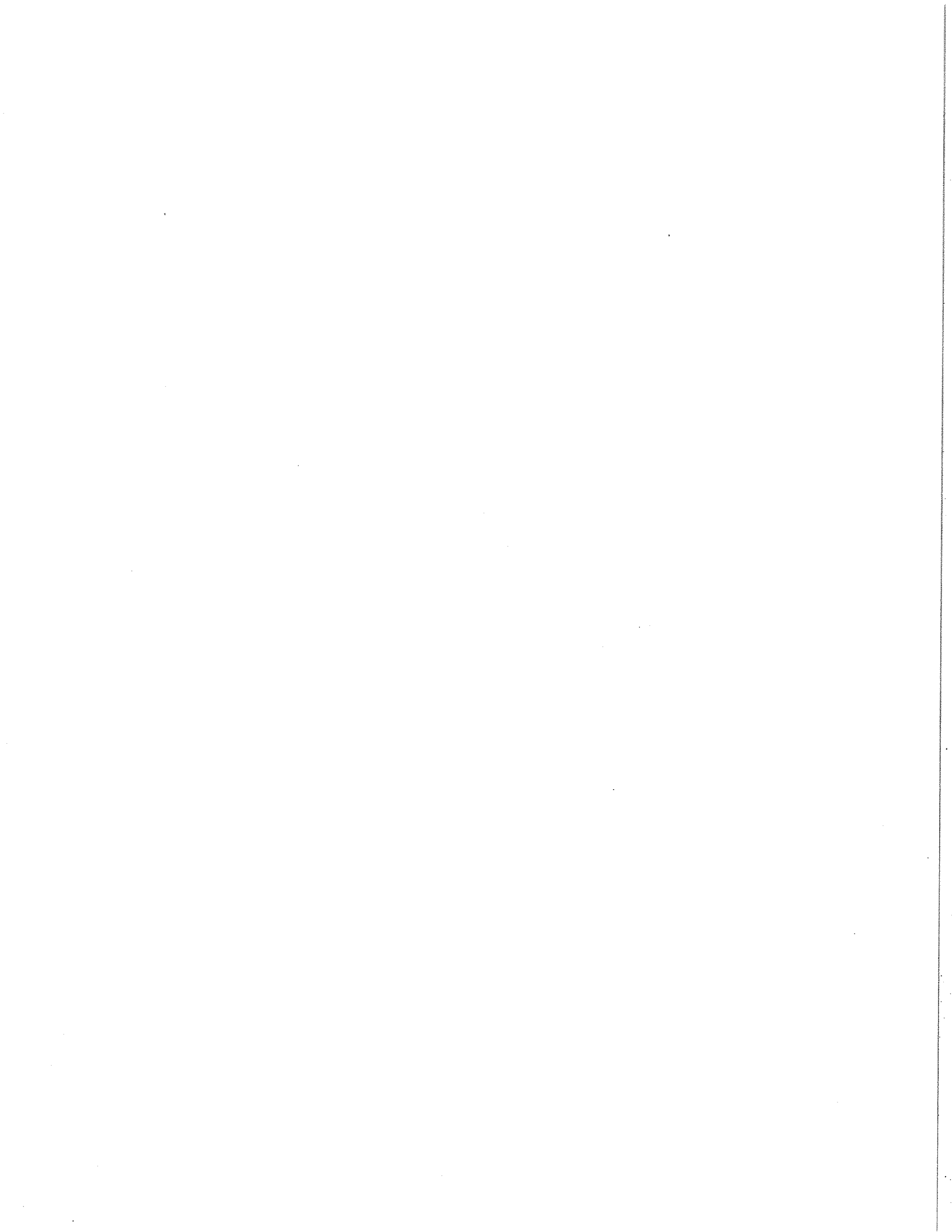


GREGG COUNTY, TEXAS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
SEPTEMBER 30, 2006



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, 2006, 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, the County's organizational chart 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 1997 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 auditors' 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, 2006, 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 past economic downturns. 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 that 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. For 2006, gas production increased in the area and due to the rising price of oil, mineral values have increased since FY05. Declines are expected again in oil and gas mineral values in the future. Property values have risen to the current \$6.55 billion.

The 2000 census for the county was 111,379, an increase of 6.13% since 1990. Estimated population for 2005 is 115,649. Gregg County Gross Sales all industries for 2005 totaled \$7.3 billion. The latest median family income per household available is \$37,002 (2003).

Unemployment Rates

	November 2006	November 2005	November 2004
Gregg County	4.6%	4.8%	6.3%
State of Texas	4.7%	5.2%	5.9%
United States	5.0%	4.8%	5.2%

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 provided 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 2006 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 1997 and OMB Circular A-133. The auditors' report on the basic financial statements is included in the financial section of this report. The auditors' 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. Thank you for the dedication you continue to show the County and for your efforts not only in making this report possible, but in the daily job you do for Gregg County.

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 Robin Sage, Alvin Khoury and David Brabham, County Judge Bill Stoudt and the members of the 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, 2006

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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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, 2006, 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 and the aggregate remaining fund information of Gregg County, Texas as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Road and Bridge Special Revenue Fund and Health Care Special Revenue Fund 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 March 2, 2007, 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 and combining 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 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.

Patillo, Brown & Hill, L.L.P.

March 2, 2007

**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, 2006. This is the fourth 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 2006 by \$62,058,436 (*net assets*). Of this amount, \$28,845,812 (*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 \$14,043,992 primarily due to fund balance increases. Infrastructure improvements related to capital grants and contributions, increased charges for services, increased property tax collections and increased interest earnings all accounted for these fund balance increases.
- As of September 30, 2006, Gregg County's governmental funds reported combined ending fund balances of \$25,958,399, an increase of \$9,273,724 or 55.58% in comparison with the prior year. \$25,696,480 is available for spending at the government's discretion (unreserved fund balance).
- At the end of fiscal year 2006, total fund balance for the General Fund was \$18,352,530 or 75.6% of total General Fund expenditures, compared to 42.40% last year.
- Gregg County's outstanding bonds payable decreased by \$857,021 (33.49%) during fiscal year 2006. Gregg County's total outstanding debt related to bonds at the end of fiscal year 2006 is \$1,709,292. This debt will be totally extinguished on March 1, 2008.
- On Gregg County's Statement of Activities, Transportation and Roads expenditures increased by \$778,827 or 21.52%. Public Safety expenditures increased by \$1,238,397 or 14.42%.
- Capital Grants and Contributions increased by \$2,291,656 over FY 2005. This was primarily due to FAA contributions for an apron rehab and the runway/taxiway/drainage rehab at the Airport.

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 43 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 39 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 – 18 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 – 59 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 60 – 81 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 \$62,058,436 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 53.36% 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	
	2006	2005
Current and other assets	\$ 31,816,215	\$ 21,826,451
Capital assets	34,822,672	31,531,559
Total assets	66,638,887	53,358,010
Long-term liabilities	1,363,918	2,197,794
Other liabilities	3,216,533	3,145,772
Total liabilities	4,580,451	5,343,566
Net assets:		
Invested in capital assets, net of related debt	33,113,380	28,958,344
Restricted	99,244	722,587
Unrestricted	28,845,812	18,333,513
Total net assets	\$ 62,058,436	\$ 48,014,444

An additional portion of Gregg County's net assets (.16%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$28,845,812 (46.5%) 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 three fiscal years.

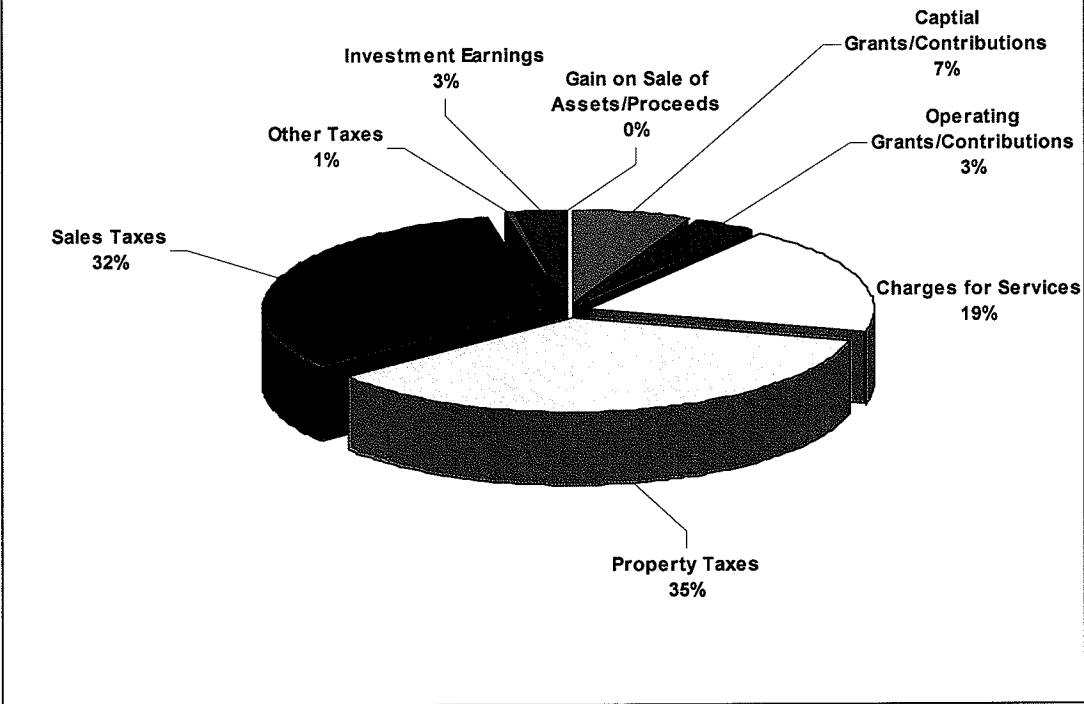
Governmental Activities: Governmental activities increased Gregg County's net assets by \$14,043,992 thereby accounting for a gain of 29.22% of the total net assets of Gregg County. As a comparison to last year, net assets increased by 18.95% in FY 2005.

Gregg County's Changes in Net Assets

Governmental Activities

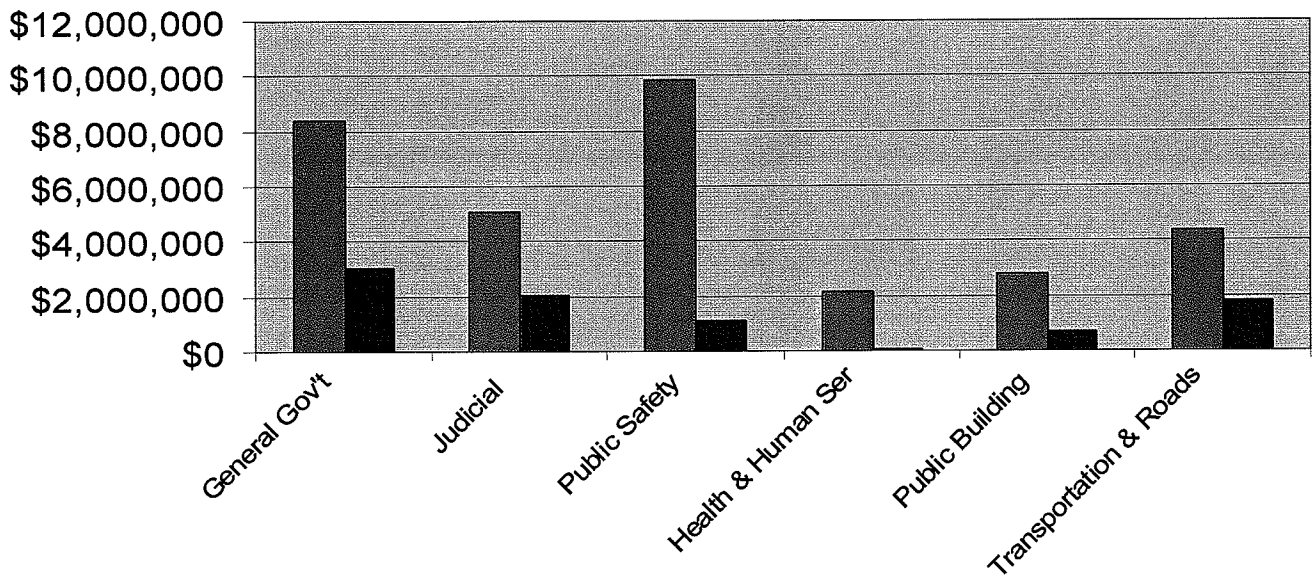
	Governmental Activities	
	2006	2005
REVENUES		
Program revenues		
Charges for services	\$ 8,772,649	\$ 7,902,724
Operating grants and contributions	1,619,853	1,151,503
Capital grants and contributions	3,130,111	838,455
General revenues		
Property taxes	16,553,242	15,193,252
Sales tax	15,060,036	11,854,879
Other taxes	257,967	229,112
Investment earnings	1,291,587	557,393
Miscellaneous	26,880	(89,785)
Total revenues	46,712,325	37,637,533
EXPENSES		
General government	8,390,812	7,878,307
Judicial	5,081,639	4,761,461
Public safety	9,828,994	8,590,597
Health and human services	2,154,018	2,481,293
Public buildings	2,767,706	2,507,921
Transportation and roads	4,397,210	3,618,383
Interest on long-term debt	47,954	148,683
Total expenses	32,668,333	29,986,645
CHANGE IN NET ASSETS	14,043,992	7,650,888
NET ASSETS, BEGINNING	48,014,444	39,343,377
PRIOR PERIOD ADJUSTMENT	-	1,020,179
NET ASSETS, BEGINNING AS RESTATED	48,014,444	40,363,556
NET ASSETS, ENDING	\$ 62,058,436	\$ 48,014,444

Revenue Source FY 2006



Expenses and Charges for Services - Governmental Activities

■ Expenses ■ Charges for Services



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 2006, Gregg County's *governmental funds* reported combined ending fund balances of \$25,958,399, an increase of \$9,273,724 in comparison with the prior year. Approximately 94% 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 (\$99,244); 2) to fund capital projects (\$1,190,478); 3) to reflect inventories (\$97,220); and 4) for other restricted purposes (\$65,879).

