

ANNUAL FINANCIAL REPORT
LIBERTY COUNTY, TEXAS

Fiscal Year Ended
September 30, 2006

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LIBERTY COUNTY, TEXAS

TABLE OF CONTENTS

September 30, 2006

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	1
List of Elected and Appointed Officials	5
Organizational Chart	6

FINANCIAL SECTION

Independent Auditors' Report	9
-------------------------------------	---

Management's Discussion and Analysis	13
---	----

BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements

Statement of Net Assets	21
Statement of Activities	23

Governmental Funds Financial Statements

Balance Sheet	24
Statement of Revenues, Expenditures, and Changes in Fund Balances	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29

Proprietary Funds Financial Statements

Statement of Net Assets	30
Statement of Revenues, Expenses, and Changes in Fund Net Assets	31
Statement of Cash Flows	33

Fiduciary Funds Financial Statements

Statement of Fiduciary Net Assets—Agency Funds	35
--	----

Notes to Financial Statements	37
-------------------------------	----

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual – General Fund	54
--	----

Schedule of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual – Road and Bridge Fund	57
--	----

Schedule of Funding Progress – Texas County and District Retirement System	59
--	----

Combining Statements and Schedules

Combining Balance Sheet – Nonmajor Governmental Funds	64
---	----

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	70
--	----

Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual – Budgeted Special Revenue Funds	76
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Combining Statement of Net Assets – Agency Funds	88
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INTRODUCTORY SECTION

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HAROLD SEAY, CPA
LIBERTY COUNTY AUDITOR
LIBERTY COUNTY COURTHOUSE
1923 SAM HOUSTON, ROOM 115
LIBERTY, TEXAS 77575
409/336-4605

May 1, 2007

Honorable District Judges,
Members of the Commissioners Court, and
Citizens of Liberty County:

The County Auditor's Office is pleased to present the Annual Financial Report for Liberty County, Texas (the "County"), for the fiscal year ended September 30, 2006.

This report was prepared to provide the Commissioners Court, our citizens, our bondholders, and other interested parties with detailed information concerning the financial condition and activities of the County. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects, and is presented in a manner designed to fairly present the financial position and results of operations of the County as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain a reasonable understanding of the County's financial affairs have been included.

The Liberty County financial statements have been audited by Sandersen, Knox & Belt, Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended September 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the financial statements for the year ended September 30, 2006, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

PROFILE OF LIBERTY COUNTY

Liberty County was created in 1836, and is located in southeast Texas on U. S. Highway 90 halfway between Beaumont and Houston. The County occupies an area of 1,176 square miles and serves a population of 75,685.

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

The County Auditor has responsibility 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 submission to the Commissioners' Court for approval.

The County provides a full range of services authorized by statute. Services include general governmental functions such as recording and licensing, maintaining the county and district court systems, maintaining public facilities, ensuring public safety, maintaining public health and welfare, aiding conservation, and maintaining county roads and bridges.

The annual budget serves as the foundation for Liberty County's financial planning and control. All departments of the County are required to submit budget requests to the County Judge each year. Commissioners Court is required to hold public hearings on a proposed budget. The County is required to adopt a final budget by the first day of the new fiscal year. The appropriated budget is prepared by fund, department, and category. All transfers of appropriations, either between departments or within an individual department's budget, require approval of Commissioners' Court. Budget-to-actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted.

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy – The County's economy has historically been based on mineral production (oil and gas), agriculture (cattle, rice, soybeans), and lumber (timber). County is a significant job source for the area, while additional employment focuses on agribusiness, including ranching, rice, and soybean farming. Liberty County is located halfway between Houston and Beaumont which provides additional nearby employment opportunities.

The 2000 Census for Liberty County reported the population at 70,154. Based on the census of 1990, the population was 52,726. As a result, the ten-year period reflected a 33 percent increase in population. The 2006 population was estimated at 75,685. The County's unemployment rate at September 30, 2006 was 5.4 percent compared to 6.2 percent at September 30, 2005.

Transmittal Letter
Liberty County, Texas

Long-term financial planning - Liberty County records reflect modest debt levels and acceptable reserve levels that have benefited from sound fiscal management practices. The County practices conservative budgeting and sets general fund reserve targets at eight percent to ten percent of annual expenditures. In the past fiscal year the County incurred a significant increase in the general fund unreserved fund balance as a result of additional revenues and a decrease in general fund expenditures.

Liberty County has identified several long-term issues that need to be studied and funded by Commissioners' Court. These issues include additional space outside the courthouse for department offices, additional funds for the maintenance of roads and bridges, and a courthouse security plan.

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 by statute the County Treasurer serves as the County's investment officer. The policy is 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. The primary objectives of the County's investment policy are the safety of principal followed by liquidity and yield. Accordingly, deposits were either insured by federal depository insurance or collateralized with securities pledged to the County and held by an independent third-party financial institution.

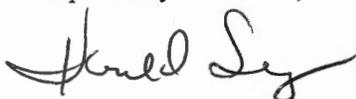
Risk management - The County retains various levels of risk, and accounts for the associated expenditures in the General Fund. The portions of risk that are not transferred to third party coverage are self-funded by the County under formal arrangements. Additional information concerning the County's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

Pension and other post-employment benefits - Liberty County provides retirement, disability, and death benefits for all its employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). Specific plan provisions are adopted by the County within the options available in the State statutes governing the TCERS. 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 within the actuarial constraints imposed by the TCERS Act so that the resulting benefits can be expected to be adequately financed. Detailed information on the retirement plan and other post-employment benefits can be found in the notes to the financial statements.

ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the efficient and dedicated efforts of the staff of the County Auditor's Office. We express our appreciation to all the members of the office who assisted and contributed to its preparation. We would also like to thank the accounting firm of Sandersen, Knox & Belt, Certified Public Accountants, for sharing their knowledge, and extending their cooperation and support to the County Auditor's Office. I also wish to commend members of the Commissioners' Court for conducting the financial operations of Liberty County in a progressive and responsible manner.

Respectfully submitted,



Harold Seay, CPA
Liberty County Auditor

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LIBERTY COUNTY, TEXAS
LIST OF ELECTED AND APPOINTED OFFICIALS
September 30, 2006

COMMISSIONERS' COURT

Lloyd Kirkham	County Judge
Todd Fontenot	Commissioner, Precinct # 1
Lee Groce	Commissioner, Precinct # 2
Melvin Hunt	Commissioner, Precinct # 3
Norman Brown	Commissioner, Precinct # 4

DISTRICT COURTS

C. T. Hight	Judge, 75 th Judicial District
Chap Cain	Judge, 253 rd Judicial District
Michael Little	District Attorney
Melody Gilmore	District Clerk

COUNTY COURT

Don Taylor	Judge, County Court at Law
A. J. Hartel	County Attorney
Delia Sellers	County Clerk

JUSTICE COURTS

Bobby Rader	Justice of Peace, Precinct # 1
Ronnie Davis	Justice of Peace, Precinct # 2
Phil Fitzgerald	Justice of Peace, Precinct # 3
Glenn Pruitt	Justice of Peace, Precinct # 4
Burl Thomas	Justice of Peace, Precinct # 5
Fred Dishongh	Justice of Peace, Precinct # 6

LAW ENFORCEMENT

Greg Arthur	Sheriff
Tim Allison	Constable, Precinct # 1
Mike Parrish	Constable, Precinct # 2
Danny Frankum	Constable, Precinct # 3
Charles Martin	Constable, Precinct # 4
L. W. DeSpain	Constable, Precinct # 5
Royce Wheeler	Constable, Precinct # 6

FINANCIAL ADMINISTRATION

Harold Seay	County Auditor*
Mark McClelland	Tax Assessor-Collector
Linda Leonard	County Treasurer

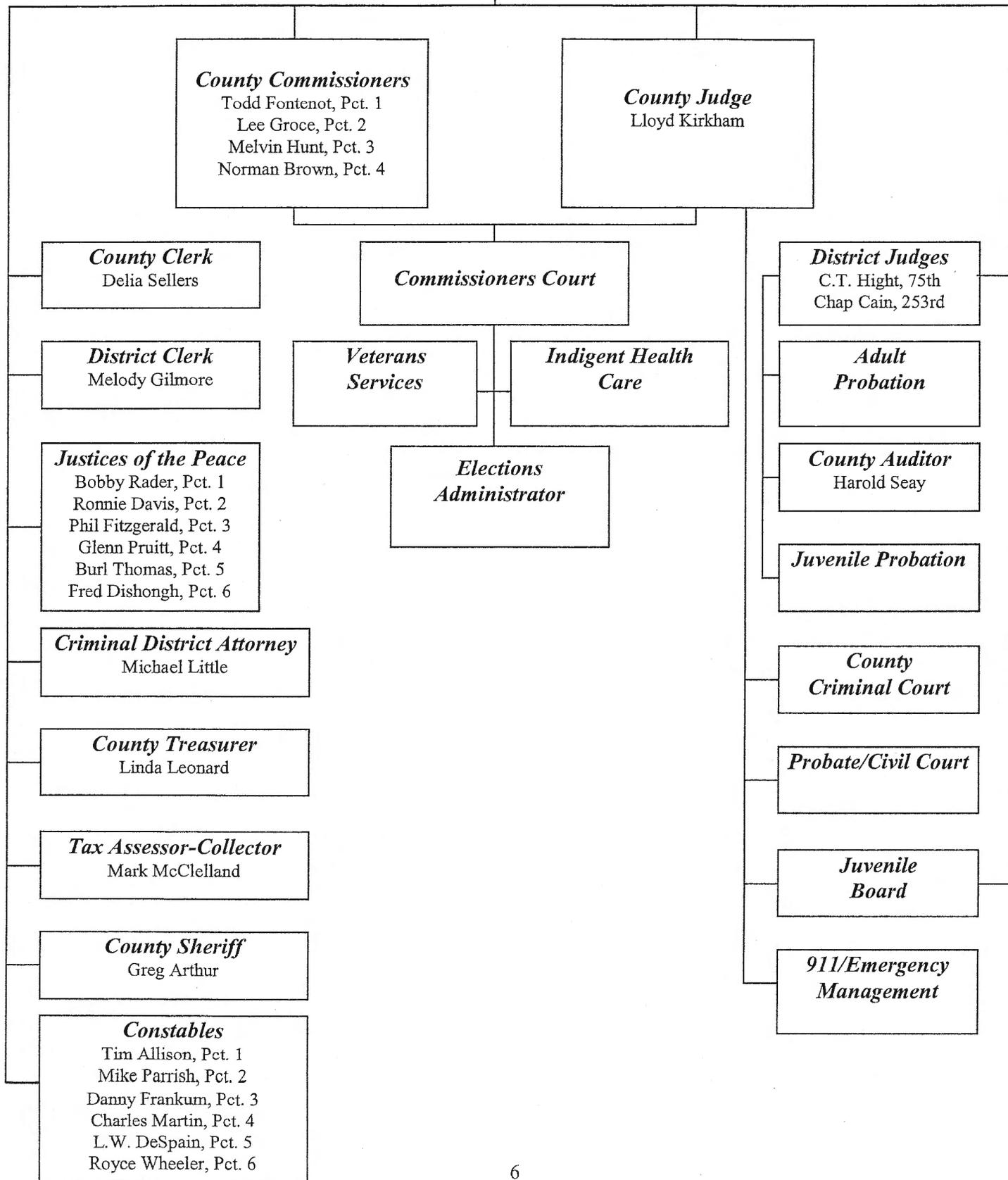
* Designates appointed official. All others elected.

