

GREGG COUNTY, TEXAS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
SEPTEMBER 30, 2005

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GREGG COUNTY, TEXAS

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INTRODUCTORY SECTION

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HONORABLE DISTRICT JUDGES
HONORABLE COMMISSIONERS' COURT

Ladies and Gentlemen:

In compliance with the statutory duties of the County Auditor as prescribed by Section 114.025 of the Local Government Code of the State of Texas, the Financial Statements of Gregg County, Texas, for the fiscal year ended September 30, 2005, are submitted herewith. The report was prepared by the County Auditor's office in conjunction with the audit firm of Pattillo, Brown & Hill, L.L.P.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the data presented is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of Gregg County. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

Generally accepted accounting principles require a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The Financial Statements are presented in three sections: introductory, financial and compliance. The introductory section includes this transmittal letter and a list of principal officials. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Gregg County's MD&A can be found in the financial section. The financial section also includes government-wide financial statements, fund financial statements, notes, required supplementary information and the combining and individual fund financial statements and schedules in addition to the report of the independent auditors.

PROFILE OF GREGG COUNTY

Located in northeast Texas, Gregg County was inhabited by Caddo Tribes until the early 1800s and partly by Cherokee immigrants until 1839. Gregg County was settled by farmers from the southern United States after Texas achieved statehood in 1845. The construction of the railroad in the 1870's established the early towns that were to form Gregg County. In 1873, State Representative B. W. Brown introduced a bill to create Gregg County from parts of Upshur and Rusk Counties. The County seat is Longview. The name for Gregg County commemorated a leader named John Gregg who was killed in action as a Confederate General.

Cotton was the early foundation of the economy, occupying about half of the county's cultivated acreage, and the use of the uncultivated acreage was timber for the sawmills. Late in the 1930's, Gregg County was rescued from the Great Depression by the largest pool of petroleum ever discovered in the United States. The new wealth resulted in a multitude of civic improvements being initiated before drilling slacked off.

Beginning in 1964, the construction of Interstate Highway 20 confirmed Gregg County's fortunate location on a natural east-west transportation artery. The economy that was based almost entirely on oil production and manufacturing has successfully diversified to sustain slow growth.

The County is a political subdivision of the State of Texas. The general governing body of the County is the elected five-member Commissioners' Court in accordance with Article 5, Paragraph 18 of the Texas Constitution. Commissioners serve four-year staggered terms, two members elected every two years. The County Judge is elected at large to serve a four-year term.

The Commissioners' Court sets the tax rates, establishes policies for County operations, approves contracts for the County and develops and adopts the County budget based on revenue estimates provided by the County Auditor. The Commissioners' Court is also responsible for approving financial commitments and appointment of various department heads. The management and leadership provided by members of the Commissioners' Court and the elected and appointed officials of other key County offices is crucial to the success of the County in financial management and growth.

The County Auditor has the responsibilities for prescribing the systems and procedures for handling the finances of the County and "examining, auditing and approving" all disbursements from County funds prior to their submission to the Commissioners' Court for approval.

The County provides many services not ordinarily provided by any other entity of government and provides additional services in cooperation with other local governmental units. A primary service is the administration of justice, which includes the civil and criminal county and district courts, justices of the peace, constables, district attorney, investigators, clerks of the courts, sheriff, jail, security and emergency management. Other functions performed by the County include 1) the construction and maintenance of roads and bridges, either independently or in cooperation with other entities; 2) administration of public health services; 3) assistance to indigents; 4) the provision of juvenile, health, education and welfare services involving the care and correction of dependent or delinquent children; 5) property tax collections for multiple agencies; 6) administration of elections; and 7) depository of public records. The County also operates an airport for the benefit of its citizens.

FINANCIAL INFORMATION

Management of the County is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit As a recipient of federal and state financial assistance, the County is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the County.

The County is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit, including a schedule of expenditures of federal and state awards, findings and questioned costs, and independent auditor's reports on the internal control structure and compliance with applicable laws and regulations, is included in the compliance section of this report.

As a part of the County's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the government has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended September 30, 2005 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Factors Affecting Financial Condition

An understanding of the financial condition of Gregg County is enhanced through a perspective of the environment in which the County operates.

Local Economy The County has diversified its economy from oil and gas and now includes manufacturing, medical and retail facilities. This diversification has lessened the effects of the recent economic downturn. Over the past decade, mineral values associated with the oil and gas industry have declined significantly and had an adverse affect on the county's tax base. The rise in property values over this time period, the addition of national retail stores within the county and expansions of existing companies have helped stabilize the overall tax base by substantially offsetting the mineral value decreases. Property values have risen slightly to the current \$5.93 billion.

The 2000 census for the county was 111,379, an increase of 6.13% since 1990. Estimated population for 2004 is 115,035. Retail sales for 2004 totaled \$2.6 billion. The total 2004 Effective Buying Income was \$1.98 billion. The median EBI income per household was \$34,338.

Unemployment Rates

	November 2005	November 2004	November 2003
Gregg County	4.8%	6.3%	7.0%
State of Texas	5.2%	5.9%	6.3%
United States	4.8%	5.2%	5.6%

Gregg County budget initiatives reflect increased pressures to provide for indigent support of the health, welfare and judicial needs of citizenry.

Budgetary Controls The annual budget serves as the foundation for the County's planning and control. Budget hearings are posted annually in August by the Budget Director's office with the final budget and setting of the tax rate approved by the Commissioners' Court following the hearings. Activities of the general fund, certain special revenue funds and debt service funds are included in the annual budget. Project length financial plans are adopted for capital projects funds. The budget is also approved at the position level to maintain control of salaries at the position level instead of the department level. The County maintains an encumbrance accounting system as one method of accomplishing budgetary control. Encumbered amounts lapse at year-

end and are not appropriated as part of the following year's budget. Budget to actual comparisons are provide in this report for each major governmental fund.

As demonstrated by the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management.

Cash Management The Commissioners' Court has adopted a formal investment policy for the County consistent with State statutes governing the investment of County funds and has designated the County Clerk as the investment officer. The policy is reviewed and, if necessary, updated annually. The general objectives set forth in the policy provide for financial security and optimum liquidity of County funds while achieving the maximum yield on funds invested and maximum levels of invested funds. Generally, the County has limited its investments to certificates of deposit with the County's depository bank and government securities.

The County maintains an overall account balance at its depository bank necessary to offset bank charges. Cash temporarily idle in excess of this minimum balance is invested on a daily basis in qualified "sweep" investments. Interest rates on bank deposits are governed by the County's depository contract.

Risk Management Gregg County provides for the management of risks through a combination of self-insurance and traditional insurance. Currently, the County has workman's compensation, unemployment compensation, public official liability, law enforcement liability, and general liability policies through the Texas Association of Counties self-insurance program. Traditional insurance includes coverage for property damage, automobile liability and some professional liability.

OTHER INFORMATION

Independent Audit While state statutes do not require an annual audit by independent certified public accountants, Gregg County has followed the policy of having an annual independent audit of its financial records. This policy has been continued for fiscal year 2005 with the engagement of the firm of Pattillo, Brown and Hill, L.L.P. The audit was designed to meet the requirements of the federal Single Audit Act of 1984 and OMB Circular A-133. The auditor's report on the general-purpose financial statements is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the compliance section.

Acknowledgements I would like to express my appreciation to the staff of the Auditor's office once again. Valerie, Linnie, Desiree, Veronica, Lisa, Tammy, Kristi and Shelia – you are extremely treasured. You are to be commended once again for your efforts not only in making this report possible, but in your dedication to do your best for Gregg County. Thank you.

I would also like to express my appreciation to all the officials and members of County offices who assisted in and contributed to the preparation of this annual report and in the financial administration of the County. In addition, I express my appreciation to the District Judges, County Judge, and Commissioners' Court who have given their support in planning and conducting the financial operation and management of Gregg County in a responsible manner.

Respectfully submitted,


Laurie Woloszyn
Auditor

GREGG COUNTY, TEXAS
PRINCIPAL COUNTY OFFICIALS
SEPTEMBER 30, 2005

William Stoudt	County Judge
Charles Davis	Commissioner, Precinct No. 1
Darryl Primo	Commissioner, Precinct No. 2
Bob Barbee	Commissioner, Precinct No. 3
Danny Craig	Commissioner, Precinct No. 4
Kirk Shields	Tax Assessor - Collector
William Jennings	Criminal District Attorney
Barbara Duncan	District Clerk
Connie Wade	County Clerk
Maxey Cerliano	County Sheriff

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FINANCIAL SECTION

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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

The Honorable County Judge
and Members of the Commissioners' Court
Gregg County
Longview, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Gregg County, Texas as of and for the year ended September 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Gregg County, Texas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information, and the respective budgetary comparison for the General Fund and the major Special Revenue Funds of Gregg County, Texas as of September 30, 2005, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2006, on our consideration of Gregg County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 assessing the results of our audit.

The management's discussion and analysis on pages 3 through 11 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gregg County, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the basic financial statements of Gregg County, Texas. The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pattillo, Brown & Hill, L.L.P.

February 10, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Gregg County, we offer readers of Gregg County's financial statements this narrative overview and analysis of the financial activities of Gregg County for the fiscal year ended September 30, 2005. This is the third year Gregg County is presenting financial information in the new reporting format required by Governmental Accounting Standards Board (GASB) Statement 34. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report.

FINANCIAL HIGHLIGHTS

The assets of Gregg County exceeded its liabilities at the close of fiscal year 2005 by \$48,014,444 (*net assets*). Of this amount, \$18,333,513 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.

- The government's total net assets increased by \$8,671,067 primarily due to a reduction in outstanding debt combined with an increase in cash and investments.
- As of September 30, 2005, Gregg County's governmental funds reported combined ending fund balances of \$16,684,675, an increase of \$5,217,096 or 45.49% in comparison with the prior year. This was due mostly to an increase in the tax rate and sales tax revenue increase. \$15,803,743 is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of fiscal year 2005, unreserved, undesignated fund balance for the General Fund increased 59.86 from the prior year to \$9,547,099 or 42.40% of total General Fund expenditures.
- Gregg County's outstanding bonds payable decreased by \$2,294,892 (47.28%) during fiscal year 2005. Extinguishment was completed on the 1988 Bond Series reducing Gregg County's total outstanding bonded debt to \$2,558,938 at the end of fiscal year 2005.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Gregg County's basic financial statements. Gregg County's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements: The *government-wide financial statements* are designed to provide readers with a broad overview of Gregg County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Gregg County's assets and liabilities with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Gregg County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Gregg County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Gregg County include general government, public safety, judicial, health and human services, public buildings and transportation and roads. Gregg County reports no business-type activities.

The government-wide financial statements can be found on pages 12–13 of this report.

Fund Financial Statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Gregg 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 Gregg County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Gregg County maintains 41 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Road and Bridge, Health Care and Debt Service funds, all of which are considered to be major funds. Data from the other 37 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Gregg County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Budgetary comparisons for the Road and Bridge and Health Care funds are provided elsewhere in this report.

The basic governmental fund financial statements can be found on pages 14–39 of this report.

Proprietary Funds: Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County’s various functions. Gregg County uses Internal Service Funds to account for self-funding for medical and dental insurance and print shop activities. Because both of these services exclusively benefit government rather than business-type functions, they have been included within governmental activities in the government-wide statements.

The basic proprietary fund financial statements can be found on pages 40–42 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Gregg County’s own programs.

The basic fiduciary fund financial statement can be found on page 43 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 44–60 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Gregg County’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 59 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 61–80 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Gregg County, assets exceeded liabilities by \$48,014,444 at the close of the most recent fiscal year.

Gregg County's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding, is 60.31% of net assets. Gregg County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Gregg County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Gregg County's Net Assets

	Governmental Activities	
	2005	2004
Current and other assets	\$ 21,826,451	\$ 17,182,095
Capital assets	<u>31,531,559</u>	<u>31,794,515</u>
Total assets	<u>53,358,010</u>	<u>48,976,610</u>
Long-term liabilities	2,197,794	5,301,442
Other liabilities	<u>3,145,772</u>	<u>4,331,791</u>
Total liabilities	<u>5,343,566</u>	<u>9,633,233</u>
Net assets:		
Invested in capital assets, net of related debt	28,958,344	26,940,685
Restricted	722,587	629,542
Unrestricted	<u>18,333,513</u>	<u>11,773,150</u>
Total net assets	<u>\$ 48,014,444</u>	<u>\$ 39,343,377</u>

An additional portion of Gregg County's net assets (1.51%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$18,333,513 (38.18%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Gregg County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities. The same situation held true for the prior two fiscal years.

Governmental Activities: Governmental activities increased Gregg County's net assets by \$7,650,888 thereby accounting for a gain of 19.45% of the total net assets of Gregg County. As a comparison to last year, net assets decreased by 6.68% in FY 2005.

