

MATAGORDA COUNTY, TEXAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended
December 31, 2005

MATAGORDA COUNTY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2005

Prepared by
Ellen Dodd, Matagorda County Auditor

Matagorda County
Comprehensive Annual Financial Report
For The Year Ended December 31, 2005

TABLE OF CONTENTS

	<u>Page</u>
 INTRODUCTORY SECTION	
Letter of Transmittal.....	2
GFOA Certificate of Achievement.....	6
Organizational Chart.....	7
List of Principal Officials.....	8
 FINANCIAL SECTION	 9
Independent Auditor's Report on Financial Statements.....	10
Management's Discussion and Analysis (Required Supplementary Information).....	12
 <u>Basic Financial Statements</u>	 20
Government-wide Financial Statements:	
Statement of Net Assets.....	21
Statement of Activities.....	22
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	23
Reconciliation of the Governmental Funds	
Balance Sheet to the Statement of Net Assets.....	24
Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Governmental Funds.....	25
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities.....	26
Statement of Net Assets - Internal Service Fund.....	27
Statement of Revenues, Expenses, and Changes in	
Fund Net Assets - Internal Service Fund.....	28
Statement of Cash Flows - Proprietary Funds.....	29
Statement of Fiduciary Net Assets - Fiduciary Funds.....	30
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds.....	31
Notes to the Financial Statements	32
 <u>Required Supplementary Information:</u>	 45
General Fund:	46
General Fund Budgetary Comparison Schedule.....	47
Schedule of Funding Progress - Pension Plan.....	55
Notes to Required Supplementary Information.....	56
 <u>Combining Statements and Budgetary Comparison Schedules as Supplementary Info</u>	 57
Special Revenue Funds:	58
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	59
Combining Statement of Revenues, Expenditures and Changes	
in Fund Balances - Nonmajor Special Revenue Funds.....	62
Budgetary Comparison Schedules:	
DA Legal Law.....	65
Sheriff & Jail Discretionary.....	66

Matagorda County
Comprehensive Annual Financial Report
For The Year Ended December 31, 2005

TABLE OF CONTENTS

	<u>Page</u>
County Clerk Preservation & Automation.....	67
Countywide Records Management/Preservation.....	68
Courthouse Security.....	69
Justice Court Technology.....	70
District Clerk Records Mgmt/Preservation.....	71
Fiduciary Funds:	72
Agency Funds:	
Combining Statement of Fiduciary Assets and Liabilities.....	73
Combining Statement of Changes in Assets and Liabilities.....	75
STATISTICAL SECTION	76
Government-wide Expenses by Function.....	77
Government-wide Revenues.....	78
General Governmental Expenditures by Function.....	79
General Governmental Revenues by Source.....	80
Property Tax Levies and Collections.....	81
Assessed and Estimated Actual Value of Property.....	82
Property Tax Rates - Direct and Overlapping Governments.....	83
Principal Taxpayers.....	84
Demographic Statistics.....	85
Miscellaneous Statistics.....	86
OTHER SUPPLEMENTARY INFORMATION SECTION	89
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	90
Report on Compliance with Requirements Applicable To each Major Program and Internal Control over Compliance In Accordance With <i>OMB Circular A-133</i>	92
Schedule of Findings and Questioned Costs	94
Summary Schedule of Prior Audit Findings.....	96
Corrective Action Plan.....	97
Schedule of Expenditures of Federal Awards	98
Notes to the Schedule of Expenditures of Federal Awards.....	99

Introductory Section



ELLEN DODD
COUNTY AUDITOR
MATAGORDA COUNTY
1700 SEVENTH STREET, ROOM 326
BAY CITY, TEXAS 77414-5095
(409) 244-7611

Honorable District Judges of Matagorda County and
Honorable Members of the Matagorda County Commissioners Court:

The Comprehensive Annual Financial Report (CAFR) of Matagorda County, Texas, for the fiscal year ended December 31, 2005, is submitted herewith. Responsibility for both the accuracy of the data presented 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 aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of Matagorda County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial activity have been included. The report was prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board, and is in compliance with Paragraph 114.025 Vernon's Teas Codes Annotated (V.T.C.A.) Local Government Code.

To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by Sliva & Reed, P.C., certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the year ended December 31, 2005, are free of material misstatement. The independent audit involves 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 statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended December 31, 2005, are presented in conformity with GAAP. The independent auditor's report is presented as the first item in the financial section of this report.

The County received state and federal funds and therefore was subject to a “Single Audit” in accordance with OMB Circular A-133. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphases on internal controls and legal requirements involving the administration of federal awards.

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

The CAFR is divided into four sections. The Introductory section includes this transmittal letter, the County’s organizational chart and a list of principal officials both elected and appointed. The Financial section includes government-wide financial statements financial statements, fund financial statements, notes, required supplementary information and the combining and individual fund financial statements and schedules in addition to the report of the independent auditors on the financial statements and schedules. The Statistical section includes selected financial and demographic information, which is generally presented on a multi-year basis. The Federal and State Awards section contains information and auditors’ opinion on federal and state compliance.

Profile of the County

Matagorda County, created in 1836 is rich in history and tradition. The County is located between Galveston and Corpus Christi along the Gulf Coast and enjoys a diversity of geography from its wide expanse of prairies to the many creeks, rivers, lakes, bays and Gulf of Mexico. Birders have a wealth of places to choose from especially with the 34 acre Matagorda County Birding Nature Center along the Colorado River 1.7 miles west of Bay City on Texas 35. Matagorda County has been Number 1 in North America since 1997 for reporting the most number of species in the prestigious Audubon Society Christmas Bird Count. Matagorda offers some of the finest saltwater fishing on the entire Gulf Coast and its bays are filled with red fish, flounder, trout, crab and shrimp. The Lower Colorado River Authority is developing Matagorda Bay Nature Park, a 1,600 acre park and preserve at the mouth of the Colorado River on the Matagorda Peninsula. The park will provide nature education, recreation and nature tourism opportunities for visitors. Matagorda County is home to the South Texas Nuclear Plant, Celanese and the Lyondell Plant. Matagorda County has strong agricultural ties and has tradition in the production of cotton and rice. Aquiculture has also grown with the production of crawfish and catfish.

The County is a political subdivision of the State of Texas. The elected Commissioners Court is the governing body of the County which is comprised of the County Judge and four County Commissioners. Commissioners serve four-year staggered terms, two members elected every two years. The County Judge is elected at large to serve a four-year term. The Commissioners Court has certain powers granted to it by the state legislature. Its duties include approval of the budget, determination of the tax rates, approval of contracts, calling elections, issuance of bonds, appointment of certain county officials and the oversight of all the funds and account groups of the County. Oversight responsibility is determined on the basis of financial independence, selection of government authority, designation of management, ability to significantly influence operation and accountability for fiscal matters. Based on the foregoing criteria, the operation of four drainage districts, two ports, two municipalities, five school districts, a hospital district, various water districts, and other non-profit organizations are not included in the Matagorda County, Texas Comprehensive Annual Financial Report.

The Commissioners Court of Matagorda County sets the tax rate, establishes policies for County operations, approves contracts for the County, and develops and adopts the County budget within the available resources as estimated by the County Auditor. The Commissioners Court shares the financial controls of the County with the

County Auditor who is appointed according to Texas State statutes for two year terms by the District Judges. The County Auditor holds the basic responsibilities for establishing accounting policies and procedures, maintaining the records of all financial transactions of the County, and “examining and approving” disbursements from county funds prior to their submission to the Commissioners Court for payment.

Matagorda County provides many services not ordinarily provided by any other entity of government and provides additional services in cooperation with other local governmental units. These include volunteer fire departments, libraries and the museum. A primary service is the administration of justice, which includes the civil and criminal county and district courts, justices of the peace, constables, district attorney, clerks of the courts, sheriff, jail, security and emergency management, and bailiffs. Other functions performed by the County include the construction and maintenance of roads and bridges; provision of juvenile, health and environmental services as well as property tax collections for multiple agencies.

The annual budget serves as the foundation for the County’s planning and control. Budgetary control is maintained at the subtotal level of the County budget for the following categories: Personnel, Operating Costs, Inmate Placement, Capital Outlay and Debt. Expenditures for current operating funds may not exceed available cash balances in such funds at January 1, plus the estimate of revenues for the ensuing year. At any time during the year, Commissioners Court may increase the budget for unexpected revenues, expenditures, or actual beginning fund balances in excess of budgeted estimates, provided that Commissioners Court declares the existence of an emergency necessitating the increase. All annual budget appropriations lapse at year end with the exception of the commissioner’s budgets which carry forward into a reserve for precincts. The County also maintains an encumbrance accounting system for the general fund as one method of maintaining budgetary control.