LIBERTY COUNTY, TEXAS

ORGANIZATIONAL CHART

September 30, 2006

**Liberty County
Voters**



FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge and
Members of the Commissioners Court,
Liberty County, Texas:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty County, Texas (the "County"), 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 the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 the County as of September 30, 2006, and the respective changes in financial position and cash flows where applicable thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2007 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements 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 it.

A handwritten signature in black ink, appearing to read "Sub. Staff & Belt". The signature is written in a cursive, flowing style.

May 1, 2007

***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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LIBERTY COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

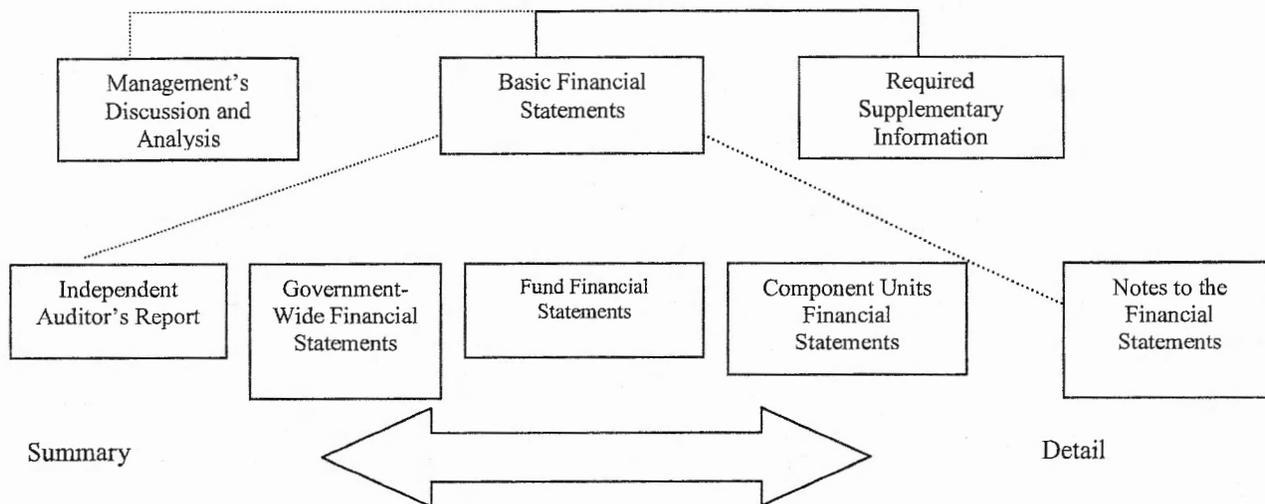
September 30, 2006

The purpose of the MD&A is to give the readers an objective and easily readable analysis of the Liberty County, Texas (the "County"), financial activities for the year ended September 30, 2006. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the County's activities, compares current-year results with those of the prior year, and discusses the positive and negative aspects of that comparison. GASB Statement No. 34 establishes the content of the minimum requirements for MD&A. Please read the MD&A in conjunction with the County's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

The table of contents presented at the beginning of this report provides an overview of the structure of the County's report, as well as the page numbers where the respective sections can be located within the report, as more fully described below.

Components of the Financial Section



The Comprehensive Annual Financial Report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. The new financial reporting model requires governments to present certain basic financial statements as well as a management's discussion and analysis (MD&A) and certain other required supplementary information (RSI). The basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements.

Government-Wide Statements

The government-wide statements report information for the County as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results and financial position of the County as an economic entity. The statement of net assets and the statement of activities, which appear first in the County's financial statements, report information on the County's activities that enable the reader to understand the financial condition of Liberty County. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

LIBERTY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2006

The statement of net assets presents information on all of Liberty County's assets and liabilities. The difference between the two is reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Liberty County is improving or deteriorating. Other non-financial factors, such as the County's property tax base and the condition of the County's infrastructure, need to be considered in order to assess the overall health of the County.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

In the statement of net assets and the statement of activities, the County has only one type of activity:

1. Governmental activities – All of the County's basic services are reported here, including general government, administration of justice, public safety, health and human services, and public transportation. Interest payments on the County's debt are also reported here.

The government-wide financial statements can be found after the MD&A within this report.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is Liberty County. They are usually segregated for specific activities or objectives. Liberty County uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of County funds are governmental and fiduciary.

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 the County'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 County'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*.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General, Road and Bridge, and Capital Project funds, which are considered to be major funds.

LIBERTY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2006

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 statements because the resources of those funds are not available to support the County's own programs.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to basic financial statements, this MD&A, and accompanying notes, this report also presents certain required supplementary information (RSI). The RSI that GASB Statement No. 34 requires includes budgetary comparison schedules for the General and Road and Bridge funds, as well as a schedule of funding progress for the Texas County and District Retirement System.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the County's financial position. For Liberty County, assets exceed liabilities by \$16,225,027 as of year end.

A large portion of the County's net assets reflects its investments in capital assets (e.g., land, buildings, and machinery and equipment) less any debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the 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 assets themselves can not be used to liquidate these liabilities.

Governmental Activities - Statement of Net Assets

	2006	2005
Current and other assets	\$ 21,105,364	\$ 16,815,174
Capital assets, net	8,963,638	9,549,505
Total Assets	30,069,002	26,364,679
Long-term liabilities	11,794,330	12,938,529
Other liabilities	2,049,645	2,353,264
Total Liabilities	13,843,975	15,291,793
Net assets:		
Invested in capital assets, net of related debt	6,195,352	2,256,267
Restricted	2,274,686	1,970,091
Unrestricted	7,754,989	6,846,528
Total Net Assets	\$ 16,225,027	\$ 11,072,886

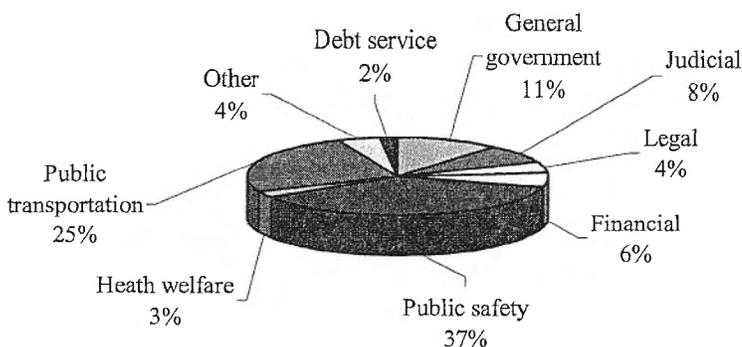
Unrestricted net assets, \$7,754,989, may be used to meet the County's ongoing obligation to citizens and creditors.

LIBERTY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 September 30, 2006

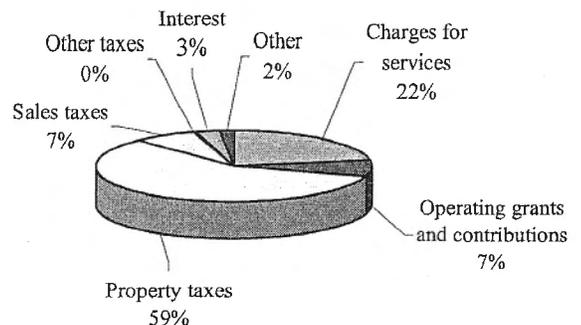
Governmental Activities - Statement of Activities

	<u>2006</u>	<u>2005</u>
Revenues		
Program revenues:		
Charges for services	\$ 8,162,829	\$ 8,718,636
Operating grants and contributions	2,730,097	4,399,899
General revenues:		
Property taxes	21,358,930	18,705,089
Sales taxes	2,686,684	2,536,606
Other taxes	34,738	124,783
Interest	1,020,424	536,238
Other	630,969	543,440
Total Revenues	<u>36,624,671</u>	<u>35,564,691</u>
Expenses		
General government	3,457,715	2,586,485
Judicial	2,458,706	2,496,354
Legal	1,403,023	1,305,850
Financial	1,879,912	1,790,113
Public safety	11,482,642	13,672,427
Heath welfare	908,479	950,689
Public transportation	7,910,646	8,581,173
Other	1,393,504	3,140,349
Debt service	577,903	509,072
Total Expenses	<u>31,472,530</u>	<u>35,032,512</u>
Change in Net Assets	5,152,141	532,179
Beginning net assets:	11,072,886	10,540,707
Ending Net Assets	<u>\$ 16,225,027</u>	<u>\$ 11,072,886</u>

Governmental Functional Expenses



Governmental Revenues



LIBERTY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2006

Governmental Activities

Total revenues for the governmental activities have increased by 3.0% when compared to the previous year. This increase is largely attributable to the increase in taxes collected during the year. Total expenses for governmental activities decreased 10.2% when compared to the previous year.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

The County's governmental funds reflect a combined fund balance of \$13,981,711. Of this, \$3,802,236 is designated or reserved for various special revenue and capital project programs.

There was an increase in the fund balance of \$5,186,853 over the prior year for the General fund. The Road and Bridge fund experienced an increase in fund balance as well in the amount of \$590,969. Capital Projects had a decrease in fund balance of \$2,205,706 as a result of continued infrastructure improvements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of the year, the County's governmental activities funds had invested \$8,963,638 net of accumulated depreciation in a variety of capital assets. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34.

More detailed information about the County's capital assets is presented in the notes to the financial statements.

Long-Term Debt - At the end of the year, the County's total long-term debt consisted of \$7,635,000 in certificates of obligation, \$2,890,000 in general obligation bonds, and capital leases of \$1,213,286.

More detailed information about the County's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The County continues to grow as seen in the increase in assessed property valuations for both residential and commercial entities.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Liberty County's finances. Questions concerning this report or requests for additional financial information should be directed to Harold Seay, CPA, County Auditor, Liberty County, 1923 Sam Houston, Liberty, Texas 77575.

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BASIC FINANCIAL STATEMENTS

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LIBERTY COUNTY, TEXAS

STATEMENT OF NET ASSETS

September 30, 2006

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 16,159,698
Receivables, net	3,246,271
Due from other governments	1,135,331
Due from other funds	369,312
Deferred charges	169,127
Other current assets	25,625
Nondepreciable capital assets	545,511
Depreciable capital assets (net of accum. depreciation)	8,418,127
Total Assets	<u>30,069,002</u>
LIABILITIES	
Current:	
Accounts payable and accrued liabilities	1,792,905
Accrued interest payable	62,095
Due to other governments	2,278
Deferred revenue	192,367
Noncurrent Liabilities:	
Long-term liabilities due within one year	1,145,000
Long-term liabilities due in more than one year	10,649,330
Total Liabilities	<u>13,843,975</u>
NET ASSETS	
Invested in capital assets, (net of related debt)	6,195,352
Restricted for:	
Debt service	534,735
Records management	730,464
Public safety	307,715
Judicial	578,562
Other purposes	123,210
Unrestricted	7,754,989
Total Net Assets	<u>\$ 16,225,027</u>

See notes to financial statements.