Gregg County's Changes in Net Assets

Governmental Activities

	Governmental Activities	
	2005	2004
REVENUES		
Program revenues		
Charges for services	\$ 7,902,724	\$ 7,246,754
Operating grants and contributions	1,151,503	1,401,835
Capital grants and contributions	838,455	591,335
General revenues		
Property taxes	15,193,252	11,891,659
Sales tax	11,854,879	10,763,374
Other taxes	229,112	215,206
Investment earnings	557,393	224,225
Miscellaneous	(89,785)	26,212
Extraordinary item		
Gain on extinguishment of debt	-	479,586
Total revenues	37,637,533	32,840,186
EXPENSES		
General government	7,878,307	7,951,967
Judicial	4,761,461	4,777,374
Public safety	8,590,597	7,808,400
Health and human services	2,481,293	2,870,741
Public buildings	2,507,921	2,476,390
Transportation and roads	3,618,383	4,013,338
Interest on long-term debt	148,683	479,177
Total expenses	29,986,645	30,377,387
CHANGE IN NET ASSETS	7,650,888	2,462,799
NET ASSETS, BEGINNING	39,343,377	36,901,026
PRIOR PERIOD ADJUSTMENT	1,020,179	(20,448)
NET ASSETS, BEGINNING AS RESTATED	40,363,556	36,880,578
NET ASSETS, ENDING	\$ 48,014,444	\$ 39,343,377

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds: The focus of Gregg County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Gregg County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of fiscal year 2005, Gregg County's *governmental funds* reported combined ending fund balances of \$16,684,675, an increase of \$5,217,096 in comparison with the prior year. Most of the increase is attributable to an increase in the tax rate from \$.2350 to \$.2800. Approximately 91% of the ending fund balance amount constitutes *unreserved fund balance*. The remainder of fund balance is reserved to indicate it is not available for new spending because it has already been committed: 1) to pay debt service (\$722,587); 2) to fund capital projects (\$645,030); 3) to reflect inventories (\$94,293); and 4) for other restricted purposes (\$24,110).

The General Fund is the chief operating fund of Gregg County. At the end of fiscal year 2005, the General Fund had an ending fund balance of \$9,547,099, an increase of \$3,574,996 or 59.86%. This increase is primarily the result of increased property and sales tax revenues. As a measure of the General Fund's liquidity, it may be used to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 42.40% of total General Fund expenditures.

The Road and Bridge Fund had an ending fund balance of 1,568,734, a net increase of \$592,471, while the Health Care Fund reported an increase of \$110,670 for an ending fund balance of \$2,293,226. At year-end, the Debt Service Fund had a fund balance of \$722,587, all of which is reserved for the payment of debt.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor and can be briefly summarized as follows:

- Net decrease of \$137,153 in expenditure appropriations; and
- \$451,547 increase in budgeted operating transfers to other funds mostly due to other financing uses for the Industrial Airpark Improvements and the 124th district courtroom renovation.

Actual revenues exceeded budgeted revenues by \$2,573,816 while actual expenditures were under the final budgeted amount by \$1,186,401.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: Gregg County's investment in capital assets for its governmental activities as of September 30, 2005, amount to \$31,531,559 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, machinery and equipment, construction in progress and airport infrastructure.

Gregg County's Capital Assets (net of depreciation)

	<u>2005</u>	<u>2004</u>
Land	\$ 1,300,308	\$ 1,300,308
Construction in progress	969,258	33,503
Buildings and improvements	22,200,164	21,907,067
Improvements other than building	-	275,650
Infrastructure	6,012,181	6,385,026
Machinery, equipment and other assets	<u>1,049,648</u>	<u>1,892,961</u>
Total	<u>\$ 31,531,559</u>	<u>\$ 31,794,515</u>

The County had the following major additions to fixed asset:

Rehab GA Apron/Taxiway G	\$ 892,523
Purchase of new sheriff vehicles	186,807

Gregg County adopted a new Capital Asset Policy beginning in 2003. Depreciation policies were adopted to include useful life and classification by function. Standard capitalization thresholds were established for each major class of asset and are as follows:

Building/improvements	\$ 25,000
Improvements other than building	25,000
Infrastructure	25,000
Machinery, equipment and other assets	5,000
Construction in progress	25,000

Gregg County is not required to include all infrastructure assets at this time. Infrastructure valuation includes only airport infrastructure improvements and any roads and bridges built in FY2003 through FY2005. All infrastructure assets are required to be reported no later than FY2007 and will be included in future financial statements.

Additional information on Gregg County's capital assets can be found in note 4 on pages 53–54 of this report.

Long-term Debt: At the end of fiscal year 2005, Gregg County had total debt outstanding of \$3,067,071, which includes \$2,558,938 in outstanding bonds. Accrued compensated absences of \$493,856 and capital leases of \$14,277 comprise the remaining balance.

The County's overall debt decreased by \$2,234,371 over the prior year. The final payment on the 1988 capital appreciation bonds was made during budget year 2005.

Gregg County maintains an "A+" rating from Standard & Poor's and an "A2" rating from Moody's for general obligation debt.

Additional information on Gregg County's long-term debt can be found in note 4 on pages 55–56 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Modestly expanding tax base is estimated to continue.
- Anticipate continued favorable debt position as officials have demonstrated solid debt management practices. In 2006, the debt position of the County should continue to improve with the final payment of bonded indebtedness scheduled for FY2008.
- The General Fund posted a net increase in fund balance for the first time in five years in 2005, mainly due to increases in the tax rate and sales tax revenue. The reduction in General Fund balances for the four prior audited fiscal years was due to state mandates, increasing health care costs, decline in interest rates and several one-time capital improvements/purchases and required County officials to examine its tax rate for FY 2005. The current \$.2800 tax rate is suitable to fund expected expenses for FY2006 and FY2007.
- Current reserves are sufficient for near-term contingencies.
- Estimated revenue for fiscal year 2006 is \$26,276,755 for the General Fund with estimated expenditures of \$25,443,514. Additionally, other financing sources are budgeted at \$20,000 and other financing uses are budgeted at \$274,690 for a net increase in fund balance of \$578,551. The tax rate remains at \$.2800 for FY06.
- Depending on additional state mandates, fund balances are expected to increase in 2006.
- Interest rates continue to rise but are expected to level out by the end of the year.

All of these factors were considered in preparing Gregg County's budget for the 2006 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Gregg 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:

Auditor's Office
101 E. Methvin, Ste 306
Longview, TX 75601.

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**BASIC
FINANCIAL STATEMENTS**

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GREGG COUNTY, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2005

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,684,821
Investments	14,326,461
Receivables (net of allowances for uncollectibles)	
Due from other governments	1,329,831
Accounts	1,527,877
Taxes	814,254
Inventory	103,265
Prepays	39,942
Capital assets (net of accumulated depreciation)	
Land	1,300,308
Buildings and improvements	35,841,730
Equipment	10,530,843
Infrastructure	7,371,133
Construction work in progress	969,258
Less: accumulated depreciation	<u>(24,481,713)</u>
Total capital assets	<u>31,531,559</u>
Total assets	<u>53,358,010</u>
LIABILITIES	
Current liabilities:	
Accounts payable	1,800,091
Accounts payable - other governments	72,846
Accrued liabilities	361,272
Accrued interest	4,149
Deferred revenue	38,137
Noncurrent liabilities:	
Due within one year	869,277
Due within more than one year	<u>2,197,794</u>
Total liabilities	<u>5,343,566</u>
NET ASSETS	
Invested in capital assets, net of related debt	28,958,344
Restricted for debt service	722,587
Unrestricted	<u>18,333,513</u>
Total net assets	<u>\$ 48,014,444</u>

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

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GREGG COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 7,878,307	\$ 2,640,012	\$ 37,601	\$ 838,455	\$(4,362,239)
Judicial	4,761,461	1,868,072	237,088	-	(2,656,301)
Public safety	8,590,597	1,041,901	428,302	-	(7,120,394)
Health and human services	2,481,293	31,001	423,997	-	(2,026,295)
Public buildings	2,507,921	658,461	-	-	(1,849,460)
Transportation and roads	3,618,383	1,663,277	24,515	-	(1,930,591)
Interest on long-term debt	<u>148,683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(148,683)</u>
 Total primary government	 <u>\$ 29,986,645</u>	 <u>\$ 7,902,724</u>	 <u>\$ 1,151,503</u>	 <u>\$ 838,455</u>	 <u>(20,093,963)</u>
 General revenues:					
Taxes:					
Property taxes					15,193,252
Sales taxes					11,854,879
Alcoholic beverage taxes					151,062
Other taxes					78,050
Unrestricted investment earnings					557,393
Loss on sale of assets					(91,567)
Gain on insurance proceeds					<u>1,782</u>
Total general revenues and extraordinary items					<u>27,744,851</u>
Change in net assets					7,650,888
Net assets, beginning					39,343,377
Prior period adjustment					<u>1,020,179</u>
Net assets, beginning, as restated					<u>40,363,556</u>
Net assets, ending					<u>\$ 48,014,444</u>

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

GREGG COUNTY, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2005

	General	Road and Bridge	Healthcare
ASSETS			
Cash and cash equivalents	\$ 431,682	\$ 240,777	\$ 119,377
Investments	8,888,613	1,404,004	2,166,865
Receivables (net of allowance for uncollectibles)			
Other governments	1,007,369	138	-
Accounts	744,689	573,719	6,984
Delinquent property taxes	570,895	65,972	-
Due from other funds	179,992	-	-
Inventory - materials/supplies	-	88,784	-
Prepays	39,942	-	-
Total assets	\$ 11,863,182	\$ 2,373,394	\$ 2,293,226
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 939,013	\$ 180,078	\$ -
Accounts payable - other governments	68,949	644	-
Accrued liabilities	292,183	41,917	-
Deferred revenues	1,015,938	582,021	-
Due to other funds	-	-	-
Total liabilities	2,316,083	804,660	-
Fund balances:			
Reserved for:			
Debt service	-	-	-
Inventory	-	88,784	-
Prepays	39,942	-	-
Unreserved, reported in:			
General fund	9,507,157	-	-
Special revenue funds			
Designated for general fund projects	-	24,110	-
Undesignated	-	1,455,840	2,293,226
Capital projects funds	-	-	-
Total fund balances	9,547,099	1,568,734	2,293,226
Total liabilities and fund balances	\$ 11,863,182	\$ 2,373,394	\$ 2,293,226

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

An Internal Service Fund is used by management to charges the costs of certain capital assets to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the statement of net assets.

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of governmental activities

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

<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 618,661	\$ 2,191,787	\$ 3,602,284
101,133	604,286	13,164,901
-	322,324	1,329,831
2,512	87,053	1,414,957
131,465	45,922	814,254
-	-	179,992
-	5,509	94,293
-	-	39,942
<u>\$ 853,771</u>	<u>\$ 3,256,881</u>	<u>\$ 20,640,454</u>
\$ -	\$ 407,710	\$ 1,526,801
-	3,253	72,846
-	27,172	361,272
131,184	85,725	1,814,868
-	179,992	179,992
<u>131,184</u>	<u>703,852</u>	<u>3,955,779</u>
722,587	-	722,587
-	5,509	94,293
-	-	39,942
-	-	9,507,157
-	-	24,110
-	1,902,490	5,651,556
-	645,030	645,030
<u>722,587</u>	<u>2,553,029</u>	<u>16,684,675</u>
<u>\$ 853,771</u>	<u>\$ 3,256,881</u>	
		31,513,282
		1,776,731
		1,096,699
		<u>(3,056,943)</u>
		<u>\$ 48,014,444</u>

GREGG COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>General</u>	<u>Road and Bridge</u>	<u>Healthcare</u>
REVENUES			
Taxes:			
Current property taxes	\$ 10,629,372	\$ 1,029,585	\$ -
Delinquent property taxes	189,230	44,342	-
Alcoholic beverage tax	151,062	-	-
Bingo tax	78,050	-	-
Sales tax	10,460,897	-	-
Motor vehicle sales tax	-	1,393,982	-
Licenses and permits	69,911	1,107,291	-
Intergovernmental	434,951	24,515	73,114
Charges for services	3,024,531	-	-
Fines and forfeitures	564,598	508,782	-
Investment earnings	327,025	57,742	57,556
Rents and commissions	260,445	-	-
Miscellaneous	<u>433,852</u>	<u>11,773</u>	<u>-</u>
Total revenues	<u>26,623,924</u>	<u>4,178,012</u>	<u>130,670</u>
EXPENDITURES			
Current:			
General government	6,293,608	-	-
Judicial	4,356,386	-	-
Public safety	7,929,408	-	-
Health and human services	2,159,346	-	20,000
Public buildings	1,758,816	-	-
Transportation and roads	-	3,586,720	-
Debt service:			
Principal	13,428	-	-
Interest and fiscal charges	1,752	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>22,512,744</u>	<u>3,586,720</u>	<u>20,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,111,180</u>	<u>591,292</u>	<u>110,670</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(569,047)	-	-
Sale of capital assets	31,081	1,179	-
Insurance proceeds	<u>1,782</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(536,184)</u>	<u>1,179</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	3,574,996	592,471	110,670
FUND BALANCES, BEGINNING	<u>5,972,103</u>	<u>976,263</u>	<u>2,182,556</u>
FUND BALANCES, ENDING	<u>\$ 9,547,099</u>	<u>\$ 1,568,734</u>	<u>\$ 2,293,226</u>

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

<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,432,472	\$ 853,134	\$ 14,944,563
72,053	17,618	323,243
-	-	151,062
-	-	78,050
-	-	10,460,897
-	-	1,393,982
-	-	1,177,202
-	1,849,418	2,381,998
-	680,438	3,704,969
-	-	1,073,380
30,343	39,703	512,369
-	489,525	749,970
-	299,945	745,570
<u>2,534,868</u>	<u>4,229,781</u>	<u>37,697,255</u>
-	1,262,461	7,556,069
-	501,357	4,857,743
-	884,551	8,813,959
-	331,136	2,510,482
-	39,975	1,798,791
-	4,040	3,590,760
656,796	-	670,224
1,785,027	-	1,786,779
-	935,754	935,754
<u>2,441,823</u>	<u>3,959,274</u>	<u>32,520,561</u>
<u>93,045</u>	<u>270,507</u>	<u>5,176,694</u>
-	567,547	567,547
-	-	(569,047)
-	7,860	40,120
-	-	1,782
-	<u>575,407</u>	<u>40,402</u>
93,045	845,914	5,217,096
<u>629,542</u>	<u>1,707,115</u>	<u>11,467,579</u>
<u>\$ 722,587</u>	<u>\$ 2,553,029</u>	<u>\$ 16,684,675</u>