Factors Affecting Financial Condition

An understanding of the financial condition of Matagorda County is enhanced though a perspective of the environment in which the County operates. Matagorda County’s primary economic bases include utilities, petrochemical processing, transmission, agriculture, commercial fishing and tourism. Matagorda County has outstanding opportunities for industry growth because of its location and proximity to the Gulf of Mexico, the Colorado River and the Gulf Intercoastal Canal waterway. Its strong oil and gas and petrochemical industry has kept the economy stable. Waterfront property sales have seen large increases and resort opportunities remain favorable for the future.

Matagorda County continues to partner with the South Texas Nuclear Project in providing Emergency Preparedness Training and Operations Drills for the safety of its citizens. This contract is not only financially favorable to the County, but has also provided invaluable emergency preparedness skills and a network of cooperation between the County leaders and departments and its industry neighbors.

Cash management. The County has adopted an investment policy in accordance with the laws of the State of Texas. The policy is revised annually and updated as necessary. The top three objectives of the policy are to comply with state laws, provide for the preservation and safety of principal, and provide sufficient funds to meet the cash needs of the operations of the County while achieving the maximum yield on funds invested and maximum levels of invested funds. All demand deposits are covered by pledged collateral and all certificates of deposit, pledged securities and collateral are held in safekeeping by either the County or a third party financial institution, or with a Federal Reserve Bank. According to the investment policy, the County Treasurer is required to make monthly reports to the Commissioners Court and the County Auditor summarizing market conditions and trends and quarterly reports to the Commissioner’s Court summarizing investment transactions for that period.

Risk management. The County provides for management of risks through a combination of self-insurance and pool participation. The County has insurance for flood and property coverage through a group purchasing cooperative. For all other coverage the County has joined with other governmental entities to form a risk pool. The County also participates in safety training for all employees on a regular basis which is provided by an outside consultant.

Retirement plan funding and post employment benefits. The County provides pension, disability and death benefits for all of its employees (half time or more) through a nontraditional, defined contribution plan in the State-wide Texas County and District Retirement System, (TCDRS). The contribution rate of the County at December 31, 2005 is 12.03 %. The employee member contribution is 7%.

In addition to providing retirement benefits, the County provides health insurance to its retirees who qualified under TCDRS rules and were hired prior to December 31, 2003. Any dependent coverage must be paid by the retiree.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Matagorda County for its comprehensive annual financial report for the fiscal year ended December 31, 2004. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The County has received a Certificate of Achievement for the last 2 consecutive years (fiscal years ended 2003 and 2004). We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

I would like to express my appreciation to Commissioners Court and the District Judges for their interest and support in planning and conducting the financial operations of the County in a responsible and professional manner. The timely completion of this report could not have been achieved without the dedicated efforts of the County Auditor's office and the professional services provided by our independent Auditors, Sliva & Reed, P.C.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ellen Dodd".

Ellen Dodd, County Auditor
Matagorda County, Texas
June 5, 2006

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Matagorda County,
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

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



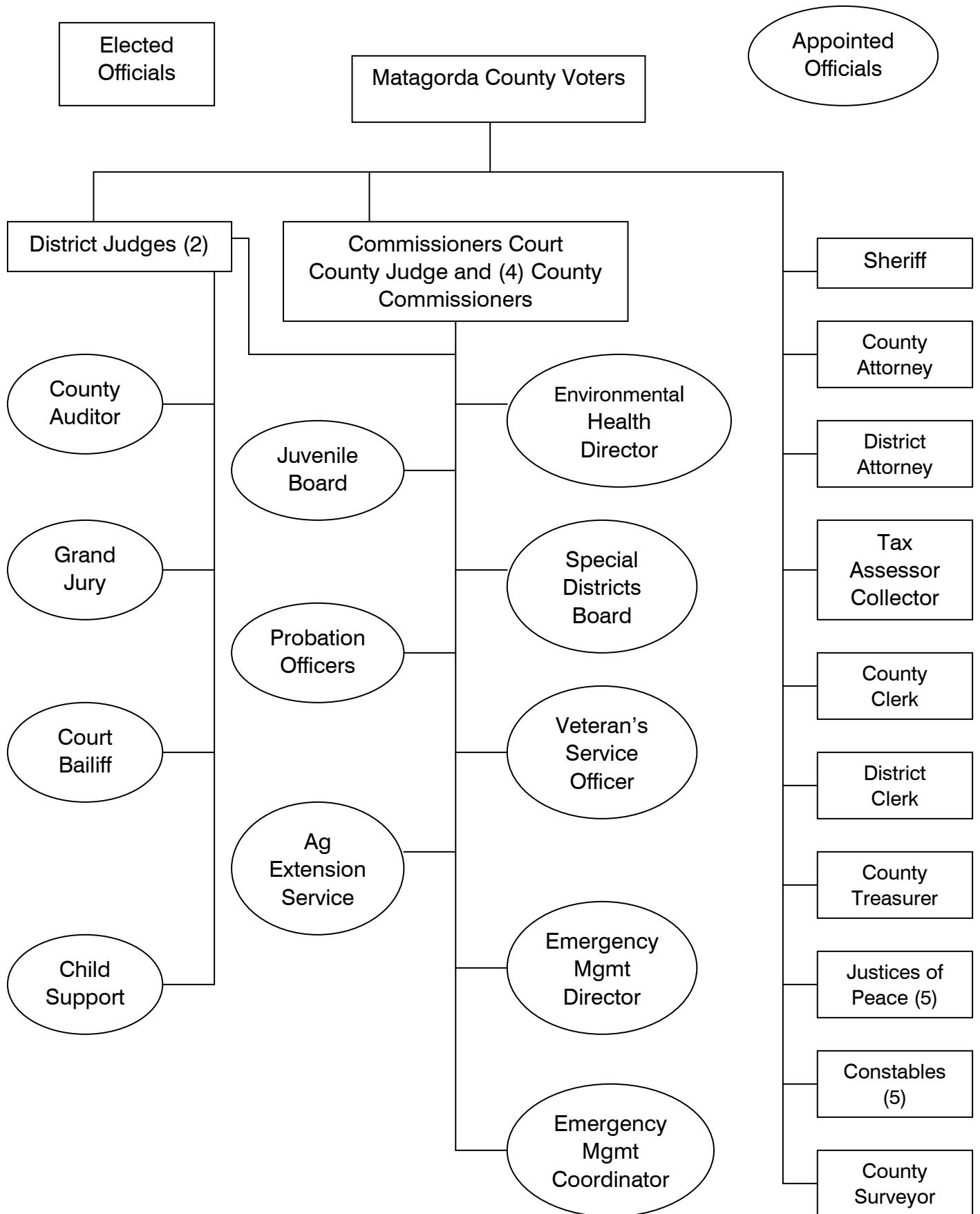
Carla E. Fudge

President

Jeffrey R. Emer

Executive Director

MATAGORDA COUNTY
Organization Chart



MATAGORDA COUNTY

LIST OF ELECTED AND APPOINTED OFFICIAL

DECEMBER 31, 2005

Elected Officials

Judge, 23rd Judicial District
Judge, 130th Judicial District
County Judge
Commissioner, Precinct #1
Commissioner, Precinct #2
Commissioner, Precinct #3
Commissioner, Precinct #4
County Sheriff
County Attorney
District Attorney
County Tax Collector
County Clerk
District Clerk
County Treasurer
Justice of Peace, Precinct #2
Justice of Peace, Precinct #3
Justice of Peace, Precinct #4
Justice of Peace, Precinct #5
Justice of Peace, Precinct #6
Constable, Precinct #2
Constable, Precinct #3
Constable, Precinct #4
Constable, Precinct #5
Constable, Precinct #6
County Surveyor

Ben Hardin
Craig Estlinbaum
Greg B. Westmoreland
Dan Pustka
George Deshotels
James Gibson
Percy Carroll
James Mitchell
Jill Cornelius
Steven Reis
Cristyn Hallmark
Gail Denn
Becky Denn
Suzanne Kucera
Suzan Thompson
Jerry Purvis
Aaron Green
Maurice Ashcraft
Joe Knight
Frank Craft
Kenneth Smith
Grady Quinney
Rudy Bonifay
Tom Ward
James Rother

Appointed Officials

County Auditor
Court Bailiff
Ag Extension Agent
Environmental Health Director
Veterans Service Officer
Emergency Management Director
Emergency Management Coordinator

Ellen Dodd
Jack Matthews
Brent Batchelor
Ed Schulze
Clarence Fenner
Greg Westmoreland
Bob Watts

Financial Section

SLIVA & REED, PC
1717 8th Street, Suite 5
Bay City, Texas 77414

Independent Auditor's Report on Financial Statements

Commissioners
Matagorda County
1700 Seventh Street
Bay City, Texas 77414

Members of Commissioners Court:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Matagorda County as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Matagorda County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Matagorda County as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated May 19, 2006, on our consideration of Matagorda 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the Matagorda County's basic financial statements. The accompanying statistical section, schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS AND NON-PROFIT ORGANIZATIONS and the combining and individual fund financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is 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.