The General Fund is the chief operating fund of Gregg County. At the end of fiscal year 2006, the General Fund had an ending fund balance of \$18,352,530 with less than 1% reserved as prepaid items. This is an increase of 92.23% over the 2005 ending fund balance. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 75.37% of total General Fund expenditures.

The fund balance of Gregg County's General Fund increased by \$8,805,431 during 2006. This increase is primarily from:

- Actual sales tax increased by 17.22% or \$2,042,198 over the prior year due to increased retail sales in the County. An additional accrual was necessary in the amount of \$1,162,959 due to the implementation of accrual of sales tax making the total adjusted increase \$3,205,157.
- Ad valorem tax revenue increased by 13.69% or \$1,454,909 during the year.
- Investment earnings increased by 166.10%, or \$543,198 from the prior year due to increased levels of cash available for investments and an increase in the interest rate.
- Charges for services in fiscal year 2006 increased by \$559,768 (18.51%) mostly due to increases in fees but also due to increased activity.

The Road and Bridge Fund had an ending fund balance of \$1,718,663, a net increase of \$149,929 (9.55%) of which \$91,145 is reserved for inventories and other uses.

The Health Care Fund reported an increase of \$177,103 (7.72%) for an ending fund balance of \$2,470,329.

At year-end, the Debt Service Fund had a fund balance of \$99,244, 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 \$79,399 in expenditure appropriations; and
- \$249,323 increase in budgeted operating transfers to other funds mostly due to the following: additional security officer, purchase of airport fire truck, non-road and bridgework and grant matches.

Actual revenues exceeded final budgeted revenues by \$6,478,948. This is due to large sales tax receipts, increased fees, and investment interest increase while actual expenditures were under the final budgeted expenditure amount by \$1,103,178.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: Gregg County's investment in capital assets for its governmental activities as of September 30, 2006, amount to \$34,822,672 (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)

	2006	2005
Land	\$ 1,300,308	\$ 1,300,308
Construction in progress	4,733,291	969,258
Buildings and improvements	36,149,072	22,200,164
Infrastructure	7,371,133	6,012,181
Machinery, equipment and other assets	11,293,532	1,049,648
Less: accumulated depreciation	(26,024,664)	-
Total	\$ 34,822,672	\$ 31,531,559

The County had the following major additions to capital assets:

Sheriff - vehicles (17)	\$ 296,103
Road and bridge - equipment	217,739
Airport - equipment	290,699

Major additions to infrastructure:

Airport improvements:	
Rehab GA Apron Phase 2	\$ 1,410,265
Runway/Taxiway/Drainage Rehab	471,881

Gregg County adopted a new Capital Assets 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. This is the third year of reporting under GASB 34 requirements, and infrastructure valuation includes only airport infrastructure improvements and any roads and bridges built in FY2003 through FY2006. 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 page 54 of this report.

Long-term Debt: At the end of fiscal year 2006, Gregg County had total debt outstanding of \$2,223,918, which includes \$1,720,000, less deferred amounts of \$10,708, in outstanding bonds. Accrued compensated absences of \$514,626 comprise the remaining debt balance.

The County's overall debt decreased by \$871,298 over the prior year.

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

- Relatively stable property tax base with a possible decline in mineral values.
- Anticipate continued favorable debt position. In 2006, the debt position of the County continued to improve. The final payment of current bonded indebtedness is scheduled for FY 2008.
- The General Fund posted a net increase in fund balance for the second time in two years. The increase in 2006 is mainly due to increased revenue in sales tax, property tax, interest rate increases, and charges for services. The reduction in General Fund balances for the four prior audited fiscal years (2001 – 2004) was due to state mandates, increasing health care costs, decline in interest rates and several one-time capital improvements/purchases that required County officials to examine its tax rate in FY 2005. The \$.2800 tax rate is suitable to fund expected expenses into FY 2007 and FY 2008.
- Current reserves are sufficient for near-term contingencies.
- Total budgeted revenue for fiscal year 2007 is \$42,783,199, and the estimated total budgeted expenditures are \$41,996,441. Additionally, other financing sources are budgeted at \$2,459,748 and other financing uses are budgeted at \$2,508,418 for a net increase in fund balances of \$738,088. The bulk of the other financing uses are \$2,004,748 for a major computer upgrade project. The tax rate is to remain the same at \$.2800.
- Additional state mandates continue to be a concern for County officials and promote the concept of continued strong fund balance in 2007.
- Interest earnings are expected to continue with the level of cash balances and stable interest rates for FY 2007.

All of these factors were considered in preparing Gregg County's budget for the 2007 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, 2006

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 4,630,372
Investments	21,404,013
Receivables (net of allowances for uncollectibles)	
Due from other governments	2,717,359
Accounts	2,097,587
Taxes	795,308
Inventory	106,121
Prepays	65,455
Capital assets (net of accumulated depreciation)	
Land	1,300,308
Buildings and improvements	36,149,072
Equipment	11,293,532
Infrastructure	7,371,133
Construction work in progress	4,733,291
Less: accumulated depreciation	<u>(26,024,664)</u>
Total capital assets	<u>34,822,672</u>
Total assets	<u>66,638,887</u>
LIABILITIES	
Accounts payable	1,647,296
Accounts payable - other governments	32,882
Accrued liabilities	673,584
Accrued interest	2,771
Noncurrent liabilities:	
Due within one year	860,000
Due within more than one year	<u>1,363,918</u>
Total liabilities	<u>4,580,451</u>
NET ASSETS	
Invested in capital assets, net of related debt	33,113,380
Restricted for debt service	99,244
Unrestricted	<u>28,845,812</u>
Total net assets	<u>\$ 62,058,436</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, 2006

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	\$ 8,390,812	\$ 3,040,048	\$ 597,844	\$ 3,130,111	\$(1,622,809)
Judicial	5,081,639	2,037,259	310,034	-	(2,734,346)
Public safety	9,828,994	1,125,363	175,546	-	(8,528,085)
Health and human services	2,154,018	30,844	496,851	-	(1,626,323)
Public buildings	2,767,706	723,396	-	-	(2,044,310)
Transportation and roads	4,397,210	1,815,739	39,578	-	(2,541,893)
Interest on long-term debt	47,954	-	-	-	(47,954)
 Total primary government	 \$ <u>32,668,333</u>	 \$ <u>8,772,649</u>	 \$ <u>1,619,853</u>	 \$ <u>3,130,111</u>	 (<u>19,145,720</u>)
 General revenues:					
Taxes:					
Property taxes					16,553,242
Sales taxes					15,060,036
Alcoholic beverage taxes					174,379
Other taxes					83,588
Unrestricted investment earnings					1,291,587
Gain on sale of assets					17,638
Gain on insurance proceeds					9,242
Total general revenues and extraordinary items					<u>33,189,712</u>
Change in net assets					14,043,992
Net assets, beginning					<u>48,014,444</u>
Net assets, ending					<u>\$ 62,058,436</u>

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

GREGG COUNTY, TEXAS

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2006

	General	Road and Bridge	Health Care
ASSETS			
Cash and cash equivalents	\$ 1,163,144	\$ 359,865	\$ 48,068
Investments	15,239,881	1,382,456	2,401,984
Receivables (net of allowance for uncollectibles)			
Other governments	2,323,518	6,323	-
Accounts	1,199,319	655,516	20,277
Delinquent property taxes	591,629	54,797	-
Due from other funds	128,206	-	-
Inventory - materials/supplies	-	90,721	-
Prepays	65,455	-	-
	<u>\$ 20,711,152</u>	<u>\$ 2,549,678</u>	<u>\$ 2,470,329</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 663,601	\$ 147,917	\$ -
Accounts payable - other governments	27,198	1,220	-
Accrued liabilities	556,734	71,452	-
Deferred revenues	1,111,089	610,426	-
Due to other funds	-	-	-
	<u>2,358,622</u>	<u>831,015</u>	<u>-</u>
Fund balances:			
Reserved for:			
Debt service	-	-	-
Inventory	-	90,721	-
Prepays	65,455	-	-
Unreserved, reported in:			
General fund	18,287,075	-	-
Special revenue funds			
Designated for general fund projects	-	424	-
Undesignated	-	1,627,518	2,470,329
Capital projects funds	-	-	-
	<u>18,352,530</u>	<u>1,718,663</u>	<u>2,470,329</u>
	<u>\$ 20,711,152</u>	<u>\$ 2,549,678</u>	<u>\$ 2,470,329</u>

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.

Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 91,458	\$ 2,784,209	\$ 4,446,744
-	805,045	19,829,366
-	387,413	2,717,254
448	114,002	1,989,562
46,844	102,038	795,308
-	-	128,206
-	6,499	97,220
-	-	65,455
<u>\$ 138,750</u>	<u>\$ 4,199,206</u>	<u>\$ 30,069,115</u>
\$ -	\$ 595,914	\$ 1,407,432
-	4,464	32,882
-	45,398	673,584
39,506	107,591	1,868,612
-	128,206	128,206
<u>39,506</u>	<u>881,573</u>	<u>4,110,716</u>
99,244	-	99,244
-	6,499	97,220
-	-	65,455
-	-	18,287,075
-	-	424
-	2,120,656	6,218,503
-	1,190,478	1,190,478
<u>99,244</u>	<u>3,317,633</u>	<u>25,958,399</u>
<u>\$ 138,750</u>	<u>\$ 4,199,206</u>	
		34,814,317
		1,868,612
		1,643,797
		(2,226,689)
		<u>\$ 62,058,436</u>

GREGG COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	General	Road and Bridge	Health Care
REVENUES			
Taxes:			
Current property taxes	\$ 12,084,281	\$ 1,120,195	\$ -
Delinquent property taxes	311,810	24,683	-
Alcoholic beverage tax	174,379	-	-
Bingo tax	83,588	-	-
Sales tax	13,674,324	-	-
Motor vehicle sales tax	-	1,385,712	-
Licenses and permits	72,434	1,196,323	-
Intergovernmental	571,172	39,578	95,155
Charges for services	3,584,299	11,244	-
Fines and forfeitures	567,806	562,539	-
Investment earnings	870,223	95,260	101,948
Rents and commissions	249,325	-	-
Miscellaneous	547,458	2,847	-
Total revenues	32,791,099	4,438,381	197,103
EXPENDITURES			
Current:			
General government	6,421,810	-	-
Judicial	4,793,520	-	-
Public safety	9,031,075	-	-
Health and human services	1,927,467	-	20,000
Public buildings	2,072,082	-	-
Transportation and roads	-	4,407,279	-
Debt service:			
Principal	14,277	-	-
Interest and fiscal charges	705	-	-
Capital outlay	-	-	-
Total expenditures	24,260,936	4,407,279	20,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8,530,163	31,102	177,103
OTHER FINANCING SOURCES (USES)			
Transfers in	734,580	118,653	-
Transfers out	(511,723)	-	-
Sale of capital assets	43,169	174	-
Insurance proceeds	9,242	-	-
Total other financing sources (uses)	275,268	118,827	-
NET CHANGE IN FUND BALANCES	8,805,431	149,929	177,103
FUND BALANCES, BEGINNING	9,547,099	1,568,734	2,293,226
FUND BALANCES, ENDING	\$ 18,352,530	\$ 1,718,663	\$ 2,470,329

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>
\$ 962,852	\$ 2,093,365	\$ 16,260,693
1,018	20,446	357,957
-	-	174,379
-	-	83,588
-	-	13,674,324
-	-	1,385,712
-	-	1,268,757
-	4,470,411	5,176,316
-	692,429	4,287,972
-	-	1,130,345
9,639	141,549	1,218,619
-	405,613	654,938
-	300,946	851,251
<u>973,509</u>	<u>8,124,759</u>	<u>46,524,851</u>
-	1,658,091	8,079,901
-	390,809	5,184,329
-	1,252,101	10,283,176
-	235,319	2,182,786
-	69,840	2,141,922
-	15,277	4,422,556
855,000	-	869,277
43,273	-	43,978
-	4,097,017	4,097,017
<u>898,273</u>	<u>7,718,454</u>	<u>37,304,942</u>
<u>75,236</u>	<u>406,305</u>	<u>9,219,909</u>
-	948,221	1,801,454
(698,579)	(591,152)	(1,801,454)
-	1,230	44,573
-	-	9,242
<u>(698,579)</u>	<u>358,299</u>	<u>53,815</u>
(623,343)	764,604	9,273,724
<u>722,587</u>	<u>2,553,029</u>	<u>16,684,675</u>
<u>\$ 99,244</u>	<u>\$ 3,317,633</u>	<u>\$ 25,958,399</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, 2006