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GREGG COUNTY, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2005

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances - total governmental funds (pages 16 - 17)	\$ 5,217,096
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 depreciation exceeds capital outlays in the current period.	(164,521)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(131,687)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	20,818
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 the 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.	2,403,428
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.	(141,353)
Internal Service Funds are used by management to charge the costs of certain capital assets to individual funds. The net revenue of certain activities of Internal Service Funds is reported with governmental activities.	<u>447,107</u>
Change in net assets of governmental activities (page 13)	<u>\$ 7,650,888</u>

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

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes:				
Current property taxes	\$ 10,544,132	\$ 10,544,132	\$ 10,629,372	\$ 85,240
Delinquent property taxes	225,603	225,603	189,230	(36,373)
Alcoholic beverage tax	140,000	140,000	151,062	11,062
Bingo tax	44,000	44,000	78,050	34,050
Sales tax	<u>8,800,000</u>	<u>8,800,000</u>	<u>10,460,897</u>	<u>1,660,897</u>
Total taxes	<u>19,753,735</u>	<u>19,753,735</u>	<u>21,508,611</u>	<u>1,754,876</u>
Licenses and permits:				
Alcoholic beverage licenses	28,000	28,000	26,256	(1,744)
Sexually oriented businesses	11,000	11,000	11,500	500
Bail bond applications	1,000	1,000	2,500	1,500
Sewage disposal systems	<u>20,000</u>	<u>20,000</u>	<u>29,655</u>	<u>9,655</u>
Total licenses and permits	<u>60,000</u>	<u>60,000</u>	<u>69,911</u>	<u>9,911</u>
Intergovernmental:				
Federal grant	-	14,666	14,666	-
State supplement - court at law	60,000	60,000	99,156	39,156
State supplement - assistant prosecutors	-	15,000	14,690	(310)
State - indigent defense	50,000	50,000	45,217	(4,783)
State - commercial waste management fees	150	150	146	(4)
City of Lakeport, sewer fees	1,000	1,000	1,200	200
Fiscal service fee	5,000	5,000	4,570	(430)
HIDTA Task Force	-	2,500	2,285	(215)
Drug Enforcement Task Force	-	-	3,021	3,021
City of Longview - prisoner care	225,000	225,000	225,000	-
ETCOG - 911 reimbursement	-	25,000	25,000	-
Total intergovernmental	<u>341,150</u>	<u>398,316</u>	<u>434,951</u>	<u>36,635</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES (Continued)				
Charges for services:				
County judge	\$ 100	\$ 100	\$ 97	\$(3)
Sheriff	260,000	260,000	358,223	98,223
Constables	72,000	72,000	101,315	29,315
County clerk	640,000	640,000	698,278	58,278
County clerk - bond administrative fee	14,000	14,000	22,827	8,827
County clerk - archival fee	150,000	150,000	138,365	(11,635)
Sheriff - bond administrative fee	1,400	1,400	860	(540)
District clerk - bond administrative fee	400	400	552	152
Tax assessor - collector	775,000	775,000	848,024	73,024
District attorney	42,000	42,000	75,794	33,794
District clerk	350,000	350,000	399,625	49,625
Justices of the peace	27,000	27,000	27,665	665
Trial fees	-	-	160	160
Jury	35,000	35,000	32,582	(2,418)
Probate judge education fees	2,200	2,200	2,410	210
Other arrest fees	65,000	65,000	53,813	(11,187)
County court-at-law no. 1	2,200	2,200	2,432	232
County court-at-law no. 2	1,500	1,500	1,888	388
State fees	58,000	58,000	73,985	15,985
State fees - TP - judicial efficiency	1,500	1,500	2,396	896
Court reporter service fees	45,000	45,000	53,198	8,198
DRO fees	14,000	14,000	20,251	6,251
Parking lot fees	5,500	5,500	5,954	454
Computer services	6,000	6,000	5,958	(42)
Defensive driving fees	45,000	45,000	73,741	28,741
Child safety fees	1,500	1,500	2,055	555
Traffic fees	16,000	16,000	15,627	(373)
Video fees	5,000	5,000	6,456	1,456
Total charges for services	<u>2,635,300</u>	<u>2,635,300</u>	<u>3,024,531</u>	<u>389,231</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES (Continued)				
Fines and forfeitures:				
Justice courts	\$ 450,000	\$ 450,000	\$ 564,598	\$ 114,598
Total fines and forfeitures	<u>450,000</u>	<u>450,000</u>	<u>564,598</u>	<u>114,598</u>
Investment earnings:				
Interest	130,000	130,000	237,839	107,839
Unrealized gains (losses)	<u>-</u>	<u>-</u>	<u>89,186</u>	<u>89,186</u>
Total investment earnings	<u>130,000</u>	<u>130,000</u>	<u>327,025</u>	<u>197,025</u>
Rent and commissions:				
BorgWarner automotive	34,100	34,100	34,098	(2)
A & M Tower, Inc.	7,657	7,657	7,657	-
Community buildings	7,000	7,000	9,043	2,043
Other rent	-	-	8,900	8,900
Royalties	6,000	6,000	11,103	5,103
Telephone coin stations	180,000	180,000	181,094	1,094
Concession commissions	<u>8,000</u>	<u>8,000</u>	<u>8,550</u>	<u>550</u>
Total rent and commissions	<u>242,757</u>	<u>242,757</u>	<u>260,445</u>	<u>17,688</u>
Miscellaneous:				
Jail lease	360,000	360,000	388,302	28,302
Christmas at the courthouse	-	-	616	616
Miscellaneous	<u>20,000</u>	<u>20,000</u>	<u>44,934</u>	<u>24,934</u>
Total miscellaneous	<u>380,000</u>	<u>380,000</u>	<u>433,852</u>	<u>53,852</u>
Total revenues	<u>23,992,942</u>	<u>24,050,108</u>	<u>26,623,924</u>	<u>2,573,816</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES				
General government:				
County clerk - administration:				
Salaries	\$ 513,714	\$ 503,557	\$ 494,328	\$ 9,229
Fringe benefits	213,407	223,564	190,316	33,248
Operating expenses	60,616	59,941	58,990	951
Capital outlay	-	675	675	-
Total County clerk - administration	<u>787,737</u>	<u>787,737</u>	<u>744,309</u>	<u>43,428</u>
County clerk - archive restoration:				
Operating expenses	<u>150,000</u>	<u>150,000</u>	<u>3,393</u>	<u>146,607</u>
Total County clerk - archive restoration	<u>150,000</u>	<u>150,000</u>	<u>3,393</u>	<u>146,607</u>
Telecommunications:				
Salaries	34,865	34,865	33,923	942
Fringe benefits	5,959	5,959	3,822	2,137
Operating expenses	<u>250</u>	<u>250</u>	<u>-</u>	<u>250</u>
Total telecommunications	<u>41,074</u>	<u>41,074</u>	<u>37,745</u>	<u>3,329</u>
Purchasing:				
Salaries	98,220	98,220	97,694	526
Fringe benefits	29,784	29,784	27,840	1,944
Operating expenses	<u>10,900</u>	<u>10,900</u>	<u>9,700</u>	<u>1,200</u>
Total purchasing	<u>138,904</u>	<u>138,904</u>	<u>135,234</u>	<u>3,670</u>
Human resources:				
Salaries	110,929	111,849	111,497	352
Fringe benefits	38,081	37,661	35,652	2,009
Operating expenses	<u>13,958</u>	<u>13,458</u>	<u>13,331</u>	<u>127</u>
Total human resources	<u>162,968</u>	<u>162,968</u>	<u>160,480</u>	<u>2,488</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
General government: (Continued)				
Nondepartmental - general government:				
Operating expenses	\$ 2,225,854	\$ 1,983,992	\$ 1,919,420	\$ 64,572
Capital outlay	<u>200,000</u>	<u>28,614</u>	<u>28,604</u>	<u>10</u>
Total nondepartmental - general government	<u>2,425,854</u>	<u>2,012,606</u>	<u>1,948,024</u>	<u>64,582</u>
County judge:				
Salaries	151,032	151,375	149,585	1,790
Fringe benefits	45,273	44,930	41,114	3,816
Operating expenses	<u>17,376</u>	<u>17,376</u>	<u>7,151</u>	<u>10,225</u>
Total County judge	<u>213,681</u>	<u>213,681</u>	<u>197,850</u>	<u>15,831</u>
Elections:				
Salaries	176,469	176,469	133,578	42,891
Fringe benefits	50,291	50,291	36,589	13,702
Operating expenses	<u>52,350</u>	<u>52,350</u>	<u>48,308</u>	<u>4,042</u>
Total elections	<u>279,110</u>	<u>279,110</u>	<u>218,475</u>	<u>60,635</u>
County auditor:				
Salaries	325,232	325,868	325,868	-
Fringe benefits	113,267	112,631	104,285	8,346
Operating expenses	<u>20,200</u>	<u>20,200</u>	<u>19,813</u>	<u>387</u>
Total County auditor	<u>458,699</u>	<u>458,699</u>	<u>449,966</u>	<u>8,733</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES (Continued)				
General government: (Continued)				
Tax assessor-collector:				
Salaries	\$ 831,304	\$ 832,082	\$ 831,842	\$ 240
Fringe benefits	331,061	330,283	302,812	27,471
Operating expenses	180,400	178,678	176,164	2,514
Capital outlay	-	1,722	1,715	7
Total tax assessor-collector	<u>1,342,765</u>	<u>1,342,765</u>	<u>1,312,533</u>	<u>30,232</u>
Information services:				
Salaries	297,126	298,073	298,073	-
Fringe benefits	95,970	95,021	89,198	5,823
Operating expenses	488,754	454,028	437,269	16,759
Capital outlay	<u>103,400</u>	<u>114,946</u>	<u>114,946</u>	<u>-</u>
Total information services	<u>985,250</u>	<u>962,068</u>	<u>939,486</u>	<u>22,582</u>
Agricultural extension service:				
Salaries	96,936	96,936	91,852	5,084
Fringe benefits	47,527	49,946	39,330	10,616
Operating expenses	15,000	12,765	12,696	69
Capital outlay	-	2,235	2,235	-
Total agricultural extension service	<u>159,463</u>	<u>161,882</u>	<u>146,113</u>	<u>15,769</u>
Total general government	<u>7,145,505</u>	<u>6,711,494</u>	<u>6,293,608</u>	<u>417,886</u>
Judicial:				
Nondepartmental - judicial:				
Operating expenses	<u>705,000</u>	<u>685,000</u>	<u>612,325</u>	<u>72,675</u>
Total nondepartmental - judicial	<u>705,000</u>	<u>685,000</u>	<u>612,325</u>	<u>72,675</u>
Court of civil appeals:				
Salaries	10,815	10,815	10,815	-
Fringe benefits	<u>828</u>	<u>830</u>	<u>830</u>	<u>-</u>
Total court of civil appeals	<u>11,643</u>	<u>11,645</u>	<u>11,645</u>	<u>-</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
Judicial: (Continued)				
County court-at-law no. 1:				
Salaries	\$ 206,785	\$ 207,192	\$ 204,278	\$ 2,914
Fringe benefits	58,202	57,795	52,285	5,510
Operating expenses	15,185	15,185	7,687	7,498
Total County court-at-law no. 1	280,172	280,172	264,250	15,922
County court-at-law no. 2:				
Salaries	191,275	191,624	188,710	2,914
Fringe benefits	55,511	55,162	49,705	5,457
Operating expenses	13,650	24,550	19,088	5,462
Capital outlay	1,700	1,400	-	1,400
Total County court-at-law no. 2	262,136	272,736	257,503	15,233
Attorney general master:				
Operating expenses	9,600	9,600	9,200	400
Total attorney general master	9,600	9,600	9,200	400
124th district court:				
Salaries	72,934	73,204	70,604	2,600
Fringe benefits	25,115	24,845	23,245	1,600
Operating expenses	57,705	67,205	64,806	2,399
Total 124th district court	155,754	165,254	158,655	6,599
188th district court:				
Salaries	81,238	81,238	71,387	9,851
Fringe benefits	26,596	26,596	23,479	3,117
Operating expenses	46,685	46,685	44,604	2,081
Total 188th district court	154,519	154,519	139,470	15,049

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
Judicial: (Continued)				
307th district court:				
Salaries	\$ 87,668	\$ 87,991	\$ 87,421	\$ 570
Fringe benefits	27,619	27,296	25,826	1,470
Operating expenses	25,435	24,335	9,647	14,688
Capital outlay	650	1,750	1,003	747
Total 307th district court	141,372	141,372	123,897	17,475
General:				
Operating expenses	75,370	75,370	62,319	13,051
Total general	75,370	75,370	62,319	13,051
District clerk:				
Salaries	550,023	550,023	505,185	44,838
Fringe benefits	226,319	226,319	197,197	29,122
Operating expenses	65,570	65,570	58,043	7,527
Total district clerk	841,912	841,912	760,425	81,487
Justice of the peace no. 1:				
Salaries	112,545	112,819	112,819	-
Fringe benefits	44,422	44,148	40,032	4,116
Operating expenses	55,704	56,702	52,390	4,312
Capital outlay	1,000	2	-	2
Total justice of the peace no. 1	213,671	213,671	205,241	8,430
Justice of the peace no. 2:				
Salaries	76,791	76,791	75,278	1,513
Fringe benefits	25,708	25,708	22,957	2,751
Operating expenses	12,400	26,400	21,132	5,268
Total justice of the peace no. 2	114,899	128,899	119,367	9,532