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LIBERTY 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	Governmental Activities
Primary Government:				
Governmental Activities:				
General government	\$ 3,457,715	\$ 134,739	\$ 784,815	\$ (2,538,161)
Judicial	2,458,706	2,273,966	140,659	(44,081)
Legal	1,403,023	103,509	63,424	(1,236,090)
Financial	1,879,912	95,113	-	(1,784,799)
Public safety	11,482,642	3,486,921	766,265	(7,229,456)
Health and welfare	908,479	-	112,080	(796,399)
Public transportation	7,910,646	2,068,581	487,757	(5,354,308)
Other	1,393,504	-	375,097	(1,018,407)
Interest and fiscal agent fees on on long-term debt	577,903	-	-	(577,903)
Total Governmental Activities	31,472,530	8,162,829	2,730,097	(20,579,604)
Total Primary Government	\$ 31,472,530	\$ 8,162,829	\$ 2,730,097	(20,579,604)
General Revenues:				
				21,358,930
				2,686,684
				34,738
				95,103
				1,020,424
				535,866
				25,731,745
				5,152,141
				11,072,886
				\$ 16,225,027

See notes to financial statements.

LIBERTY COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2006

	General	Road and Bridge	Capital Projects	Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 8,015,791	\$ 1,824,356	\$ 749,695	\$ 3,111,050
Receivables (net of allowance for uncollectible)	1,885,231	494,095	-	180,491
Due from other governments	865,325	-	-	270,006
Due from other funds	355,998	84,758	-	70,183
Due from others	39,057	3,624	-	93,636
Other current assets	25,625	-	-	-
Total Assets	\$ 11,187,027	\$ 2,406,833	\$ 749,695	\$ 3,725,366
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 698,611	\$ 206,037	\$ 70,894	\$ 71,768
Due to other governments	2,278	-	-	-
Due to other funds	31,151	-	-	110,476
Due to others	8,610	-	-	78,079
Other liabilities	41,933	15,189	-	-
Deferred revenue	1,916,481	494,095	-	341,608
Total Liabilities	2,699,064	715,321	70,894	601,931
Fund Balances:				
Reserved	-	-	678,801	2,274,686
Unreserved and designated	-	-	-	848,749
Unreserved and undesignated	8,487,963	1,691,512	-	-
Total Fund Balances	8,487,963	1,691,512	678,801	3,123,435
Total Liabilities and Fund Balances	\$ 11,187,027	\$ 2,406,833	\$ 749,695	\$ 3,725,366

Adjustments for the Statement of Net Assets:

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

Capital assets - non-depreciable

Capital assets - depreciable

Accumulated depreciation

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

The internal service fund is used to charge the costs of self-insurance activities to appropriate functions in other funds and therefore not reported in the governmental funds.

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

Accrued interest payable

Non-current liabilities due in one year

Non-current liabilities due in more than one year

Deferred charges for issuance costs

Various other reclassification and eliminations to convert from the modified accrual basis of accounting to accrual basis of accounting.

Net Assets of Governmental Activities

See notes to financial statements.

**Total
Governmental
Funds**

\$ 13,700,892

2,559,817

1,135,331

510,939

136,317

25,625

\$ 18,068,921

\$ 1,047,310

2,278

141,627

86,689

57,122

2,752,184

4,087,210

2,953,487

848,749

10,179,475

13,981,711

545,511

23,072,766

(14,654,639)

2,559,817

1,917,792

(62,095)

(1,145,000)

(10,649,330)

169,127

489,367

\$ 16,225,027

LIBERTY COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended September 30, 2006

	General	Road and Bridge	Capital Projects	Nonmajor Governmental Funds
REVENUES				
Property taxes	\$ 15,711,767	\$ 4,143,009	\$ -	\$ 1,521,903
Sales taxes	2,686,684	-	-	-
Other taxes	34,738	-	-	-
Licenses and permits	95,113	-	-	-
Intergovernmental revenue	722,399	487,757	-	1,615,044
Charges for services	3,140,021	-	-	335,723
Fines and forfeitures	2,124,799	1,751,081	-	716,092
Investment income	764,034	-	85,215	58,436
Other revenue	248,089	248,978	-	38,799
Total Revenues	<u>25,527,644</u>	<u>6,630,825</u>	<u>85,215</u>	<u>4,285,997</u>
EXPENDITURES				
Current:				
General government	2,839,003	-	-	528,340
Judicial	2,399,110	-	-	121,324
Legal	1,269,505	-	-	124,998
Financial	1,818,316	-	-	-
Public safety	10,387,880	-	-	814,178
Health and welfare	927,082	-	-	-
Public transportation	-	5,173,110	2,267,020	91,799
Other	471,144	579,807	-	376,932
Capital outlay	-	-	23,901	141,000
Debt service:				
Principal	213,922	228,700	-	970,000
Interest and fiscal charges	14,829	58,239	-	410,044
Total Expenditures	<u>20,340,791</u>	<u>6,039,856</u>	<u>2,290,921</u>	<u>3,578,615</u>
Net Change in Fund Balances	5,186,853	590,969	(2,205,706)	707,382
Beginning fund balances	<u>3,301,110</u>	<u>1,100,543</u>	<u>2,884,507</u>	<u>2,416,053</u>
Ending Fund Balances	<u>\$ 8,487,963</u>	<u>\$ 1,691,512</u>	<u>\$ 678,801</u>	<u>\$ 3,123,435</u>

See notes to financial statements.

**Total
Governmental
Funds**

\$ 21,376,679
2,686,684
34,738
95,113
2,825,200
3,475,744
4,591,972
907,685
535,866
36,529,681

3,367,343
2,520,434
1,394,503
1,818,316
11,202,058
927,082
7,531,929
1,427,883
164,901

1,412,622
483,112
32,250,183

4,279,498

9,702,213

\$ 13,981,711

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LIBERTY COUNTY, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES 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 are different because:

Net changes in fund balances - total governmental funds	\$ 4,279,498
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	
Capital outlay	721,873
Depreciation	(1,284,712)
The net effect of various miscellaneous transactions involving capital assets	(153,229)
The County uses internal service funds to charge the costs of certain activities, such as self-insurance to appropriate functions in other funds. The net income (loss) of internal service funds is reported with governmental activities.	
	287,722
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Deferred revenue	(17,749)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	
Principal payments	1,412,622
Amortization of bond premiums, issuance costs, and deferred charges	(100,203)
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 the governmental funds. This adjustment reflects the net change in interest payable on the accrual basis of accounting and the net change in compensated absences.	
Compensated absences	907
Interest payable	5,412
Change in Net Assets of Governmental Activities	\$ 5,152,141

See notes to financial statements.

LIBERTY COUNTY, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUND

September 30, 2006

	<u>Internal Service Fund</u>
ASSETS	
Cash and investments	\$ 2,458,806
Due from others	<u>60,770</u>
Total Assets	<u>2,519,576</u>
LIABILITIES	
Accounts payable	<u>601,784</u>
Total Liabilities	<u>601,784</u>
NET ASSETS	
Unrestricted	<u>1,917,792</u>
Total Net Assets	<u><u>\$ 1,917,792</u></u>

See notes to financial statements.

LIBERTY COUNTY, TEXAS

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

For the Year Ended September 30, 2006

	<u>Internal Service Fund</u>
<u>Operating Revenues</u>	
County and employee contributions	\$ 3,860,970
Total Operating Revenues	<u>3,860,970</u>
<u>Operating Expenses</u>	
Claims, premiums, and administrative costs	<u>3,685,987</u>
Total Operating Expenses	<u>3,685,987</u>
Operating Income	<u>174,983</u>
<u>Non-Operating Revenues</u>	
Investment income	<u>112,739</u>
Total Non-Operating Revenues	<u>112,739</u>
Change in Net Assets	287,722
Beginning net assets	<u>1,630,070</u>
Ending Net Assets	<u>\$ 1,917,792</u>

See notes to financial statements.

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LIBERTY COUNTY, TEXAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended September 30, 2006

	<u>Internal Service Fund</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from County and employee contributions	\$ 4,054,042
Payments for insurance claims, premiums, and administrative costs	(3,596,585)
Net Cash Provided by Operating Activities	<u>457,457</u>
<u>Cash Flows from Investing Activities</u>	
Interest on investments	112,739
Net Cash Provided by Investing Activities	<u>112,739</u>
Net Increase in Cash and Equivalents	570,196
Beginning cash and cash equivalents	<u>1,888,610</u>
Ending Cash and Cash Equivalents	<u><u>\$ 2,458,806</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 174,983
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Due from others	193,072
Increase (Decrease) in:	
Accounts payable	89,402
Net Cash Provided by Operating Activities	<u><u>\$ 457,457</u></u>

See notes to financial statements.

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LIBERTY COUNTY, TEXAS

STATEMENT OF FIDUCIARY NET ASSETS

AGENCY FUNDS

September 30, 2006

	<u>Total Agency Funds</u>
ASSETS	
Cash and investments	\$ 6,236,521
Due from other funds	34,681
Accounts receivable	16,569
Total Assets	<u>\$ 6,287,771</u>
LIABILITIES	
Accounts payable	\$ 6,885
Due to other governments	227,766
Due to other funds	403,993
Due to other units	5,649,127
Total Liabilities	<u>\$ 6,287,771</u>

See notes to financial statements.

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LIBERTY COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Liberty County, Texas (the "County"), is an independent governmental entity created in 1836 by an act of the Texas Legislature. The County is governed by Commissioners Court which is composed of four County Commissioners and the County Judge, all of whom are elected officials.

The County's financial statements include the accounts of all County operations. The County provides a vast array of services including public safety, administration of justice, health and welfare services, public improvements, public transportation, environmental protection, and general government.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the County's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the County is a part of any other governmental or other type of reporting entity. The overriding elements associated with the prescribed criteria considered in determining that the County's financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended Component Unit

Liberty County Juvenile Probation Department

The Liberty County Juvenile Probation Department is a legally separate entity from the County but is so closely related to the County that it is, in essence, an extension of the County. This entity is considered a blended component unit for reporting purposes. The financial data of this unit is combined with that of the County since the unit is, in substance, part of the County's operations. The financial statements of the unit are separately audited as of their fiscal year end (August 31) to meet the reporting requirements of their major funding source (the State of Texas). Audited financial statements for the blended component unit can be obtained by contacting the Liberty County Auditor, 1923 Sam Houston, Liberty, Texas 77575.

B. Financial Statement Presentation

These financial statements include implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the County's overall financial position and results of operations;
- Financial statements prepared using full accrual accounting for all of the County's activities;
- A change in the fund financial statements to focus on the major funds.

Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets and a statement of activities. It requires the classification of

LIBERTY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- **Invested in capital assets, net of related debt** - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** - This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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 about the County as a whole, excluding fiduciary activities. These statements include all activities of the primary government. 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 revenues, are reported separately from business-type activities, of which the County has none.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

Separate financial statements are provided for governmental funds and agency funds. Major individual governmental funds are reported as separate columns in the fund financial statements. In the fund financial statements, the accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Following is a description of the various funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales taxes, fines and forfeitures, as well as licenses and permits. Expenditures include general government, judicial, legal, financial, public safety, and health and welfare.

LIBERTY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

Special Revenue Fund

The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted or designated for specified activities.

The special revenue funds are considered non-major funds for reporting purposes except one fund. Road and Bridge fund is a major fund for reporting purposes.

Capital Projects Fund

The capital projects fund accounts for the acquisition or construction of major capital projects that are being financed from long-term debt issues. The capital projects fund is a major fund for reporting purposes.

