7400
1.7025	1.7225	1.7325	1.7325	1.7325	1.7600
1.6900	1.6900	1.6800	1.6800	1.6800	1.7900
1.6600	1.6600	1.6600	1.6600	1.6600	1.6600
1.6554	1.7100	1.7700	1.7700	1.7700	1.7900
1.4600	1.4629	1.5000	1.5000	1.5000	1.5000
1.5700	1.6500	1.7300	1.7300	1.7300	1.6900
1.6800	1.7500	1.7300	1.7300	1.7300	1.7100
1.7200	1.7300	1.7100	1.7100	1.7350	1.7350
14.7129	14.9754	15.2125	15.2125	15.2375	15.3750
<u>\$64.8435</u>	<u>\$63.8575</u>	<u>\$66.4771</u>	<u>\$66.4839</u>	<u>\$64.6069</u>	<u>\$67.8145</u>

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

<u>2006 Taxpayer</u>	<u>Type of Business</u>	<u>2006 Assessed Valuation ⁽¹⁾</u>	<u>Percentage of Total Assessed Valuation ⁽²⁾</u>
Gulf States Utilities Company	Electric Utility	\$ 162,155,189	0.85 %
Wal-Mart Real Estate Bus Trust	Land Development	157,319,212	0.82
Columbia Conroe Regional Medical Center/Kingwood Medical Plaza	Medical	116,136,716	0.61
Woodlands Land Development, LP	Land Development	78,554,652	0.41
Consolidated Communications of Texas	Communications	69,977,630	0.37
Huntsman Petrochemical Corp.	Industrial	65,193,310	0.34
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>\$ 868,197,739</u>	<u>4.55 %</u>
<u>1997 Taxpayer</u>	<u>Type of Business</u>	<u>1997 Assessed Valuation ⁽¹⁾</u>	<u>Percentage of Total Assessed Valuation ⁽³⁾</u>
Woodlands Corporation	Land Development	\$ 323,600,394	3.76 %
Exxon Corporation	Oil Properties	119,910,945	1.39
Huntsman Petrochemical Corp.	Oil Properties	109,207,750	1.27
Columbia Regional Medical Center	Medical	108,650,146	1.26
Gulf States Utilities	Electric Utility	106,926,660	1.24
Lufkin-Conroe Telephone	Telephone Utility	55,367,810	0.64
Southwestern Bell Telephone	Telephone Utility	54,109,120	0.63
Wal-Mart Inc./Sam's Club	Retail Store	49,511,912	0.58
Eckerd Distribution	Retail Distribution	37,852,170	0.44
Ball Manufacturing	Manufacturer	29,254,686	0.34
		<u>\$ 994,391,593</u>	<u>11.55 %</u>

⁽¹⁾ Source: Montgomery Central Appraisal District⁽²⁾ Net Assessed Valuation - 2006 \$ 19,150,202,773⁽³⁾ Net Assessed Valuation - 1997 \$ 8,599,561,448

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>	<u>Outstanding Delinquent Taxes</u>
1997	\$43,694,149	\$ 42,119,201	96.4 %	\$ 1,764,514	\$ 43,883,715	100.4 %	\$6,441,147
1998	46,937,541	45,882,279	97.8	1,208,829	47,091,108	100.3	6,112,852
1999	50,889,079	49,887,250	98.0	1,247,664	51,134,914	100.5	6,175,378
2000	54,051,832	52,810,108	97.7	1,244,737	54,054,845	100.0	6,501,501
2001	59,831,094	58,384,869	97.6	1,547,076	59,931,945	100.2	6,232,148
2002	67,447,935	65,714,723	97.4	1,608,717	67,323,440	99.8	6,471,525
2003	77,043,931	75,232,037	97.6	1,784,876	77,016,913	100.0	6,587,183
2004	85,764,910	83,960,577	97.9	1,839,076	85,799,653	100.0	6,109,116
2005	94,513,506	92,527,246	97.9	1,856,421	94,383,667	99.9	6,043,917
2006	104,074,236	102,113,249	98.1	1,788,843	103,902,092	99.8	5,840,603

⁽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⁾
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	1.27	426.10
2005	122,050,678	25,860,000	1,403,363	149,314,041	N/A	397.62
2006	231,795,605	50,155,000	1,096,177	283,046,782	N/A	752.58

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

⁽²⁾ See Table XIII for personal income and population data.
Personal income for 2005 and 2006 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				
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
2006	231,795,605	50,155,000	281,950,605	2,264,764	279,685,841	1.46	743.64

⁽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 XIII.