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Judicial: (Continued)				
Justice of the peace no. 3:				
Salaries	\$ 110,131	\$ 110,364	\$ 109,578	\$ 786
Fringe benefits	43,915	43,682	40,267	3,415
Operating expenses	<u>24,685</u>	<u>49,054</u>	<u>43,080</u>	<u>5,974</u>
Total justice of the peace no. 3	<u>178,731</u>	<u>203,100</u>	<u>192,925</u>	<u>10,175</u>
Justice of the peace no. 4:				
Salaries	82,563	82,563	81,985	578
Fringe benefits	32,947	32,947	30,110	2,837
Operating expenses	<u>32,650</u>	<u>45,650</u>	<u>38,782</u>	<u>6,868</u>
Total justice of the peace no. 4	<u>148,160</u>	<u>161,160</u>	<u>150,877</u>	<u>10,283</u>
District attorney:				
Salaries	937,631	947,770	939,074	8,696
Fringe benefits	326,753	326,567	299,003	27,564
Operating expenses	<u>47,825</u>	<u>48,725</u>	<u>48,240</u>	<u>485</u>
Total district attorney	<u>1,312,209</u>	<u>1,323,062</u>	<u>1,286,317</u>	<u>36,745</u>
Bail bond board:				
Salaries	5,000	5,000	1,396	3,604
Operating expenses	2,150	2,150	574	1,576
Capital outlay	<u>550</u>	<u>550</u>	<u>-</u>	<u>550</u>
Total bail bond board	<u>7,700</u>	<u>7,700</u>	<u>1,970</u>	<u>5,730</u>
Total judicial	<u>4,612,848</u>	<u>4,675,172</u>	<u>4,356,386</u>	<u>318,786</u>
Public safety:				
Constable no. 1:				
Salaries	44,875	44,900	44,900	-
Fringe benefits	17,534	17,509	15,405	2,104
Operating expenses	<u>6,004</u>	<u>6,004</u>	<u>5,800</u>	<u>204</u>
Total constable 1	<u>68,413</u>	<u>68,413</u>	<u>66,105</u>	<u>2,308</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
Public safety: (Continued)				
Constable no. 2:				
Salaries	\$ 38,110	\$ 38,110	\$ 38,110	\$ -
Fringe benefits	14,794	14,794	13,792	1,002
Operating expenses	<u>6,837</u>	<u>6,837</u>	<u>3,565</u>	<u>3,272</u>
Total constable no. 2	<u>59,741</u>	<u>59,741</u>	<u>55,467</u>	<u>4,274</u>
Constable no. 3:				
Salaries	44,910	44,910	44,896	14
Fringe benefits	15,984	15,984	14,976	1,008
Operating expenses	<u>12,251</u>	<u>12,251</u>	<u>11,976</u>	<u>275</u>
Total constable no. 3	<u>73,145</u>	<u>73,145</u>	<u>71,848</u>	<u>1,297</u>
Constable no. 4:				
Salaries	38,110	38,110	38,110	-
Fringe benefits	14,794	14,794	13,431	1,363
Operating expenses	<u>5,012</u>	<u>5,012</u>	<u>3,177</u>	<u>1,835</u>
Total constable no. 4	<u>57,916</u>	<u>57,916</u>	<u>54,718</u>	<u>3,198</u>
Sheriff - corrections:				
Salaries	4,482,127	4,528,876	4,505,030	23,846
Fringe benefits	1,975,338	1,942,691	1,776,930	165,761
Operating expenses	976,198	1,057,426	1,056,992	434
Capital outlay	<u>160,000</u>	<u>180,120</u>	<u>180,120</u>	<u>-</u>
Total sheriff - corrections	<u>7,593,663</u>	<u>7,709,113</u>	<u>7,519,072</u>	<u>190,041</u>
Department of public safety:				
Salaries	35,979	36,085	36,015	70
Fringe benefits	11,749	11,643	10,992	651
Operating expenses	<u>4,850</u>	<u>4,960</u>	<u>4,767</u>	<u>193</u>
Total department of public safety	<u>52,578</u>	<u>52,688</u>	<u>51,774</u>	<u>914</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Public safety: (Continued)				
Parks and wildlife:				
Operating expenses	\$ 900	\$ 900	\$ -	\$ 900
Total parks and wildlife	900	900	-	900
Texas alcoholic beverage commission:				
Operating expenses	250	250	-	250
Total alcoholic beverage commission	250	250	-	250
Juvenile board:				
Salaries	78,255	78,255	78,255	-
Fringe benefits	32,322	32,322	32,169	153
Total juvenile board	110,577	110,577	110,424	153
Total public safety	8,017,183	8,132,743	7,929,408	203,335
Health and human services:				
Gregg County industrial airpark:				
Operating expenses	28,000	28,979	28,489	490
Capital outlay	-	815	815	-
Total Gregg County industrial airpark	28,000	29,794	29,304	490
Veterans services:				
Salaries	59,962	60,192	60,192	-
Fringe benefits	16,847	16,617	16,098	519
Operating expenses	12,600	12,600	11,244	1,356
Total veterans services	89,409	89,409	87,534	1,875
Civil defense:				
Operating expenses	4,000	4,000	3,320	680
Total civil defense	4,000	4,000	3,320	680

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Health and human services: (Continued)				
Environmental protection:				
Operating expenses	\$ 23,000	\$ 23,000	\$ 5,477	\$ 17,523
Total environmental protection	<u>23,000</u>	<u>23,000</u>	<u>5,477</u>	<u>17,523</u>
911 Addressing:				
Salaries	60,109	71,666	66,903	4,763
Fringe benefits	24,723	23,166	22,689	477
Operating expenses	<u>42,550</u>	<u>15,278</u>	<u>15,024</u>	<u>254</u>
Total 911 addressing	<u>127,382</u>	<u>110,110</u>	<u>104,616</u>	<u>5,494</u>
Health:				
Salaries	292,909	292,909	267,932	24,977
Fringe benefits	110,862	110,862	90,655	20,207
Operating expenses	<u>972,153</u>	<u>1,062,185</u>	<u>1,061,453</u>	<u>732</u>
Total health	<u>1,375,924</u>	<u>1,465,956</u>	<u>1,420,040</u>	<u>45,916</u>
Historical commission:				
Operating expenses	<u>8,390</u>	<u>9,740</u>	<u>7,655</u>	<u>2,085</u>
Total historical commission	<u>8,390</u>	<u>9,740</u>	<u>7,655</u>	<u>2,085</u>
Contributions:				
Operating expenses	<u>501,400</u>	<u>501,400</u>	<u>501,400</u>	<u>-</u>
Total contributions	<u>501,400</u>	<u>501,400</u>	<u>501,400</u>	<u>-</u>
Total health and human services	<u>2,157,505</u>	<u>2,233,409</u>	<u>2,159,346</u>	<u>74,063</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Public buildings:				
Courthouse building:				
Salaries	\$ 467,003	\$ 468,203	\$ 442,553	\$ 25,650
Fringe benefits	232,510	232,510	194,680	37,830
Operating expenses	617,796	625,926	601,081	24,845
Capital outlay	<u>21,000</u>	<u>26,030</u>	<u>26,030</u>	<u>-</u>
Total courthouse building	<u>1,338,309</u>	<u>1,352,669</u>	<u>1,264,344</u>	<u>88,325</u>
Service center building:				
Operating expenses	<u>36,000</u>	<u>36,000</u>	<u>23,102</u>	<u>12,898</u>
Total service center building	<u>36,000</u>	<u>36,000</u>	<u>23,102</u>	<u>12,898</u>
Greggton building:				
Salaries	5,625	5,625	2,880	2,745
Fringe benefits	1,450	1,450	607	843
Operating expenses	<u>17,500</u>	<u>19,000</u>	<u>18,856</u>	<u>144</u>
Total Greggton building	<u>24,575</u>	<u>26,075</u>	<u>22,343</u>	<u>3,732</u>
Gladewater Commerce Street building:				
Operating expenses	<u>9,700</u>	<u>9,700</u>	<u>9,319</u>	<u>381</u>
Total Gladewater Commerce Street building	<u>9,700</u>	<u>9,700</u>	<u>9,319</u>	<u>381</u>
Jail building:				
Operating expenses	<u>171,000</u>	<u>184,123</u>	<u>175,651</u>	<u>8,472</u>
Total jail building	<u>171,000</u>	<u>184,123</u>	<u>175,651</u>	<u>8,472</u>
Juvenile post adjudication facility:				
Operating expenses	<u>25,000</u>	<u>25,000</u>	<u>21,911</u>	<u>3,089</u>
Total juvenile post adjudication facility	<u>25,000</u>	<u>25,000</u>	<u>21,911</u>	<u>3,089</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Public buildings: (Continued)				
Youth detention center:				
Operating expenses	\$ 44,000	\$ 44,000	\$ 31,017	\$ 12,983
Total youth detention center	<u>44,000</u>	<u>44,000</u>	<u>31,017</u>	<u>12,983</u>
Community building maintenance:				
Salaries	28,289	28,396	28,056	340
Fringe benefits	13,529	13,422	12,151	1,271
Operating expenses	<u>7,500</u>	<u>5,207</u>	<u>5,178</u>	<u>29</u>
Total community building maintenance	<u>49,318</u>	<u>47,025</u>	<u>45,385</u>	<u>1,640</u>
Longview Whaley Street community building:				
Salaries	14,465	14,465	14,248	217
Fringe benefits	9,855	9,855	8,968	887
Operating expenses	<u>9,500</u>	<u>9,614</u>	<u>9,614</u>	<u>-</u>
Total Longview Whaley Street community building	<u>33,820</u>	<u>33,934</u>	<u>32,830</u>	<u>1,104</u>
Judson community building:				
Operating expenses	<u>4,450</u>	<u>4,336</u>	<u>4,163</u>	<u>173</u>
Total Judson community building	<u>4,450</u>	<u>4,336</u>	<u>4,163</u>	<u>173</u>
Garfield Hill community building:				
Operating expenses	<u>8,120</u>	<u>4,220</u>	<u>2,651</u>	<u>1,569</u>
Total Garfield Hill community building	<u>8,120</u>	<u>4,220</u>	<u>2,651</u>	<u>1,569</u>
Gladewater senior citizens building				
Operating expenses	<u>-</u>	<u>1,200</u>	<u>1,200</u>	<u>-</u>
Total Gladewater senior citizens building	<u>-</u>	<u>1,200</u>	<u>1,200</u>	<u>-</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES (Continued)				
Public buildings: (Continued)				
Liberty City office/community building:				
Operating expenses	\$ 16,100	\$ 28,300	\$ 26,443	\$ 1,857
Total Liberty City office/ community building	<u>16,100</u>	<u>28,300</u>	<u>26,443</u>	<u>1,857</u>
Hugh camp memorial park:				
Operating expenses	<u>17,000</u>	<u>8,700</u>	<u>7,914</u>	<u>786</u>
Total Hugh camp memorial park	<u>17,000</u>	<u>8,700</u>	<u>7,914</u>	<u>786</u>
Olivia R. Hilburn community building:				
Operating expenses	<u>10,600</u>	<u>9,600</u>	<u>6,197</u>	<u>3,403</u>
Total Olivia R. Hilburn community building	<u>10,600</u>	<u>9,600</u>	<u>6,197</u>	<u>3,403</u>
Kilgore office and community building:				
Salaries	22,096	25,340	22,180	3,160
Fringe benefits	15,340	12,096	10,631	1,465
Operating expenses	24,274	22,899	21,856	1,043
Capital outlay	<u>-</u>	<u>2,375</u>	<u>2,375</u>	<u>-</u>
Total Kilgore office and community building	<u>61,710</u>	<u>62,710</u>	<u>57,042</u>	<u>5,668</u>
Kilgore South Street building:				
Operating expenses	<u>10,650</u>	<u>10,650</u>	<u>4,307</u>	<u>6,343</u>
Total Kilgore South Street building	<u>10,650</u>	<u>10,650</u>	<u>4,307</u>	<u>6,343</u>
Elderville community building:				
Operating expenses	<u>21,305</u>	<u>21,305</u>	<u>11,694</u>	<u>9,611</u>
Total Elderville community building	<u>21,305</u>	<u>21,305</u>	<u>11,694</u>	<u>9,611</u>

(continued)

GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Public buildings: (Continued)				
Easton community building:				
Operating expenses	\$ 15,000	\$ 15,000	\$ 6,882	\$ 8,118
Capital outlay	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total Easton community building	<u>17,000</u>	<u>17,000</u>	<u>6,882</u>	<u>10,118</u>
West Harrison volunteer fire department building:				
Operating expenses	<u>4,600</u>	<u>4,600</u>	<u>4,421</u>	<u>179</u>
Total West Harrison volunteer fire department building	<u>4,600</u>	<u>4,600</u>	<u>4,421</u>	<u>179</u>
Total public buildings	<u>1,903,257</u>	<u>1,931,147</u>	<u>1,758,816</u>	<u>172,331</u>
Debt service - principal:				
Capital lease	<u>-</u>	<u>13,428</u>	<u>13,428</u>	<u>-</u>
Total debt service - principal	<u>-</u>	<u>13,428</u>	<u>13,428</u>	<u>-</u>
Debt service - interest:				
Capital lease	<u>-</u>	<u>1,752</u>	<u>1,752</u>	<u>-</u>
Total debt service - interest	<u>-</u>	<u>1,752</u>	<u>1,752</u>	<u>-</u>
Total expenditures	<u>23,836,298</u>	<u>23,699,145</u>	<u>22,512,744</u>	<u>1,186,401</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>156,644</u>	<u>350,963</u>	<u>4,111,180</u>	<u>3,760,217</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers from other funds:				
G O 1988 - refunding courthouse	<u>635,628</u>	<u>635,628</u>	<u>-</u>	<u>(635,628)</u>
Total operating transfer from other funds	<u>635,628</u>	<u>635,628</u>	<u>-</u>	<u>(635,628)</u>