Respectfully submitted,

Sliva & Reed, PC

Sliva & Reed, PC
May 19, 2006

Management's Discussion and Analysis

This discussion and analysis of the County of Matagorda (County's) financial statements provides a narrative overview of the County's financial activities for the fiscal year ended December 31, 2005. The information presented here should be read in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$34,195,074 (net assets). Of this amount, \$12,381,152 (unrestricted net assets) may be used to meet the County's ongoing obligations.
- At the close of the current fiscal year, the County's governmental funds reported a combined ending fund balance of \$ 11,277,572. This total amount is available for spending at the County's discretion (unreserved fund balance).
- The unreserved fund balance for the general fund at the end of the current fiscal year of \$10,481,450 represents 65% of total general fund expenditures.
- During the current fiscal year, the County's debt had a net decrease of \$17,626. This consists of an increase for a capital lease agreement and a decrease as a result of scheduled payments.

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Matagorda County's finances in a manner similar to private sector business. They present the financial picture of the County from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the County (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred in regards to interfund activity, payables and receivables.

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year using full accrual basis of accounting. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of

related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave and uncollected taxes).

The government-wide financial statements distinguish functions of Matagorda County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business activities). The governmental activities of the County include general government, justice, public safety, corrections and rehabilitation, health and human services, community and economic development, and infrastructure and environmental services.

The government-wide financial statements can be found on pages 21 and 22 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Matagorda County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds 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*.

The County maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the general fund only. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The basic governmental funds financial statements can be found on pages 23 through 26 of this report.

Proprietary funds. *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. The Internal Service Fund (a type of proprietary fund) is used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its self-funded health insurance program

The Proprietary fund financial statements can be found on pages 27 through 29 of this report.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County uses a private purpose trust fund to account for assets of the Adult Probation Department and agency funds to account for various assets held for the benefit of others.

The fiduciary fund financial statements can be found on pages 30 and 31 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32 through 44 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements.

Required supplementary information can be found on pages 47 through 56 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Matagorda County, assets exceeded liabilities by \$34,195,074 at the close of the most recent fiscal year, December 31, 2005.

Sixty-four percent (64%) of the County's net assets, \$21,813,922, reflects its investment in capital assets less any debt used to acquire those assets that is still outstanding. The County uses 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 capital assets themselves cannot be used to liquidate these liabilities. It should be noted that \$1,488,150 of the decrease in net assets for the year or 93% occurred in the investment in capital assets. This decrease is due to depreciation expense and asset disposal of \$2,953,514 exceeding capital purchases of \$1,447,737 and net changes in related debt of \$17,626.

The County's net assets for the years ending December 31, 2005 and 2004 are summarized as follows:

MATAGORDA COUNTY'S NET ASSETS

	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 21,924,658	\$ 25,401,905
Capital Assets	<u>21,865,517</u>	<u>23,371,293</u>
Total assets	<u>43,790,175</u>	<u>45,773,198</u>
Current and other liabilities	9,351,322	9,627,020
Long-term liabilities	<u>243,779</u>	<u>355,758</u>
Total liabilities	<u>9,595,101</u>	<u>9,982,778</u>

NET ASSETS

Invested in Capital Assets, net of related debt	21,813,922	23,302,072
Unrestricted	<u>12,381,152</u>	<u>12,488,348</u>
Total net assets	<u>\$ 34,195,074</u>	<u>\$ 35,790,420</u>

Analysis of the County's Operations. Governmental activities decreased the County's net assets by \$1,644,363. A prior period adjustment resulted in a slight increase to net assets of \$49,017. This adjustment consists of a net decrease to prior year net receivables for errors in extracted reports and an increase as a result of excluding private purpose trust fund compensated absences from the government wide statements that were incorrectly included in the prior year. This decrease of \$1,644,363 is up slightly from the prior year decrease of \$1,411,332 or 16%. As discussed above, the primary decrease in net assets was in capital asset transactions. Key elements of the \$1,644,363 decrease in net assets and comparison to prior year are as follows:

- Depreciation expense of \$2,804,044
- An increase in grants of \$601,507 primarily due to two significant hurricanes in 2005.
- A decrease in miscellaneous revenues due to a one time contribution in 2004.
- An increase in public safety costs primarily due to an increase in emergency management operating costs of \$313,995 for housing hurricane Katrina victims and an increase in the purchase of emergency management equipment of \$289,017 given to other governmental entities.
- \$277,575 of increased corrections and rehabilitation costs are due to increased costs of inmate placement.
- Infrastructure and environmental services decreased during the year in the area of road in bridge maintenance primarily due to weather related delays.

The following table provides a summary of the County's operations for the years ended December 31, 2005 and 2004.

MATAGORDA COUNTY'S CHANGES IN NET ASSETS

	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues:		
Fees, fines and charges for services	\$ 5,944,527	\$ 5,914,755
Operating grants and contributions	1,794,005	1,004,400
Capital grants and contributions	0	188,098
General revenues:		
Property taxes	8,294,370	8,384,447
Miscellaneous	14,053	473,856
Unrestricted Investment Earnings	<u>456,110</u>	<u>247,964</u>
Total revenues	<u>16,503,065</u>	<u>16,213,520</u>
Expenses:		
General government	2,744,598	2,737,438
Justice system	3,032,205	3,037,241
Public Safety	3,722,659	3,046,492
Corrections & Rehabilitation	2,343,039	2,041,394
Health and Human Services	1,175,751	1,164,602

Community & Economic Development	1,132,587	1,147,323
Infrastructure and environmental services	3,993,968	4,444,070
Interest on Debt	<u>2,621</u>	<u>6,292</u>
Total expenses	<u>18,147,428</u>	<u>17,624,852</u>
Increase (decrease) in net assets	(1,644,363)	(1,411,332)
Net assets – beginning	35,790,420	40,090,094
Prior Period Adjustment	<u>49,017</u>	<u>(2,888,342)</u>
Net assets – ending	<u>\$ 34,195,074</u>	<u>\$ 35,790,420</u>

Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget controls have been the framework of the County's strong fiscal management and accountability.

Governmental funds. The general government functions are reported in the General and Special Revenue Funds. The focus of the County's *governmental funds* is to provide information on current sources, uses, and balances of *spendable* resources. Such information is useful in determining the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$ 11,277,572. This entire total is unreserved or available for spending. Although not reserved, \$1,245,120 has been designated for other uses.

The General Fund is the chief operating fund of the County. The unreserved fund balance of the General Fund was \$10,481,450 in contrast to \$10,653,266 in the prior year, a decrease of \$171,816. Key factors in this decrease are as follows:

- Intergovernmental revenues were up due to increased federal funds from two major hurricanes in 2005 and Homeland Security funds with a corresponding increase in public safety and capital outlay.
- Miscellaneous revenue was down due to a one time contribution in 2004.
- Inmate placement costs included in corrections and rehabilitation are up \$277,575.

Proprietary funds. The County has only one proprietary fund type which is an internal service fund. This internal service fund is used to account for a self-funded health insurance program. The fund's current year revenues decreased by \$19,819 over 2004 and the expenditures increased from 2004 by \$237,954. This resulted in a current operating loss of \$79,456, a \$257,773 decrease when compared to the prior year income of \$178,317. Insurance premiums were increased October 1, 2005 to help overcome this operating loss in the future.

General Fund Budgetary Highlights. The Commissioners' Court approved several increases to budgeted revenues and appropriations. The following areas were affected:

- Intergovernmental revenue increased due to the approval of various state and federal grants, with a corresponding increase in appropriations for Public Safety, General Government, Health and Human Services and Community and Economic Development.

- Miscellaneous revenue budget was increased from original to final due to a capital lease, with a corresponding increase to Infrastructure & Environmental Services.
- In addition to the increase to Public Safety mentioned above, another increase was a result of fuel price allowances for the sheriff department patrol vehicles.
- Corrections and Rehabilitation increased due to rises in inmate placement and for initial costs associated with a jail expansion project.
- In addition to the amendment mentioned above dealing with intergovernmental revenue, Infrastructure and Environmental Services increased as a result of re-appropriations of unused prior year budgets.