MONTGOMERY COUNTY, TEXAS

Legal Debt Margin⁽¹⁾

Last Ten Fiscal Years

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Assessed value ⁽²⁾	\$ 7,164,696	\$ 7,811,763	\$ 8,597,552	\$ 9,497,283
Debt limit ⁽³⁾	1,791,174	1,952,941	2,149,388	2,374,321
Debt applicable to limit				
Total bonded debt	57,431	75,640	72,417	70,267
Less: Assets in Debt				
Service Funds available				
for payment of principal	<u>(845)</u>	<u>(1,065)</u>	<u>(1,006)</u>	<u>(812)</u>
Total debt applicable				
to limit	<u>56,586</u>	<u>74,575</u>	<u>71,411</u>	<u>69,455</u>
Legal debt margin	<u>\$ 1,734,588</u>	<u>\$ 1,878,366</u>	<u>\$ 2,077,977</u>	<u>\$ 2,304,865</u>
Total debt applicable				
to the limit as a				
percent of debt limit	3.16%	3.82%	3.32%	2.93%

⁽¹⁾ Amounts expressed in thousands.

⁽²⁾ Assessed valuation is equal to total valuation less personal property.

⁽³⁾ 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

2001	2002	2003	2004	2005	2006
\$ 10,671,089	\$ 12,252,007	\$ 14,154,934	\$ 15,380,063	\$ 16,586,307	\$ 16,655,256
2,667,772	3,063,002	3,538,734	3,845,016	4,146,577	4,163,814
85,316	107,597	150,287	159,631	155,043	288,685
(2,860)	(1,581)	(2,044)	(2,160)	(2,143)	(2,247)
82,456	106,016	148,243	157,470	152,900	286,438
<u>\$ 2,585,317</u>	<u>\$ 2,956,986</u>	<u>\$ 3,390,491</u>	<u>\$ 3,687,545</u>	<u>\$ 3,993,677</u>	<u>\$ 3,877,376</u>
3.09%	3.46%	4.19%	4.10%	3.69%	6.88%

MONTGOMERY COUNTY, TEXAS**Direct and Overlapping Debt****September 30, 2006****TABLE XII**

	Debt Outstanding	Percentage Applicable to Montgomery County ⁽¹⁾	Amount Applicable to Montgomery County
Montgomery County, Texas	\$ 288,684,676	100.00	\$ 288,684,676

OVERLAPPING GOVERNMENTS:**Special Districts:**

Clovercreek M.U.D.	1,870,000	100.00	1,870,000
Corinthian Point M.U.D. #2	1,450,000	100.00	1,450,000
East Plantation U.D.	3,975,000	100.00	3,975,000
Far Hills U.D.	2,815,000	100.00	2,815,000
Kings Manor M.U.D.	17,850,000	97.85	17,466,225
Lazy River I.D.	1,170,000	100.00	1,170,000
Montgomery Co. D.D. #6	2,649,990	100.00	2,649,990
Montgomery Co. M.U.D. #7	10,915,000	100.00	10,915,000
Montgomery Co. M.U.D. #9	6,010,000	100.00	6,010,000
Montgomery Co. M.U.D. #15	2,775,000	100.00	2,775,000
Montgomery Co. M.U.D. #18	25,380,000	100.00	25,380,000
Montgomery Co. M.U.D. #24	535,000	100.00	535,000
Montgomery Co. M.U.D. #36	240,000	100.00	240,000
Montgomery Co. M.U.D. #39	20,284,445	100.00	20,284,445
Montgomery Co. M.U.D. #40	6,685,000	100.00	6,685,000
Montgomery Co. M.U.D. #42	1,810,000	100.00	1,810,000
Montgomery Co. M.U.D. #46	109,535,000	100.00	109,535,000
Montgomery Co. M.U.D. #47	46,195,000	100.00	46,195,000
Montgomery Co. M.U.D. #56	2,673,546	100.00	2,673,546
Montgomery Co. M.U.D. #60	30,390,000	100.00	30,390,000
Montgomery Co. M.U.D. #67	23,445,000	100.00	23,445,000
Montgomery Co. M.U.D. #83	9,375,000	100.00	9,375,000
Montgomery Co. M.U.D. #89	9,340,000	100.00	9,340,000
Montgomery Co. M.U.D. #90	1,980,000	100.00	1,980,000
Montgomery Co. M.U.D. #94	14,430,000	100.00	14,430,000
Montgomery Co. U.D. #2	3,000,000	100.00	3,000,000
Montgomery Co. U.D. #3	1,150,000	100.00	1,150,000
Montgomery Co. U.D. #4	4,410,000	100.00	4,410,000
Montgomery Co. W.C.I.D. #1	4,240,000	100.00	4,240,000
New Caney M.U.D.	17,040,000	100.00	17,040,000
North Harris/Mont. Comm. College	195,336,613	25.74	50,279,644
Point Aquarius M.U.D.	2,875,000	100.00	2,875,000