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)	\$ 9,273,724
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.	3,313,693
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(26,935)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	91,882
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.	869,277
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.	(24,747)
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>547,098</u>
Change in net assets of governmental activities (page 13)	<u>\$ 14,043,992</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes:				
Current property taxes	\$ 12,186,399	\$ 12,186,399	\$ 12,084,281	\$(102,118)
Delinquent property taxes	404,049	404,049	311,810	(92,239)
Alcoholic beverage tax	115,000	115,000	174,379	59,379
Bingo tax	50,000	50,000	83,588	33,588
Sales tax	<u>9,100,000</u>	<u>9,100,000</u>	<u>13,674,324</u>	<u>4,574,324</u>
Total taxes	<u>21,855,448</u>	<u>21,855,448</u>	<u>26,328,382</u>	<u>4,472,934</u>
Licenses and permits:				
Alcoholic beverage licenses	28,000	28,000	25,724	(2,276)
Sexually oriented businesses	12,000	12,000	10,600	(1,400)
Bail bond applications	6,500	6,500	6,500	-
Sewage disposal systems	<u>24,000</u>	<u>24,000</u>	<u>29,610</u>	<u>5,610</u>
Total licenses and permits	<u>70,500</u>	<u>70,500</u>	<u>72,434</u>	<u>1,934</u>
Intergovernmental:				
Federal grant	14,000	14,000	15,144	1,144
Juvenile salary supplement	-	5,000	5,000	-
State supplement - court at law	75,000	75,000	116,029	41,029
State supplement - assistant prosecutors	10,000	10,000	10,241	241
State - indigent defense	40,000	40,000	83,719	43,719
State - juror reimbursement	-	30,056	49,028	18,972
State - commercial waste management fees	150	150	134	(16)
City of Lakeport - sewer fees	1,000	1,000	1,100	100
Fiscal service fee	4,900	4,900	4,769	(131)
HIDTA task force	500	500	448	(52)
Drug enforcement task force	-	-	3,888	3,888
City of Longview - prisoner care	225,000	225,000	210,408	(14,592)
ETCOG - 911 reimbursement	-	-	30,359	30,359
State election reimbursement	-	340	1,020	680
FEMA reimbursement - overhead/adm.	-	-	6,161	6,161
Child welfare board reimbursement	<u>-</u>	<u>-</u>	<u>33,724</u>	<u>33,724</u>
Total intergovernmental	<u>370,550</u>	<u>405,946</u>	<u>571,172</u>	<u>165,226</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, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES (Continued)				
Charges for services:				
County judge	\$ 100	\$ 100	\$ 99	\$(1)
Sheriff	300,000	300,000	371,496	71,496
Constables	80,000	80,000	100,659	20,659
County clerk	700,000	700,000	994,727	294,727
County clerk - bond administrative fee	15,000	15,000	21,243	6,243
County clerk - archival fee	140,000	140,000	139,025	(975)
Sheriff - bond administrative fee	800	800	1,712	912
District clerk - bond administrative fee	500	500	300	(200)
Tax assessor - collector	785,000	785,000	1,036,793	251,793
District attorney	60,000	60,000	93,784	33,784
District clerk	375,000	375,000	419,461	44,461
Justices of the peace	25,000	25,000	30,839	5,839
Trial fees	100	100	69	(31)
Jury	30,000	30,000	34,599	4,599
Probate judge education fees	2,200	2,200	2,063	(137)
Other arrest fees	50,000	50,000	63,161	13,161
County court-at-law no. 1	2,200	2,200	1,956	(244)
County court-at-law no. 2	1,500	1,500	1,844	344
State fees	50,000	50,000	85,581	35,581
State fees - TP - judicial efficiency	2,000	2,000	4,163	2,163
Court reporter service fees	45,000	45,000	55,206	10,206
DRO fees	15,000	15,000	22,134	7,134
Parking lot fees	5,500	5,500	5,790	290
Computer services	4,800	4,800	6,500	1,700
Defensive driving fees	55,000	55,000	65,540	10,540
Child safety fees	1,500	1,500	5,170	3,670
Traffic fees	15,000	15,000	15,557	557
Video fees	5,000	5,000	4,828	(172)
Total charges for services	<u>2,766,200</u>	<u>2,766,200</u>	<u>3,584,299</u>	<u>818,099</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES (Continued)				
Fines and forfeitures:				
Justice courts	\$ 505,000	\$ 505,000	\$ 567,806	\$ 62,806
Total fines and forfeitures	505,000	505,000	567,806	62,806
Investment earnings:				
Interest	120,000	120,000	870,223	750,223
Total investment earnings	120,000	120,000	870,223	750,223
Rent and commissions:				
BorgWarner automotive	34,100	34,100	34,098	(2)
A & M Tower, Inc.	7,657	7,657	8,441	784
Community buildings	7,500	7,500	10,865	3,365
Other rent	-	-	10,050	10,050
Royalties	7,000	7,000	11,004	4,004
Telephone coin stations	150,000	150,000	166,317	16,317
Concession commissions	7,800	7,800	8,550	750
Total rent and commissions	214,057	214,057	249,325	35,268
Miscellaneous:				
MTC - jail lease	360,000	360,000	408,103	48,103
Federal - jail lease	-	-	43,946	43,946
Miscellaneous	15,000	15,000	95,409	80,409
Total miscellaneous	375,000	375,000	547,458	172,458
Total revenues	26,276,755	26,312,151	32,791,099	6,478,948

(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, 2006

	<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	\$ 520,370	\$ 520,365	\$ 512,985	\$ 7,380
Fringe benefits	218,432	218,437	215,729	2,708
Operating expenses	55,904	55,624	54,973	651
Capital outlay	-	695	695	-
Total County clerk - administration	<u>794,706</u>	<u>795,121</u>	<u>784,382</u>	<u>10,739</u>
County clerk - archive restoration:				
Operating expenses	<u>150,000</u>	<u>150,000</u>	<u>1,800</u>	<u>148,200</u>
Total County clerk - archive restoration	<u>150,000</u>	<u>150,000</u>	<u>1,800</u>	<u>148,200</u>
Telecommunications:				
Salaries	36,500	36,500	34,428	2,072
Fringe benefits	6,234	6,380	5,507	873
Operating expenses	<u>200</u>	<u>54</u>	<u>-</u>	<u>54</u>
Total telecommunications	<u>42,934</u>	<u>42,934</u>	<u>39,935</u>	<u>2,999</u>
Purchasing:				
Salaries	100,306	100,306	98,358	1,948
Fringe benefits	30,486	30,486	29,715	771
Operating expenses	<u>8,800</u>	<u>8,800</u>	<u>8,266</u>	<u>534</u>
Total purchasing	<u>139,592</u>	<u>139,592</u>	<u>136,339</u>	<u>3,253</u>
Human resources:				
Salaries	113,117	113,117	112,813	304
Fringe benefits	39,089	39,089	38,591	498
Operating expenses	14,648	12,767	12,755	12
Capital outlay	<u>-</u>	<u>1,200</u>	<u>999</u>	<u>201</u>
Total human resources	<u>166,854</u>	<u>166,173</u>	<u>165,158</u>	<u>1,015</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, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
General government: (Continued)				
Nondepartmental - general government:				
Fringe benefits	\$ 84,913	\$ 2,414	\$ -	\$ 2,414
Operating expenses	2,262,065	1,956,174	1,897,567	58,607
Capital outlay	200,000	806	-	806
Total nondepartmental - general government	<u>2,546,978</u>	<u>1,959,394</u>	<u>1,897,567</u>	<u>61,827</u>
County judge:				
Salaries	153,445	153,444	153,444	-
Fringe benefits	46,244	46,598	46,018	580
Operating expenses	17,375	17,375	6,573	10,802
Total County judge	<u>217,064</u>	<u>217,417</u>	<u>206,035</u>	<u>11,382</u>
Elections:				
Salaries	166,410	166,750	163,588	3,162
Fringe benefits	54,384	54,384	47,120	7,264
Operating expenses	51,000	51,000	50,944	56
Total elections	<u>271,794</u>	<u>272,134</u>	<u>261,652</u>	<u>10,482</u>
County auditor:				
Salaries	335,864	335,864	328,951	6,913
Fringe benefits	116,737	116,737	112,833	3,904
Operating expenses	21,100	18,358	18,057	301
Capital outlay	-	2,742	2,742	-
Total County auditor	<u>473,701</u>	<u>473,701</u>	<u>462,583</u>	<u>11,118</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
General government: (Continued)				
Tax assessor-collector:				
Salaries	\$ 848,585	\$ 858,713	\$ 845,242	\$ 13,471
Fringe benefits	351,854	338,259	329,292	8,967
Operating expenses	190,495	181,201	179,258	1,943
Total tax assessor-collector	<u>1,390,934</u>	<u>1,378,173</u>	<u>1,353,792</u>	<u>24,381</u>
Information services:				
Salaries	303,289	303,289	298,416	4,873
Fringe benefits	98,310	98,310	95,780	2,530
Operating expenses	489,117	434,135	422,518	11,617
Capital outlay	109,450	149,450	149,172	278
Total information services	<u>1,000,166</u>	<u>985,184</u>	<u>965,886</u>	<u>19,298</u>
Agricultural extension service:				
Salaries	99,365	99,365	89,650	9,715
Fringe benefits	48,798	48,798	41,077	7,721
Operating expenses	22,670	14,650	14,604	46
Capital outlay	-	1,350	1,350	-
Total agricultural extension service	<u>170,833</u>	<u>164,163</u>	<u>146,681</u>	<u>17,482</u>
Total general government	<u>7,365,556</u>	<u>6,743,986</u>	<u>6,421,810</u>	<u>322,176</u>
Judicial:				
Nondepartmental - judicial:				
Operating expenses	715,000	772,000	767,788	4,212
Total nondepartmental - judicial	<u>715,000</u>	<u>772,000</u>	<u>767,788</u>	<u>4,212</u>
Court of civil appeals:				
Salaries	10,815	10,815	10,657	158
Fringe benefits	1,787	1,787	806	981
Total court of civil appeals	<u>12,602</u>	<u>12,602</u>	<u>11,463</u>	<u>1,139</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Judicial: (Continued)				
County court-at-law no. 1:				
Salaries	\$ 208,055	\$ 213,663	\$ 212,470	\$ 1,193
Fringe benefits	59,072	59,499	57,391	2,108
Operating expenses	19,985	18,795	15,698	3,097
Capital outlay	-	1,190	1,099	91
Total County court-at-law no. 1	287,112	293,147	286,658	6,489
County court-at-law no. 2:				
Salaries	192,120	197,729	197,728	1
Fringe benefits	56,306	56,733	55,151	1,582
Operating expenses	26,450	26,055	14,920	11,135
Capital outlay	1,700	10,595	8,882	1,713
Total County court-at-law no. 2	276,576	291,112	276,681	14,431
Attorney general master:				
Operating expenses	9,600	9,600	9,600	-
Total attorney general master	9,600	9,600	9,600	-
124th district court:				
Salaries	73,336	73,336	71,736	1,600
Fringe benefits	25,780	25,780	25,210	570
Operating expenses	61,200	55,537	38,082	17,455
Capital outlay	-	4,970	4,701	269
Total 124th district court	160,316	159,623	139,729	19,625
188th district court:				
Salaries	82,152	82,152	74,658	7,494
Fringe benefits	27,269	27,269	25,668	1,601
Operating expenses	47,035	48,385	46,626	1,759
Total 188th district court	156,456	157,806	146,952	10,854