Proprietary Funds

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. The County has the following types of proprietary funds:

Internal Service Fund

Internal service funds account for revenues and expenses related to the County's medical and dental self-insurance program in accordance with Chapter 172 of the Texas Government Code. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. Revenues are derived from County contributions, employee and retiree/cobra premiums and investment of idle funds. Expenses are for claims, premiums, and administrative costs. The general fund is contingently liable for liabilities of the internal service fund. Sub-fund accounting is employed to maintain the integrity of the self-insurance activities of the County.

Fiduciary Funds

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements, because the resources of those funds are not available to support the County's own programs. The County has the following types of fiduciary funds:

Agency Funds

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the County holds for others in an agency capacity.

LIBERTY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

C. Measurement Focus and Basis of Accounting

The government-wide statements of net assets and statements of activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the balance sheet or on the statement of fiduciary net assets.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The County utilizes the modified accrual basis of accounting in the governmental fund types. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

The statements of net assets and statements of activities are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the accounting period in which they are incurred.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

Agency funds are unlike other types of funds, reporting only assets and liabilities. Agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

D. Assets, Liabilities, and Net Assets or Fund Equity

1. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

In accordance with GASB Statement No. 31 *Accounting and Reporting for Certain Investments and External Investment Pools*, the County reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may

LIBERTY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The County has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the County is authorized to invest in the following:

Direct obligations of the U.S. Government
Fully collateralized certificates of deposit and money market accounts
Statewide investment pools and commercial paper

2. Receivables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements.

Advances between funds are offset by a fund balance reserve account in an applicable governmental fund to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles.

Property taxes

General property taxes are recorded as revenue when levied for the current year and due, payable, and collected in the current year. Uncollected amounts at year end are reported as deferred revenue. Delinquent property taxes collected within sixty days subsequent to year end were not considered material.

The property tax calendar dates are:

- (a) Levy date - October 1
- (b) Due date - October 1
- (c) Collection dates - October 1 through January 31
- (d) Lien date - February 1

The County bills and collects its own taxes and those for certain governmental entities within the County. Collections of the property taxes and subsequent remittances to the proper entities are accounted for in the Tax Assessor's Ad Valorem Agency Fund. Tax collections deposited for the County are distributed on a periodic basis to the General and Road and Bridge Funds of the County. This distribution is based upon the tax rate established for each fund by order of the Commissioners Court for the tax year for which the collections are made.

The appraisal of property within the County is the responsibility of the county-wide appraisal district which is required under the Property Tax Code to assess all property within the appraisal district on the basis of 100 percent of its appraised value and is prohibited from applying any assessment ratios. The value of property within the County must be reviewed every three years by the appraisal district unless the County, at its own expense, requires more frequent reviews. The County may challenge the appraised values through various appeals and, if necessary, legal action. Under this legislation, the County sets tax rates on County property.

LIBERTY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

Property taxes are levied during September of each year, are due upon receipt of the County's tax bill, and become delinquent on February 1 of the following year. The County's tax lien exists from January 1 (the assessment date) each year until the taxes are paid. The penalties and interest accumulate on the unpaid accounts until July 1, at which time the delinquent accounts are turned over to the tax attorney for legal action. The interest continues to accumulate on the account at 1% per month, but the penalty remains at a maximum of 12% until paid.

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflecting costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental type activities columns in the government-wide financial statements. In accordance with a provision of GASB Statement No. 34, the County has elected to defer reporting infrastructure assets until fiscal year end 2007. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Buildings and improvements with an initial cost of \$100,000 or more are capitalized. 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	30 years
Vehicles	5 to 8 years
Furniture and fixtures	3 to 10 years
Machinery and general equipment	5 to 10 years

5. Compensated Employee Absences

It is the County's policy to permit employees to accumulate earned but unused vacation, compensated time, and sick pay benefits. Amounts accumulated may be paid to employees upon termination of employment or during employment in accordance with the County's personnel policy. The estimated amount of compensation for services provided that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

LIBERTY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. The long-term debt consists primarily of bonds payable, notes payable, capital leases payable, and accrued compensated absences.

Long-term debts for governmental funds are not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount, and payment of principal and interest are reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the General Fund. Lease payments representing both principal and interest are recorded as expenditures in the General Fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

7. 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.

8. Estimates

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The original budget is adopted by the Commissioners Court prior to the beginning of the period. As defined by State statutes, the legal level of control is the department level. Management may not amend the budget without the approval of Commissioners Court.

The final amended budget is used in this report. Budgets are adopted for the general fund, most special revenue funds, and the debt service fund. All funds that adopted a budget did so on a GAAP basis. Several supplemental budget appropriations were made for the period ended September 30, 2006.

LIBERTY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

A. Excess of Expenditures Over Appropriations

For the year ended, expenditures exceeded appropriations at the legal level of control as follows:

General Fund:	
Veterans services	\$3,040
County court at law	\$3,214
District judges	\$4,109
Sherriff	\$226,435
Fire marshall	\$521
Emergency management	\$8,821
DARE	\$578
Road and Bridge:	
Precinct 2	\$206,626
Precinct 4	\$25,717
Landfill and solid waste	\$80,589
Courthouse Security:	
Judicial	\$20,378
Debt Service Fund:	
Interest and fiscal charges	\$4,002

B. Deficit Fund Balance

The District Attorney special revenue fund had a deficit fund balance of \$5,337 as of September 30, 2006.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's investment policy requires funds on deposit at the depository bank to be collateralized. As of September 30, 2006, market values of pledged securities and FDIC were insufficient by \$461,636, to cover bank balances of \$22,246,645.

B. Receivables

The following comprises receivable balances at year end:

	General	Road and Bridge	Nonmajor Governmental Funds	Internal Service	Total
Property taxes	\$ 4,713,077	\$ 1,235,237	\$ 451,228	\$ -	\$ 6,399,542
Other governments	865,325	-	270,006	-	1,135,331
Others	39,057	3,624	93,636	60,770	197,087
Less allowance	(2,827,846)	(741,142)	(270,737)	-	(3,839,725)
	<u>\$ 2,789,613</u>	<u>\$ 497,719</u>	<u>\$ 544,133</u>	<u>\$ 60,770</u>	<u>\$ 3,892,235</u>

A receivable of \$489,367 for fees and fines is reported within the statement of net assets for governmental activities. The receivable is only recorded under the full accrual basis of accounting.

LIBERTY COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

C. Capital Assets

A summary of changes in capital assets for the year end were as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases/ Transfers	
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 545,511	\$ -	\$ -	\$ 545,511
Total capital assets, not being depreciated	545,511	-	-	545,511
Capital assets, being depreciated:				
Buildings and improvements	13,624,257	-	-	13,624,257
Furniture, machinery, and equipment	8,831,764	721,873	(105,128)	9,448,509
Total capital assets being depreciated	22,456,021	721,873	(105,128)	23,072,766
Total capital assets	23,001,532	721,873	(105,128)	23,618,277
Less accumulated depreciation for:				
Buildings and improvements	(8,207,886)	(396,635)	-	(8,604,521)
Furniture, machinery, and equipment	(5,244,141)	(888,077)	82,100	(6,050,118)
Total accumulated depreciation	(13,452,027)	(1,284,712)	82,100	(14,654,639)
Total capital assets, being depreciated, net	9,003,994	(562,839)	(23,028)	8,418,127
Governmental activities capital assets, net	\$ 9,549,505	\$ (562,839)	\$ (23,028)	\$ 8,963,638
			Less associated debt	(2,768,286)
			Invested in capital assets, net of related debt	\$ 6,195,352

Depreciation was charged to governmental functions as follows:

General government	\$ 34,020
Legal	42,475
Financial	105,866
Public safety	546,755
Health and welfare	3,971
Public transportation	551,625
Total Governmental Activities Depreciation Expense	\$ 1,284,712

LIBERTY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

D. Long-Term Debt

The following is a summary of changes in the County's total governmental long-term liabilities for the year ended. In general, the County uses the general and debt service funds to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Certificates, bonds, and other payables:					
Certificates of obligation	\$ 7,925,000	\$ -	\$ 290,000	\$ 7,635,000	* \$ 310,000
General obligation bonds	3,570,000	-	680,000	2,890,000	705,000
Capital leases	1,655,908	-	442,622	1,213,286	* 130,000
Premium	82,455	-	16,936	65,519	-
Deferred costs on refunding	(400,438)	-	(82,849)	(317,589)	-
	<u>12,832,925</u>	<u>-</u>	<u>1,346,709</u>	<u>11,486,216</u>	<u>1,145,000</u>
Other liabilities:					
Compensated absences	309,021	-	907	308,114	-
Total Governmental Activities	<u>\$ 13,141,946</u>	<u>\$ -</u>	<u>\$ 1,347,616</u>	<u>\$ 11,794,330</u>	<u>\$ 1,145,000</u>
Long-term liabilities due in more than one year				<u>\$ 10,649,330</u>	
* Debt associated with capital assets				\$ 8,848,286	
			Less Series 2005	(6,080,000)	
Total debt associated with governmental activity capital assets				<u>\$ 2,768,286</u>	

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

LIBERTY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

Long-term debt at year end was comprised of the following debt issues:

Description	Percentage Interest Rates	Balance
Certificates of Obligation		
Series 2001	4.125-4.30%	\$ 1,240,000
Series 2004B	3.00-3.50	315,000
Series 2005	3.00-3.60	6,080,000
		<u>7,635,000</u>
General obligation refunding bonds		
Series 2004A	2.50-3.50	2,890,000
		<u>10,525,000</u>
Total Bonds Payable		
		<u>10,525,000</u>
Capital Leases		
	3.99-6.25%	1,213,286
		<u>1,213,286</u>
Total Capital Leases		
		<u>1,213,286</u>
Total Long-Term Debt		
		<u><u>\$ 11,738,286</u></u>

The annual requirements to amortize debt issues outstanding at year ending were as follows:

Year Ending Sept. 30	Long-Term Debt						
	Certificates of Obligation		General Obligation Bonds		Capital Leases		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2007	\$ 310,000	\$ 276,718	\$ 705,000	\$ 95,850	\$ 380,097	\$ 51,545	\$ 682,568
2008	320,000	263,793	710,000	74,700	181,072	37,714	658,493
2009	345,000	250,393	745,000	51,625	356,615	29,072	647,018
2010	370,000	235,918	730,000	25,550	112,369	13,859	631,468
2011	1,135,000	220,403	-	-	183,133	8,610	1,355,403
2012	1,190,000	181,815	-	-	-	-	1,371,815
2013	1,255,000	140,165	-	-	-	-	1,395,165
2014	1,320,000	96,240	-	-	-	-	1,416,240
2015	1,390,000	50,040	-	-	-	-	1,440,040
Total	<u><u>\$ 7,635,000</u></u>	<u><u>\$ 1,715,485</u></u>	<u><u>\$ 2,890,000</u></u>	<u><u>\$ 247,725</u></u>	<u><u>\$ 1,213,286</u></u>	<u><u>\$ 140,800</u></u>	<u><u>\$ 9,598,210</u></u>

Machinery and equipment acquired under current capital lease obligations was a total of \$2,409,067, less accumulated depreciation of \$963,627, net \$1,445,440.

The County is not obligated in any manner for special assessment debt.