Actual Revenues fell short of budgetary estimates and actual expenditures were less than appropriations. The following areas are the more significant areas noted:

- Tax collections exceeded estimates with a collection rate of approximately 99%.
- Intergovernmental Revenue actual was below amended estimated revenue as a result of miscalculations for hurricane related reimbursements.
- Actual Miscellaneous Revenue was below estimated revenue due to the receipt of a one-time contribution in the previous year.
- Investment Income actual exceeded estimated calculations as interest rates experienced an unexpected gradual rise toward the end of the year.
- Public Safety was under spent as a result of estimation of Hurricane related expenditures, the same situation as in the revenue actual above.
- As mentioned in our discussion of significant budget amendments, Infrastructure & Environmental Services expenditures were under spent as a result of re-appropriating unused prior year budgets.

Debt Administration

The County had an increase of \$79,119 in capital leases representing the purchase of equipment for road maintenance, combined with a decrease for regularly scheduled payments resulting in a net decrease of \$17,626. At the end of the current fiscal year the County had a final balance due for 2005 in the amount of \$25,129.

Compensated absences beginning balances were adjusted to exclude totals from a private purpose trust fund and then experienced a net increase of only \$3,685.

Additional information on the County's debt can be found in note E on page 38 of this report.

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2005 amounts to \$21,865,516 (net of accumulated depreciation). This investment in capital assets includes land; buildings and improvements; equipment and vehicles; and infrastructure for roads and bridges.

The following table lists the County's investment in capital assets as of December 31, 2005

MATAGORDA COUNTY'S CAPITAL ASSETS
Net of Accumulated Depreciation

	Balances 12/31/2004	Increases	Decreases	Balances 12/31/2005
Land	\$ 1,132,108	\$ 144,839	\$ -	\$ 1,276,947
Construction in progress	-	204,546	-	204,546
Infrastructure	15,786,524	385,680	(2,299,346)	13,872,858
Buildings and improvements	4,546,955	-	(198,186)	4,348,769
Vehicles and equipment	1,905,705	712,672	(455,981)	2,162,396
	\$ <u>23,371,292</u>	\$ <u>1,447,737</u>	\$ <u>(2,953,513)</u>	\$ <u>21,865,516</u>

Key increases in capital assets are as follows:

- Purchase of land primarily for future jail expansion plans
- Architect fees for the proposed jail expansion and engineer fees for a new precinct 4 barn are included in construction in progress
- New road and bridge construction in infrastructure.
- Purchase of several sheriff vehicles, voter tabulation machine, federal assets from homeland security grants, and road construction equipment

The main decrease in capital assets is \$2,804,045 in depreciation expense. The remaining decrease is a result of asset disposals.

Additional information on the County's capital assets can be found in note C on pages 37 and 38 of this report.

Economic Factors and Next Year's Budgets and Rates

The annual budget is developed to provide efficient, effective and controlled use of the County's resources. Through the budget the County Commissioners set the direction of the County, allocate its resources and establish its priorities. The 2006 budget was adopted on August 29, 2005 with General Fund expenditures of \$21,834,391, an increase of \$4,180,117 over the actual FY 2005 expenditures.

Factors affecting the 2006 Budget were as follows:

- Health insurance premiums experienced a substantial rise beginning October 2005. The commissioners' court budgeted the increase in premiums to the various departments for 2006 rather than pass on the increase to the employees, which resulted in a total increase to the budget of approximately \$300,000.
- Increase in Inmate Placement Costs were budgeted as well as \$6 million allocated for a jail expansion project. The project includes expanding the current jail capacity from 89 to 192 beds, and the construction of a new administrative building on the current site after demolition of existing older structures.

These indicators were taken into account when adopting the General Fund appropriations for 2006, with \$15 million in estimated revenue and \$3.6 million from fund balance and another \$3 million estimated to be generated from the sale of certificates of obligation.

Request for Information

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Office of the Matagorda County Auditor, 1700 7th Street, Room 325, Bay City, Texas 77414, or call (979)244-7611.

Basic Financial Statements

MATAGORDA COUNTY**STATEMENT OF NET ASSETS**

DECEMBER 31, 2005

	Governmental Activities
ASSETS	
<i>Cash and cash equivalents</i>	\$ 4,731,159
Receivables (net of allowances for uncollectibles):	
<i>Taxes receivable</i>	6,800,799
<i>Other receivables</i>	1,768,646
<i>Prepaid items</i>	303,870
<i>Inventories</i>	7,672
<i>Interest receivable</i>	110,315
<i>Purchased interest receivable</i>	2,800
<i>Investments</i>	8,199,397
Capital Assets (net of accumulated depreciation):	
<i>Land</i>	1,276,948
<i>Construction in progress</i>	204,546
<i>Buildings</i>	3,810,379
<i>Improvements</i>	538,390
<i>Infrastructure</i>	13,872,858
<i>Equipment</i>	2,162,396
Total Assets	43,790,175
LIABILITIES	
<i>Accounts payable</i>	476,012
<i>Due to other governments</i>	158,417
<i>Due to others</i>	130,006
<i>Unearned revenue</i>	8,563,899
<i>Escrow reserves</i>	22,988
Noncurrent Liabilities:	
<i>Due within one year - compensated absences</i>	18,978
<i>Due within one year - capital leases</i>	25,129
<i>Due in more than one year - comp absences</i>	173,206
<i>Due in more than one year - capital leases</i>	26,466
Total Liabilities	9,595,101
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	21,813,922
Unrestricted	12,381,152
Total Net Assets	\$ 34,195,074

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Government Activities:				Governmental Activities
General government	\$ 2,744,598	\$ 1,201,970	\$ 187,850	\$ (1,354,778)
Justice system	3,032,205	904,122	598,042	(1,530,041)
Public safety	3,722,659	3,487,489	724,479	489,309
Corrections and rehabilitation	2,343,039	118,305	6,257	(2,218,477)
Health and human services	1,175,751	47,560	3,939	(1,124,252)
Community and economic development	1,132,587	109,702	221,061	(801,824)
Infrastructure and environmental services	3,993,968	75,379	52,377	(3,866,212)
Interest on debt	2,621	--	--	(2,621)
Total governmental activities	18,147,428	5,944,527	1,794,005	(10,408,896)
Total Primary Government	\$ 18,147,428	\$ 5,944,527	\$ 1,794,005	(10,408,896)
General Revenues:				
Property taxes				8,294,370
Miscellaneous				14,053
Unrestricted investment earnings				456,110
Total General Revenues				8,764,533
Change in Net Assets				(1,644,363)
Net Assets - Beginning				35,790,420
Prior Period Adjustment				49,017
Net Assets - Restated				35,839,437
Net Assets - Ending				\$ 34,195,074

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY**BALANCE SHEET - GOVERNMENTAL FUNDS**

DECEMBER 31, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
<i>Cash and cash equivalents</i>	\$ 3,275,899	\$ 1,034,008	\$ 4,309,907
Receivables (net of allowances for uncollectibles):			
<i>Taxes</i>	6,800,799	--	6,800,799
<i>Other receivables</i>	1,754,591	14,055	1,768,646
<i>Prepaid items</i>	303,870	--	303,870
<i>Due from other funds</i>	46,387	--	46,387
<i>Inventories</i>	3,576	4,096	7,672
<i>Interest receivable</i>	110,315	--	110,315
<i>Purchased Interest receivable</i>	2,800	--	2,800
<i>Investments</i>	8,199,397	--	8,199,397
Total Assets	\$ 20,497,634	\$ 1,052,159	\$ 21,549,793
LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable</i>	\$ 420,753	\$ 13,798	\$ 434,551
<i>Due to other governments</i>	158,412	5	158,417
<i>Due to other funds</i>	--	50	50
<i>Due to others</i>	73,476	56,530	130,006
<i>Deferred revenue</i>	9,340,555	185,654	9,526,209
<i>Escrow reserves</i>	22,988	--	22,988
Total Liabilities	10,016,184	256,037	10,272,221
Fund Balances:			
Unreserved:			
<i>Designated for insurance</i>	20,000	--	20,000
<i>Designated for precincts</i>	1,225,120	--	1,225,120
Undesignated:			
<i>General fund</i>	9,236,330	--	9,236,330
<i>Special revenue funds</i>	--	796,122	796,122
Total Fund Balances	10,481,450	796,122	11,277,572
Total Liabilities and Fund Balances	\$ 20,497,634	\$ 1,052,159	\$ 21,549,793