(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, 2006

	<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)				
Judicial: (Continued)				
307th district court:				
Salaries	\$ 88,975	\$ 88,975	\$ 88,057	\$ 918
Fringe benefits	28,473	28,473	28,031	442
Operating expenses	25,435	25,435	15,620	9,815
Capital outlay	1,200	1,200	-	1,200
Total 307th district court	<u>144,083</u>	<u>144,083</u>	<u>131,708</u>	<u>12,375</u>
Judicial expenses:				
Operating expenses	<u>105,370</u>	<u>135,426</u>	<u>111,531</u>	<u>23,895</u>
Total judicial expense	<u>105,370</u>	<u>135,426</u>	<u>111,531</u>	<u>23,895</u>
District clerk:				
Salaries	554,327	554,446	549,262	5,184
Fringe benefits	230,779	230,779	228,344	2,435
Operating expenses	64,150	61,822	55,029	6,793
Capital outlay	-	1,650	-	1,650
Total district clerk	<u>849,256</u>	<u>848,697</u>	<u>832,635</u>	<u>16,062</u>
Justice of the peace no. 1:				
Salaries	135,589	135,589	133,908	1,681
Fringe benefits	55,406	55,406	52,590	2,816
Operating expenses	55,704	55,704	53,463	2,241
Total justice of the peace no. 1	<u>246,699</u>	<u>246,699</u>	<u>239,961</u>	<u>6,738</u>
Justice of the peace no. 2:				
Salaries	78,322	78,322	77,473	849
Fringe benefits	26,305	26,305	25,807	498
Operating expenses	22,505	39,600	34,841	4,759
Capital outlay	-	3,310	3,308	2
Total justice of the peace no. 2	<u>127,132</u>	<u>147,537</u>	<u>141,429</u>	<u>6,108</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, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
Judicial: (Continued)				
Justice of the peace no. 3:				
Salaries	\$ 112,317	\$ 112,317	\$ 111,970	\$ 347
Fringe benefits	44,990	44,990	44,840	150
Operating expenses	24,855	38,628	37,678	950
Capital outlay	-	1,515	1,514	1
Total justice of the peace no. 3	182,162	197,450	196,002	1,448
Justice of the peace no. 4:				
Salaries	84,216	84,216	83,625	591
Fringe benefits	33,768	33,768	33,035	733
Operating expenses	34,365	33,352	32,951	401
Total justice of the peace no. 4	152,349	151,336	149,611	1,725
District attorney:				
Salaries	983,797	983,998	971,218	12,780
Fringe benefits	342,314	332,314	321,056	11,258
Operating expenses	58,970	58,621	57,437	1,184
Total district attorney	1,385,081	1,374,933	1,349,711	25,222
Bail bond board:				
Salaries	5,000	5,000	1,109	3,891
Operating expenses	826	826	819	7
Capital outlay	2,150	2,150	133	2,017
Total bail bond board	7,976	7,976	2,061	5,915
Total judicial	4,817,770	4,950,027	4,793,520	156,507
Public safety:				
Constable no. 1:				
Salaries	45,772	45,772	45,772	-
Fringe benefits	17,910	17,910	17,295	615
Operating expenses	5,549	6,753	6,752	1
Total constable 1	69,231	70,435	69,819	616

(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, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
EXPENDITURES (Continued)				
Public safety: (Continued)				
Constable no. 2:				
Salaries	\$ 38,872	\$ 38,872	\$ 38,872	\$ -
Fringe benefits	15,104	15,104	14,499	605
Operating expenses	<u>8,094</u>	<u>6,466</u>	<u>5,463</u>	<u>1,003</u>
Total constable no. 2	<u>62,070</u>	<u>60,442</u>	<u>58,834</u>	<u>1,608</u>
Constable no. 3:				
Salaries	45,794	45,794	45,449	345
Fringe benefits	16,314	16,314	15,681	633
Operating expenses	12,263	12,263	11,379	884
Capital outlay	<u>1,200</u>	<u>1,200</u>	<u>-</u>	<u>1,200</u>
Total constable no. 3	<u>75,571</u>	<u>75,571</u>	<u>72,509</u>	<u>3,062</u>
Constable no. 4:				
Salaries	38,872	38,872	36,709	2,163
Fringe benefits	15,104	15,104	12,871	2,233
Operating expenses	<u>7,662</u>	<u>7,315</u>	<u>6,070</u>	<u>1,245</u>
Total constable no. 4	<u>61,638</u>	<u>61,291</u>	<u>55,650</u>	<u>5,641</u>
Sheriff - corrections:				
Salaries	4,906,055	4,968,990	4,935,361	33,629
Fringe benefits	2,160,828	2,058,733	2,010,030	48,703
Operating expenses	1,251,338	1,240,351	1,220,558	19,793
Capital outlay	<u>198,500</u>	<u>286,048</u>	<u>286,048</u>	<u>-</u>
Total sheriff - corrections	<u>8,516,721</u>	<u>8,554,122</u>	<u>8,451,997</u>	<u>102,125</u>
Criminal justice center operations:				
Salaries	-	78,012	77,942	70
Fringe benefits	-	33,053	25,724	7,329
Operating expenses	<u>-</u>	<u>60,999</u>	<u>52,616</u>	<u>8,383</u>
Total criminal justice center operations	<u>-</u>	<u>172,064</u>	<u>156,282</u>	<u>15,782</u>
Department of public safety:				
Salaries	36,692	37,602	37,601	1
Fringe benefits	12,743	12,903	12,662	241
Operating expenses	<u>5,850</u>	<u>5,850</u>	<u>5,082</u>	<u>768</u>
Total department of public safety	<u>55,285</u>	<u>56,355</u>	<u>55,345</u>	<u>1,010</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, 2006**

	<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 safety: (Continued)				
Parks and wildlife:				
Operating expenses	\$ 900	\$ 900	\$ 534	\$ 366
Total parks and wildlife	<u>900</u>	<u>900</u>	<u>534</u>	<u>366</u>
Texas alcoholic beverage commission:				
Operating expenses	<u>250</u>	<u>250</u>	<u>-</u>	<u>250</u>
Total alcoholic beverage commission	<u>250</u>	<u>250</u>	<u>-</u>	<u>250</u>
Juvenile board:				
Salaries	78,255	78,255	78,255	-
Fringe benefits	<u>32,857</u>	<u>33,624</u>	<u>31,850</u>	<u>1,774</u>
Total juvenile board	<u>111,112</u>	<u>111,879</u>	<u>110,105</u>	<u>1,774</u>
Total public safety	<u>8,952,778</u>	<u>9,163,309</u>	<u>9,031,075</u>	<u>132,234</u>
Health and human services:				
Gregg County industrial airpark:				
Operating expenses	28,700	27,269	25,856	1,413
Capital outlay	<u>-</u>	<u>1,431</u>	<u>1,391</u>	<u>40</u>
Total Gregg County industrial airpark	<u>28,700</u>	<u>28,700</u>	<u>27,247</u>	<u>1,453</u>
Veterans services:				
Salaries	61,276	62,633	62,633	-
Fringe benefits	17,262	15,905	15,594	311
Operating expenses	14,275	12,440	10,915	1,525
Capital outlay	<u>1,495</u>	<u>1,495</u>	<u>1,495</u>	<u>-</u>
Total veterans services	<u>94,308</u>	<u>92,473</u>	<u>90,637</u>	<u>1,836</u>
Civil defense:				
Operating expenses	<u>4,000</u>	<u>4,000</u>	<u>2,800</u>	<u>1,200</u>
Total civil defense	<u>4,000</u>	<u>4,000</u>	<u>2,800</u>	<u>1,200</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, 2006**

	<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)				
Health and human services: (Continued)				
Environmental protection:				
Operating expenses	\$ 23,000	\$ 4,593	\$ 4,592	\$ 1
Total environmental protection	<u>23,000</u>	<u>4,593</u>	<u>4,592</u>	<u>1</u>
911 addressing:				
Salaries	71,494	71,494	62,443	9,051
Fringe benefits	27,008	27,008	24,973	2,035
Operating expenses	<u>32,895</u>	<u>6,915</u>	<u>5,987</u>	<u>928</u>
Total 911 addressing	<u>131,397</u>	<u>105,417</u>	<u>93,403</u>	<u>12,014</u>
Health:				
Salaries	257,696	257,576	240,672	16,904
Fringe benefits	100,007	100,007	89,960	10,047
Operating expenses	1,087,730	1,085,497	828,130	257,367
Capital outlay	<u>7,500</u>	<u>23,567</u>	<u>22,967</u>	<u>600</u>
Total health	<u>1,452,933</u>	<u>1,466,647</u>	<u>1,181,729</u>	<u>284,918</u>
Historical commission:				
Operating expenses	<u>23,000</u>	<u>23,000</u>	<u>6,150</u>	<u>16,850</u>
Total historical commission	<u>23,000</u>	<u>23,000</u>	<u>6,150</u>	<u>16,850</u>
Contributions:				
Operating expenses	<u>519,400</u>	<u>525,400</u>	<u>520,909</u>	<u>4,491</u>
Total contributions	<u>519,400</u>	<u>525,400</u>	<u>520,909</u>	<u>4,491</u>
Total health and human services	<u>2,276,738</u>	<u>2,250,230</u>	<u>1,927,467</u>	<u>322,763</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Public buildings:				
CSCD annex:				
Operating expenses	\$ -	\$ 8,640	\$ 8,640	\$ -
Total service center building	-	8,640	8,640	-
Courthouse building:				
Salaries	477,927	477,927	454,658	23,269
Fringe benefits	237,819	227,819	208,538	19,281
Operating expenses	645,471	724,268	685,368	38,900
Capital outlay	1,500	74,966	74,707	259
Total courthouse building	1,362,717	1,504,980	1,423,271	81,709
Service center building:				
Operating expenses	37,500	39,500	30,401	9,099
Total service center building	37,500	39,500	30,401	9,099
Greggton building:				
Salaries	5,733	5,733	3,495	2,238
Fringe benefits	1,467	1,467	850	617
Operating expenses	27,500	37,500	27,867	9,633
Total Greggton building	34,700	44,700	32,212	12,488
Gladewater Commerce Street building:				
Operating expenses	11,200	11,200	11,198	2
Total Gladewater Commerce Street building	11,200	11,200	11,198	2
Jail building:				
Operating expenses	194,000	218,000	206,215	11,785
Total jail building	194,000	218,000	206,215	11,785
M. A. Smith Criminal Justice Center:				
Operating expenses	50,000	56,786	57,558	(772)
Capital outlay	-	2,176	2,176	-
Total M. A. Smith Criminal Justice Center	50,000	58,962	59,734	(772)

(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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Continued)				
Public buildings: (Continued)				
Youth detention center:				
Operating expenses	\$ 76,250	\$ 57,435	\$ 55,322	\$ 2,113
Capital outlay	-	32,859	32,703	156
Total youth detention center	<u>76,250</u>	<u>90,294</u>	<u>88,025</u>	<u>2,269</u>
Community building maintenance:				
Salaries	28,847	28,847	28,488	359
Fringe benefits	13,804	13,804	12,858	946
Operating expenses	9,400	9,400	5,738	3,662
Total community building maintenance	<u>52,051</u>	<u>52,051</u>	<u>47,084</u>	<u>4,967</u>
Longview Whaley Street community building:				
Salaries	15,465	15,465	11,981	3,484
Fringe benefits	10,206	10,206	9,188	1,018
Operating expenses	9,500	9,500	9,376	124
Total Longview Whaley Street community building	<u>35,171</u>	<u>35,171</u>	<u>30,545</u>	<u>4,626</u>
Judson community building:				
Operating expenses	5,450	6,450	6,342	108
Total Judson community building	<u>5,450</u>	<u>6,450</u>	<u>6,342</u>	<u>108</u>
Garfield Hill community building:				
Operating expenses	7,000	7,000	3,824	3,176
Total Garfield Hill community building	<u>7,000</u>	<u>7,000</u>	<u>3,824</u>	<u>3,176</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, 2006

	<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	\$ 15,155	\$ 13,447	\$ 1,708
Capital outlay	-	945	945	-
Total Liberty City office/ community building	<u>16,100</u>	<u>16,100</u>	<u>14,392</u>	<u>1,708</u>
Hugh camp memorial park:				
Operating expenses	<u>17,000</u>	<u>17,000</u>	<u>15,092</u>	<u>1,908</u>
Total Hugh camp memorial park	<u>17,000</u>	<u>17,000</u>	<u>15,092</u>	<u>1,908</u>
Olivia R. Hilburn community building:				
Operating expenses	<u>10,600</u>	<u>10,600</u>	<u>8,904</u>	<u>1,696</u>
Total Olivia R. Hilburn community building	<u>10,600</u>	<u>10,600</u>	<u>8,904</u>	<u>1,696</u>
Kilgore office and community building:				
Salaries	23,719	26,879	23,719	3,160
Fringe benefits	16,084	12,924	11,714	1,210
Operating expenses	<u>25,774</u>	<u>25,774</u>	<u>25,637</u>	<u>137</u>
Total Kilgore office and community building	<u>65,577</u>	<u>65,577</u>	<u>61,070</u>	<u>4,507</u>
Kilgore South Street building:				
Operating expenses	<u>10,650</u>	<u>10,650</u>	<u>1,965</u>	<u>8,685</u>
Total Kilgore South Street building	<u>10,650</u>	<u>10,650</u>	<u>1,965</u>	<u>8,685</u>
Elderville community building:				
Operating expenses	<u>23,105</u>	<u>23,105</u>	<u>13,671</u>	<u>9,434</u>
Total Elderville community building	<u>23,105</u>	<u>23,105</u>	<u>13,671</u>	<u>9,434</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, 2006**