LIBERTY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

E. Interfund Transactions

<u>Funds</u>	<u>Due from</u>	<u>Due to</u>
General:		
Road and Bridge	\$ -	\$ 1,110
Nonmajor governmental	110,475	19,625
Agency	245,523	10,416
Road and Bridge:		
General	1,110	-
Agency	83,648	-
Other nonmajor:		
General	19,625	110,475
Agency	50,557	-
Agency:		
General	10,416	245,523
Road and bridge	-	83,648
Other governmental	-	50,557
Agency	24,266	24,266
	<u>\$ 545,620</u>	<u>\$ 545,620</u>

Amounts recorded as "due to/from" are considered to be temporary loans and will be repaid during the following year.

F. Fund Equity

The County records fund balance reserves on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of fund balances reserved or designated as recognized by the County:

Capital Projects Fund	
Reserved for capital projects	\$ 678,801
Debt Service Fund	
Reserved for debt service	\$ 534,735
Special Revenue Funds	
Reserved for records management	\$ 730,464
Reserved for public safety	307,715
Reserved for judicial	578,562
Reserved for other purposes	123,210
Designated for public transportation	848,749

LIBERTY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

IV. OTHER INFORMATION

A. Risk Management

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 for which the County carries commercial insurance. In addition, the County participates along with 338 other entities in the Texas Association of Counties Workers' Compensation Self-Insurance Fund. This pool was created by the Texas Association of Counties in 1974 to insure the County for worker compensation related claims. This pool purchases commercial insurance at group rates for participants in the pool. The County has no additional risk or responsibility to either of the pools in which it participates, outside of payment of insurance premiums. The County has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three fiscal years.

B. Contingent Liabilities

Amounts received or receivable from granting 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 of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

C. Pension Plan

Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent 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 Commissioners Court within the options available in Texas state statutes governing TCDRS (TCDRS act). Members can retire at ages 60 and above with 8 or more years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the Commissioners Court 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.

LIBERTY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

Funding Policy

The County has elected the annually determined contribution rate (ACDR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 12.77% for the months of the accounting year in 2005 and 12.53% for the months of the accounting year in 2006.

The contribution rate payable by the employee members for calendar year 2006 is the rate of 7% as adopted by Commissioners Court. The employee contribution rate and the employer contribution rate may be changed by Commissioners Court within the options available in the TCDRS Act.

Annual Pension Costs

The County's schedule of funding information can be found in the required supplementary information section of this report.

The annual required contributions were actuarially determined as a percentage 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 plan years 2006 and 2005.

Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	20 Years - Open Period
Asset Valuation Method	Long-term Appreciation with Adjustment
Investment Rate of Return	8%
Projected Salary Increases	5.5%
Includes Inflation at	3.5%
Cost of Living Adjustments	None

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Annual Req. Contrib. (ARC)	\$ 1,244,269	\$ 1,143,000	\$ 1,141,000
Contributions Made	1,244,269	1,143,000	1,141,000
NPO at the End of Period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

D. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code, Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until retirement, termination, death, or unforeseeable emergencies.

Federal law requires all assets and income of Section 457 plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries. The County's deferred compensation plan is administered by a private corporation under contract with the County.

LIBERTY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

E. Commitments and Other Obligations

The County is under contract with Corrections Corporation of America (“CCA”) for operation, management, and maintenance (subject to certain limitations) of the County’s jail facility. In December 2006, the contract will automatically renew for three years unless the County or CCA gives 90 days advance written notice of intent not to renew. Over the term of the contract, the daily rate paid to CCA for non-County inmates will range from \$33.00 to \$49.50 (the County charges other governmental entities from \$29.49 to \$52.50 per day to house those non-County inmates). Rates for County inmates will range from \$33.00 to \$47.94 per day. During the year, the County paid CCA \$5,267,760 for housing County and non-County inmates.

In February 2002, the County entered into a contract through July 25, 2007 to purchase financial and administrative software and computer equipment. The agreement covers the software as well as conversion, training, support, maintenance, and licensing. Under the contract, the County is required to pay \$86,200 per year for software maintenance.

The County has various operating agreements for office space, equipment, and services. Most agreements are for terms of one year or less or contain “funding clauses” enabling the County to cancel such agreements with nominal notice. Future minimum commitments for these agreements are as follows:

Year Ending September 30	Governmental Activities
2007	\$ 95,937
2008	73,127
2009	62,231
2010	41,859
	\$ 273,154

F. Health Care

The County maintains a self-insured health plan (the “Plan”) for all eligible employees and retirees. The County contributed approximately \$3.4 million to the Plan to subsidize employee premiums. Employees are responsible for premiums for dependents. Health claim payments include the premiums for dependents’ health insurance processed by a third party (Health Administration Services) acting on behalf of the County.

Claims incurred are subject to an individual stop-loss of \$150,000 per participant annually and \$1,850,000 lifetime maximum benefit. Individual employee health claims are self-insured by the County up to \$150,000 annually and stop-loss benefits above \$150,000 are provided by AIG Life Insurance Company up to an aggregate County-wide attachment point of \$4,522,472. The latest financial statements available for AIG Life Insurance Company are filed with Texas Department of Insurance, Austin, Texas and are public records.

At year end, the County has recorded current health claim liabilities of \$513,781 in the internal service fund. Of this amount, \$513,781 represents estimated claims incurred but not reported. These liabilities are based on requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of loss can be reasonably estimated.

LIBERTY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2006

Changes in the balances of claims liabilities during the last two years ended September 30, are as follows:

	2006	2005
Beginning balance	\$ 512,382	\$ 679,470
Claims incurred	3,726,584	3,824,530
Claim paid	(3,725,185)	(3,991,618)
Ending balance	<u>\$ 513,781</u>	<u>\$ 512,382</u>

G. Restatement

The County has restated beginning fund balance within the general and adult probation funds. Beginning net assets were restated due to a change in general fund accruals in which sales tax is now accrued at year end and the removal of the adult probation fund from the County's financial statements in which it was determined that the adult probation did not meet the criteria to be included in the County's financial statements as a component unit. The restatement of beginning fund balance/net assets is as follows:

	<u>General Fund</u>	<u>Adult Probation</u>	<u>Governmental Activities</u>
Prior year ending fund balances/net assets as reported	\$ 3,080,535	\$ 463,261	\$ 11,315,572
Change in reporting of accruals	220,575	-	220,575
Change in reporting of fund	-	(463,261)	(463,261)
Restated beginning fund balances	<u>\$ 3,301,110</u>	<u>\$ -</u>	<u>\$ 11,072,886</u>

REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY COUNTY, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 1 of 2)

For the Year Ended September 30, 2006

With Comparative Totals for the Year Ended September 30, 2005

	2006			Variance with	2005 Actual
	Budgeted Amounts		Actual	Final Budget	
	Original	Final	Amounts	Positive (Negative)	
REVENUES					
Property taxes	\$ 14,754,611	\$ 14,754,611	\$ 15,711,767	\$ 957,156	\$ 13,410,342
Sales taxes	2,279,184	2,279,184	2,686,684	407,500	2,316,031
Other taxes	26,000	26,000	34,738	8,738	36,057
Licenses and permits	88,000	88,000	95,113	7,113	85,856
Intergovernmental revenue	249,000	287,365	722,399	435,034	362,668
Charges for services	2,921,000	2,921,000	3,140,021	219,021	2,844,462
Fines and forfeitures	1,520,800	1,537,731	2,124,799	587,068	1,740,157
Investment income	175,000	175,000	764,034	589,034	319,503
Other revenue	215,950	215,950	248,089	32,139	379,277
Total Revenues	22,229,545	22,284,841	25,527,644	3,242,803	21,494,353
EXPENDITURES					
General government:					
Commissioners court	326,288	356,122	352,427	3,695	374,577
County clerk	585,692	642,212	623,490	18,722	525,207
Veterans services	83,170	83,170	86,210	(3,040) *	83,389
General administration	1,248,800	1,243,032	1,165,092	77,940	1,090,095
Employee benefits	1,340,900	523,480	224,827	298,653	218,800
Building maintenance	379,507	407,962	386,957	21,005	361,428
	3,964,357	3,255,978	2,839,003	416,975	2,653,496
Judicial					
County judge	192,887	212,442	210,936	1,506	187,699
County court at law	212,248	225,378	228,592	(3,214) *	209,861
District judges	421,026	461,851	465,960	(4,109) *	435,862
Court costs	525,408	530,408	430,158	100,250	431,184
Court collections	-	49,816	49,753	63	32,845
District clerk	368,807	372,177	352,647	19,530	359,857
Justice courts	596,855	669,885	661,064	8,821	640,919
	2,317,231	2,521,957	2,399,110	122,847	2,298,227
Legal					
County attorney	550,984	593,384	583,901	9,483	571,536
District attorney	643,349	692,899	685,604	7,295	616,905
	1,194,333	1,286,283	1,269,505	16,778	1,188,441
Financial					
County auditor	251,019	251,019	239,846	11,173	191,419
County treasurer	184,603	190,047	186,439	3,608	178,234
Tax assessor-collector	568,160	631,471	628,474	2,997	589,991
Data processing	288,052	303,152	296,742	6,410	275,775
Purchasing	50,345	50,345	38,015	12,330	45,246
Central appraisal district	425,000	428,800	428,800	-	401,766
	1,767,179	1,854,834	1,818,316	36,518	1,682,431

LIBERTY COUNTY, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 2 of 2)

For the Year Ended September 30, 2006

	2006		Actual Amounts	Variance with Final Budget	2005 Actual
	Budgeted Amounts			Positive (Negative)	
	Original	Final			
EXPENDITURES (continued)					
Public safety:					
Sheriff	\$ 3,128,677	\$ 3,550,488	\$ 3,776,923	\$ (226,435) *	\$ 3,371,631
Jail operations and prisoner support	6,121,000	6,121,000	5,267,760	853,240	5,578,296
Juvenile probation	122,643	166,643	123,944	42,699	146,254
Constables	607,445	685,700	681,854	3,846	665,508
Fire marshall	16,193	17,205	17,726	(521) *	14,211
Emergency management	91,332	118,184	127,005	(8,821) *	89,742
DARE	59,206	70,456	71,034	(578) *	66,755
Weight division	88,465	92,278	73,899	18,379	38,601
Environmental program	5,250	5,250	5,010	240	4,320
Other public safety	152,694	242,956	242,725	231	174,386
	<u>10,392,905</u>	<u>11,070,160</u>	<u>10,387,880</u>	<u>682,280</u>	<u>10,149,704</u>
Health and welfare					
Public welfare	450,384	477,384	466,974	10,410	474,346
Indigent services	652,672	681,037	460,108	220,929	487,693
	<u>1,103,056</u>	<u>1,158,421</u>	<u>927,082</u>	<u>231,339</u>	<u>962,039</u>
Other					
Extension service	149,792	149,792	135,932	13,860	128,690
Engineering and permits	213,336	223,450	210,690	12,760	208,126
Special projects	50,000	138,750	124,522	14,228	49,887
	<u>413,128</u>	<u>511,992</u>	<u>471,144</u>	<u>40,848</u>	<u>386,703</u>
Debt Service					
Principal	213,922	213,922	213,922	-	202,913
Interest	14,829	14,829	14,829	-	25,838
	<u>228,751</u>	<u>228,751</u>	<u>228,751</u>	<u>-</u>	<u>228,751</u>
Total Expenditures	<u>21,380,940</u>	<u>21,888,376</u>	<u>20,340,791</u>	<u>1,275,398</u>	<u>19,549,792</u>
Excess of Revenues Over Expenditures	<u>\$ 848,605</u>	<u>\$ 396,465</u>	5,186,853	<u>\$ 4,518,201</u>	<u>\$ 1,944,561</u>
Beginning fund balance			<u>3,301,110</u>		
Ending Fund Balance			<u>\$ 8,487,963</u>		