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GREGG COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES) (Continued)				
Operating transfers to other funds:				
Security	\$ (66,000)	\$ (66,000)	\$ (66,000)	\$ -
Violence against women grant	-	(11,047)	(11,047)	-
Longview community center renovation	(50,000)	(50,000)	(50,000)	-
Industrial airpark improvement fund	-	(300,000)	(300,000)	-
124th district courtroom renovation	-	(140,500)	(140,500)	-
Print shop	<u>(1,500)</u>	<u>(1,500)</u>	<u>(1,500)</u>	<u>-</u>
Total operating transfers to other funds	<u>(117,500)</u>	<u>(569,047)</u>	<u>(569,047)</u>	<u>-</u>
Sale of capital assets	10,000	33,861	31,081	(2,780)
Insurance proceeds - loss of fixed assets	<u>-</u>	<u>1,782</u>	<u>1,782</u>	<u>-</u>
Total other financing sources (uses)	<u>528,128</u>	<u>102,224</u>	<u>(536,184)</u>	<u>(638,408)</u>
NET CHANGE IN FUND BALANCE	684,772	453,187	3,574,996	3,121,809
FUND BALANCE, BEGINNING	<u>5,972,103</u>	<u>5,972,103</u>	<u>5,972,103</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 6,656,875</u>	<u>\$ 6,425,290</u>	<u>\$ 9,547,099</u>	<u>\$ 3,121,809</u>

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

GREGG COUNTY, TEXAS

ROAD AND BRIDGE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Taxes:				
Current property taxes	\$ 1,020,740	\$ 1,020,740	\$ 1,029,585	\$ 8,845
Delinquent property taxes	52,720	52,720	44,342	(8,378)
Motor vehicle sales tax	<u>1,290,000</u>	<u>1,290,000</u>	<u>1,393,982</u>	<u>103,982</u>
Total taxes	<u>2,363,460</u>	<u>2,363,460</u>	<u>2,467,909</u>	<u>104,449</u>
Licenses and permits:				
Motor vehicle registration	<u>1,075,000</u>	<u>1,075,000</u>	<u>1,107,291</u>	<u>32,291</u>
Total licenses and permits	<u>1,075,000</u>	<u>1,075,000</u>	<u>1,107,291</u>	<u>32,291</u>
Intergovernmental:				
Lateral road	<u>23,000</u>	<u>23,000</u>	<u>24,515</u>	<u>1,515</u>
Total intergovernmental	<u>23,000</u>	<u>23,000</u>	<u>24,515</u>	<u>1,515</u>
Fines and forfeitures:				
Misdemeanor fines	373,000	373,000	418,383	45,383
Felony fines	22,000	22,000	29,582	7,582
Civil/BF fines	<u>30,000</u>	<u>30,000</u>	<u>60,817</u>	<u>30,817</u>
Total fines and forfeitures	<u>425,000</u>	<u>425,000</u>	<u>508,782</u>	<u>83,782</u>
Investment earnings:				
Interest	3,000	3,000	50,791	47,791
Unrealized gains (losses)	<u>-</u>	<u>-</u>	<u>6,951</u>	<u>6,951</u>
Total investment earnings	<u>3,000</u>	<u>3,000</u>	<u>57,742</u>	<u>54,742</u>
Miscellaneous:				
Miscellaneous	<u>1,200</u>	<u>1,200</u>	<u>11,773</u>	<u>10,573</u>
Total miscellaneous	<u>1,200</u>	<u>1,200</u>	<u>11,773</u>	<u>10,573</u>
Total revenue	<u>3,890,660</u>	<u>3,890,660</u>	<u>4,178,012</u>	<u>287,352</u>

(continued)

GREGG COUNTY, TEXAS

ROAD AND BRIDGE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES				
Transportation and roads:				
Administration:				
Salaries	\$ 239,269	\$ 239,269	\$ 232,300	\$ 6,969
Fringe benefits	73,843	73,843	65,877	7,966
Operating expenses	70,259	70,259	53,578	16,681
Total administration	383,371	383,371	351,755	31,616
Road and bridge - general:				
Operating expenses	4,500	4,500	501	3,999
Total road and bridge - general	4,500	4,500	501	3,999
Road and bridge - precinct no. 1:				
Salaries	509,308	509,405	497,608	11,797
Fringe benefits	236,235	236,138	211,526	24,612
Operating expenses	338,856	328,956	327,943	1,013
Capital outlay	-	9,900	9,783	117
Total road and bridge - precinct no. 1	1,084,399	1,084,399	1,046,860	37,539
Road and bridge - precinct no. 2:				
Salaries	26,837	26,741	26,545	196
Fringe benefits	10,717	10,813	9,978	835
Operating expenses	36,660	36,660	26,168	10,492
Total road and bridge - precinct no. 2	74,214	74,214	62,691	11,523
Road and bridge - precinct no. 3:				
Salaries	543,153	543,153	515,101	28,052
Fringe benefits	262,854	262,854	224,683	38,171
Operating expenses	576,668	578,732	576,327	2,405
Capital outlay	39,999	51,254	50,764	490
Total road and bridge - precinct no. 3	1,422,674	1,435,993	1,366,875	69,118

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GREGG COUNTY, TEXAS

ROAD AND BRIDGE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES				
Transportation and roads:				
Road and bridge - precinct no. 4:				
Salaries	\$ 424,697	\$ 424,697	\$ 386,489	\$ 38,208
Fringe benefits	198,111	198,111	168,847	29,264
Operating expenses	<u>183,500</u>	<u>183,500</u>	<u>171,133</u>	<u>12,367</u>
Total road and bridge - precinct no. 4	<u>806,308</u>	<u>806,308</u>	<u>726,469</u>	<u>79,839</u>
Right-of-way:				
Operating expenses	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total right-of-way	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Transportation and road expense:				
Operating expenses	<u>-</u>	<u>-</u>	<u>6,569</u>	<u>(6,569)</u>
Total transportation road expense	<u>-</u>	<u>-</u>	<u>6,569</u>	<u>(6,569)</u>
Total transportation and roads	<u>3,800,466</u>	<u>3,813,785</u>	<u>3,586,720</u>	<u>227,065</u>
Total expenditures	<u>3,800,466</u>	<u>3,813,785</u>	<u>3,586,720</u>	<u>227,065</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>90,194</u>	<u>76,875</u>	<u>591,292</u>	<u>514,417</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	<u>5,000</u>	<u>5,000</u>	<u>1,179</u>	<u>(3,821)</u>
Total other financing sources and (uses)	<u>5,000</u>	<u>5,000</u>	<u>1,179</u>	<u>(3,821)</u>
NET CHANGE IN FUND BALANCE	95,194	81,875	592,471	510,596
FUND BALANCE, BEGINNING	<u>976,263</u>	<u>976,263</u>	<u>976,263</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 1,071,457</u>	<u>\$ 1,058,138</u>	<u>\$ 1,568,734</u>	<u>\$ 510,596</u>

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

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GREGG COUNTY, TEXAS

HEALTH CARE FUND

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental:				
State - tobacco settlement	\$ 30,000	\$ 30,000	\$ 73,114	\$ 43,114
Total intergovernmental	<u>30,000</u>	<u>30,000</u>	<u>73,114</u>	<u>43,114</u>
Investment earnings:				
Interest	24,000	24,000	51,119	27,119
Unrealized gains (losses)	-	-	6,437	6,437
Total investment earnings	<u>24,000</u>	<u>24,000</u>	<u>57,556</u>	<u>33,556</u>
Total revenue	<u>54,000</u>	<u>54,000</u>	<u>130,670</u>	<u>76,670</u>
EXPENDITURES				
Health and human services:				
Contributions:				
Operating expenses	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total contributions	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total health and human services	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	34,000	34,000	110,670	76,670
FUND BALANCE, BEGINNING	<u>2,182,556</u>	<u>2,182,556</u>	<u>2,182,556</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 2,216,556</u>	<u>\$ 2,216,556</u>	<u>\$ 2,293,226</u>	<u>\$ 76,670</u>

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

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GREGG COUNTY, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2005

	Governmental Activities Internal Service Funds
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 82,537
Investments	1,161,560
Interest receivable	13,066
Accounts receivable, net of allowances	99,854
Inventories	8,972
Total current assets	<u>1,365,989</u>
Noncurrent assets:	
Capital assets:	
Equipment	16,000
Less: accumulated depreciation	<u>(12,000)</u>
Total capital assets	<u>4,000</u>
Total noncurrent assets	<u>4,000</u>
Total assets	<u>1,369,989</u>
LIABILITIES	
Current liabilities:	
Accounts payable	<u>273,290</u>
Total current liabilities	<u>273,290</u>
Total liabilities	<u>273,290</u>
NET ASSETS	
Invested in capital assets, net of related debt	4,000
Unrestricted	<u>1,092,699</u>
Total net assets	<u>\$ 1,096,699</u>

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

GREGG COUNTY, TEXAS

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS**

PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2005

	<u>Internal Service Funds</u>
OPERATING REVENUES	
Charges for services	\$ 3,164,898
Total operating revenues	<u>3,164,898</u>
OPERATING EXPENSES	
Supplies	33,134
Copying machine	9,854
Repairs and maintenance service	30
Claim expenses	2,224,391
Administrative	493,705
Depreciation	<u>3,200</u>
Total operating expenses	<u>2,764,314</u>
OPERATING INCOME	400,584
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	<u>45,024</u>
Total nonoperating revenues (expenses)	<u>45,024</u>
INCOME BEFORE TRANSFERS	445,608
TRANSFERS IN	<u>1,500</u>
CHANGES IN NET ASSETS	447,108
TOTAL NET ASSETS, BEGINNING	<u>649,591</u>
TOTAL NET ASSETS, ENDING	<u>\$ 1,096,699</u>

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

GREGG COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2005

	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from interfund services	\$ 3,060,040
Cash paid to suppliers for goods and services	<u>(2,916,527)</u>
Net cash provided by operating activities	<u>143,513</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	<u>1,500</u>
Net cash provided by noncapital financing activities	<u>1,500</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from maturities of investments	646,954
Purchase of investments	(1,796,954)
Earnings on investments	<u>21,350</u>
Net cash used by investing activities	<u>(1,128,650)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(983,637)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,066,174</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 82,537</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ 400,584
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	3,200
Changes in assets and liabilities:	
Decrease (increase) in assets:	
Inventory	6,834
Accounts receivable	(98,957)
Increase (decrease) in liabilities:	
Accounts payable	<u>(168,148)</u>
Net cash provided by operations	<u>\$ 143,513</u>
Noncash investing, capital and financing activities:	
Contributions of capital assets	<u>\$ -</u>

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

GREGG COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2005

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 3,368,841
Investments	<u>3,029,518</u>
Total assets	<u>\$ 6,398,359</u>
LIABILITIES	
Due to others	<u>\$ 6,398,359</u>
Total liabilities	<u>\$ 6,398,359</u>

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

GREGG COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of Gregg County, Texas (County) have been prepared in conformity with generally accepted accounting principles (GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. These notes to the financial statements are an integral part of the basic financial statements of the County. The following is a discussion of the more significant accounting policies utilized by the County.

A. Reporting Entity

GASB Statement No. 14 "*The Financial Reporting Entity*," establishes criteria which should be considered and evaluated along with other judgmental factors before a decision is made to include one governmental unit with another governmental unit for the purpose of issuing basic financial statements. The five criteria considered were (1) financial accountability, (2) appointment of a voting majority, (3) imposition of will, (4) financial benefit to or a burden on a primary government, and (5) financial accountability as a result of fiscal dependency.

In evaluating how to define the County for financial reporting purposes, management has considered all potential component units. The decision on whether or not to include a potential component unit in the reporting entity was made by applying the criteria set forth in the preceding paragraph. Based on this criteria, no entity was considered a component unit of the County.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenue is 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

The County reports the following major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Road and Bridge Fund** accounts for the operation, construction and maintenance of roads and bridges.

The **Health Care Fund** accounts for monies received by the County from the state as a pro rata distribution from the lump sum payment made by tobacco companies. The money collected from the state is to be spent on health-related issues.

The **Debt Service Fund** accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

Additionally, the County reports the following fund types:

Internal Service Funds account for insurance/risk management services and print services provided to other departments on a cost reimbursement basis.

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations and other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenue includes all taxes.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

D. Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and government securities.

State statutes authorize the County to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. Investments for the government are reported at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property tax receivables are shown net of an allowance for uncollectibles. Property taxes are levied on October 1 and attach as an enforceable lien on property as of January 1. Statements are mailed on October 1, or as soon thereafter as possible, and are due upon receipt. All unpaid taxes become delinquent if not paid before February 1 of the following year.