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS DECEMBER 31, 2005

Total fund balances - governmental funds balance sheet	\$ 11,277,572
--	---------------

Amounts reported for governmental activities in the statement of net assets
("SNA") are different because:

Capital assets used in governmental activities are not reported in the funds.	21,865,516
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	705,339
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	192,871
Payables for capital leases which are not due in the current period are not reported in the funds.	(51,595)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(192,184)
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	397,554
Rounding difference	1

Net assets of governmental activities - statement of net assets	\$ <u>34,195,074</u>
---	----------------------

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
<i>Taxes</i>	\$ 8,330,557	\$ --	\$ 8,330,557
<i>Licenses and permits</i>	830,979	--	830,979
<i>Intergovernmental</i>	1,360,308	433,744	1,794,052
<i>Charges for services</i>	4,379,848	161,804	4,541,652
<i>Fines</i>	313,281	--	313,281
<i>Investment income</i>	455,946	24,996	480,942
<i>Miscellaneous</i>	174,166	46,263	220,429
Total revenues	<u>15,845,085</u>	<u>666,807</u>	<u>16,511,892</u>
EXPENDITURES			
Current:			
<i>General government</i>	2,118,006	51,012	2,169,018
<i>Justice system</i>	2,116,955	454,304	2,571,259
<i>Public Safety</i>	2,869,431	9,182	2,878,613
<i>Corrections and rehabilitation</i>	1,951,209	37,322	1,988,531
<i>Health and human services</i>	998,854	--	998,854
<i>Community and economic development</i>	971,282	11,452	982,734
<i>Infrastructure and environmental services</i>	3,635,842	--	3,635,842
Capital outlay	1,342,076	282	1,342,358
Debt service:			
<i>Principal</i>	96,744	--	96,744
<i>Interest and fiscal charges</i>	2,621	--	2,621
Total expenditures	<u>16,103,020</u>	<u>563,554</u>	<u>16,666,574</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(257,935)</u>	<u>103,253</u>	<u>(154,682)</u>
OTHER FINANCING SOURCES (USES)			
<i>Transfers in</i>	7,000	--	7,000
<i>Transfers out</i>	--	(7,000)	(7,000)
<i>Flow-through in</i>	12,297	--	12,297
<i>Flow-through out</i>	(12,297)	--	(12,297)
<i>Capital leases</i>	79,119	--	79,119
Total other financing sources (uses)	<u>86,119</u>	<u>(7,000)</u>	<u>79,119</u>
Net change in fund balances	(171,816)	96,253	(75,563)
Fund balances - beginning	10,653,266	699,869	11,353,135
Fund balances - ending	<u>\$ 10,481,450</u>	<u>\$ 796,122</u>	<u>\$ 11,277,572</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2005

Net change in fund balances - total governmental funds	\$ (75,563)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,410,503
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,804,044)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(115,535)
Donations of capital assets increase net assets in the SOA but not in the funds.	3,300
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(36,187)
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	(48,908)
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	96,744
The net revenue (expense) of internal service funds is reported with governmental activities.	(70,988)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	<u>(3,685)</u>
Change in net assets of governmental activities - statement of activities	\$ <u>(1,644,363)</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY**STATEMENT OF NET ASSETS****INTERNAL SERVICE FUND****DECEMBER 31, 2005**Nonmajor
Internal Service
FundInsurance
Fund**ASSETS****Current assets:***Cash and cash equivalents*

\$ 421,252

Total Assets

\$ 421,252

LIABILITIES**Current liabilities:***Accounts payable*

\$ 41,461

Due to other funds

46,337

Deferred revenue

140,583

Total Liabilities

228,381

NET ASSETS*Unrestricted*

192,871

Total net assets

\$ 192,871

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Nonmajor Internal Service Fund
	Insurance Fund
OPERATING REVENUES	
<i>Employer contributions</i>	\$ 1,628,546
<i>Employee contributions</i>	203,836
<i>Retiree/Cobra contributions</i>	69,186
<i>Special district contributions</i>	175,544
Total Operating Revenues	<u>2,077,112</u>
OPERATING EXPENSES	
<i>Administrative claims</i>	411,784
<i>Claims expense</i>	1,399,202
<i>Prescriptions</i>	345,582
Total Operating Expenses	<u>2,156,568</u>
Operating Income (Loss)	<u>(79,456)</u>
NON-OPERATING REVENUES (EXPENSES)	
<i>Interest revenue</i>	8,468
Total Non-operating Revenues (Expenses)	<u>8,468</u>
Change in Net Assets	(70,988)
Total net assets - beginning	263,859
Total net assets - ending	<u>\$ 192,871</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY**STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS****FOR THE YEAR ENDED DECEMBER 31, 2005**

	Nonmajor Internal Service Fund
Cash Flows from Operating Activities:	
<i>Cash Received from interfund services provided</i>	\$ 1,884,394
<i>Cash Received from external users</i>	175,544
<i>Cash payments for administration and claims</i>	(2,283,599)
Net Cash Provided (Used) by Operating Activities	<u>(223,661)</u>
Cash Flows from Investing Activities:	
<i>Interest and Dividends on Investments</i>	8,468
Net Cash Provided (Used) for Investing Activities	<u>8,468</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(215,193)
Cash and Cash Equivalents at Beginning of Year	636,445
Cash and Cash Equivalents at End of Year	<u>\$ 421,252</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (79,456)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	1,488
<i>Increase (Decrease) in Accounts Payable</i>	(127,031)
<i>Increase (Decrease) in Deferred Revenue</i>	(18,662)
Total Adjustments	<u>(144,205)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (223,661)</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY**STATEMENT OF FIDUCIARY NET ASSETS****FIDUCIARY FUNDS****DECEMBER 31, 2005**

	Private-purpose Trust Fund	
	Private-Purpose Trust Fund	Agency Funds
ASSETS		
<i>Cash and cash equivalents</i>	\$ 313,709	\$ 3,730,791
Total Assets	<u>\$ 313,709</u>	<u>\$ 3,730,791</u>
LIABILITIES		
<i>Accounts payable</i>	\$ 37,915	\$ 1,473,542
<i>Due to others</i>	--	2,257,249
Total Liabilities	<u>37,915</u>	<u>3,730,791</u>
NET ASSETS		
<i>Unrestricted</i>	275,794	--
Total Net Assets	<u>\$ 275,794</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY*STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**FIDUCIARY FUNDS**FOR THE YEAR ENDED DECEMBER 31, 2005*

	Adult Probation
Additions:	
Investment income	\$ 8,307
Intergovernmental	534,679
Charges for services	604,547
Miscellaneous	59,154
Total Additions	<u>1,206,687</u>
Deductions:	
Sex offender program	73,006
Substance abuse program	88,039
Supervision program	1,036,504
Community services	51,368
Total Deductions	<u>1,248,917</u>
Change in Net Assets	(42,230)
Net Assets-Beginning of the Year	<u>318,024</u>
Net Assets -End of the Year	<u><u>\$ 275,794</u></u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

A. Summary of Significant Accounting Policies

The combined financial statements of Matagorda County (the "County") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The County of Matagorda operates under state statutes and was established in 1836 by the Republic of Texas. Commissioners elected from each precinct serve as the governing body with the elected County Judge as the head of this body. They oversee all the functions of general government applicable to the County as provided by state statutes.

The County's basic financial statements include the accounts of all its operations. The County evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the County's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the County holds the corporate powers of the organization
- the County appoints a voting majority of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is fiscal dependency by the organization on the County
- the exclusion of the organization would result in misleading or incomplete financial statements

The County also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the County to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the County, its component units or its constituents; and 2) The County or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the County.

Based on these criteria, the County has no component units. Additionally, the County is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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. The County allocates indirect expenses in the statement of activities based on functional totals at the government-wide level. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

Fund Financial Statements: The fund financial statements provide information about the County's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The County reports the following major governmental funds:

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

In addition, the County reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the County. These funds facilitate distribution of health insurance costs to the departments on a cost-reimbursement basis. Because the principal users of the internal services are the County's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support County programs, these funds are not included in the government-wide statements and are defined as follows:

Private-Purpose Trust Funds: This fund is used to report the Adult Probation trust arrangement under which principal and income benefit both Matagorda and Wharton County constituents jointly and for which Matagorda County is the fiscal agent.