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. Excess of expenditures over appropriations at the legal level of control. *

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LIBERTY COUNTY, TEXAS

ROAD AND BRIDGE FUND

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

For the Year Ended September 30, 2006

With Comparative Totals for the Year Ended September 30, 2005

	2006		Actual Amounts	Variance with Final Budget	2005 Actual
	Budgeted Amounts			Positive	
	Original	Final		(Negative)	
REVENUES					
Property taxes	\$ 3,861,089	\$ 3,861,089	\$ 4,143,009	\$ 281,920	\$ 3,733,936
Intergovernmental revenue	57,000	57,000	487,757	430,757	97,450
Fines and forfeitures	1,540,000	1,540,000	1,751,081	211,081	1,699,785
Other revenue	3,000	267,953	248,978	(18,975)	314,465
Total Revenues	<u>5,461,089</u>	<u>5,726,042</u>	<u>6,630,825</u>	<u>904,783</u>	<u>5,845,636</u>
EXPENDITURES					
Public transportation					
Precinct No. 1	956,128	1,297,447	886,972	410,475	839,099
Precinct No. 2	1,714,626	1,860,899	2,067,525	(206,626) *	1,799,608
Precinct No. 3	886,536	986,091	955,699	30,392	885,265
Precinct No. 4	1,021,238	1,237,196	1,262,913	(25,717) *	1,061,668
	<u>4,578,528</u>	<u>5,381,633</u>	<u>5,173,109</u>	<u>208,524</u>	<u>4,585,640</u>
Other					
Landfill and solid waste	499,219	499,219	579,808	(80,589) *	511,655
	<u>499,219</u>	<u>499,219</u>	<u>579,808</u>	<u>(80,589)</u>	<u>511,655</u>
Debt Service					
Principal	325,103	307,853	228,700	79,153	139,309
Interest	58,239	58,239	58,239	-	33,908
	<u>383,342</u>	<u>366,092</u>	<u>286,939</u>	<u>79,153</u>	<u>173,217</u>
Total Expenditures	<u>5,461,089</u>	<u>6,246,944</u>	<u>6,039,856</u>	<u>207,088</u>	<u>5,270,512</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>(520,902)</u>	<u>590,969</u>	<u>1,111,871</u>	<u>575,124</u>
OTHER FINANCING SOURCES					
Capital lease proceeds	-	-	-	-	48,488
Sale of capital assets	-	-	-	-	37,230
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,718</u>
Revenues and Other Financing Sources Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (520,902)</u>	<u>590,969</u>	<u>\$ 1,111,871</u>	<u>\$ 660,842</u>
Beginning fund balance			<u>1,100,543</u>		
Ending Fund Balance			<u>\$ 1,691,512</u>		

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. Excess of expenditures over appropriations at the legal level of control. *

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LIBERTY COUNTY, TEXAS
SCHEDULE OF FUNDING PROGRESS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

The County's annual covered payroll and pension costs are actuarially valued on a calendar year basis. Because the County makes all the annually required contributions, no net pension obligation (NPO) exists. The information presented below represents the County's Schedule of Funding Progress.

Fiscal Year	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Actuarial Valuation Date	12/31/2005	12/31/2004	12/31/2003	12/31/2002
Actuarial Value of Assets	\$ 23,826,265	\$ 21,372,941	\$ 19,189,906	\$ 16,757,275
Actuarial Accrued Liability	\$ 29,769,496	\$ 27,128,846	\$ 24,827,853	\$ 22,329,877
Percentage Funded	80.04%	78.78%	77.29%	75.04%
Unfunded Actuarial				
Accrued Liability	\$ 5,943,231	\$ 5,755,905	\$ 5,637,947	\$ 5,572,602
Annual Covered Payroll	\$ 9,290,254	\$ 8,893,367	\$ 8,731,994	\$ 8,355,663
Unfunded Actuarial Accrued Liability (UAAL) % of Covered Payroll	63.97%	64.72%	64.57%	66.69%
Net Pension Obligation (NPO)				
at the Beginning of Period	\$ -	\$ -	\$ -	\$ -
Annual Req. Contrib. (ARC)	\$ 1,244,269	\$ 1,143,000	\$ 1,141,000	\$ 1,079,000
Contributions Made	\$ 1,244,269	\$ 1,143,000	\$ 1,141,000	\$ 1,079,000
NPO at the End of Period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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***COMBINING STATEMENTS
AND SCHEDULES***

LIBERTY COUNTY, TEXAS

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2006

SPECIAL REVENUE FUNDS

The Land Acquisition fund accounts for special vehicle registration fees designated for the acquisition of right-of-way for road expansion.

The Courthouse Security fund accounts for court filing fees designated for security services for buildings housing a district or county court.

The Law Library fund accounts for the operation of a law library for use by members of the Texas Bar Association. Financing is provided from fees assessed in each civil case filed in County and District Courts.

The Voter Registration fund accounts for fees designated for voter related expenditures.

The HAVA (Help America Vote Act) fund accounts for funds passed through from the Texas Secretary of State for voter education, training, and replacing current punch card or lever voting systems.

The Juvenile Probation fund accounts for revenues received from the Texas Juvenile Probation Commission under an agreement to provide juvenile offenders with a program of rehabilitation. Funds are restricted for this purpose.

The DARE fund accounts for revenues received from the surrounding community to support work with children to increase drug awareness and resistance. Funds are restricted for this purpose.

The Commissary fund accounts for revenues received from commissary activities in the County jail. Expenditure of these funds is restricted to: replenish commissary inventory; fund, staff, and equip a program addressing the social needs of the County prisoners, including an educational or recreational program and religious or rehabilitative counseling; supply County prisoners with clothing, writing materials, and hygiene supplies; establish, staff and equip a library for the educational use of County prisoners; verify any contracts for services to ensure compliance.

The TCDP programs fund accounts for revenues received from the Texas Office of Rural Community Affairs and the Federal Emergency Management Agency to develop viable communities by providing decent housing and suitable living environments, and expanding economic opportunities principally for persons of low and moderate income.

The Homeland Security fund accounts for revenues received from the Texas Engineering Extension Service to purchase equipment for the prevention of and response to potential terrorist acts.

The Commissioners Court Records Management fund accounts for revenues received from a special records management and preservation fee designated for records management and preservation services performed by the Commissioners Court.

The District Attorney Federal Forfeiture fund accounts for Federally forfeited property received from the U.S. Department of Justice. Funds are restricted for law enforcement purposes.

The District Attorney fund accounts for revenues received from the State of Texas and fees collected in connection with processing checks issued or passed in violation of the Texas Penal Code. Fees deposited in this fund are used to defray expenses of the District Attorney's office.

LIBERTY COUNTY, TEXAS

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2006

SPECIAL REVENUE FUNDS (Continued)

The District Clerk - TDCJ fund accounts for revenues received from TDCJ, designated for the use of a district clerk in a county in which a state prison facility is located.

The District Clerk Child Support fund accounts for reimbursements received from the Office of the Attorney General for processing child support payments sent to the County as part of the Cooperative Agreement for Title IV, Part-D of the Federal Social Security Act (IV-D) child support enforcement program. The purpose of this program is to provide the County child support registry with a mechanism for supporting and improving the IV-D child support case services provided by the County.

The District Clerk Records Management fund accounts for revenues received from a special records management and preservation fee designated for records management and preservation services performed by the District Clerk.

The County Clerk Records Management fund accounts for revenues received from a special records management and preservation fee designated for records managements and preservation services performed by the County Clerk.

The County Attorney Check Collections fund accounts for fees collected in connection with processing checks issued or passed in violation of the Texas Penal Code. Fees deposited in this fund are used to defray expenses of the County Attorney's office.

The County Constable Seizures fund accounts for drug seizure funds seized in drug related arrests. Funds are restricted for law enforcement purposes.

The County Sheriff Programs fund accounts for revenues received by the Sheriff's office for participation in the seizure of property during criminal investigation. Funds are restricted for law enforcement purposes.

The JP Technology fund accounts for technology fees collected as a cost of court from defendants convicted of misdemeanor offenses. The fund may be used only to finance the purchase of technological enhancements for a justice court and is administered by the Commissioners Court.

The COPS fund accounts for revenues received from the Office of Community Oriented Policing Services (COPS) for entry-level salaries and benefits of additional officers.

DEBT SERVICE FUND

This fund is used to account for the accumulation of resources for and the payment of long-term liabilities (principal, interest, and other related costs).

LIBERTY COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (page 1 of 3)

September 30, 2006

	Special Revenue Funds			
	Land Acquisition	Courthouse Security	Law Library	Voter Registration
ASSETS				
Cash and cash equivalents	\$ 828,339	\$ 93,475	\$ 46,252	\$ -
Receivables (net of allowance for uncollectible)	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	26,937	1,310	910	-
Due from others	-	228	-	-
Total Assets	\$ 855,276	\$ 95,013	\$ 47,162	\$ -
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 6,527	\$ 515	\$ 6,524	\$ -
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Due to others	-	-	-	-
Deferred revenue	-	-	-	-
Total Liabilities	6,527	515	6,524	-
Fund Balances:				
Reserved for:				
Debt service	-	-	-	-
Records management	-	-	-	-
Public safety	-	-	-	-
Judicial	-	94,498	40,638	-
Other purposes	-	-	-	-
Unreserved and designated for:				
Public transportation	848,749	-	-	-
Total Fund Balances	848,749	94,498	40,638	-
Total Liabilities and Fund Balances	\$ 855,276	\$ 95,013	\$ 47,162	\$ -

Special Revenue Funds

<u>HAVA</u>	<u>Juvenile Probation</u>	<u>DARE</u>	<u>Commissary</u>	<u>TCDP Programs</u>	<u>Homeland Security</u>
\$ -	\$ 178,631	\$ 35,293	\$ 37,427	\$ -	\$ 643
-	-	-	-	-	-
-	27,775	-	-	153,130	-
-	10,379	-	-	-	-
-	-	-	-	92,717	-
<u>\$ -</u>	<u>\$ 216,785</u>	<u>\$ 35,293</u>	<u>\$ 37,427</u>	<u>\$ 245,847</u>	<u>\$ 643</u>
\$ -	\$ 4,894	\$ -	\$ -	\$ 49,711	\$ -
-	-	-	-	-	-
-	-	-	-	35,020	-
-	-	-	-	-	-
-	-	-	-	161,116	-
<u>-</u>	<u>4,894</u>	<u>-</u>	<u>-</u>	<u>245,847</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	211,891	35,293	37,427	-	-
-	-	-	-	-	643
-	-	-	-	-	-
<u>-</u>	<u>211,891</u>	<u>35,293</u>	<u>37,427</u>	<u>-</u>	<u>643</u>
<u>\$ -</u>	<u>\$ 216,785</u>	<u>\$ 35,293</u>	<u>\$ 37,427</u>	<u>\$ 245,847</u>	<u>\$ 643</u>

LIBERTY COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (page 2 of 3)
September 30, 2006