	<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)				
Easton community building:				
Operating expenses	\$ 15,000	\$ 15,000	\$ 5,364	\$ 9,636
Capital outlay	2,000	2,000	-	2,000
Total Easton community building	<u>17,000</u>	<u>17,000</u>	<u>5,364</u>	<u>11,636</u>
West Harrison volunteer fire department building:				
Operating expenses	4,600	4,600	4,133	467
Total West Harrison volunteer fire department building	<u>4,600</u>	<u>4,600</u>	<u>4,133</u>	<u>467</u>
Total public buildings	<u>2,030,671</u>	<u>2,241,580</u>	<u>2,072,082</u>	<u>169,498</u>
Debt service - principal:				
Capital lease	-	14,277	14,277	-
Total debt service - principal	<u>-</u>	<u>14,277</u>	<u>14,277</u>	<u>-</u>
Debt service - interest:				
Capital lease	-	705	705	-
Total debt service - interest	<u>-</u>	<u>705</u>	<u>705</u>	<u>-</u>
Total expenditures	<u>25,443,513</u>	<u>25,364,114</u>	<u>24,260,936</u>	<u>1,103,178</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>833,242</u>	<u>948,037</u>	<u>8,530,163</u>	<u>7,582,126</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds:				
Juvenile services	5,000	-	-	-
G O 1988 - refunding courthouse	-	699,656	698,580	(1,076)
Permanent improvement	-	36,000	36,000	-
Total transfer from other funds	<u>5,000</u>	<u>735,656</u>	<u>734,580</u>	<u>(1,076)</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, 2006**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
OTHER FINANCING SOURCES (USES) (Continued)				
Transfers to other funds:				
Security	\$(15,000)	\$(41,351)	\$(41,351)	\$ -
Road and bridge	(30,000)	(67,069)	(67,069)	-
Airport	-	(42,000)	(42,000)	-
Sabine Valley officer	(25,540)	(25,540)	(23,934)	1,606
Violence against women grant	-	(23,650)	(23,270)	380
State homeland grant	(29,000)	(29,000)	(29,000)	-
HAVA grant	-	(96,225)	(91,769)	4,456
COPS School Resource officer grant	(23,650)	-	-	-
Longview community center renovation	(50,000)	(62,000)	(62,000)	-
124th district courtroom renovation	-	(35,000)	(30,652)	4,348
Records storage bldg capital fund	(100,000)	(100,678)	(100,678)	-
Print shop	(1,500)	(1,500)	-	1,500
Total transfers to other funds	<u>(274,690)</u>	<u>(524,013)</u>	<u>(511,723)</u>	<u>12,290</u>
Sale of capital assets	15,000	56,540	43,169	(13,371)
Insurance proceeds - loss of fixed assets	-	6,027	9,242	3,215
Total other financing sources (uses)	<u>(254,690)</u>	<u>274,210</u>	<u>275,268</u>	<u>1,058</u>
NET CHANGE IN FUND BALANCE	578,552	1,222,247	8,805,431	7,583,184
FUND BALANCE, BEGINNING	<u>9,547,099</u>	<u>9,547,099</u>	<u>9,547,099</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 10,125,651</u>	<u>\$ 10,769,346</u>	<u>\$ 18,352,530</u>	<u>\$ 7,583,184</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Current property taxes	\$ 1,051,928	\$ 1,051,927	\$ 1,120,195	\$ 68,268
Delinquent property taxes	31,925	31,926	24,683	(7,243)
Motor vehicle sales tax	<u>1,300,000</u>	<u>1,300,000</u>	<u>1,385,712</u>	<u>85,712</u>
Total taxes	<u>2,383,853</u>	<u>2,383,853</u>	<u>2,530,590</u>	<u>146,737</u>
Licenses and permits:				
Motor vehicle registration	1,075,000	1,075,000	1,185,515	110,515
Weight permits	<u>-</u>	<u>-</u>	<u>10,808</u>	<u>10,808</u>
Total licenses and permits	<u>1,075,000</u>	<u>1,075,000</u>	<u>1,196,323</u>	<u>121,323</u>
Intergovernmental:				
Lateral road	23,000	23,000	24,490	1,490
FEMA reimbursement - overhead/adm.	<u>-</u>	<u>14,388</u>	<u>15,088</u>	<u>700</u>
Total intergovernmental	<u>23,000</u>	<u>37,388</u>	<u>39,578</u>	<u>2,190</u>
Charges for services:				
Reimbursement - capital project overhead	<u>-</u>	<u>98,726</u>	<u>11,244</u>	<u>(87,482)</u>
Total charges for services	<u>-</u>	<u>98,726</u>	<u>11,244</u>	<u>(87,482)</u>
Fines and forfeitures:				
Misdemeanor fines	373,000	373,000	466,647	93,647
Felony fines	22,000	22,000	55,751	33,751
Civil/BF fines	<u>30,000</u>	<u>30,000</u>	<u>40,141</u>	<u>10,141</u>
Total fines and forfeitures	<u>425,000</u>	<u>425,000</u>	<u>562,539</u>	<u>137,539</u>
Investment earnings:				
Interest	<u>10,000</u>	<u>10,000</u>	<u>95,260</u>	<u>85,260</u>
Total investment earnings	<u>10,000</u>	<u>10,000</u>	<u>95,260</u>	<u>85,260</u>
Miscellaneous:				
Miscellaneous	<u>1,200</u>	<u>1,200</u>	<u>2,847</u>	<u>1,647</u>
Total miscellaneous	<u>1,200</u>	<u>1,200</u>	<u>2,847</u>	<u>1,647</u>
Total revenues	<u>3,918,053</u>	<u>4,031,167</u>	<u>4,438,381</u>	<u>407,214</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, 2006**

	<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:				
Administration:				
Salaries	\$ 236,946	\$ 236,946	\$ 236,946	\$ -
Fringe benefits	74,189	74,189	69,589	4,600
Operating expenses	<u>73,026</u>	<u>73,095</u>	<u>73,092</u>	<u>3</u>
Total administration	<u>384,161</u>	<u>384,230</u>	<u>379,627</u>	<u>4,603</u>
Road and bridge - general:				
Operating expenses	<u>304,635</u>	<u>304,635</u>	<u>299,592</u>	<u>5,043</u>
Total road and bridge - general	<u>304,635</u>	<u>304,635</u>	<u>299,592</u>	<u>5,043</u>
Road and bridge - precinct no. 1:				
Salaries	545,019	545,019	497,505	47,514
Fringe benefits	247,034	247,034	211,963	35,071
Operating expenses	383,930	358,810	341,520	17,290
Capital outlay	<u>60,000</u>	<u>85,120</u>	<u>85,119</u>	<u>1</u>
Total road and bridge - precinct no. 1	<u>1,235,983</u>	<u>1,235,983</u>	<u>1,136,107</u>	<u>99,876</u>
Road and bridge - precinct no. 2:				
Salaries	29,333	29,333	28,613	720
Fringe benefits	11,501	11,501	11,285	216
Operating expenses	<u>54,900</u>	<u>54,900</u>	<u>29,700</u>	<u>25,200</u>
Total road and bridge - precinct no. 2	<u>95,734</u>	<u>95,734</u>	<u>69,598</u>	<u>26,136</u>
Road and bridge - precinct no. 3:				
Salaries	550,458	557,599	556,626	973
Fringe benefits	260,901	253,760	234,688	19,072
Operating expenses	632,268	627,512	626,318	1,194
Capital outlay	<u>-</u>	<u>48,744</u>	<u>48,744</u>	<u>-</u>
Total road and bridge - precinct no. 3	<u>1,443,627</u>	<u>1,487,615</u>	<u>1,466,376</u>	<u>21,239</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, 2006**

	<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	\$ 432,953	\$ 432,953	\$ 389,996	\$ 42,957
Fringe benefits	202,398	202,398	171,304	31,094
Operating expenses	283,749	325,128	284,008	41,120
Capital outlay	80,000	90,205	90,204	1
Total road and bridge - precinct no. 4	<u>999,100</u>	<u>1,050,684</u>	<u>935,512</u>	<u>115,172</u>
Right-of-way:				
Operating expenses	<u>151,000</u>	<u>151,000</u>	<u>120,467</u>	<u>30,533</u>
Total right-of-way	<u>151,000</u>	<u>151,000</u>	<u>120,467</u>	<u>30,533</u>
Total transportation and roads	<u>4,614,240</u>	<u>4,709,881</u>	<u>4,407,279</u>	<u>302,602</u>
Total expenditures	<u>4,614,240</u>	<u>4,709,881</u>	<u>4,407,279</u>	<u>302,602</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(696,187)</u>	<u>(678,714)</u>	<u>31,102</u>	<u>709,816</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds:				
General fund	-	67,069	67,069	-
Industrial Airpark improvement fund	-	51,584	51,584	-
Total transfers from other funds	-	118,653	118,653	-
Sale of capital assets	-	1,500	174	(1,326)
Total other financing sources and (uses)	-	120,153	118,827	(1,326)
NET CHANGE IN FUND BALANCE	<u>(696,187)</u>	<u>(558,561)</u>	<u>149,929</u>	<u>708,490</u>
FUND BALANCE, BEGINNING	<u>1,568,734</u>	<u>1,568,734</u>	<u>1,568,734</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 872,547</u>	<u>\$ 1,010,173</u>	<u>\$ 1,718,663</u>	<u>\$ 708,490</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental:				
State - tobacco settlement	\$ 40,000	\$ 40,000	\$ 95,155	\$ 55,155
Total intergovernmental	40,000	40,000	95,155	55,155
Investment earnings:				
Interest	30,000	30,000	101,948	71,948
Total investment earnings	30,000	30,000	101,948	71,948
Total revenue	70,000	70,000	197,103	127,103
EXPENDITURES				
Health and human services:				
Contributions:				
Operating expenses	20,000	20,000	20,000	-
Total contributions	20,000	20,000	20,000	-
Total health and human services	20,000	20,000	20,000	-
Total expenditures	20,000	20,000	20,000	-
NET CHANGE IN FUND BALANCE	50,000	50,000	177,103	127,103
FUND BALANCE, BEGINNING	2,293,226	2,293,226	2,293,226	-
FUND BALANCE, ENDING	\$ 2,343,226	\$ 2,343,226	\$ 2,470,329	\$ 127,103

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, 2006

Governmental
Activities
Internal
Service
Funds

ASSETS

Current assets:

Cash and cash equivalents	\$ 183,628
Investments	1,574,646
Interest receivable	11,624
Accounts receivable, net of allowances	96,506
Inventories	<u>8,901</u>
Total current assets	<u>1,875,305</u>

Noncurrent assets:

Capital assets:

Equipment	23,555
Less: accumulated depreciation	<u>(15,200)</u>
Total capital assets	<u>8,355</u>

Total noncurrent assets 8,355

Total assets 1,883,660

LIABILITIES

Current liabilities:

Accounts payable	<u>239,863</u>
Total current liabilities	<u>239,863</u>

Total liabilities 239,863

NET ASSETS

Invested in capital assets, net of related debt	8,355
Unrestricted	<u>1,635,442</u>

Total net assets \$ 1,643,797

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

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GREGG COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2006

	<u>Internal Service Funds</u>
OPERATING REVENUES	
Charges for services	\$ 3,480,559
Total operating revenues	<u>3,480,559</u>
OPERATING EXPENSES	
Supplies	27,708
Copying machine	9,868
Repairs and maintenance service	1,340
Claim expenses	2,467,020
Administrative	497,293
Depreciation	<u>3,200</u>
Total operating expenses	<u>3,006,429</u>
OPERATING INCOME	474,130
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	<u>72,968</u>
Total nonoperating revenues (expenses)	<u>72,968</u>
CHANGES IN NET ASSETS	547,098
TOTAL NET ASSETS, BEGINNING	<u>1,096,699</u>
TOTAL NET ASSETS, ENDING	<u>\$ 1,643,797</u>

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

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GREGG COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2006

	<u>Internal Service Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from interfund services	\$ 3,484,067
Cash paid to suppliers for goods and services	<u>(3,036,745)</u>
Net cash provided by operating activities	<u>447,322</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisitions of capital assets	<u>(7,555)</u>
Net cash used for capital and related financing activities	<u>(7,555)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from maturities of investments	3,192,385
Purchase of investments	<u>(3,607,695)</u>
Earnings on investments	<u>76,634</u>
Net cash used by investing activities	<u>(338,676)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	101,091
CASH AND CASH EQUIVALENTS, BEGINNING	<u>82,537</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 183,628</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 474,130
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	3,200
Changes in assets and liabilities:	
Decrease (increase) in assets:	
Inventory	71
Accounts receivable	3,348
Increase (decrease) in liabilities:	
Accounts payable	<u>(33,427)</u>
Net cash provided by operations	<u>\$ 447,322</u>

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

GREGG COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
SEPTEMBER 30, 2006

ASSETS	
Cash and cash equivalents	\$ 4,071,306
Investments	3,043,718
Accounts receivable	<u>14,424</u>
 Total assets	 <u>\$ 7,129,448</u>
 LIABILITIES	
Due to others	\$ <u>7,129,448</u>
 Total liabilities	 <u>\$ 7,129,448</u>

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

GREGG COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

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:

Assets	Years
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, 2006, 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 \$3,313,693 difference are as follows:

Capital outlay	\$ 5,229,435
Depreciation expense	<u>(1,915,742)</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>\$ 3,313,693</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 \$(26,935) 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>26,935</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>\$(26,935)</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 \$869,277 difference are as follows:

Principal repayments:	
General obligation debt	\$ 855,000
Payment on capital lease	<u>14,277</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>\$ 869,277</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 \$(24,747) difference are as follows:

Compensated absences	\$(20,770)
Accrued interest	1,377
Amortization of issuance costs	(7,375)
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>\$(24,747)</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 \$9,889 as of September 30, 2006. The deficit fund balance will be covered by future fund revenues.

4. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of September 30, 2006, 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	30
U. S. Agency Securities:		
Freddie Mac	7,139,593	202
Federal Home Loan Bank	4,483,755	164
Fannie Mae	<u>5,449,043</u>	91
Federal Farm Credit	<u>1,982,580</u>	81
Total U. S. Agency Securities	<u>19,054,971</u>	
Total portfolio	<u>\$ 19,204,971</u>	
Portfolio weighted average maturity (days)		158

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, 2006, 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, 2006, \$8,063,679 of the County's \$8,448,462 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$384,783 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, 2006, 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
Federal Farm Credit	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:

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

	General	Road and Bridge	Health Care	Debt Service	Nonmajor Funds	Total
Receivables:						
Taxes	\$ 777,232	\$ 71,987	\$ -	\$ 61,539	\$ 134,049	\$ 1,044,807
Accounts	1,199,319	655,516	20,277	448	114,002	1,989,562
Due from other governments	2,323,518	6,323	-	-	387,413	2,717,254
Gross receivables	4,300,069	733,826	20,277	61,987	635,464	5,751,623
Less: allowance for uncollectibles	(185,603)	(17,190)	-	(14,695)	(32,011)	(249,499)
Net Total Receivables	\$ 4,114,466	\$ 716,636	\$ 20,277	\$ 47,292	\$ 603,453	\$ 5,502,124

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
General Fund	
Delinquent property taxes receivable	\$ 498,950
Fines	612,139
Road and Bridge:	
Delinquent property taxes receivable	46,213
Fines	564,213
Debt Service Fund:	
Delinquent property taxes receivable	39,506
Nonmajor Funds:	
Delinquent property taxes receivable	86,120
Fines	21,471
Total Governmental Funds	\$ 1,868,612

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Capital Assets

Capital asset activity for the year ended September 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,300,308	\$ -	\$ -	\$ 1,300,308
Construction in progress	969,258	3,973,250	209,217	4,733,291
Total assets not being depreciated	<u>2,269,566</u>	<u>3,973,250</u>	<u>209,217</u>	<u>6,033,599</u>
Capital assets, being depreciated:				
Buildings and improvements	35,841,730	307,342	-	36,149,072
Equipment	10,530,843	1,165,615	402,926	11,293,532
Infrastructure	7,371,133	-	-	7,371,133
Total capital assets being depreciated	<u>53,743,706</u>	<u>1,472,957</u>	<u>402,926</u>	<u>54,813,737</u>
Accumulated depreciation:				
Buildings and improvements	(14,523,618)	(864,246)	-	(15,387,864)
Equipment	(8,599,143)	(594,000)	(375,991)	(8,817,152)
Infrastructure	(1,358,952)	(460,696)	-	(1,819,648)
Total accumulated depreciation	<u>(24,481,713)</u>	<u>(1,918,942)</u>	<u>(375,991)</u>	<u>(26,024,664)</u>
Total capital assets being depreciated, net	<u>29,261,993</u>	<u>(445,985)</u>	<u>26,935</u>	<u>28,789,073</u>
Governmental activities capital assets, net	<u>\$ 31,531,559</u>	<u>\$ 3,527,265</u>	<u>\$ 236,152</u>	<u>\$ 34,822,672</u>

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

Governmental activities:	
General government	\$ 704,518
Judicial	1,864
Public safety	189,022
Health and human services	5,779
Public buildings	756,583
Transportation and roads	<u>261,176</u>
Total depreciation expense - governmental activities	<u>\$ 1,918,942</u>

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2006, 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	\$ 3,750
	District Attorney - General	17,820
	Sabine Valley Officer 08/31/07	6,070
	Violence Against Women Prosecution 08/31/06	9,079
	Violence Against Women Prosecution 08/31/07	5,319
	Bioterrorism Grant - TDH 08/31/06	50,983
	Community Bioterrorism Grant - TDH 08/31/07	7,204
	HAVA Grant	3,123
	Medical Corps Grant 08/31/06	12,459
	Panademic Preparedness 12/31/06	<u>12,399</u>
Total		<u>\$ 128,206</u>

Interfund transfers:

	<u>Transfer In</u>			<u>Total</u>
	<u>General</u>	<u>Road & Bridge</u>	<u>Other Governmental</u>	
Transfer Out:				
General	\$ -	\$ 67,069	\$ 444,654	\$ 511,723
Debt Service	698,579			698,579
Other Governmental	<u>36,001</u>	<u>51,584</u>	<u>503,567</u>	<u>591,152</u>
Total Transfers Out	<u>\$ 734,580</u>	<u>\$ 118,653</u>	<u>\$ 948,221</u>	<u>\$ 1,801,454</u>

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.

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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities - refunding	2.00%	\$ <u>1,720,000</u>
		\$ <u>1,720,000</u>

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

<u>Year Ending</u> <u>September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 860,000	\$ 25,800
2008	<u>860,000</u>	<u>8,600</u>
Total	<u>\$ 1,720,000</u>	<u>\$ 34,400</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2006, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities					
Bonds payable:					
General obligation bonds	\$ 2,575,000	\$ -	\$ 855,000	\$ 1,720,000	\$ 860,000
Less deferred amounts:					
On refunding	(16,062)	<u>7,375</u>	<u>2,021</u>	(10,708)	-
Total bonds payable	2,558,938	7,375	857,021	1,709,292	860,000
Capital leases	14,277	-	14,277	-	-
Compensated absences	<u>493,856</u>	<u>20,770</u>	<u>-</u>	<u>514,626</u>	<u>-</u>
Governmental activity					
Long-term liabilities	<u>\$ 3,067,071</u>	<u>\$ 28,145</u>	<u>\$ 871,298</u>	<u>\$ 2,223,918</u>	<u>\$ 860,000</u>

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.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

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 2006, 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 575 nontraditional defined benefit pension plans. TCDRS, in the aggregate, issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

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.

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

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 2006, and 8.86% for the months of the accounting year in 2005.

The deposit rate payable by the employee members for calendar year 2006 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, 2006, the annual pension cost for the TCDRS plan for its employees was \$1,362,106 and the actual contributions were \$1,362,106.

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

GREGG COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Actuarial Valuation Information

Actuarial Valuation Date	12/31/03	12/31/04	12/31/05
Actuarial cost method	entry age	entry age	entry age
Amortization method	level percentage of payroll, open	level percentage of payroll, open	level percentage of payroll, open
Amortization period in years	14.6	17.5	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%	5.3%
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
09/30/04	\$ 1,376,664	100%	-
09/30/05	1,318,099	100%	-
09/30/06	1,373,905	100%	-

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

Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (1) (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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%
2005	41,938,445	47,859,731	5,921,286	87.63%	16,092,947	36.79%

- (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.

**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, 2006

	Special Revenue		
	Election Service Contract	County Clerk Records Management	Jail Lease Facility
ASSETS			
Cash and cash equivalents	\$ 42,476	\$ 290,748	\$ 141,818
Investments	-	-	-
Receivables (net of allowance for uncollectibles)			
Other governments	-	-	-
Accounts	2,737	11,002	20,186
Delinquent property taxes	-	-	-
Inventory - materials/supplies	-	-	-
Total assets	<u>\$ 45,213</u>	<u>\$ 301,750</u>	<u>\$ 162,004</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,500	\$ 689	\$ 8,724
Accounts payable - other governments	-	-	-
Accrued liabilities	-	2,237	-
Deferred revenues	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>1,500</u>	<u>2,926</u>	<u>8,724</u>
Fund balances:			
Reserved for inventory	-	-	-
Unreserved:			
Undesignated	<u>43,713</u>	<u>298,824</u>	<u>153,280</u>
Total fund balances	<u>43,713</u>	<u>298,824</u>	<u>153,280</u>
Total liabilities and fund balances	<u>\$ 45,213</u>	<u>\$ 301,750</u>	<u>\$ 162,004</u>

Special Revenue

<u>Law Library</u>	<u>Airport</u>	<u>Child Support Title IV-D 08/31/03</u>	<u>Sabine Valley Officer 08/31/06</u>	<u>Sabine Valley Officer 08/31/07</u>	<u>Violence Against Women Prosecution 08/31/06</u>	<u>Violence Against Women Prosecution 08/31/07</u>	<u>County Wide Records Management</u>
\$ 151,686	\$ 171,433	\$ 17,259	\$ -	\$ 1,274	\$ -	\$ 1,247	\$ 58,407
-	505,045	-	-	-	-	-	-
-	10,635	-	-	-	9,079	7,101	-
14,217	30,360	-	-	7,891	-	-	9,222
-	45,492	-	-	-	-	-	-
-	6,499	-	-	-	-	-	-
<u>\$ 165,903</u>	<u>\$ 769,464</u>	<u>\$ 17,259</u>	<u>\$ -</u>	<u>\$ 9,165</u>	<u>\$ 9,079</u>	<u>\$ 8,348</u>	<u>\$ 67,629</u>
\$ 1,947	\$ 101,061	\$ -	\$ -	-	\$ -	\$ -	\$ 604
-	4,464	-	-	-	-	-	-
571	25,864	-	-	3,095	-	3,029	636
11,808	38,437	-	-	-	-	-	2,805
-	-	-	-	6,070	9,079	5,319	-
<u>14,326</u>	<u>169,826</u>	<u>-</u>	<u>-</u>	<u>9,165</u>	<u>9,079</u>	<u>8,348</u>	<u>4,045</u>
-	6,499	-	-	-	-	-	-
<u>151,577</u>	<u>593,139</u>	<u>17,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,584</u>
<u>151,577</u>	<u>599,638</u>	<u>17,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,584</u>
<u>\$ 165,903</u>	<u>\$ 769,464</u>	<u>\$ 17,259</u>	<u>\$ -</u>	<u>\$ 9,165</u>	<u>\$ 9,079</u>	<u>\$ 8,348</u>	<u>\$ 67,629</u>

(continued)

GREGG COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2006

	Special Revenue		
	Security	Bioterrorism Grant - TDH 08/31/06	Community Bioterrorism Grant - TDH 08/31/07
ASSETS			
Cash and cash equivalents	\$ 34,810	\$ -	\$ 1,650
Investments	-	-	-
Receivables (net of allowance for uncollectibles)			
Other governments	-	53,048	9,564
Accounts	8,154	-	-
Delinquent property taxes	-	-	-
Inventory - materials/supplies	-	-	-
Total assets	\$ 42,964	\$ 53,048	\$ 11,214
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 145	\$ 2,065	\$ -
Accounts payable - other governments	-	-	-
Accrued liabilities	3,996	-	4,010
Deferred revenues	4,604	-	-
Due to other funds	-	50,983	7,204
Total liabilities	8,745	53,048	11,214
Fund balances:			
Reserved for inventory	-	-	-
Unreserved:			
Undesignated	34,219	-	-
Total fund balances	34,219	-	-
Total liabilities and fund balances	\$ 42,964	\$ 53,048	\$ 11,214

Special Revenue

State Homeland Grant III 12/30/06	HAVA Grant	Community Development Block Grant 10/04/07	Medical Corps Grant 08/31/06	Panademic Preparedness 12/31/06	HAVA Team 12/31/07	LEOSE	Justice Court Technology
\$ 18,501	\$ -	\$ -	\$ -	\$ 807	\$ -	\$ 22,637	\$ 50,979
-	-	-	-	-	-	-	-
10,181	3,123	2,500	12,459	13,700	6,375	-	-
-	-	-	-	-	-	-	2,435
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 28,682</u>	<u>\$ 3,123</u>	<u>\$ 2,500</u>	<u>\$ 12,459</u>	<u>\$ 14,507</u>	<u>\$ 6,375</u>	<u>\$ 22,637</u>	<u>\$ 53,414</u>
\$ -	\$ -	\$ 2,500	\$ -	\$ 148	\$ 6,375	\$ 22,637	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	1,960	-	-	-
-	-	-	-	-	-	-	1,905
<u>-</u>	<u>3,123</u>	<u>-</u>	<u>12,459</u>	<u>12,399</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>3,123</u>	<u>2,500</u>	<u>12,459</u>	<u>14,507</u>	<u>6,375</u>	<u>22,637</u>	<u>1,905</u>
-	-	-	-	-	-	-	-
<u>28,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,509</u>
<u>28,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,509</u>
<u>\$ 28,682</u>	<u>\$ 3,123</u>	<u>\$ 2,500</u>	<u>\$ 12,459</u>	<u>\$ 14,507</u>	<u>\$ 6,375</u>	<u>\$ 22,637</u>	<u>\$ 53,414</u>

(continued)

GREGG COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2006

	Special Revenue		
	District Clerk Civil Records Management	District Clerk Criminal Records Management	Justice of the Peace Security
ASSETS			
Cash and cash equivalents	\$ 33,764	\$ 58	\$ 4,405
Investments	-	-	-
Receivables (net of allowance for uncollectibles)			
Other governments	-	-	-
Accounts	448	9	434
Delinquent property taxes	-	-	-
Inventory - materials/supplies	-	-	-
Total assets	\$ 34,212	\$ 67	\$ 4,839
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 350
Accounts payable - other governments	-	-	-
Accrued liabilities	-	-	-
Deferred revenues	-	-	344
Due to other funds	-	-	-
Total liabilities	-	-	694
Fund balances:			
Reserved for inventory	-	-	-
Unreserved:			
Undesignated	34,212	67	4,145
Total fund balances	34,212	67	4,145
Total liabilities and fund balances	\$ 34,212	\$ 67	\$ 4,839