Agency Funds: These funds are used to report resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Agency funds for Matagorda County include District Clerk, County Clerk and Inmate Trust funds held for the benefit of others and the Tax Assessor/Collector account used for the collection of taxes and remittance to various taxing entities.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus, with the exception of agency funds which do not involve measurement of results of operations. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

MATAGORDA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes and are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the County incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the County's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

The County records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory at cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used. Capital assets are being depreciated using

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Estimated

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

<u>Asset Class</u>	<u>Useful Lives</u>
Infrastructure	10-30
Buildings	30-60
Improvements	10-20
Vehicles	3-5
Office Equipment	3-7
Other Equipment	5-20

e. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation, sick pay and comp time benefits. There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay these amounts when employees separate from service. All vacation and comp time pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

h. Investment Policy

The County's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

4. Budgetary Data

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, and the following special revenue funds: DA Legal Law, Sheriff & Jail Discretionary, County Clerk Preservation & Automation, Countywide Records Management/Preservation, Courthouse Security, Justice Court Technology, District Clerk Records Management/Preservation and Law Enforcement. All annual budget appropriations lapse at fiscal year end, with the exception of the four precincts (see Note L).

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

According to Chapter 111 of the Local Government Code, by July 31 the County Judge, assisted by the County Auditor shall prepare a budget to cover all proposed expenditures of the County government for the succeeding fiscal year. The proposed budget shall be filed with the County Clerk for inspection by any taxpayer. The Commissioners court shall hold a public hearing on the proposed budget after August 15th but before the date on which taxes are levied by the court. The final approved budget shall be filed with the County Clerk by December 31.

The appropriated budget is prepared by fund, department, and category (personnel, operating, capital outlay and debt service). Department heads may make transfers of appropriations within a category. Transfers of appropriations between categories requires the approval of Commissioners Court. The budget was amended throughout the year as needed for emergency expenditures.

5. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at December 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

The County had no outstanding end-of-year encumbrances.

B. Deposits and Investments

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At December 31, 2005, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$5,153,648 and the bank balance was \$6,756,219. The County's cash deposits at December 31, 2005 and during the year ended December 31, 2005, were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

Investments:

The County is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the County adhered to the requirements of the Act. Additionally, investment practices of the County were in accordance with local policies.

The Act determines the types of investments which are allowable for the County. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The County's investments at December 31, 2005 are shown below.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

Investment	Fair Value	Maturity in Years		Credit Rating
		< 1 year	1-5 years	
Federal Home Loan Bank	\$ 3,200,655	\$ 2,396,238	\$ 804,417	Aaa
Federal National Discount Note	1,000,000	1,000,000	--	Not Rated
Freddie Mac Discount Note	2,000,142	--	2,000,142	Not Rated
Federal National Mortgage Association	1,998,600	1,000,000	998,600	Aaa
Total reported as investments	<u>\$ 8,199,397</u>	<u>\$ 4,396,238</u>	<u>\$ 3,803,159</u>	
ICT Government Securities - reported as cash	\$ 3,618,886	N/A	N/A	Aaa

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

- Credit Risk - the risk that an issuer or other counterparty to an investment will not fulfil its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The above table indicates the credit rating by Standard & Poor's at December 31, 2005 by investment type.
- Interest Rate Risk - the risk that changes in interest rates will adversely affect the fair value of an investment. The District limits its exposure to interest rate risk by diversifying its investments by security type and institution and restricting the maximum investment term to less than five years from the purchase date for all funds except debt service funds which are limited to ten years.
- Concentration of Credit Risk - the risk of loss attributed to the magnitude of a government's investment in a single user. While the District's policy places no limits on the amount that may be invested in any one issuer, it does stress diversity and safety. At year end, more than five percent of the District's investments were held in each of the investment types listed above.

C. Capital Assets

Capital asset activity for the period ended December 31, 2005, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,132,108	\$ 144,839	\$ --	\$ 1,276,947
Construction in progress	--	204,546	--	204,546
Total capital assets not being depreciated	<u>1,132,108</u>	<u>349,385</u>	<u>--</u>	<u>1,481,493</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	37,091,397	385,680	272,325	37,204,752
Buildings and improvements	8,383,674	--	--	8,383,674
Vehicles and equipment	6,266,737	712,672	458,844	6,520,565
Total capital assets being depreciated	<u>51,741,808</u>	<u>1,098,352</u>	<u>731,169</u>	<u>52,108,991</u>
Less accumulated depreciation for:				
Infrastructure	(21,304,873)	(2,184,485)	(157,464)	(23,331,894)
Buildings and improvements	(3,836,719)	(198,186)	--	(4,034,905)
Vehicles and equipment	(4,361,032)	(421,372)	(424,235)	(4,358,169)
Total accumulated depreciation	<u>(29,502,624)</u>	<u>(2,804,043)</u>	<u>(581,699)</u>	<u>(31,724,968)</u>
Total capital assets being depreciated, net	<u>22,239,184</u>	<u>(1,705,691)</u>	<u>149,470</u>	<u>20,384,023</u>
Governmental activities capital assets, net	<u>\$ 23,371,292</u>	<u>\$ (1,356,306)</u>	<u>\$ 149,470</u>	<u>\$ 21,865,516</u>

Depreciation was charged to functions as follows:

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

General Government	\$	505,622
Justice		456,872
Public Safety		560,905
Corrections		353,033
Health		177,154
Community		148,675
Infrastructure		601,784
	\$	<u>2,804,045</u>

D. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at December 31, 2005, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Internal Service Fund	\$ 46,337	Start-up for health insurance
General Fund	Other Governmental Funds	50	
	Total	<u>\$ 46,387</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at December 31, 2005, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Other Governmental Funds	\$ 7,000	Payment of state supplements
	Total	<u>\$ 7,000</u>	

E. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended December 31, 2005, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Capital leases	\$ 69,221	\$ 79,119	\$ 96,745	\$ 51,595	25,129
Compensated absences **	* 188,499	209,966	206,281	192,184	18,978
Total governmental activities	<u>\$ 257,720</u>	<u>\$ 289,085</u>	<u>\$ 303,026</u>	<u>\$ 243,779</u>	<u>\$ 44,107</u>

* Beginning balance of \$286,538 has been restated to exclude a prior period error of \$98,038.

** Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General Fund

MATAGORDA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

2. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of December 31, 2005, as follows:

Year Ending December 31:	
2006	\$ 27,874
2007	27,874
Total Minimum Rentals	<u>55,748</u>
Less amount representing interest	(4,153)
Net capital lease payable	<u>\$ 51,595</u>

The effective interest rate on capital leases is 5.32%

The County has entered into a lease agreement as lessee for financing the acquisition of an asphalt zipper for use in road maintenance. This lease qualifies as capital leases for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. The asset acquired through capital lease is as follows:

	Governmental Activities
Equipment	\$ 79,119
Less: Accumulated Depreciation	--
	<u>\$ 79,119</u>

F. Risk Management

The County is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2005, the County obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities via interlocal agreement and forming a risk pool ("Pool"). The Pool is a legally separate entity operating as a common risk management and insurance program and is administered by TriStar Risk Management. The Pool provides third party liability, public officials liability, automobile liability, workers compensation, blanket crime coverage and property coverage. The County pays an annually determined premium to the pool for its share of the above insurance coverage. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. Latest audited financial statements for the self-insured pool can be obtained by contacting PO Box 1744, Bay City, Tx 77404-1744.

The County continues to carry insurance for other risks of loss through a group purchasing cooperative. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

G. Pension Plan

1. Plan Description

The County's pension plan ("Plan") is a nontraditional defined benefit pension plan which provides retirement, disability, death and withdrawal benefits to Plan members and beneficiaries through its affiliation with Texas County District Retirement System ("TCDRS"), an agent multiple-employer public employee retirement system TCDRS was established in 1967 by an act of the Texas Legislature, and as of 2005 included 559 participating subdivisions.

MATAGORDA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

The Texas legislature has the authority to establish or amend benefit provisions and the governing body of the County adopts the plan provisions within the options and constraints established by the legislature. Members can retire at age 60 with eight years of service, at any age with 30 years of service or when the sum of their age and years of service equals 75.

TCDRS issues a publicly available financial report that includes financial statements and required supplementary information for TCDRS. That report may be obtained by writing to Texas County District Retirement System, P.O. Box 2034, Austin, TX 78768-2034 or calling (800) 823-7782. Additional nonauthoritative information is available at the TCDRS web site, <http://www.tcdrs.org>.

2. Calculation Information

Plan members are required to contribute 7% of their annual covered salary. The County is required to contribute at an actuarially determined rate; the rate at December 31, 2005 is 12.03% of annual covered payroll. The County's contributions to the TCDRS for the years ending December 31, 2005, 2004 and 2003 were \$773,896, \$678,035 and \$538,385, respectively, and were equal to the required contributions for each year.