	Special Revenue Funds			
	Commissioner's Court Records Management	District Attorney Federal Forfeiture	District Attorney	District Attorney Programs
ASSETS				
Cash and cash equivalents	\$ 203,340	\$ 11,340	\$ 13,917	\$ 90,529
Receivables (net of allowance for uncollectible)	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	3,316	-	-	-
Due from others	-	-	104	-
Total Assets	\$ 206,656	\$ 11,340	\$ 14,021	\$ 90,529
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Due to others	-	-	19,358	-
Deferred revenue	-	-	-	-
Total Liabilities	-	-	19,358	-
Fund Balances:				
Reserved for:				
Debt service	-	-	-	-
Records management	206,656	-	-	-
Public safety	-	11,340	-	-
Judicial	-	-	(5,337)	90,529
Other purposes	-	-	-	-
Unreserved and designated for:				
Public transportation	-	-	-	-
Total Fund Balances	206,656	11,340	(5,337)	90,529
Total Liabilities and Fund Balances	\$ 206,656	\$ 11,340	\$ 14,021	\$ 90,529

Special Revenue Funds

<u>District Clerk TDCJ</u>	<u>District Clerk Child Support</u>	<u>District Clerk Records Management</u>	<u>County Clerk Records Management</u>	<u>County Attorney Check Collections</u>	<u>County Constable Seizures</u>
\$ 296	\$ 290,799	\$ 21,070	\$ 492,666	\$ 52,734	\$ 29,422
-	-	-	-	-	-
-	13,645	-	-	-	-
-	-	20	11,183	2,292	-
-	291	-	-	-	-
<u>\$ 296</u>	<u>\$ 304,735</u>	<u>\$ 21,090</u>	<u>\$ 503,849</u>	<u>\$ 55,026</u>	<u>\$ 29,422</u>
\$ -	\$ -	\$ -	\$ 1,131	\$ 2,466	\$ -
-	-	-	-	-	-
-	-	-	-	-	26,900
-	-	-	-	-	-
-	-	-	1,131	2,466	26,900
-	-	-	-	-	-
-	-	21,090	502,718	-	-
-	-	-	-	-	2,522
296	304,735	-	-	52,560	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>296</u>	<u>304,735</u>	<u>21,090</u>	<u>502,718</u>	<u>52,560</u>	<u>2,522</u>
<u>\$ 296</u>	<u>\$ 304,735</u>	<u>\$ 21,090</u>	<u>\$ 503,849</u>	<u>\$ 55,026</u>	<u>\$ 29,422</u>

LIBERTY COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (page 3 of 3)

	<u>Special Revenue Funds</u>			Total Nonmajor Special Revenue Funds
	County Sheriff Programs	JP Technology	COPS Fund	
ASSETS				
Cash and cash equivalents	\$ 41,063	\$ 122,650	\$ -	\$ 2,589,886
Receivables (net of allowance for uncollectible)	-	-	-	-
Due from other governments	-	-	75,456	270,006
Due from other funds	-	264	-	56,611
Due from others	-	296	-	93,636
Total Assets	<u>\$ 41,063</u>	<u>\$ 123,210</u>	<u>\$ 75,456</u>	<u>\$ 3,010,139</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 71,768
Due to other governments	-	-	-	-
Due to other funds	-	-	75,456	110,476
Due to others	31,821	-	-	78,079
Deferred revenue	-	-	-	161,116
Total Liabilities	<u>31,821</u>	<u>-</u>	<u>75,456</u>	<u>421,439</u>
Fund Balances:				
Reserved for:				
Debt service	-	-	-	-
Records management	-	-	-	730,464
Public safety	9,242	-	-	307,715
Judicial	-	-	-	578,562
Other purposes	-	123,210	-	123,210
Unreserved and designated for:				
Public transportation	-	-	-	848,749
Total Fund Balances	<u>9,242</u>	<u>123,210</u>	<u>-</u>	<u>2,588,700</u>
Total Liabilities and Fund Balances	<u>\$ 41,063</u>	<u>\$ 123,210</u>	<u>\$ 75,456</u>	<u>\$ 3,010,139</u>

<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 521,164	\$ 3,111,050
180,491	180,491
-	270,006
13,572	70,183
-	93,636
<u>\$ 715,227</u>	<u>\$ 3,725,366</u>

\$ -	\$ 71,768
-	-
-	110,476
-	78,079
180,492	341,608
<u>180,492</u>	<u>601,931</u>

534,735	534,735
-	730,464
-	307,715
-	578,562
-	123,210
-	848,749
<u>534,735</u>	<u>3,123,435</u>
<u>\$ 715,227</u>	<u>\$ 3,725,366</u>

LIBERTY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (page 1 of 3)
For the Year Ended September 30, 2006

	<u>Special Revenue Funds</u>			
	<u>Land Acquisition</u>	<u>Courthouse Security</u>	<u>Law Library</u>	<u>Voter Registration</u>
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Intergovernmental revenue	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	317,500	57,473	52,334	-
Investment income	-	-	-	-
Other revenue	-	-	-	-
Total Revenues	<u>317,500</u>	<u>57,473</u>	<u>52,334</u>	<u>-</u>
EXPENDITURES				
Current:				
General	-	-	-	-
Judicial	-	74,873	41,788	-
Legal	-	-	-	-
Public safety	-	-	-	-
Public transportation	91,799	-	-	-
Other	-	-	-	1,835
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>91,799</u>	<u>74,873</u>	<u>41,788</u>	<u>1,835</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>225,701</u>	<u>(17,400)</u>	<u>10,546</u>	<u>(1,835)</u>
Net Change in Fund Balances	225,701	(17,400)	10,546	(1,835)
Beginning fund balances	<u>623,048</u>	<u>111,898</u>	<u>30,092</u>	<u>1,835</u>
Ending Fund Balances	<u>\$ 848,749</u>	<u>\$ 94,498</u>	<u>\$ 40,638</u>	<u>\$ -</u>

Special Revenue Funds

<u>HAVA</u>	<u>Juvenile Probation</u>	<u>DARE</u>	<u>Commissary</u>	<u>TCDP Programs</u>	<u>Homeland Security</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
474,314	454,980	-	-	375,097	141,643
-	-	-	335,723	-	-
-	-	-	-	-	-
-	5,059	-	-	-	-
-	-	19,351	7,759	-	-
<u>474,314</u>	<u>460,039</u>	<u>19,351</u>	<u>343,482</u>	<u>375,097</u>	<u>141,643</u>
474,314	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	352,383	18,338	376,022	-	-
-	-	-	-	-	-
-	-	-	-	375,097	-
-	-	-	-	-	141,000
-	-	-	-	-	-
<u>474,314</u>	<u>352,383</u>	<u>18,338</u>	<u>376,022</u>	<u>375,097</u>	<u>141,000</u>
-	107,656	1,013	(32,540)	-	643
-	107,656	1,013	(32,540)	-	643
-	104,235	34,280	69,967	-	-
<u>\$ -</u>	<u>\$ 211,891</u>	<u>\$ 35,293</u>	<u>\$ 37,427</u>	<u>\$ -</u>	<u>\$ 643</u>

LIBERTY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (page 2 of 3)
For the Year Ended September 30, 2006

	Special Revenue Funds			
	Commissioners Court Records Management	District Attorney Federal Forfeiture	District Attorney	District Attorney Programs
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Intergovernmental revenue	-	-	33,630	-
Charges for services	-	-	-	-
Fines and forfeitures	41,619	11,177	13,257	32,874
Investment income	-	591	-	3,887
Other revenue	-	-	-	-
Total Revenues	<u>41,619</u>	<u>11,768</u>	<u>46,887</u>	<u>36,761</u>
EXPENDITURES				
Current:				
General	9,512	-	-	-
Judicial	-	-	-	-
Legal	-	-	48,993	11,365
Public safety	-	4,384	-	-
Public transportation	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>9,512</u>	<u>4,384</u>	<u>48,993</u>	<u>11,365</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>32,107</u>	<u>7,384</u>	<u>(2,106)</u>	<u>25,396</u>
Net Change in Fund Balances	32,107	7,384	(2,106)	25,396
Beginning fund balances	<u>174,549</u>	<u>3,956</u>	<u>(3,231)</u>	<u>65,133</u>
Ending Fund Balances	<u>\$ 206,656</u>	<u>\$ 11,340</u>	<u>\$ (5,337)</u>	<u>\$ 90,529</u>

Special Revenue Funds

District Clerk TDCJ	District Clerk Child Support	District Clerk Records Management	County Clerk Records Management	County Attorney Check Collections	County Constable Seizures
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	72,739	-	-	-	-
-	-	-	-	-	-
-	-	8,058	93,120	57,378	-
-	-	-	-	-	-
-	-	-	-	-	2,671
-	<u>72,739</u>	<u>8,058</u>	<u>93,120</u>	<u>57,378</u>	<u>2,671</u>
-	-	-	44,514	-	-
-	299	263	-	-	-
-	-	-	-	64,640	-
-	-	-	-	-	410
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	<u>299</u>	<u>263</u>	<u>44,514</u>	<u>64,640</u>	<u>410</u>
-	<u>72,440</u>	<u>7,795</u>	<u>48,606</u>	<u>(7,262)</u>	<u>2,261</u>
-	72,440	7,795	48,606	(7,262)	2,261
296	<u>232,295</u>	<u>13,295</u>	<u>454,112</u>	<u>59,822</u>	<u>261</u>
<u>\$ 296</u>	<u>\$ 304,735</u>	<u>\$ 21,090</u>	<u>\$ 502,718</u>	<u>\$ 52,560</u>	<u>\$ 2,522</u>

LIBERTY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (page 3 of 3)
For the Year Ended September 30, 2006

	<u>Special Revenue Funds</u>			Total Nonmajor Special Revenue Funds
	County Sheriff Programs	JP Technology	COPS Fund	
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Intergovernmental revenue	-	-	62,641	1,615,044
Charges for services	-	-	-	335,723
Fines and forfeitures	-	31,302	-	716,092
Investment income	-	-	-	9,537
Other revenue	9,018	-	-	38,799
Total Revenues	<u>9,018</u>	<u>31,302</u>	<u>62,641</u>	<u>2,715,195</u>
EXPENDITURES				
Current:				
General	-	-	-	528,340
Judicial	-	4,101	-	121,324
Legal	-	-	-	124,998
Public safety	-	-	62,641	814,178
Public transportation	-	-	-	91,799
Other	-	-	-	376,932
Capital outlay	-	-	-	141,000
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>-</u>	<u>4,101</u>	<u>62,641</u>	<u>2,198,571</u>
Excess (Deficiency) of				
Revenues over Expenditures	<u>9,018</u>	<u>27,201</u>	<u>-</u>	<u>516,624</u>
Net Change in Fund Balances	9,018	27,201	-	516,624
Beginning fund balances	224	96,009	-	2,072,076
Ending Fund Balances	<u>\$ 9,242</u>	<u>\$ 123,210</u>	<u>\$ -</u>	<u>\$ 2,588,700</u>

<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 1,521,903	\$ 1,521,903
-	-
-	1,615,044
-	335,723
-	716,092
48,899	58,436
-	38,799
<u>1,570,802</u>	<u>4,285,997</u>

-	528,340
-	121,324
-	124,998
-	814,178
-	91,799
-	376,932
-	141,000
970,000	970,000
410,044	410,044
<u>1,380,044</u>	<u>3,578,615</u>