Inventories

All inventories are stated at cost. The costs of inventory items are recognized as expenditures in governmental funds when purchased.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 for equipment and \$25,000 for buildings and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

GASB Statement 34 required the County to report and depreciate new infrastructure assets beginning in fiscal year 2003. Infrastructure assets include roads, bridges, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the County. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first required for the fiscal year ending in 2007. The County has implemented the general provisions of GASB Statement No. 34 and plans to implement the retroactive infrastructure provisions in the fiscal year ending September 30, 2007.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements	20
Equipment	3 - 15
Infrastructure (streets and drainage)	16

Compensated Absences

Vacation and sick leave benefits are accumulated by County employees according to formulas adopted by the Commissioners' Court. The County's policy requires vacation time to be used within 14 months of being earned. Upon termination or retirement, employees are paid for any unused vacation time. The County's policy allows for accumulation of sick leave up to 60 days and provides for payment of sick leave accruals only upon retirement. At September 30, 2005, a liability has been recorded in the government-wide financial statements for accrued vacation time as well as the portion of accumulated sick leave expected to be paid.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of accumulated depreciation, are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “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 \$(164,521) difference are as follows:

Capital outlay	\$ 1,585,265
Depreciation expense	<u>(1,749,786)</u>
Net adjustment to reduce <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$(<u>164,521</u>)

Another element of that reconciliation states, “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.” The details of this \$131,687 difference are as follows:

In the statement of activities, only the <i>gain</i> 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.	\$(<u>131,687</u>)
Net adjustment to reduce <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$(<u>131,687</u>)

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Another element of that reconciliation states, “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 \$2,403,428 difference are as follows:

Principal repayments:	
General obligation debt	\$ 2,390,000
Payment on capital lease	<u>13,428</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$ <u>2,403,428</u>

Another element of that reconciliation states, “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 \$141,353 difference are as follows:

Compensated absences	\$(46,244)
Accrued interest	(89,754)
Amortization of issuance costs	(7,376)
Amortization of bond premium	<u>2,021</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$(<u>141,353</u>)

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a modified accrual basis for all governmental funds with the exception of the Sheriff Asset and Forfeiture, Sheriff Enforcement, and Sheriff Inmate Welfare Special Revenue Funds. A budget is prepared for the District Attorney General Special Revenue Fund based on a fiscal year ending October 31. A combined budget is prepared for all Code Unit operations rather than individual budgets for each fund. Budgetary control is exercised at the departmental level. All appropriations lapse at year-end.

State law provides that amendments approved by the Commissioners’ Court may be made to the original budget provided that funds are available for the added expenditures. Reported budget amounts reflect the budget as originally adopted and all budget amendments and transfers approved by the Commissioners’ Court.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

The County uses encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the applicable appropriation. Purchase orders outstanding at year-end are not reported as reservations of fund balance because all open purchase orders lapse at year-end and are subject to re-appropriation in the budgetary process.

Deficit Fund Balance

The District Attorney General Fund had a deficit fund balance of \$57,682 as of September 30, 2005. The deficit fund balance will be covered by future fund revenues.

4. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Dreyfus Government Cash Management	\$ 150,000	25
U. S. Agency Securities:		
Freddie Mac	4,005,834	113
Federal Home Loan Bank	3,788,992	180
Fannie Mae	<u>2,015,642</u>	45
Total U. S. Agency Securities	<u>9,810,468</u>	
Total portfolio	<u>\$ 9,960,468</u>	
Portfolio weighted average maturity (days)		123

The County's investment pool is a 2a7-like pool. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Interest Rate Risk. In accordance with its investment policy, the County manages its exposure to risk by limiting no-load money market mutual funds to have a weighted average maturity of 90 days or fewer and no-load mutual funds to have a weighted average maturity less than two years. As of September 30, 2005, all of the County's investments were in compliance with the weighted average maturity limits set by the investment policy.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of bank failure, the County's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2005, \$6,505,364 of the County's \$6,868,936 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$363,572 was covered by FDIC insurance.

Credit Risk. It is the County's policy to limit its investments to investment types with an investment quality rating not less than AAA or its equivalent by a nationally recognized statistical rating organization. The County's investments as of September 30, 2005, were rated as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>
Dreyfus Government Cash Management	AAA	Fitch
U. S. Agency Securities:		
Freddie Mac	AAA	Fitch
Federal Home Loan Bank	AAA	Fitch
Fannie Mae	AAA	Fitch

The Commissioners' Court has adopted a written investment policy regarding the investments of its funds as defined by the Public Funds Investment Act of 1995 (chapter 2256, Texas Government Code). The investments of the County are in compliance with the Court's investment policies. The County did not have any derivative investment products during the current year. All significant legal and contractual provisions for investments were complied with during the year. Investments at year-end are representative of the types of investments maintained by the County during the year.

Receivables

Receivables as of year-end for the County's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Road and Bridge</u>	<u>Health Care</u>	<u>Debt Service</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:						
Taxes	\$ 749,993	\$ 86,668	\$ -	\$ 172,709	\$ 60,328	\$ 1,069,698
Accounts	744,689	573,719	6,984	2,512	87,053	1,414,957
Due from other governments	<u>1,007,369</u>	<u>138</u>	<u>-</u>	<u>-</u>	<u>322,324</u>	<u>1,329,831</u>
Gross receivables	2,502,051	660,525	6,984	175,221	469,705	3,814,486
Less: allowance for uncollectibles	<u>(179,098)</u>	<u>(20,696)</u>	<u>-</u>	<u>(41,244)</u>	<u>(14,406)</u>	<u>(255,444)</u>
Net Total Receivables	<u>\$ 2,322,953</u>	<u>\$ 639,829</u>	<u>\$ 6,984</u>	<u>\$ 133,977</u>	<u>\$ 455,299</u>	<u>\$ 3,559,042</u>

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Governmental funds report *deferred revenue* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
General Fund		
Delinquent property taxes receivable	\$ 502,952	\$ -
Other	502,986	10,000
Road and Bridge:		
Delinquent property taxes receivable	60,594	-
Other	521,427	-
Debt Service Fund:		
Delinquent property taxes receivable	131,184	-
Nonmajor Funds:		
Delinquent property taxes receivable	41,466	-
Other	16,121	28,138
Total Governmental Funds	\$ 1,776,730	\$ 38,138

Capital Assets

Capital asset activity for the year ended September 30, 2005, was as follows:

	Beginning Balance	Prior Period Adjustment	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,300,308	\$ -	\$ -	\$ -	\$ 1,300,308
Construction in progress	33,503	-	935,755	-	969,258
Total assets not being depreciated	1,333,811	-	935,755	-	2,269,566
Capital assets, being depreciated:					
Buildings and improvements	35,841,730	-	-	-	35,841,730
Equipment	10,187,952	42,885	646,309	346,303	10,530,843
Infrastructure	7,371,133	-	-	-	7,371,133
Total capital assets being depreciated	53,400,815	42,885	646,309	346,303	53,743,706
Accumulated depreciation:					
Buildings and improvements	(12,776,960)	-	(864,606)	-	(13,641,566)
Equipment	(9,177,044)	(6,433)	(512,335)	(214,617)	(9,481,195)
Infrastructure	(986,107)	-	(372,845)	-	(1,358,952)
Total accumulated depreciation	(22,940,111)	(6,433)	(1,749,786)	(214,617)	(24,481,713)
Total capital assets being depreciated, net	30,460,704	36,452	(1,103,477)	131,686	29,261,993
Governmental activities capital assets, net	\$ 31,794,515	\$ 36,452	\$(167,722)	\$ 131,686	31,531,559

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 572,268
Judicial	1,864
Public safety	158,968
Health and human services	9,387
Public buildings	753,112
Transportation and roads	<u>254,187</u>
 Total depreciation expense - governmental activities	 \$ <u>1,749,786</u>

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2005, is as follows:

Due to/from other funds:

<u>Due From Fund</u>	<u>Due to Fund</u>	<u>Amount</u>
General	Code Enforcement Awarded Forfeiture	\$ 3,808
	District Attorney - General	76,217
	Sabine Valley Officer 08/31/06	5,302
	Violence Against Women Prosecution 08/31/06	5,214
	Bioterrorism Grant - TDH 08/31/05	20,599
	Bioterrorism Grant - TDH 08/31/06	7,277
	FEMA Reimbursement	<u>61,575</u>
 Total		 \$ <u>179,992</u>

Interfund transfers:

	<u>Transfer In</u>				<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Internal Service</u>	
Transfer Out:					
General	\$ -	\$ -	\$ 567,547	\$ 1,500	\$ 569,047
 Total Transfers Out	 \$ -	 \$ -	 \$ 567,547	 \$ 1,500	 \$ 569,047

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as the debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Leases

Capital Leases

The County has entered into a lease agreement as lessee for financing the acquisition of computer hardware. This lease agreement qualified as a capital lease for accounting purposes and, therefore, was recorded at the present value of the future minimum lease payments as of the inception date.

The asset acquired through the capital lease is as follows:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 42,885
Less: accumulated depreciation	(15,010)
Total	\$ 27,875

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2005, were as follows

	Governmental Activities
Year Ending September 30	
2006	\$ 15,180
Total minimum lease payments	15,180
Less: amount representing interest	(903)
Present value of minimum lease payments	\$ 14,277

Long-term Debt

General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds issued in prior years was \$17,635,173.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
Governmental activities - refunding	2.00%	\$ <u>2,575,000</u>
		\$ <u><u>2,575,000</u></u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2006	\$ 855,000	\$ 42,950
2007	860,000	25,800
2008	<u>860,000</u>	<u>8,600</u>
Total	\$ <u><u>2,575,000</u></u>	\$ <u><u>77,350</u></u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2005, was as follows:

	Beginning Balance	Prior Period Adjustment	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities						
Bonds payable:						
General obligation bonds	\$ 3,231,796	\$ -	\$ -	\$ 656,796	\$ 2,575,000	\$ 855,000
Interest accretion	1,643,450	-	89,754	1,733,204	-	-
Less deferred amounts:						
On refunding	(21,416)	-	7,375	2,021	(16,062)	-
Total bonds payable	4,853,830	-	97,129	2,392,021	2,558,938	855,000
Capital leases	-	27,705	-	13,428	14,277	14,277
Compensated absences	<u>447,612</u>	-	<u>46,244</u>	-	<u>493,856</u>	-
Governmental activity						
Long-term liabilities	\$ <u><u>5,301,442</u></u>	\$ <u><u>27,705</u></u>	\$ <u><u>143,373</u></u>	\$ <u><u>2,405,449</u></u>	\$ <u><u>3,067,071</u></u>	\$ <u><u>869,277</u></u>

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Other Information

Risk Management

The County and/or employees of the County are defendants in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2005, the County was covered under a general liability insurance plan. Additionally, the County has commercial insurance for other risks of loss, including workers' compensation and employee life and accident insurance. There were no significant reductions in insurance coverage from the prior year, nor did any settlement exceed coverage.

Contingent Liabilities

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

There are currently several claims and lawsuits pending against the County. It is the opinion of the County Attorney and County Staff that there is no pending litigation against the County that, if decided against the County, would have a material adverse effect upon the operations of the County or that would exceed the contingency amounts set aside for such purpose.

Retirement Plan

Plan Description

Gregg County, Texas provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 559 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, Texas 78768-2034.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

The plan provisions are adopted by the governing body of the employer, 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 of service 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 their employer.

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

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 8.86% for the months of the accounting year in 2005, and 9.55% for the months of the accounting year in 2004.

The deposit rate payable by the employee members for calendar year 2005 is the rate of 7%, as adopted by the governing body of the employer.

Annual Pension Cost

For the employer's accounting year ended September 30, 2005, the annual pension cost for the TCDRS plan for its employees was \$1,185,800 and the actual contributions were \$1,185,800.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2002 and December 31, 2003, the basis for determining the contribution rates for calendar years 2004 and 2003. The December 31, 2003, actuarial valuation is the most recent valuation.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Actuarial Valuation Information

Actuarial Valuation Date	12/31/02	12/31/03	12/31/04
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 in years	17.2	14.6	20.0
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 increases ¹	5.5%	5.5%	5.5%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

¹Includes inflation at the stated rate

**Trend Information for the
Retirement Plan for the Employees of Gregg County**

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/03	\$ 1,306,212	100%	-
09/30/04	1,376,664	100%	-
09/30/05	1,318,099	100%	-

**Schedule of Funding Progress for the Retirement Plan
For the Employees of Gregg County**

Year	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (1) (c)	Percentage of Covered Payroll ((b-a)/c)
2002	\$ 32,785,251	\$ 39,592,053	\$ 6,806,802	82.81%	\$ 14,725,732	46.22%
2003	35,363,831	41,689,547	6,325,716	84.83%	15,225,696	41.55%
2004	37,967,931	44,112,744	6,144,813	86.07%	15,425,452	39.84%

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

(2) Revised economic and demographic assumptions due to an experience review were reflected in this valuation.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Prior Period Adjustment

In prior years, interest expense relating to bonds payable was overstated and a capital lease was improperly recorded. Beginning net assets on the statement of activities have been restated to reflect this change.