3. Actuarial Information

The County's annual pension cost of \$773,896 for the Plan was equal to the County's required and actual contributions. Under the state law governing TCDRS, the actuary annually determines the County's contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2003, the basis for determining the contribution rate for calendar year 2005.

Actuarial valuation date	12/31/2002	12/31/2003	12/31/2004
Actuarial cost method	entry age	entry age	entry age
Amortization method	level % of	level % of	level % of
	payroll, open	payroll, open	payroll, open
Amortization period in years	20	20	20
Asset valuation method	long-term	long-term	long-term
	appreciation	appreciation	appreciation
Assumptions:			
Investment return	8.00%	8.00%	8.00%
Projected salary increases	5.5%	5.5%	5.5%
Inflation	3.5%	3.5%	3.5%
Cost of living adjustments	0.0%	0.0%	0.0%

4. Schedule of Funding Information

Actuarial valuation date	12/31/2002	12/31/2003	12/31/2004
Actuarial value of assets	\$ 14,326,403	\$ 15,679,965	\$ 16,053,805
Actuarial accrued liability (AAL)	\$ 18,850,117	\$ 20,110,470	\$ 20,521,043
Unfunded or (overfunded) actuarial accrued liability (UAAL or OAAL)	\$ 4,523,714	\$ 4,430,505	\$ 4,437,238
Funded ratio	76.00%	77.96%	78.23%
Annual covered payroll (actuarial)	\$ 6,111,614	\$ 6,032,617	\$ 6,056,155
UAAL or OAAL as percentage of covered payroll	74.01%	73.44%	73.76%

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

H. Health Care Coverage

During the year ended December 31, 2005, employees of the County were covered by a health insurance plan (the Plan). The County contributed \$535 per month per employee and \$215 for dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents not contributed by the employer. All contributions were paid to a third party administrator, acting on behalf of the self-funded pool. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the County and the third party administrator is renewable October 1, 2006, and terms of coverage and contribution costs are included in the contractual provisions.

Other governmental entities and/or their employees contributed to the self-insurance pool via an Interlocal agreement in accordance with Local Government Code Chapter 172. The risk of the pool is shared by all participating entities. In accordance with state statute, the Pool was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Association of Counties Health Employee Benefit Program and Blue Cross Blue Shield of Texas, commercial insurers licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$100,000 and for aggregate loss.

Liabilities are reported when it is probable that a claim has occurred and the amount of the claim can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are based upon the estimated ultimate cost of settling the claim, including claim adjustments and subrogation. The liability for claims and judgments is reported in the insurance fund, an internal service fund of the County.

Changes in the balances of claims liabilities during the years ended December 31, 2004 and 2005, are as follows:

	2004	2005
Unpaid claims, beginning	\$ 224,885	\$ 168,492
Claims incurred	1,540,605	1,399,202
Claims paid	(1,596,998)	(1,526,233)
Unpaid claims, ending	<u>\$ 168,492</u>	<u>\$ 41,461</u>

I. Closure and Postclosure Care Cost

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions. The County stopped receiving waste prior to October 9, 1993 at over 90% capacity used and is still in the process of officially closing the site. The estimated costs of closure for 2006 are approximately \$5,000. Post-closure costs are subject to change resulting from inflation, deflation, technology and/or changes in applicable laws and regulations and are expected to be nominal for the next five years after certification of the completion of closure.

J. Reserved and Designated Fund Balances

The County Commissioners Court has designated funds to be set aside for specific purposes as outlined below:

Insurance	\$ 20,000	for physical property damage to autos
Precincts	\$ 1,225,120	unexpended budgeted amounts from each of the four precincts

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

K. Post Retirement Health Insurance

The County provides retirees hired prior to December 31, 1999, who qualified under the TCDRS rules, with individual coverage for hospitalization insurance for their lifetime pursuant to Local Government Code 172.004. Any dependent coverage must be paid by the retiree. The County records amounts paid as expenditures for the current period, and at December 31, 2005 payments covered 52 individuals at a cost of \$314,275. The amount of future liability is indeterminable, therefore, nothing has been accrued in the financial statements. This plan is not funded.

L. Receivables and Deferred Revenues

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

	General	Non-Major and Other Funds	Totals
Taxes	\$ 6,938,417	\$ --	\$ 6,938,417
Less allowance	(137,618)	--	(137,618)
	<u>\$ 6,800,799</u>	<u>\$ --</u>	<u>\$ 6,800,799</u>
Other Receivables	\$ 111,721	\$ 686	\$ 112,407
Taxes	1,075,792		1,075,792
Grants	96,796	576	97,372
Justice of Peace fines/fees	970,725		970,725
Less allowance	(805,889)		(805,889)
District Clerk fines/fees	2,669,094		2,669,094
Less allowance	(2,450,405)		(2,450,405)
Child Support fines/fees	46,584		46,584
Less allowance	(43,556)		(43,556)
County Clerk fines/fees	1,774,859		1,774,859
Less allowance	(1,691,130)		(1,691,130)
Juvenile Probation fines/fees		12,793	12,793
	<u>\$ 1,754,591</u>	<u>\$ 14,055</u>	<u>\$ 1,768,646</u>

While allowances have been estimated for the above receivables, it is possible that some may not be collected within one year.

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period and for amounts that have not yet been earned. Government-wide statements report only the unearned revenues as deferred and recognize the unavailable as revenue. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds and government-wide statements were as follows:

	Unavailable	Gov't-Wide Unearned	Gov't'l Fund Totals
Delinquent property taxes receivable (general fund)	\$ 705,339	\$ --	\$ 705,339
2005 Property taxes (general fund)		8,105,418	8,105,418
Fines/fees receivable:			--
General fund	390,873		390,873
All other non-major funds	6,681		6,681
Health insurance premiums (internal service fund)		140,583	140,583

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

Grant drawdowns prior to meeting all eligibility requirements:

General fund	138,925	--	138,925
All other non-major funds	178,972		178,972
	<u>\$ 1,102,893</u>	<u>\$ 8,563,898</u>	<u>\$ 9,666,791</u>

M. Reconciliation of Government-wide and Fund Financial Statements

- a. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets.

One element of that reconciliation explains that "other assets are not available to pay for current period expenditures and are deferred in the funds." The details of this \$397,554 are as follows:

Justice of Peace fines/fees	\$ 103,847
Juvenile Probation fines/fees	6,681
District Clerk fines/fees	218,689
County Clerk fines/fees	65,309
Child Support fines/fees	3,028
	<u>\$ 397,554</u>

- b. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances include a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation explains that "revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the funds." The details of this \$(48,908) difference are as follows:

Justice of Peace fines/fees	\$ (28,815)
Juvenile Probation fines/fees	574
District Clerk fines/fees	33,509
County Clerk fines/fees	27,639
Child Support fines/fees	(2,696)
Capital lease proceeds	(79,119)
	<u>\$ (48,908)</u>

N. Prior Period Adjustment

A prior period adjustment of \$49,017 was made to the government-wide net assets comprised of the following:

Correction of error in compensated absences	\$ 98,038
Errors in County Clerk fines/fees receivable report in prior year	(78,095)
Errors in District Clerk fines/fees receivable report in prior year	29,074
	<u>\$ 49,017</u>

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

O. Related Organizations

The County is accountable for the following related organizations in that they appoint the commissioners:

Matagorda County Drainage District No. 1
Matagorda County Drainage District No. 2
Matagorda County Drainage District No. 3
Matagorda County Drainage District No. 4
Matagorda County Conservaton & Reclamation District
Palacios Seawall

The County is not financially accountable for the above organizations nor does the County's accountability for these organizations extend significantly beyond making the appointments. Accordingly, financial information for these entities is excluded from the County's financial statements.

Latest audited financial statements for these entities may be obtained by writing 1700 7th Street, Room 302, Bay City, Tx 77414-5091.

P. Jointly Governed Organizations

The County, in conjunction with 131 other local government members, comprise the Houston-Galveston Area Council (H-GAC). H-GAC is a voluntary association of local governments and local elected officials in the 13-county Gulf Coast Planning Region - an area of 12,500 square miles with over 5 million people. H-GAC was organized in 1966 by local elected officials after authorization by State enabling legislation and now has 132 members including all major general-purpose local governments in the 13-county region to include: 13 Counties, 105 Cities and 14 School Districts. H-GAC is governed by a Board of Directors comprised of 35 elected officials. Board members are designated annually by the local governments they represent. All are members of governing bodies of the jurisdiction they represent to include: 14 County representatives, 20 City representatives and 1 School District representative. The Matagorda County Judge serves on this Board of Directors.