<u>190,758</u>	<u>707,382</u>
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190,758	707,382
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<u>343,977</u>	<u>2,416,053</u>
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<u>\$ 534,735</u>	<u>\$ 3,123,435</u>
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LIBERTY COUNTY, TEXAS
LAND ACQUISITION FUND
SCHEDULE 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				
Fines and forfeitures	\$ 270,000	\$ 270,000	\$ 317,500	\$ 47,500
Total Revenues	<u>270,000</u>	<u>270,000</u>	<u>317,500</u>	<u>47,500</u>
EXPENDITURES				
Public Transportation				
Rural addressing - 911	25,000	25,000	20,079	4,921
Road and bridge supplies	100,000	100,000	12,170	87,830
Right-of-way expenses	40,000	40,000	59,550	(19,550)
Total Expenditures	<u>165,000</u>	<u>165,000</u>	<u>91,799</u>	<u>73,201</u>
 Net Change in Fund Balance	 <u>\$ 105,000</u>	 <u>\$ 105,000</u>	 225,701	 <u>\$ 120,701</u>
Beginning fund balance			<u>623,048</u>	
Ending Fund Balance			<u>\$ 848,749</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

LIBERTY COUNTY, TEXAS
COURTHOUSE SECURITY
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 52,000	\$ 52,000	\$ 57,473	\$ 5,473
Total Revenues	<u>52,000</u>	<u>52,000</u>	<u>57,473</u>	<u>5,473</u>
EXPENDITURES				
Judicial				
Salaries and benefits	49,995	49,995	62,236	(12,241)
Office expense and supplies	1,500	1,500	12,126	(10,626)
Education and training	3,000	3,000	511	2,489
Total Expenditures	<u>54,495</u>	<u>54,495</u>	<u>74,873</u>	<u>(20,378) *</u>
 Net Change in Fund Balance	 <u>\$ (2,495)</u>	 <u>\$ (2,495)</u>	 (17,400)	 <u>\$ (14,905)</u>
Beginning fund balance			<u>111,898</u>	
Ending Fund Balance			<u>\$ 94,498</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. Excess of expenditures over appropriations at the legal level of control. *

LIBERTY COUNTY, TEXAS
LAW LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 48,000	\$ 48,000	\$ 52,334	\$ 4,334
Total Revenues	<u>48,000</u>	<u>48,000</u>	<u>52,334</u>	<u>4,334</u>
EXPENDITURES				
Judicial				
Salaries and benefits	9,890	9,890	4,015	5,875
Office expense and supplies	2,610	2,610	326	2,284
Law books	27,000	27,000	28,202	(1,202)
Copier lease	8,500	8,500	9,245	(745)
Total Expenditures	<u>48,000</u>	<u>48,000</u>	<u>41,788</u>	<u>6,212</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	10,546	<u>\$ 10,546</u>
Beginning fund balance			<u>30,092</u>	
Ending Fund Balance			<u>\$ 40,638</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

LIBERTY COUNTY, TEXAS
VOTER REGISTRATION FUND
SCHEDULE 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				
Fines and forfeitures	\$ 500	\$ 500	\$ -	\$ (500)
Total Revenues	<u>500</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
EXPENDITURES				
Other				
Office expense and supplies	2,000	2,000	1,835	165
Total Expenditures	<u>2,000</u>	<u>2,000</u>	<u>1,835</u>	<u>165</u>
Net Change in Fund Balance	<u>\$ (1,500)</u>	<u>\$ (1,500)</u>	(1,835)	<u>\$ (335)</u>
Beginning fund balance			<u>1,835</u>	
Ending Fund Balance			<u>\$ -</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

LIBERTY COUNTY, TEXAS
COMMISSIONERS COURT RECORDS MANAGEMENT FUND
SCHEDULE 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				
Fines and forfeitures	\$ 36,000	\$ 36,000	\$ 41,619	\$ 5,619
Total Revenues	<u>36,000</u>	<u>36,000</u>	<u>41,619</u>	<u>5,619</u>
EXPENDITURES				
General				
Office expense and supplies	26,000	26,000	9,512	16,488
Capital outlay	10,000	10,000	-	10,000
Total Expenditures	<u>36,000</u>	<u>36,000</u>	<u>9,512</u>	<u>26,488</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	32,107	<u>\$ 32,107</u>
Beginning fund balance			<u>174,549</u>	
Ending Fund Balance			<u>\$ 206,656</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

LIBERTY COUNTY, TEXAS
DISTRICT CLERK RECORDS MANAGEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 7,000	\$ 7,000	\$ 8,058	\$ 1,058
Total Revenues	<u>7,000</u>	<u>7,000</u>	<u>8,058</u>	<u>1,058</u>
EXPENDITURES				
Judicial				
Office expense and supplies	3,500	3,500	263	3,237
Capital outlay	3,500	3,500	-	3,500
Total Expenditures	<u>7,000</u>	<u>7,000</u>	<u>263</u>	<u>6,737</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	7,795	<u>\$ 7,795</u>
Beginning fund balance			<u>13,295</u>	
Ending Fund Balance			<u>\$ 21,090</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

LIBERTY COUNTY, TEXAS
COUNTY CLERK RECORDS MANAGEMENT FUND
SCHEDULE 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				
Fines and forfeitures	\$ 95,000	\$ 95,000	\$ 93,120	\$ (1,880)
Total Revenues	<u>95,000</u>	<u>95,000</u>	<u>93,120</u>	<u>(1,880)</u>
EXPENDITURES				
General				
Office expense and supplies	25,000	25,000	26,631	(1,631)
Equipment lease	20,000	20,000	-	20,000
Capital outlay	50,000	50,000	17,883	32,117
Total Expenditures	<u>95,000</u>	<u>95,000</u>	<u>44,514</u>	<u>50,486</u>
 Net Change in Fund Balance	 <u>\$ -</u>	 <u>\$ -</u>	 48,606	 <u>\$ 48,606</u>
 Beginning fund balance			 <u>454,112</u>	
Ending Fund Balance			 <u>\$ 502,718</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

LIBERTY COUNTY, TEXAS
COUNTY ATTORNEY CHECK COLLECTIONS FUND
SCHEDULE 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				
Fines and forfeitures	\$ 65,000	\$ 65,000	\$ 57,378	\$ (7,622)
Total Revenues	<u>65,000</u>	<u>65,000</u>	<u>57,378</u>	<u>(7,622)</u>
EXPENDITURES				
Legal				
Salaries and benefits	36,350	36,350	35,133	1,217
Office expense and supplies	24,000	24,000	29,507	(5,507)
Law books	3,150	3,150	-	3,150
Capital outlay	1,500	1,500	-	1,500
Total Expenditures	<u>65,000</u>	<u>65,000</u>	<u>64,640</u>	<u>360</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(7,262)	<u>\$ (7,262)</u>
Beginning fund balance			<u>59,822</u>	
Ending Fund Balance			<u>\$ 52,560</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

LIBERTY COUNTY, TEXAS
JP TECHNOLOGY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 65,000	\$ 65,000	\$ 31,302	\$ (33,698)
Total Revenues	<u>65,000</u>	<u>65,000</u>	<u>31,302</u>	<u>(33,698)</u>
EXPENDITURES				
Judicial				
Office expense and supplies	-	-	4,101	(4,101)
Capital outlay	40,000	40,000	-	40,000
Total Expenditures	<u>40,000</u>	<u>40,000</u>	<u>4,101</u>	<u>35,899</u>
Net Change in Fund Balance	<u>\$ 25,000</u>	<u>\$ 25,000</u>	27,201	<u>\$ 2,201</u>
Beginning fund balance			<u>96,009</u>	
Ending Fund Balance			<u>\$ 123,210</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

LIBERTY COUNTY, TEXAS

DEBT SERVICE FUND

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

For the Year Ended September 30, 2006

With Comparative Totals for the Year Ended September 30, 2005

	2006			Variance with Final Budget Positive (Negative)	2005
	Budgeted Amounts		Actual Amounts		
	Original	Final			
REVENUES					
Taxes	\$ 1,371,042	\$ 1,371,042	\$ 1,521,903	\$ 150,861	\$ 1,290,573
Investment income	5,000	5,000	48,899	43,899	27,273
Total Revenues	<u>1,376,042</u>	<u>1,376,042</u>	<u>1,570,802</u>	<u>43,899</u>	<u>1,317,846</u>
EXPENDITURES					
Principal	970,000	970,000	970,000	-	945,000
Interest and fiscal charges	406,042	406,042	410,044	(4,002) *	348,577
Total Expenditures	<u>1,376,042</u>	<u>1,376,042</u>	<u>1,380,044</u>	<u>(4,002)</u>	<u>1,293,577</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	190,758	<u>\$ 39,897</u>	<u>\$ 24,269</u>
Beginning fund balance			<u>343,977</u>		
Ending Fund Balance			<u>\$ 534,735</u>		

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. Excess of expenditures over appropriations *

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LIBERTY COUNTY, TEXAS

AGENCY FUND DESCRIPTIONS

September 30, 2006

The State Court Costs fund accounts for assets held by the County on behalf of other governments.

The Old River District No. 1 fund accounts for funds held on behalf of Old River District No.1.

The Social Security fund accounts for social security taxes and other employee benefits of the County and certain other governmental units.

The District Attorney Seizure Account fund accounts for funds seized in drug arrests until said funds are forfeited to the arresting police agency (sometimes more than one agency), District Attorney, or rightful owner.

The County Officials Escrow fund accounts for assets held by the County as agent for other governments, courts or individuals.

The Fine & Bond fund accounts for funds received from inmates for fines and bonds.

The Inmate Release fund accounts for funds received by or for the benefit of inmates. Funds are used for the inmates' commissary and medical needs.

LIBERTY COUNTY, TEXAS

COMBINING STATEMENT OF NET ASSETS

AGENCY FUNDS

September 30, 2006

	<u>State Court Costs</u>	<u>Old River District No. 1</u>	<u>Social Security</u>	<u>District Attorney Siezure Account</u>
ASSETS				
Cash and investments	\$ 229,952	\$ 458,451	\$ 15,186	\$ 37,722
Due from other funds	29,876	4,805	-	-
Accounts receivable	6,911	4,677	-	-
Total Assets	<u>\$ 266,739</u>	<u>\$ 467,933</u>	<u>\$ 15,186</u>	<u>\$ 37,722</u>
LIABILITIES				
Accounts payable	\$ 149	\$ 2,668	\$ -	\$ -
Due to other governments	227,566	-	-	-
Due to other funds	34,956	-	13,180	-
Due to other units	-	465,265	2,006	37,722
Other liabilities	4,068	-	-	-
Total Liabilities	<u>\$ 266,739</u>	<u>\$ 467,933</u>	<u>\$ 15,186</u>	<u>\$ 37,722</u>

<u>County Officials</u>				<u>Total Agency</u>
<u>Escrow</u>	<u>Fine and Bond</u>	<u>Inmate Release</u>		<u>Funds</u>
\$ 5,475,480	\$ 285	\$ 19,445	\$	6,236,521
-	-	-		34,681
4,981	-	-		16,569
<u>\$ 5,480,461</u>	<u>\$ 285</u>	<u>\$ 19,445</u>	<u>\$</u>	<u>6,287,771</u>
\$ -	\$ -	\$ -	\$	2,817
-	200	-		227,766
355,857	-	-		403,993
5,124,604	85	19,445		5,649,127
-	-	-		4,068
<u>\$ 5,480,461</u>	<u>\$ 285</u>	<u>\$ 19,445</u>	<u>\$</u>	<u>6,287,771</u>

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