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**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

GREGG COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005

	Special Revenue		
	Election Service Contract	County Clerk Records Management	Jail Lease Facility
ASSETS			
Cash and cash equivalents	\$ 31,396	\$ 115,447	\$ 131,600
Investments	-	150,566	-
Receivables (net of allowance for uncollectibles)			
Other governments	-	-	-
Accounts	88	3,771	11,897
Delinquent property taxes	-	-	-
Inventory - materials/supplies	-	-	-
Total assets	\$ 31,484	\$ 269,784	\$ 143,497
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 1,393	\$ 202
Accounts payable - other governments	-	-	-
Accrued liabilities	-	1,297	-
Deferred revenues	-	-	-
Due to other funds	-	-	-
Total liabilities	-	2,690	202
Fund balances:			
Reserved for inventory	-	-	-
Unreserved:			
Undesignated	31,484	267,094	143,295
Total fund balances	31,484	267,094	143,295
Total liabilities and fund balances	\$ 31,484	\$ 269,784	\$ 143,497

Special Revenue

<u>Law Library</u>	<u>Airport</u>	<u>Child Support Title IV-D 08/31/03</u>	<u>Sabine Valley Officer 08/31/05</u>	<u>Sabine Valley Officer 08/31/06</u>	<u>Violence Against Women Prosecution 08/31/05</u>	<u>Violence Against Women Prosecution 08/31/06</u>	<u>County Wide Records Management</u>
\$ 141,678	\$ 139,890	\$ 22,578	\$ 3,479	\$ -	\$ -	\$ 1,225	\$ 127,602
-	453,720	-	-	-	-	-	-
-	-	-	-	-	-	6,985	-
12,219	37,205	-	1,478	8,338	-	-	5,358
-	45,922	-	-	-	-	-	-
-	5,509	-	-	-	-	-	-
<u>\$ 153,897</u>	<u>\$ 682,246</u>	<u>\$ 22,578</u>	<u>\$ 4,957</u>	<u>\$ 8,338</u>	<u>\$ -</u>	<u>\$ 8,210</u>	<u>\$ 132,960</u>
\$ 2,433	\$ 111,957	\$ 188	\$ 2,026	\$ -	\$ -	\$ 1,225	\$ 730
-	3,078	-	-	-	-	-	-
184	15,307	272	2,931	-	-	1,771	369
10,584	44,449	22,118	-	3,036	-	-	2,472
-	-	-	-	5,302	-	5,214	-
<u>13,201</u>	<u>174,791</u>	<u>22,578</u>	<u>4,957</u>	<u>8,338</u>	<u>-</u>	<u>8,210</u>	<u>3,571</u>
-	5,509	-	-	-	-	-	-
<u>140,696</u>	<u>501,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,389</u>
<u>140,696</u>	<u>507,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,389</u>
<u>\$ 153,897</u>	<u>\$ 682,246</u>	<u>\$ 22,578</u>	<u>\$ 4,957</u>	<u>\$ 8,338</u>	<u>\$ -</u>	<u>\$ 8,210</u>	<u>\$ 132,960</u>

(continued)

GREGG COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2005

	Special Revenue		
	Security	TNRCC-SEP Project 07/31/05	Bioterrorism Grant - TDH 08/31/05
ASSETS			
Cash and cash equivalents	\$ 29,037	\$ 20,900	\$ -
Investments	-	-	-
Receivables (net of allowance for uncollectibles)			
Other governments	-	-	46,554
Accounts	4,543	-	-
Delinquent property taxes	-	-	-
Inventory - materials/supplies	-	-	-
	-	-	-
Total assets	<u>\$ 33,580</u>	<u>\$ 20,900</u>	<u>\$ 46,554</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,225	\$ 20,725	\$ 25,955
Accounts payable - other governments	-	175	-
Accrued liabilities	2,640	-	-
Deferred revenues	2,874	-	-
Due to other funds	-	-	20,599
Total liabilities	<u>7,739</u>	<u>20,900</u>	<u>46,554</u>
Fund balances:			
Reserved for inventory	-	-	-
Unreserved:			
Undesignated	25,841	-	-
Total fund balances	<u>25,841</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 33,580</u>	<u>\$ 20,900</u>	<u>\$ 46,554</u>

Special Revenue

Bioterrorism Grant - TDH 08/31/06	LEOSE	Justice Court Technology	District Clerk Records Management	County Clerk Criminal Records Management	FEMA Reimbursement	Sheriff Asset and Forfeiture
\$ 1,660	\$ 21,792	\$ 24,602	\$ 19,478	\$ 17	\$ -	\$ 34,663
-	-	-	-	-	-	-
10,459	-	-	-	-	61,575	-
-	64	673	348	18	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 12,119</u>	<u>\$ 21,856</u>	<u>\$ 25,275</u>	<u>\$ 19,826</u>	<u>\$ 35</u>	<u>\$ 61,575</u>	<u>\$ 34,663</u>
\$ 2,441	\$ 21,856	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
2,401	-	-	-	-	-	-
-	-	192	-	-	-	-
7,277	-	-	-	-	61,575	-
<u>12,119</u>	<u>21,856</u>	<u>192</u>	<u>-</u>	<u>-</u>	<u>61,575</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	25,083	19,826	35	-	34,663
-	-	25,083	19,826	35	-	34,663
<u>\$ 12,119</u>	<u>\$ 21,856</u>	<u>\$ 25,275</u>	<u>\$ 19,826</u>	<u>\$ 35</u>	<u>\$ 61,575</u>	<u>\$ 34,663</u>

(continued)

GREGG COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2005

	Special Revenue		
	Sheriff Enforcement	Sheriff Inmate Welfare	Code Enforcement Awarded Forfeiture
ASSETS			
Cash and cash equivalents	\$ 6,653	\$ 144,863	\$ 483,868
Investments	-	-	-
Receivables (net of allowance for uncollectibles)			
Other governments	-	-	-
Accounts	-	-	-
Delinquent property taxes	-	-	-
Inventory - materials/supplies	-	-	-
Total assets	\$ 6,653	\$ 144,863	\$ 483,868
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accounts payable - other governments	-	-	-
Accrued liabilities	-	-	-
Deferred revenues	-	-	-
Due to other funds	-	-	3,808
Total liabilities	-	-	3,808
Fund balances:			
Reserved for inventory	-	-	-
Unreserved:			
Undesignated	6,653	144,863	480,060
Total fund balances	6,653	144,863	480,060
Total liabilities and fund balances	\$ 6,653	\$ 144,863	\$ 483,868

<u>Special Revenue</u>		<u>Capital Projects</u>				
<u>Code Federal Enforcement Account</u>	<u>District Attorney General</u>	<u>Airport Improvement</u>	<u>Longview Community Center Renovation</u>	<u>Industrial Airpark Improvement Fund</u>	<u>124th District Courtroom Renovation</u>	<u>Totals</u>
\$ 9,244	\$ 18,535	\$ 204,436	\$ 34,181	\$ 282,713	\$ 140,250	\$ 2,191,787
-	-	-	-	-	-	604,286
-	-	196,751	-	-	-	322,324
-	-	121	103	829	-	87,053
-	-	-	-	-	-	45,922
-	-	-	-	-	-	5,509
<u>\$ 9,244</u>	<u>\$ 18,535</u>	<u>\$ 401,308</u>	<u>\$ 34,284</u>	<u>\$ 283,542</u>	<u>\$ 140,250</u>	<u>\$ 3,256,881</u>
\$ -	\$ -	\$ 207,106	\$ -	\$ 5,594	\$ 1,654	\$ 407,710
-	-	-	-	-	-	3,253
-	-	-	-	-	-	27,172
-	-	-	-	-	-	85,725
-	<u>76,217</u>	-	-	-	-	179,992
-	<u>76,217</u>	<u>207,106</u>	-	<u>5,594</u>	<u>1,654</u>	<u>703,852</u>
-	-	-	-	-	-	5,509
<u>9,244</u>	<u>(57,682)</u>	<u>194,202</u>	<u>34,284</u>	<u>277,948</u>	<u>138,596</u>	<u>2,547,520</u>
<u>9,244</u>	<u>(57,682)</u>	<u>194,202</u>	<u>34,284</u>	<u>277,948</u>	<u>138,596</u>	<u>2,553,029</u>
<u>\$ 9,244</u>	<u>\$ 18,535</u>	<u>\$ 401,308</u>	<u>\$ 34,284</u>	<u>\$ 283,542</u>	<u>\$ 140,250</u>	<u>\$ 3,256,881</u>

GREGG COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Special Revenue		
	Election Service Contract	Records Management and Preservation	Jail Lease Facility
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	10,966	148,110	-
Interest	675	6,211	-
Rent and commissions	-	-	65,518
Miscellaneous	-	-	-
Total revenues	11,641	154,321	65,518
EXPENDITURES			
Current:			
General government	8,274	104,857	-
Judicial	-	-	-
Public safety	-	-	-
Health and human services	-	-	-
Public buildings	-	-	39,975
Transportation and roads	-	-	-
Capital projects	-	-	-
Total expenditures	8,274	104,857	39,975
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,367	49,464	25,543
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Sale of capital assets	-	-	-
Total other financing sources (uses)	-	-	-
NET CHANGE IN FUND BALANCES	3,367	49,464	25,543
FUND BALANCES, BEGINNING	28,117	217,630	117,752
FUND BALANCES, ENDING	\$ 31,484	\$ 267,094	\$ 143,295

Special Revenue

Law Library	Airport	Child Support Title IV-D 08/31/03	Sabine Valley Officer 08/31/05	Sabine Valley Officer 08/31/06	Violence Against Women Prosecution 08/31/05	Violence Against Women Prosecution 08/31/05	County Wide Records Management
\$ -	\$ 870,752	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	37,601	11,748	85,754	8,338	72,298	6,985	-
63,914	85,204	-	-	-	-	-	58,963
3,191	18,264	-	-	-	-	-	2,732
-	424,007	-	-	-	-	-	-
1,487	359	-	-	-	-	-	-
<u>68,592</u>	<u>1,436,187</u>	<u>11,748</u>	<u>85,754</u>	<u>8,338</u>	<u>72,298</u>	<u>6,985</u>	<u>61,695</u>
-	1,113,026	-	-	-	-	-	30,919
57,584	-	11,748	-	-	83,345	6,985	-
-	83,954	-	85,754	8,338	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>57,584</u>	<u>1,196,980</u>	<u>11,748</u>	<u>85,754</u>	<u>8,338</u>	<u>83,345</u>	<u>6,985</u>	<u>30,919</u>
<u>11,008</u>	<u>239,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,047)</u>	<u>-</u>	<u>30,776</u>
-	-	-	-	-	11,047	-	-
-	7,860	-	-	-	-	-	-
-	7,860	-	-	-	11,047	-	-
11,008	247,067	-	-	-	-	-	30,776
<u>129,688</u>	<u>260,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,613</u>
<u>\$ 140,696</u>	<u>\$ 507,455</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129,389</u>

(continued)

GREGG COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Special Revenue		
	Security	TNRCC-SEP Project 07/31/05	Community Gun Violence 12/31/04
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	20,725	17,853
Charges for services	77,268	-	-
Interest	268	-	-
Rent and commissions	-	-	-
Miscellaneous	-	-	-
Total revenues	77,536	20,725	17,853
EXPENDITURES			
Current:			
General government	-	-	-
Judicial	-	-	17,853
Public safety	130,425	-	-
Health and human services	-	20,725	-
Public buildings	-	-	-
Transportation and roads	-	-	-
Capital projects	-	-	-
Total expenditures	130,425	20,725	17,853
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(52,889)	-	-
OTHER FINANCING SOURCES (USES)			
Transfers in	66,000	-	-
Sale of capital assets	-	-	-
Total other financing sources (uses)	66,000	-	-
NET CHANGE IN FUND BALANCES	13,111	-	-
FUND BALANCES, BEGINNING	12,730	-	-
FUND BALANCES, ENDING	\$ 25,841	\$ -	\$ -

Special Revenue

Bioterrorism Grant - TDH 08/31/05	Bioterrorism Grant - TDH 08/31/05	Foster Care 05/31/04	SAMHSA Grant 09/30/04	State Homeland Security 04/30/05	Texas VINE Program 08/31/05	Law Enforcement Terrorism 11/30/05
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
180,017	10,459	14,358	114,682	153,667	10,783	29,337
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>180,017</u>	<u>10,459</u>	<u>14,358</u>	<u>114,682</u>	<u>153,667</u>	<u>10,783</u>	<u>29,337</u>
-	-	-	-	-	-	5,385
-	-	14,358	-	-	-	-
-	-	-	-	153,667	10,783	23,952
180,017	10,459	-	114,682	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>180,017</u>	<u>10,459</u>	<u>14,358</u>	<u>114,682</u>	<u>153,667</u>	<u>10,783</u>	<u>29,337</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

GREGG COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Special Revenue		
	State Homeland Grant II 11/30/05	Bulletproof Vest Program	Justice Court Technology
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	63,468	714	-
Charges for services	-	-	26,276
Interest	-	-	-
Rent and commissions	-	-	-
Miscellaneous	-	-	-
Total revenues	63,468	714	26,276
EXPENDITURES			
Current:			
General government	-	-	-
Judicial	-	-	8,923
Public safety	63,468	714	-
Health and human services	-	-	-
Public buildings	-	-	-
Transportation and roads	-	-	-
Capital projects	-	-	-
Total expenditures	63,468	714	8,923
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	17,353
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Sale of capital assets	-	-	-
Total other financing sources (uses)	-	-	-
NET CHANGE IN FUND BALANCES	-	-	17,353
FUND BALANCES, BEGINNING	-	-	7,730
FUND BALANCES, ENDING	\$ -	\$ -	\$ 25,083

Special Revenue

<u>District Clerk Records Management</u>	<u>County Clerk Criminal Records Management</u>	<u>FEMA Reimbursement</u>	<u>Sheriff Asset and Forfeiture</u>	<u>Sheriff Enforcement</u>	<u>Sheriff Inmate Welfare</u>	<u>Code Enforcement Awarded Forfeiture</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	61,575	-	-	-	-
11,224	35	-	-	-	-	-
347	-	-	-	-	-	728
-	-	-	-	-	-	-
-	-	-	20,194	18,298	125,883	97,730
<u>11,571</u>	<u>35</u>	<u>61,575</u>	<u>20,194</u>	<u>18,298</u>	<u>125,883</u>	<u>98,458</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	52,282	24,211	17,993	85,247	142,807
-	-	5,253	-	-	-	-
-	-	-	-	-	-	-
-	-	4,040	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>61,575</u>	<u>24,211</u>	<u>17,993</u>	<u>85,247</u>	<u>142,807</u>
<u>11,571</u>	<u>35</u>	<u>-</u>	<u>(4,017)</u>	<u>305</u>	<u>40,636</u>	<u>(44,349)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>11,571</u>	<u>35</u>	<u>-</u>	<u>(4,017)</u>	<u>305</u>	<u>40,636</u>	<u>(44,349)</u>
<u>8,255</u>	<u>-</u>	<u>-</u>	<u>38,680</u>	<u>6,348</u>	<u>104,227</u>	<u>524,409</u>
<u>\$ 19,826</u>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ 34,663</u>	<u>\$ 6,653</u>	<u>\$ 144,863</u>	<u>\$ 480,060</u>

(continued)