Special Revenue

County Clerk Criminal Records Management	FEMA Reimbursement	Sheriff Asset and Forfeiture	Sheriff Enforcement	Sheriff Inmate Welfare	Code Enforcement Awarded Forfeiture	Code Federal Enforcement Account	District Attorney General
\$ 1,761	\$ -	\$ 34,306	\$ 33,051	\$ 136,998	\$ 442,760	\$ 10,805	\$ 7,931
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
404	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 2,165</u>	<u>\$ -</u>	<u>\$ 34,306</u>	<u>\$ 33,051</u>	<u>\$ 136,998</u>	<u>\$ 442,760</u>	<u>\$ 10,805</u>	<u>\$ 7,931</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,750</u>	<u>-</u>	<u>17,820</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,750</u>	<u>-</u>	<u>17,820</u>
-	-	-	-	-	-	-	-
2,165	-	34,306	33,051	136,998	439,010	10,805	(9,889)
<u>2,165</u>	<u>-</u>	<u>34,306</u>	<u>33,051</u>	<u>136,998</u>	<u>439,010</u>	<u>10,805</u>	<u>(9,889)</u>
<u>\$ 2,165</u>	<u>\$ -</u>	<u>\$ 34,306</u>	<u>\$ 33,051</u>	<u>\$ 136,998</u>	<u>\$ 442,760</u>	<u>\$ 10,805</u>	<u>\$ 7,931</u>

(continued)

GREGG COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
(Continued)
SEPTEMBER 30, 2006

	Capital Projects		
	<u>Permanent Improvement</u>	<u>Airport Improvement</u>	<u>Longview Community Center Renovation</u>
ASSETS			
Cash and cash equivalents	\$ 417,570	\$ 106,710	\$ 27,414
Investments	300,000	-	-
Receivables (net of allowance for uncollectibles)			
Other governments	-	249,648	-
Accounts	3,653	636	100
Delinquent property taxes	53,126	3,420	-
Inventory - materials/supplies	-	-	-
	\$ <u>774,349</u>	\$ <u>360,414</u>	\$ <u>27,514</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 220,106	\$ 3,850
Accounts payable - other governments	-	-	-
Accrued liabilities	-	-	-
Deferred revenues	44,804	2,884	-
Due to other funds	-	-	-
Total liabilities	<u>44,804</u>	<u>222,990</u>	<u>3,850</u>
Fund balances:			
Reserved for inventory	-	-	-
Unreserved:			
Undesignated	<u>729,545</u>	<u>137,424</u>	<u>23,664</u>
Total fund balances	<u>729,545</u>	<u>137,424</u>	<u>23,664</u>
	\$ <u>774,349</u>	\$ <u>360,414</u>	\$ <u>27,514</u>

Capital Projects

<u>Industrial Airpark Improvement Fund</u>	<u>124th District Courtroom Renovation</u>	<u>Records Storage Building</u>	<u>Totals</u>
\$ 195,995	\$ 976	\$ 323,973	\$ 2,784,209
-	-	-	805,045
-	-	-	387,413
435	110	1,569	114,002
-	-	-	102,038
-	-	-	6,499
<u>\$ 196,430</u>	<u>\$ 1,086</u>	<u>\$ 325,542</u>	<u>\$ 4,199,206</u>
\$ 4,185	\$ 1,086	\$ 217,942	\$ 595,914
-	-	-	4,464
-	-	-	45,398
-	-	-	107,591
-	-	-	128,206
<u>4,185</u>	<u>1,086</u>	<u>217,942</u>	<u>881,573</u>
-	-	-	6,499
<u>192,245</u>	<u>-</u>	<u>107,600</u>	<u>3,311,134</u>
<u>192,245</u>	<u>-</u>	<u>107,600</u>	<u>3,317,633</u>
<u>\$ 196,430</u>	<u>\$ 1,086</u>	<u>\$ 325,542</u>	<u>\$ 4,199,206</u>

GREGG COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Special Revenue		
	Election Service Contract	County Clerk Management Records	Jail Lease Facility
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	17,950	148,420	-
Interest	1,585	12,396	-
Rent and commissions	-	-	79,825
Miscellaneous	-	-	-
Total revenues	19,535	160,816	79,825
EXPENDITURES			
Current:			
General government	7,306	129,086	-
Judicial	-	-	-
Public safety	-	-	-
Health and human services	-	-	-
Public buildings	-	-	69,840
Transportation and roads	-	-	-
Capital projects	-	-	-
Total expenditures	7,306	129,086	69,840
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	12,229	31,730	9,985
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Sale of capital assets	-	-	-
Total other financing sources (uses)	-	-	-
NET CHANGE IN FUND BALANCES	12,229	31,730	9,985
FUND BALANCES, BEGINNING	31,484	267,094	143,295
FUND BALANCES, ENDING	\$ 43,713	\$ 298,824	\$ 153,280

Special Revenue

Law Library	Airport	Child Support Title IV-D 08/31/03	Sabine Valley Officer 08/31/06	Sabine Valley Officer 08/31/07	Violence Against Women Prosecution 08/31/06	Violence Against Women Prosecution 08/31/07	County Wide Records Management
\$ -	\$ 951,515	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	45,765	22,118	65,675	7,891	62,825	7,101	-
64,575	91,962	-	-	-	-	-	61,632
7,038	39,594	-	-	-	-	-	5,660
-	240,194	-	-	-	-	-	-
-	572	-	-	-	-	-	-
<u>71,613</u>	<u>1,369,602</u>	<u>22,118</u>	<u>65,675</u>	<u>7,891</u>	<u>62,825</u>	<u>7,101</u>	<u>67,292</u>
-	836,111	-	-	-	-	-	33,097
60,732	-	4,859	-	-	86,095	7,101	-
-	468,577	-	89,609	7,891	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>60,732</u>	<u>1,304,688</u>	<u>4,859</u>	<u>89,609</u>	<u>7,891</u>	<u>86,095</u>	<u>7,101</u>	<u>33,097</u>
<u>10,881</u>	<u>64,914</u>	<u>17,259</u>	<u>(23,934)</u>	<u>-</u>	<u>(23,270)</u>	<u>-</u>	<u>34,195</u>
-	54,039	-	23,934	-	23,270	-	-
-	(28,000)	-	-	-	-	-	(100,000)
-	1,230	-	-	-	-	-	-
<u>-</u>	<u>27,269</u>	<u>-</u>	<u>23,934</u>	<u>-</u>	<u>23,270</u>	<u>-</u>	<u>(100,000)</u>
10,881	92,183	17,259	-	-	-	-	(65,805)
<u>140,696</u>	<u>507,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,389</u>
<u>\$ 151,577</u>	<u>\$ 599,638</u>	<u>\$ 17,259</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,584</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, 2006

	Special Revenue		
	Security	Bioterrorism Grant - TDH 08/31/06	Community Bioterrorism Grant - TDH 08/31/07
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	157,607	9,563
Charges for services	77,458	-	-
Interest	1,214	-	-
Rent and commissions	-	-	-
Miscellaneous	-	-	-
Total revenues	78,672	157,607	9,563
EXPENDITURES			
Current:			
General government	-	-	-
Judicial	-	-	-
Public safety	111,645	-	-
Health and human services	-	157,607	9,563
Public buildings	-	-	-
Transportation and roads	-	-	-
Capital projects	-	-	-
Total expenditures	111,645	157,607	9,563
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(32,973)	-	-
OTHER FINANCING SOURCES (USES)			
Transfers in	41,351	-	-
Transfers out	-	-	-
Sale of capital assets	-	-	-
Total other financing sources (uses)	41,351	-	-
NET CHANGE IN FUND BALANCES	8,378	-	-
FUND BALANCES, BEGINNING	25,841	-	-
FUND BALANCES, ENDING	\$ 34,219	\$ -	\$ -

Special Revenue

Texas VINE Program 08/31/06	Law Enforcement Terrorism 11/30/05	State Homeland Grant II 11/30/05	State Homeland Grant III 12/30/06	HAVA Grant	J P Traffic Conviction Reporting	Community Development Block Grant 10/04/07	FEMA Wildfire Assistance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
25,880	16,855	121,774	10,181	539,543	8,000	39,379	14,779
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>25,880</u>	<u>16,855</u>	<u>121,774</u>	<u>10,181</u>	<u>539,543</u>	<u>8,000</u>	<u>39,379</u>	<u>14,779</u>
-	6,100	-	-	631,311	8,000	-	-
-	-	-	-	-	-	-	-
25,880	10,755	121,774	10,499	-	-	-	14,779
-	-	-	-	-	-	39,379	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>25,880</u>	<u>16,855</u>	<u>121,774</u>	<u>10,499</u>	<u>631,311</u>	<u>8,000</u>	<u>39,379</u>	<u>14,779</u>
-	-	-	(318)	(91,768)	-	-	-
-	-	-	29,000	91,768	-	-	-
-	-	-	-	-	-	-	-
-	-	-	<u>29,000</u>	<u>91,768</u>	-	-	-
-	-	-	28,682	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,682</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, 2006

	Special Revenue		
	Medical Corps Grant <u>08/31/06</u>	Panademic Preparedness <u>12/31/06</u>	HAVA Team <u>12/31/07</u>
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	12,459	13,700	6,375
Charges for services	-	-	-
Interest	-	-	-
Rent and commissions	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>12,459</u>	<u>13,700</u>	<u>6,375</u>
EXPENDITURES			
Current:			
General government	-	-	6,375
Judicial	-	-	-
Public safety	-	-	-
Health and human services	12,459	13,700	-
Public buildings	-	-	-
Transportation and roads	-	-	-
Capital projects	-	-	-
Total expenditures	<u>12,459</u>	<u>13,700</u>	<u>6,375</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Sale of capital assets	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCES, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue

<u>Justice Court Technology</u>	<u>District Clerk Civil Records Management</u>	<u>District Clerk Criminal Records Management</u>	<u>Justice of the Peace Security</u>	<u>County Clerk Criminal Records Management</u>	<u>FEMA Reimbursement</u>	<u>Sheriff Asset and Forfeiture</u>	<u>Sheriff Enforcement</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	32,106	-	-
28,930	13,086	66	4,427	2,091	-	-	-
993	1,300	1	68	39	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	72,163	49,769
<u>29,923</u>	<u>14,386</u>	<u>67</u>	<u>4,495</u>	<u>2,130</u>	<u>32,106</u>	<u>72,163</u>	<u>49,769</u>
-	-	-	-	-	705	-	-
3,497	-	-	-	-	-	-	-
-	-	-	350	-	13,513	72,520	23,371
-	-	-	-	-	2,611	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	15,277	-	-
-	-	-	-	-	-	-	-
<u>3,497</u>	<u>-</u>	<u>-</u>	<u>350</u>	<u>-</u>	<u>32,106</u>	<u>72,520</u>	<u>23,371</u>
<u>26,426</u>	<u>14,386</u>	<u>67</u>	<u>4,145</u>	<u>2,130</u>	<u>-</u>	<u>(357)</u>	<u>26,398</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>26,426</u>	<u>14,386</u>	<u>67</u>	<u>4,145</u>	<u>2,130</u>	<u>-</u>	<u>(357)</u>	<u>26,398</u>
<u>25,083</u>	<u>19,826</u>	<u>-</u>	<u>-</u>	<u>35</u>	<u>-</u>	<u>34,663</u>	<u>6,653</u>
<u>\$ 51,509</u>	<u>\$ 34,212</u>	<u>\$ 67</u>	<u>\$ 4,145</u>	<u>\$ 2,165</u>	<u>\$ -</u>	<u>\$ 34,306</u>	<u>\$ 33,051</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, 2006

	Special Revenue			
	Sheriff Inmate Welfare	Code Enforcement Awarded Forfeiture	Code Federal Enforcement Account	District Attorney General
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	120,723
Charges for services	-	-	-	114,507
Interest	5,644	4,955	37	-
Rent and commissions	85,594	-	-	-
Miscellaneous	<u>41,135</u>	<u>94,695</u>	<u>1,524</u>	<u>41,088</u>
Total revenues	<u>132,373</u>	<u>99,650</u>	<u>1,561</u>	<u>276,318</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Judicial	-	-	-	228,525
Public safety	140,238	140,700	-	-
Health and human services	-	-	-	-
Public buildings	-	-	-	-
Transportation and roads	-	-	-	-
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>140,238</u>	<u>140,700</u>	<u>-</u>	<u>228,525</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(7,865)</u>	<u>(41,050)</u>	<u>1,561</u>	<u>47,793</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Sale of capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(7,865)</u>	<u>(41,050)</u>	<u>1,561</u>	<u>47,793</u>
FUND BALANCES, BEGINNING	<u>144,863</u>	<u>480,060</u>	<u>9,244</u>	<u>(57,682)</u>
FUND BALANCES, ENDING	<u>\$ 136,998</u>	<u>\$ 439,010</u>	<u>\$ 10,805</u>	<u>\$ (9,889)</u>