MONTGOMERY COUNTY, TEXAS**Direct and Overlapping Debt****September 30, 2006****TABLE XII**

	Debt	Percentage	Amount Applicable
	Outstanding	Applicable to	to Montgomery
		Montgomery County ⁽¹⁾	County
Special Districts:(Continued)			
Porter M.U.D.	12,630,458	100.00	12,630,458
Rayford Road M.U.D.	33,570,000	100.00	33,570,000
River Plantation M.U.D.	1,340,000	100.00	1,340,000
Roman Forest Cons. M.U.D.	2,250,000	100.00	2,250,000
Roman Forest P.U.D. #3	-	DEFAULT	-
Roman Forest P.U.D. #4	765,000	100.00	765,000
South Montgomery Co. M.U.D.	4,976,164	100.00	4,976,164
Spring Creek U.D.	15,515,000	100.00	15,515,000
Stanley Lake M.U.D.	6,539,000	100.00	6,539,000
Texas National M.U.D.	265,000	100.00	265,000
Woodlands Metro-Center M.U.D.	23,900,000	100.00	23,900,000
Woodlands M.U.D. #2	2,365,000	100.00	2,365,000
Woodlands R.U.D. #1	58,420,000	100.00	58,420,000
Emergency Service District #1	406,631	100.00	406,631 ⁽²⁾
Emergency Service District #2	787,689	100.00	787,689 ⁽²⁾
Emergency Service District #3	174,481	100.00	174,481 ⁽²⁾
Emergency Service District #4	941,021	100.00	941,021 ⁽²⁾
Emergency Service District #5	164,819	100.00	164,819 ⁽²⁾
Emergency Service District #6	425,303	100.00	425,303 ⁽²⁾
Emergency Service District #7	508,499	100.00	508,499 ⁽²⁾
Emergency Service District #9	161,309	100.00	161,309 ⁽²⁾
Emergency Service District #10	1,275,690	100.00	1,275,690 ⁽²⁾
Emergency Service District #11	133,458	100.00	133,458 ⁽²⁾
Emergency Service District #12	73,789	100.00	73,789 ⁽²⁾
Total Special Districts	749,417,905		603,977,161
Cities:			
Conroe	59,155,000	100.00	59,155,000
Magnolia	2,305,000	100.00	2,305,000
Montgomery	4,110,000	100.00	4,110,000
Oak Ridge North	5,515,000	100.00	5,515,000
Panorama Village	2,825,000	100.00	2,825,000
Shenandoah Village	4,692,793	100.00	4,692,793

MONTGOMERY COUNTY, TEXAS**Direct and Overlapping Debt****September 30, 2006****TABLE XII**