GREGG COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Special Revenue	
	Code Federal Enforcement Account	District Attorney General
REVENUES		
Taxes	\$ -	\$ -
Intergovernmental	-	110,601
Charges for services	-	136,446
Interest	24	-
Rent and commissions	-	-
Miscellaneous	<u>3,564</u>	<u>32,430</u>
Total revenues	<u>3,588</u>	<u>279,477</u>
EXPENDITURES		
Current:		
General government	-	-
Judicial	-	300,561
Public safety	956	-
Health and human services	-	-
Public buildings	-	-
Transportation and roads	-	-
Capital projects	<u>-</u>	<u>-</u>
Total expenditures	<u>956</u>	<u>300,561</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,632</u>	<u>(21,084)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Sale of capital assets	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	2,632	(21,084)
FUND BALANCES, BEGINNING	<u>6,612</u>	<u>(36,598)</u>
FUND BALANCES, ENDING	<u>\$ 9,244</u>	<u>\$ (57,682)</u>

Capital Projects

<u>Airport Improvement</u>	<u>Longview Community Center Renovation</u>	<u>Industrial Airpark Improvement Fund</u>	<u>124th District Courtroom Renovation</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ 870,752
838,455	-	-	-	1,849,418
62,032	-	-	-	680,438
3,704	930	2,629	-	39,703
-	-	-	-	489,525
-	-	-	-	299,945
<u>904,191</u>	<u>930</u>	<u>2,629</u>	<u>-</u>	<u>4,229,781</u>
-	-	-	-	1,262,461
-	-	-	-	501,357
-	-	-	-	884,551
-	-	-	-	331,136
-	-	-	-	39,975
-	-	-	-	4,040
<u>892,523</u>	<u>16,646</u>	<u>24,681</u>	<u>1,904</u>	<u>935,754</u>
<u>892,523</u>	<u>16,646</u>	<u>24,681</u>	<u>1,904</u>	<u>3,959,274</u>
<u>11,668</u>	<u>(15,716)</u>	<u>(22,052)</u>	<u>(1,904)</u>	<u>270,507</u>
-	50,000	300,000	140,500	567,547
-	-	-	-	7,860
-	<u>50,000</u>	<u>300,000</u>	<u>140,500</u>	<u>575,407</u>
11,668	34,284	277,948	138,596	845,914
<u>182,534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,707,115</u>
<u>\$ 194,202</u>	<u>\$ 34,284</u>	<u>\$ 277,948</u>	<u>\$ 138,596</u>	<u>\$ 2,553,029</u>

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INTERNAL SERVICE FUNDS

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GREGG COUNTY, TEXAS

COMBINING STATEMENT OF NET ASSETS

INTERNAL SERVICE FUNDS

SEPTEMBER 30, 2005

	<u>Print Shop</u>	<u>Self- Insurance</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 36,633	\$ 45,904	\$ 82,537
Investments	-	1,161,560	1,161,560
Interest receivable	89	12,977	13,066
Accounts receivable, net of allowance	270	99,584	99,854
Inventory	<u>8,972</u>	<u>-</u>	<u>8,972</u>
Total current assets	<u>45,964</u>	<u>1,320,025</u>	<u>1,365,989</u>
Noncurrent assets:			
Capital assets:			
Equipment	16,000	-	16,000
Less accumulated depreciation	<u>(12,000)</u>	<u>-</u>	<u>(12,000)</u>
Total capital assets	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Total noncurrent assets	<u>4,000</u>	<u>-</u>	<u>4,000</u>
Total assets	<u>49,964</u>	<u>1,320,025</u>	<u>1,369,989</u>
LIABILITIES			
Current liabilities:			
Accounts payable	<u>779</u>	<u>272,511</u>	<u>273,290</u>
Total liabilities	<u>779</u>	<u>272,511</u>	<u>273,290</u>
NET ASSETS			
Invested in capital assets	4,000	-	4,000
Unrestricted	<u>45,185</u>	<u>1,047,514</u>	<u>1,092,699</u>
Total net assets	<u>\$ 49,185</u>	<u>\$ 1,047,514</u>	<u>\$ 1,096,699</u>

GREGG COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND NET ASSETS**

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Print Shop</u>	<u>Self- Insurance</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 50,866	\$ 3,114,032	\$ 3,164,898
Total operating revenues	<u>50,866</u>	<u>3,114,032</u>	<u>3,164,898</u>
OPERATING EXPENSES			
Supplies	33,134	-	33,134
Copying machine	9,854	-	9,854
Repairs and maintenance service	30	-	30
Claim expenses	-	2,224,391	2,224,391
Administrative	-	493,705	493,705
Depreciation	<u>3,200</u>	<u>-</u>	<u>3,200</u>
Total operating expenses	<u>46,218</u>	<u>2,718,096</u>	<u>2,764,314</u>
OPERATING INCOME	4,648	395,936	400,584
NONOPERATING REVENUES			
Investment earnings	<u>635</u>	<u>44,389</u>	<u>45,024</u>
INCOME BEFORE TRANSFERS	5,283	440,325	445,608
TRANSFERS IN	<u>1,500</u>	<u>-</u>	<u>1,500</u>
CHANGE IN NET ASSETS	6,783	440,325	447,108
TOTAL NET ASSETS, BEGINNING	<u>42,402</u>	<u>607,189</u>	<u>649,591</u>
TOTAL NET ASSETS, ENDING	\$ <u>49,185</u>	\$ <u>1,047,514</u>	\$ <u>1,096,699</u>

GREGG COUNTY, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	<u>Print Shop</u>	<u>Self- Insurance</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from interfund services	\$ 50,816	\$ 3,009,224	\$ 3,060,040
Cash paid to suppliers for goods and services	(35,624)	(2,880,903)	(2,916,527)
Net cash provided by operating activities	<u>15,192</u>	<u>128,321</u>	<u>143,513</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Net cash flows provided by noncapital financing activities	<u>1,500</u>	<u>-</u>	<u>1,500</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturities of investments	-	646,954	646,954
Purchase of investments	-	(1,796,954)	(1,796,954)
Investment earnings	<u>565</u>	<u>20,785</u>	<u>21,350</u>
Net cash flows provided (used) by investing activities	<u>565</u>	<u>(1,129,215)</u>	<u>(1,128,650)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	17,257	(1,000,894)	(983,637)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>19,376</u>	<u>1,046,798</u>	<u>1,066,174</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 36,633</u>	<u>\$ 45,904</u>	<u>\$ 82,537</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income	\$ 4,648	\$ 395,936	\$ 400,584
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	3,200	-	3,200
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Inventory	6,834	-	6,834
Accounts receivable	(6)	(98,951)	(98,957)
Increase (decrease) in liabilities:			
Accounts payable	<u>516</u>	<u>(168,664)</u>	<u>(168,148)</u>
Net cash provided by operating activities	<u>\$ 15,192</u>	<u>\$ 128,321</u>	<u>\$ 143,513</u>

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AGENCY FUNDS

GREGG COUNTY, TEXAS

AGENCY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

SEPTEMBER 30, 2005

	<u>Tax Assessor- Collector</u>	<u>County Clerk</u>	<u>District Clerk</u>	<u>Sheriff</u>
ASSETS				
Cash	\$ 1,694,040	\$ 284,571	\$ 686,561	\$ 241,047
Investments	<u>-</u>	<u>331,370</u>	<u>2,698,148</u>	<u>-</u>
Total assets	\$ <u>1,694,040</u>	\$ <u>615,941</u>	\$ <u>3,384,709</u>	\$ <u>241,047</u>
LIABILITIES				
Due to others	\$ <u>1,694,040</u>	\$ <u>615,941</u>	\$ <u>3,384,709</u>	\$ <u>241,047</u>
Total liabilities	\$ <u>1,694,040</u>	\$ <u>615,941</u>	\$ <u>3,384,709</u>	\$ <u>241,047</u>

<u>District Attorney</u>	<u>Code Forfeiture Pending</u>	<u>State Fees</u>	<u>Local Emergency Planning</u>	<u>Gregg/ Harrison First Call Warning</u>	<u>Totals</u>
\$ 160,155	\$ 23,414	\$ 242,873	\$ 1,500	\$ 34,680	\$ 3,368,841
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,029,518</u>
\$ <u>160,155</u>	\$ <u>23,414</u>	\$ <u>242,873</u>	\$ <u>1,500</u>	\$ <u>34,680</u>	\$ <u>6,398,359</u>
\$ <u>160,155</u>	\$ <u>23,414</u>	\$ <u>242,873</u>	\$ <u>1,500</u>	\$ <u>34,680</u>	\$ <u>6,398,359</u>
\$ <u>160,155</u>	\$ <u>23,414</u>	\$ <u>242,873</u>	\$ <u>1,500</u>	\$ <u>34,680</u>	\$ <u>6,398,359</u>

GREGG COUNTY, TEXAS

AGENCY FUNDS

COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2005

<u>Office and Fund</u>	<u>Cash and Investments October 1</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments September 30</u>
Tax assessor-collector	\$ 1,719,801	\$ 147,249,269	\$ 147,275,030	\$ 1,694,040
County clerk	645,584	1,925,541	1,955,184	615,941
District clerk	3,188,671	3,461,715	3,265,677	3,384,709
Sheriff	165,012	2,067,448	1,991,413	241,047
District attorney	172,430	1,176,249	1,188,524	160,155
Code forfeiture pending	104,493	34,128	115,207	23,414
State fees	275,689	1,023,975	1,056,791	242,873
Local emergency planning	1,500	-	-	1,500
Gregg/Harrison first call warning	17,040	33,620	15,980	34,680
Juvenile probation	165,566	3,742,377	3,907,943	-
	<u>\$ 6,455,786</u>	<u>\$ 160,714,322</u>	<u>\$ 160,771,749</u>	<u>\$ 6,398,359</u>

COMPLIANCE SECTION

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PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable County Judge and
Commissioners' Court
Gregg County, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gregg County, Texas, as of and for the year ended September 30, 2005, which collectively comprise Gregg County, Texas' basic financial statements and have issued our report thereon dated February 10, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the County in a separate letter dated February 10, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Commissioners' Court, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pattillo, Brown & Hill, L.L.P.

February 10, 2006



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

To the Honorable County Judge and
Commissioners' Court
Gregg County, Texas

Compliance

We have audited the compliance of Gregg County, Texas, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. Gregg County, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Gregg County, Texas' management. Our responsibility is to express an opinion on Gregg County, Texas' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "*Audits of States, Local Governments and Nonprofit Organizations*." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Gregg County, Texas' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Gregg County, Texas' compliance with those requirements.

In our opinion, Gregg County, Texas complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

The management of Gregg County, Texas, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Gregg County, Texas' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be a material weakness.

This report is intended solely for the information of the Commissioners' Court, management and federal cognizant agency, and is not intended to be and should not be used by anyone other than these specified parties.

Pattillo, Brown & Hill, L.L.P.

February 10, 2006

GREGG COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2005

Pass-through Grantor's Number	Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Total Expenditures
<u>U. S. Department of Justice</u>			
Passed through the Criminal Justice Council:			
N/A	DEA Overtime Grant	16.527	\$ 14,666
WF-04-V30-13450-07	Violence Against Women	16.588	72,299
WF-05-V30-13450-08	Violence Against Women	16.588	6,985
2002-GP-CX-0168	Community Gun Violence Prosecution	16.609	<u>17,853</u>
	Total Passed through the Criminal Justice Council		<u>111,803</u>
Passed through the Bureau of Justice Assistance:			
N/A	Bulletproof Vest Program	16.607	<u>714</u>
	Total Passed through the Bureau of Justice Assistance		<u>714</u>
	Total U. S. Department of Justice		<u>112,517</u>
<u>U. S. Department of Transportation</u>			
Passed through Federal Aviation Administration:			
3-48-0137-22-02	Airport Development Projects	20.106	<u>838,455</u>
	Total U. S. Department of Transportation		<u>838,455</u>
<u>U. S. Department of Health and Human Services</u>			
Passed through Texas Department of Protective and Regulatory Services:			
4H79TI12798-03-01	SAMHSA	93.230	114,682
7560009718-2005	OPHP/Bioterrorism	93.283	180,017
7560009718-2006	OPHP/Bioterrorism	93.283	<u>10,459</u>
	Total U. S. Department of Health and Human Services		<u>305,158</u>
<u>U. S. Department of Homeland Security</u>			
Passed through Texas Engineering Extension Service:			
2003 II 48183	State Homeland Security Grant program	97.004	153,667
2004 LETPP - 48183	State Homeland Security Grant program	97.004	29,337
2004 SHSP - 48183	State Homeland Security Grant program	97.004	<u>63,468</u>
	Total Passed through the Texas Engineering and Extension Service		<u>246,472</u>
Passed through Federal Emergency Management Agency:			
N/A	Hurricane Rita	97.036	<u>61,575</u>
	Total Passed through Federal Emergency Management Agency		<u>61,575</u>
	Total U. S. Department of Homeland Security		<u>308,047</u>
	Total Federal Awards		<u>\$ 1,564,177</u>

GREGG COUNTY, TEXAS

NOTES TO GRANT FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

1. GENERAL

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards programs of Gregg County. The County's reporting entity is defined in Note 1 of the financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the financial statements.

GREGG COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2005

Summary of Auditors' Results

Type of report on financial statements	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported
Internal control over major programs: Material weakness(es) identified?	No
Reportable condition(s) identified that are not considered to be material weakness(es)?	None reported
Noncompliance which is material to the basic financial statements	None
Type of report on compliance with major programs	Unqualified
Findings and questioned costs for federal awards as defined in Section 501(a), OMB Circular A-133	None
Dollar threshold considered between Type A and Type B federal programs	\$300,000
Low risk auditee statement	The County was classified as a low-risk auditee in the context of OMB Circular A-133
Major federal program	Airport Development, CFDA #20.106

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Auditing Standards

None

Findings and Questioned Costs for Federal Awards

None

GREGG COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

None