Capital Projects

<u>Permanent Improvement</u>	<u>Airport Improvement</u>	<u>Longview Community Center Renovation</u>	<u>Industrial Airpark Improvement Fund</u>	<u>124th District Courtroom Renovation</u>	<u>Records Storage Building</u>	<u>Totals</u>
\$ 1,091,641	\$ 70,655	\$ -	\$ -	\$ -	\$ -	\$ 2,113,811
-	3,130,112	-	-	-	-	4,470,411
-	67,325	-	-	-	-	692,429
37,433	2,605	1,154	11,480	3,946	4,407	141,549
-	-	-	-	-	-	405,613
-	-	-	-	-	-	300,946
<u>1,129,074</u>	<u>3,270,697</u>	<u>1,154</u>	<u>11,480</u>	<u>3,946</u>	<u>4,407</u>	<u>8,124,759</u>
-	-	-	-	-	-	1,658,091
-	-	-	-	-	-	390,809
-	-	-	-	-	-	1,252,101
-	-	-	-	-	-	235,319
-	-	-	-	-	-	69,840
-	-	-	-	-	-	15,277
-	<u>3,368,436</u>	<u>73,774</u>	<u>88,399</u>	<u>207,313</u>	<u>359,095</u>	<u>4,097,017</u>
-	<u>3,368,436</u>	<u>73,774</u>	<u>88,399</u>	<u>207,313</u>	<u>359,095</u>	<u>7,718,454</u>
<u>1,129,074</u>	<u>(97,739)</u>	<u>(72,620)</u>	<u>(76,919)</u>	<u>(203,367)</u>	<u>(354,688)</u>	<u>406,305</u>
-	53,000	62,000	42,800	64,771	462,288	948,221
(399,529)	(12,039)	-	(51,584)	-	-	(591,152)
-	-	-	-	-	-	1,230
<u>(399,529)</u>	<u>40,961</u>	<u>62,000</u>	<u>(8,784)</u>	<u>64,771</u>	<u>462,288</u>	<u>358,299</u>
729,545	(56,778)	(10,620)	(85,703)	(138,596)	107,600	764,604
-	194,202	34,284	277,948	138,596	-	2,553,029
<u>\$ 729,545</u>	<u>\$ 137,424</u>	<u>\$ 23,664</u>	<u>\$ 192,245</u>	<u>\$ -</u>	<u>\$ 107,600</u>	<u>\$ 3,317,633</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, 2006

	<u>Print Shop</u>	<u>Self- Insurance</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 50,079	\$ 133,549	\$ 183,628
Investments	-	1,574,646	1,574,646
Interest receivable	228	11,396	11,624
Accounts receivable, net of allowance	462	96,044	96,506
Inventory	<u>8,901</u>	<u>-</u>	<u>8,901</u>
Total current assets	<u>59,670</u>	<u>1,815,635</u>	<u>1,875,305</u>
Noncurrent assets:			
Capital assets:			
Equipment	23,555	-	23,555
Less accumulated depreciation	<u>(15,200)</u>	<u>-</u>	<u>(15,200)</u>
Total capital assets	<u>8,355</u>	<u>-</u>	<u>8,355</u>
Total noncurrent assets	<u>8,355</u>	<u>-</u>	<u>8,355</u>
Total assets	<u>68,025</u>	<u>1,815,635</u>	<u>1,883,660</u>
LIABILITIES			
Current liabilities:			
Accounts payable	<u>9,194</u>	<u>230,669</u>	<u>239,863</u>
Total liabilities	<u>9,194</u>	<u>230,669</u>	<u>239,863</u>
NET ASSETS			
Invested in capital assets	8,355	-	8,355
Unrestricted	<u>50,476</u>	<u>1,584,966</u>	<u>1,635,442</u>
Total net assets	<u>\$ 58,831</u>	<u>\$ 1,584,966</u>	<u>\$ 1,643,797</u>

GREGG COUNTY, TEXAS

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

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Print Shop</u>	<u>Self- Insurance</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 49,595	\$ 3,430,964	\$ 3,480,559
Total operating revenues	<u>49,595</u>	<u>3,430,964</u>	<u>3,480,559</u>
OPERATING EXPENSES			
Supplies	27,708	-	27,708
Copying machine	9,868	-	9,868
Repairs and maintenance service	1,340	-	1,340
Claim expenses	-	2,467,020	2,467,020
Administrative	-	497,293	497,293
Depreciation	<u>3,200</u>	<u>-</u>	<u>3,200</u>
Total operating expenses	<u>42,116</u>	<u>2,964,313</u>	<u>3,006,429</u>
OPERATING INCOME	7,479	466,651	474,130
NONOPERATING REVENUES			
Investment earnings	<u>2,167</u>	<u>70,801</u>	<u>72,968</u>
CHANGE IN NET ASSETS	9,646	537,452	547,098
TOTAL NET ASSETS, BEGINNING	<u>49,185</u>	<u>1,047,514</u>	<u>1,096,699</u>
TOTAL NET ASSETS, ENDING	\$ <u>58,831</u>	\$ <u>1,584,966</u>	\$ <u>1,643,797</u>

GREGG COUNTY, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Print Shop</u>	<u>Self- Insurance</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from interfund services	\$ 49,534	\$ 3,434,533	\$ 3,484,067
Cash paid to suppliers for goods and services	(30,561)	(3,006,184)	(3,036,745)
Net cash provided by operating activities	<u>18,973</u>	<u>428,349</u>	<u>447,322</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisitions of capital assets	(7,555)	-	(7,555)
Net cash used for capital and related financing activities	<u>(7,555)</u>	<u>-</u>	<u>(7,555)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturities of investments	-	3,192,385	3,192,385
Purchase of investments	-	(3,607,695)	(3,607,695)
Investment earnings	<u>2,028</u>	<u>74,606</u>	<u>76,634</u>
Net cash flows provided (used) by investing activities	<u>2,028</u>	<u>(340,704)</u>	<u>(338,676)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,446	87,645	101,091
CASH AND CASH EQUIVALENTS, BEGINNING	<u>36,633</u>	<u>45,904</u>	<u>82,537</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 50,079</u>	<u>\$ 133,549</u>	<u>\$ 183,628</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 7,479	\$ 466,651	\$ 474,130
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	3,200	-	3,200
Changes in assets and liabilities:			
(Increase) decrease in assets:			
Inventory	71	-	71
Accounts receivable	(191)	3,539	3,348
Increase (decrease) in liabilities:			
Accounts payable	<u>8,414</u>	<u>(41,841)</u>	<u>(33,427)</u>
Net cash provided by operating activities	<u>\$ 18,973</u>	<u>\$ 428,349</u>	<u>\$ 447,322</u>

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AGENCY FUNDS

GREGG COUNTY, TEXAS

AGENCY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

SEPTEMBER 30, 2006

	<u>Tax Assessor- Collector</u>	<u>County Clerk</u>	<u>District Clerk</u>	<u>Sheriff</u>
ASSETS				
Cash	\$ 2,064,061	\$ 342,814	\$ 414,674	\$ 296,049
Investments	-	371,987	2,571,731	-
Accounts receivable	<u>8,662</u>	<u>5,762</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,072,723</u>	<u>\$ 720,563</u>	<u>\$ 2,986,405</u>	<u>\$ 296,049</u>
LIABILITIES				
Due to others	<u>\$ 2,072,723</u>	<u>\$ 720,563</u>	<u>\$ 2,986,405</u>	<u>\$ 296,049</u>
Total liabilities	<u>\$ 2,072,723</u>	<u>\$ 720,563</u>	<u>\$ 2,986,405</u>	<u>\$ 296,049</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>Juvenile Probation</u>	<u>Totals</u>
\$ 249,056	\$ 23,727	\$ 285,762	\$ 1,500	\$ 39,380	\$ 354,283	\$ 4,071,306
-	-	-	-	-	100,000	3,043,718
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,424</u>
<u>\$ 249,056</u>	<u>\$ 23,727</u>	<u>\$ 285,762</u>	<u>\$ 1,500</u>	<u>\$ 39,380</u>	<u>\$ 454,283</u>	<u>\$ 7,129,448</u>
<u>\$ 249,056</u>	<u>\$ 23,727</u>	<u>\$ 285,762</u>	<u>\$ 1,500</u>	<u>\$ 39,380</u>	<u>\$ 454,283</u>	<u>\$ 7,129,448</u>
<u>\$ 249,056</u>	<u>\$ 23,727</u>	<u>\$ 285,762</u>	<u>\$ 1,500</u>	<u>\$ 39,380</u>	<u>\$ 454,283</u>	<u>\$ 7,129,448</u>

GREGG COUNTY, TEXAS

AGENCY FUNDS

COMBINING STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

<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	\$ 1,694,040	\$ 162,406,218	\$ 162,036,197	\$ 2,064,061
County clerk	615,941	2,377,914	2,279,054	714,801
District clerk	3,384,709	3,776,505	4,174,809	2,986,405
Sheriff	241,047	2,264,147	2,209,145	296,049
District attorney	160,155	1,150,004	1,061,103	249,056
Code forfeiture pending	23,414	71,071	70,758	23,727
State fees	242,873	1,213,614	1,170,725	285,762
Local emergency planning	1,500	-	-	1,500
Gregg/Harrison first call warning	34,680	20,200	15,500	39,380
Juvenile probation	-	4,052,628	3,598,345	454,283
	<u>\$ 6,398,359</u>	<u>\$ 177,332,301</u>	<u>\$ 176,615,636</u>	<u>\$ 7,115,024</u>

COMPLIANCE SECTION

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**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 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, 2006, which collectively comprise Gregg County, Texas' basic financial statements and have issued our report thereon dated March 2, 2007. 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.

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*.

We noted certain matters that are reported to management of Gregg County in a separate letter dated March 2, 2007.

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.

Patillo, Brown : Hill, L.L.P.

March 2, 2007



**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, 2006. 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, 2006.

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.

March 2, 2007

GREGG COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

Pass-through Grantor's Number	Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Total Expenditures
<u>U. S. Department of Housing and Urban Development</u>			
Direct:			
725006	Community Development Block Grant	14.218	\$ <u>39,379</u>
	Total U. S. Department of Housing and Urban Development		<u>39,379</u>
<u>U. S. Department of Justice</u>			
Passed through the Criminal Justice Council:			
N/A	DEA Overtime Grant	16.527	15,144
WF-05-V30-13450-08	Violence Against Women	16.588	62,825
WF-06-V30-13450-09	Violence Against Women	16.588	<u>7,101</u>
	Total U. S. Department of Justice		<u>85,070</u>
<u>U. S. Department of Transportation</u>			
Passed through Federal Aviation Administration:			
3-48-0137-22-02	Airport Development Projects	20.106	<u>3,130,112</u>
	Total U. S. Department of Transportation		<u>3,130,112</u>
<u>U. S. Election Assistance Commission</u>			
Passed through Texas Secretary of State			
79082	TEAM Compatibility	39.011	6,375
77387	County Education Fund	39.011	<u>7,000</u>
	Total U. S. Election Assistance Commission		<u>13,375</u>
<u>U. S. Election Assistance Commission</u>			
Passed through Texas Secretary of State			
78567	General HAVA Compliance	90.401	463,543
78822	Voting System Accessibility	90.401	<u>69,000</u>
	Total U. S. Election Assistance Commission		<u>532,543</u>
<u>U. S. Department of Health and Human Services</u>			
Passed through Texas Department of Protective and Regulatory Services:			
7513272223-2006	Medical Corps Group/Regional Medical Response	93.003	12,459
7560009718-2006	OPHP/Bioterrorism	93.283	171,307
7560009718-2007	OPHP/Bioterrorism	93.283	<u>9,563</u>
	Total U. S. Department of Health and Human Services		<u>193,329</u>

(continued)

GREGG COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

<u>Pass-through Grantor's Number</u>	<u>Federal Grantor/ Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>
	<u>U. S. Department of Homeland Security</u>		
	Passed through Texas Engineering Extension Service:		
2005 HSGP - 48183	State Homeland Security Grant program	97.073	\$ 10,181
2004 LETPP - 48183	State Homeland Security Grant program	97.004	16,855
2004 SHSP - 48183	State Homeland Security Grant program	97.004	<u>121,774</u>
	Total Passed through the Texas Engineering and Extension Service		<u>148,810</u>
	<u>U. S. Department of Homeland Security (Continued)</u>		
	Passed through Federal Emergency Management Agency:		
FEMA 3216-DR TX	Hurricane Katrina	97.036	17,797
FEMA 1606-DR TX	Hurricane Rita	97.036	35,559
FEMA 1624-DR TX	Wildfire Assistance	97.036	<u>14,779</u>
	Total Passed through Federal Emergency Management Agency		<u>68,135</u>
	Total U. S. Department of Homeland Security		<u>216,945</u>
	Total Federal Awards		\$ <u>4,210,753</u>

GREGG COUNTY, TEXAS

NOTES TO GRANT FINANCIAL STATEMENTS

SEPTEMBER 30, 2006

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
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

None

GREGG COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2006

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 programs	Airport Development, CFDA #20.106 Help America Vote Act, CFDA #90.401 HAVA Team, CFDA #39.011

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

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