	Debt	Percentage	Amount Applicable
	Outstanding	Applicable to	to Montgomery
		Montgomery County ⁽¹⁾	County
Cities:(Continued)			
Splendora	2,295,000	100.00	2,295,000
Willis	4,650,000	100.00	4,650,000
Woodbranch Village	454,000	100.00	454,000
Woodloch	113,723	100.00	113,723
Houston (County Line City)	1,871,015,562	0.01	187,102
Total Cities	<u>1,957,131,078</u>		<u>86,302,618</u>
School Districts			
Cleveland I.S.D.	45,905,904	1.77	812,535
Conroe I.S.D.	709,807,645	100.00	709,807,645
Magnolia I.S.D.	172,499,959	100.00	172,499,959
Montgomery I.S.D.	79,151,604	100.00	79,151,604
New Caney I.S.D.	112,237,283	100.00	112,237,283
Richards I.S.D.	200,000	25.90	51,800
Splendora I.S.D.	23,015,000	100.00	23,015,000
Tomball I.S.D.	129,850,000	10.40	13,504,400
Willis I.S.D.	56,147,825	97.36	54,665,522
Total School Districts	<u>1,328,815,220</u>		<u>1,165,745,748</u>
 TOTAL DIRECT AND OVERLAPPING DEBT	 <u>\$ 4,324,048,879</u>		 <u>\$2,144,710,203</u>

⁽¹⁾ The percentage of overlapping debt applicable is computed by dividing the other entity's net taxable assessed property value by the net taxable assessed property value in all of Montgomery County

⁽²⁾ Amounts shown for the Emergency Service Districts represent total Debt Levy, not overlapping debt.

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

TABLE XIII

<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>
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	12,055,024	33,284	80,364	74,120	4.7
2005	375,519	N/A	N/A	84,924	78,259	4.5
2006	376,104	N/A	N/A	87,881	80,143	3.8

⁽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 2005 and 2006 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/2006>
 Information for fiscal years 1997 through 2005 was obtained from the financial reports of the appropriate year.

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

<u>2006 Employer ⁽¹⁾</u>	<u>Employees</u>	<u>Percentage of Total County Employment ⁽²⁾</u>
Conroe Independent School District	5,440	2.93 %
Hewitt Associates	2,600	1.40
Anadarko Petroleum	1,850	1.00
Montgomery County, Texas	1,546	0.83
Conroe Regional Medical Center	1,200	0.65
Memorial Hermann The Woodlands Hospital	1,050	0.56
Woodlands Resort & Conference Center	861	0.46
Montgomery College	751	0.40
Hughes Christensen	750	0.40
Lexicon Genetics, Inc.	710	0.38
	<u>16,758</u>	<u>9.01 %</u>
<u>1997 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 2006: 185,877

Source: The Work Source

⁽³⁾ 1997 Information is limited to manufacturers in the County and available in the form of ranges of employees.

Information has been derived from 1997 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 XV**

<u>Function</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⁾	<u>2006</u>
General Administration	74	70	69	80	85	90	94	100	101	104
Judicial	117	133	139	141	151	168	190	190	201	205
Legal Services	31	31	30	32	33	23	23	25	26	25
Elections	5	5	5	5	5	6	5	6	6	8
Financial Administration	72	71	74	79	80	82	83	85	87	88
Public Facilities	32	36	39	45	50	57	65	69	238	261
Public Safety	483	497	529	554	671	666	647	670	498	502
Health and Welfare	14	18	24	21	28	40	43	48	49	52
Culture and Recreation	76	78	82	85	82	86	90	87	89	124
Conservation	10	10	10	10	10	9	11	12	14	13
Public Transportation	156	165	160	159	167	159	156	162	162	164
Total ⁽³⁾	<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>	<u>1,546</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			
	1997	1998	1999	2000
General Government				
Construction permits issued ⁽¹⁾	4,018	5,393	4,301	3,604
Estimated value of construction ^{(1) (2)}	497,484	740,439	507,108	1,404,168
Health inspections performed ⁽³⁾	3,706	4,242	5,204	6,219
Birth certificates filed ⁽⁴⁾	3,682	3,956	4,265	4,699
Death certificates filed ⁽⁴⁾	1,363	1,359	1,589	1,644
Marriage license applications ⁽⁴⁾	2,427	2,638	2,637	2,611
Registered voters ⁽⁵⁾	149,651	159,571	166,449	184,170
Number of voting precincts ⁽⁵⁾	70	70	72	72
Public Safety - Sheriff				
Total arrests ⁽⁶⁾	13,124	14,228	15,040	14,448
Average number of inmates ⁽⁶⁾	680	667	699	550
Calls for service ⁽⁶⁾	223,532	249,905	266,369	277,185
Number of accidents investigated ⁽⁶⁾	1,300	1,719	2,076	2,205
Miles patrolled ⁽⁶⁾	2,411,464	2,520,767	2,715,095	2,523,192
Gallons of gas used ⁽⁶⁾	227,509	261,663	257,920	249,967
Culture and Recreation - Libraries				
Number of items checked out ⁽⁷⁾	919,707	978,157	1,021,234	1,057,882
Number of libraries ⁽⁷⁾	6	6	6	6
Volumes in collection ⁽⁷⁾	323,354	352,293	352,530	428,355
Number of library visits ⁽⁷⁾	686,616	793,181	880,415	788,730
Library programs attendance ⁽⁷⁾	62,187	58,661	63,713	64,138

⁽¹⁾ Source: Montgomery County Engineer. Years 1997 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. Beginning in Fiscal Year 2005, the Sheriff's Department system tracked the number of calls for service and number of accidents investigated for all law enforcement agencies in the County. Due to the rising cost of fuel, the Sheriff's Department instituted a "no idle" policy, reducing the gallons of gasoline used.

⁽⁷⁾ Source: Montgomery County Memorial Library System Annual Report.

TABLE XVI

Fiscal Year					
2001	2002	2003	2004	2005	2006
3,792	4,747	5,569	6,569	5,565	6,592
696,631	818,130	1,284,674	1,145,750	1,088,171	1,276,959
5,847	5,805	5,774	7,616	7,882	11,077
4,720	4,440	5,044	5,544	4,453	4,809
1,781	1,755	1,898	1,859	1,520	1,849
2,742	2,830	2,755	2,892	2,122	2,282
186,295	192,951	197,626	214,098	213,414	225,184
85	85	85	85	85	85
15,104	16,503	16,335	18,960	19,036	19,222
558	593	640	726	815	977
276,576	273,439	225,576	212,919	240,844	292,929
2,139	2,159	1,965	1,898	6,438	12,242
2,860,529	2,847,347	2,932,365	2,812,515	2,795,393	2,726,988
254,863	248,517	272,922	263,816	229,864	192,750
1,062,826	1,094,744	1,193,392	1,196,770	1,210,339	1,451,208
6	6	6	6	6	7
389,716	418,369	446,221	478,205	586,668	477,681
878,619	993,045	990,066	1,011,056	1,026,802	1,089,855
66,937	83,527	90,591	85,220	84,228	99,788

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

<u>Function</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
General Government				
Office Buildings/Courthouses ⁽¹⁾	18	20	22	22
Public Safety - Sheriff				
Sheriff's Vehicles ⁽²⁾	202	207	231	242
Academy Square Footage ⁽¹⁾	9,600	9,600	9,600	9,600
Public Transportation				
County Roads (miles) ⁽³⁾	2,004	2,026	2,059	2,120
Bridges ⁽³⁾	113	112	117	124
Public Facilities				
Park Acreage ⁽⁴⁾	196	196	196	196
Convention Center Square Footage ⁽⁵⁾	N/A	N/A	N/A	N/A
Community Centers ⁽²⁾	11	12	13	13
Culture and Recreation				
Total Library Square Footage ⁽⁶⁾	N/A	N/A	108,400	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 1997 and 1998 was not kept. Information for 2006 will not be available until April 2007.

TABLE XVII

2001	2002	2003	2004	2005	2006
23	24	24	24	25	25
247	257	271	256	269	273
13,800	13,800	13,800	13,800	13,800	13,800
2,127	2,219	2,283	2,319	2,342	2,391
124	126	126	144	140	157
208	228	228	228	228	228
56,000	56,000	56,000	56,000	56,000	56,000
13	16	16	17	17	17
108,400	108,400	108,400	108,400	138,516	145,395