H-GAC gives highest priority to serving local government needs. It promotes voluntary approaches in region-wide purchasing, solid waste management, air and water quality, workforce development, criminal justice system improvements and law enforcement officer training, transportation system improvements planning, 911 emergency telephone communications, homeland security and emergency preparedness, trauma/emergency care policy, and other significant areas of concern to local government.

The County's share of H-GAC funding for the year ended December 31, 2005 was \$39,547 for 911 emergency telephone communications.

Q. Subsequent Events

Commissioners Court approved a jail expansion project in May, 2006 at an estimated cost of \$6,000,000. The expansion is expected to be funded \$3,000,000 from the sale of certificates of obligation, with the balance to come from unreserved, undesignated general fund balance.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

General Fund

The general fund is used to account for all financial resources of the general government except those required to be accounted for in another fund.

MATAGORDA COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005

Page 1 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
<i>Taxes</i>	\$ 8,225,490	\$ 8,225,490	\$ 8,330,557	\$ 105,067
<i>Licenses and permits</i>	830,100	830,100	830,979	879
<i>Intergovernmental</i>	190,702	1,425,417	1,360,308	(65,109)
<i>Charges for services</i>	4,345,087	4,345,087	4,379,848	34,761
<i>Fines</i>	357,075	357,075	313,281	(43,794)
<i>Investment income</i>	200,000	200,000	455,946	255,946
<i>Miscellaneous</i>	571,969	618,004	174,166	(443,838)
Total revenues	14,720,423	16,001,173	15,845,085	(156,088)
EXPENDITURES				
GENERAL GOVERNMENT				
County Judge:				
<i>Personnel</i>	130,202	130,772	127,271	3,501
<i>Operating costs</i>	12,812	11,676	10,148	1,528
Total County Judge	143,014	142,448	137,419	5,029
Commissioners Court				
<i>Operating costs</i>	111,000	70,300	69,788	512
Total Commissioners Court	111,000	70,300	69,788	512
Information Services:				
<i>Personnel</i>	100,064	100,634	100,571	63
<i>Operating costs</i>	135,366	134,687	127,636	7,051
<i>Capital outlay</i>	5,000	5,679	5,679	--
Total Information Services	240,430	241,000	233,886	7,114
County Courthouse:				
<i>Personnel</i>	61,170	62,308	62,473	(165)
<i>Operating costs</i>	249,700	250,655	196,082	54,573
<i>Debt</i>	71,491	71,491	71,491	--
Total County Courthouse	382,361	384,454	330,046	54,408
County Office Building:				
<i>Operating costs</i>	96,700	102,200	92,903	9,297
Total County Office Building	96,700	102,200	92,903	9,297
Unallocable by Department:				
<i>Insurance</i>	124,802	124,802	82,515	42,287
<i>Appraisal fees</i>	24,605	24,605	14,188	10,417
<i>Other costs</i>	157,000	23,778	--	23,778
Total Unallocable by Department	306,407	173,185	96,703	76,482
County Clerk:				
<i>Personnel</i>	246,404	248,174	245,568	2,606
<i>Operating costs</i>	42,952	44,021	41,466	2,555
Total County Clerk	289,356	292,195	287,034	5,161
County Auditor:				
<i>Personnel</i>	291,621	293,411	285,888	7,523

MATAGORDA COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005

Page 2 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Operating costs</i>	23,012	23,012	14,327	8,685
Total County Auditor	314,633	316,423	300,215	16,208
County Treasurer:				
<i>Personnel</i>	140,500	141,430	139,765	1,665
<i>Operating costs</i>	30,982	30,982	22,218	8,764
Total County Treasurer	171,482	172,412	161,983	10,429
Special Districts				
<i>Personnel</i>	41,937	41,937	32,881	9,056
<i>Operating costs</i>	8,550	8,550	3,150	5,400
Total Special Districts	50,487	50,487	36,031	14,456
County Tax Assessor Collector:				
<i>Personnel</i>	341,276	344,076	329,041	15,035
<i>Operating costs</i>	82,114	113,100	110,444	2,656
Total Tax Assessor Collector	423,390	457,176	439,485	17,691
Elections:				
<i>Personnel</i>	6,213	6,213	--	6,213
<i>Operating costs</i>	14,000	14,000	9,683	4,317
<i>Capital outlay</i>	--	177,870	177,870	--
Total Elections	20,213	198,083	187,553	10,530
TOTAL GENERAL GOVERNMENT	2,549,473	2,600,363	2,373,046	227,317
JUSTICE SYSTEM				
District Court:				
<i>Personnel</i>	130,206	131,136	129,712	1,424
<i>Operating costs</i>	38,250	40,250	31,262	8,988
<i>Capital outlay</i>	2,000	--	--	--
Total District Court	170,456	171,386	160,974	10,412
County Court:				
<i>Operating costs</i>	13,500	14,636	16,336	(1,700)
Total County Court	13,500	14,636	16,336	(1,700)
Court Expenses:				
<i>Operating costs</i>	220,800	227,950	220,077	7,873
<i>Capital outlay</i>	5,400	--	--	--
Total Court Expenses	226,200	227,950	220,077	7,873
Court of Civil Appeals:				
<i>Operating costs</i>	1,750	--	--	--
Total Court of Civil Appeals	1,750	--	--	--
District Clerk:				
<i>Personnel</i>	161,316	162,306	158,977	3,329
<i>Operating costs</i>	19,850	19,850	19,831	19
Total District Clerk	181,166	182,156	178,808	3,348
District Attorney:				

MATAGORDA COUNTY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2005

Page 3 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Personnel</i>	325,600	352,356	349,038	3,318
<i>Operating costs</i>	40,874	40,874	43,645	(2,771)
Total District Attorney	366,474	393,230	392,683	547
County Attorney:				
<i>Personnel</i>	167,226	168,006	165,803	2,203
<i>Operating costs</i>	17,712	22,712	19,974	2,738
<i>Capital outlay</i>	5,000	--	--	--
Total County Attorney	189,938	190,718	185,777	4,941
Justice of the Peace #1				
<i>Personnel</i>	102,231	102,861	101,888	973
<i>Operating costs</i>	17,289	17,289	16,277	1,012
Total Justice of the Peace #1	119,520	120,150	118,165	1,985
Justice of the Peace #2				
<i>Personnel</i>	104,312	107,948	107,948	--
<i>Operating costs</i>	14,223	16,941	16,219	722
Total Justice of the Peace #2	118,535	124,889	124,167	722
Justice of the Peace #3				
<i>Personnel</i>	77,793	79,147	78,682	465
<i>Operating costs</i>	11,346	14,462	14,119	343
Total Justice of the Peace #3	89,139	93,609	92,801	808
Justice of the Peace #4				
<i>Personnel</i>	83,062	84,678	84,535	143
<i>Operating costs</i>	8,343	7,297	5,565	1,732
Total Justice of the Peace #4	91,405	91,975	90,100	1,875
Justice of the Peace #6				
<i>Personnel</i>	19,669	19,879	19,757	122
<i>Operating costs</i>	3,935	3,935	2,809	1,126
Total Justice of the Peace #6	23,604	23,814	22,566	1,248
Law Library:				
<i>Operating costs</i>	15,000	15,000	14,263	737
Total Law Library	15,000	15,000	14,263	737
Child Support:				
<i>Personnel</i>	67,664	68,024	39,320	28,704
<i>Operating costs</i>	13,162	13,162	8,949	4,213
Total Child Support	80,826	81,186	48,269	32,917
Juvenile Probation Board:				
<i>Personnel</i>	28,272	28,482	28,301	181
<i>Operating costs</i>	5,612	5,612	5,612	--
Total Juvenile Probation Board	33,884	34,094	33,913	181
Juvenile Probation:				
<i>Personnel</i>	123,931	124,861	124,284	577
<i>Operating costs</i>	37,742	37,742	31,736	6,006
Total Juvenile Probation	161,673	162,603	156,020	6,583

MATAGORDA COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005

Page 4 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Juvenile Alternative School:				
<i>Personnel</i>	105,157	89,920	60,416	29,504
<i>Operating costs</i>	10,200	10,200	10,106	94
Total Juvenile Alternative School	115,357	100,120	70,522	29,598
Child Protective Services:				
<i>Operating costs</i>	54,000	54,000	54,000	--
Total Child Protective Services	54,000	54,000	54,000	--
Unallocable by Department:				
<i>Insurance</i>	74,559	74,559	74,560	(1)
<i>Appraisal fees</i>	12,820	12,820	12,819	1
<i>Autopsies</i>	75,000	75,000	50,135	24,865
Total unallocable by Department	162,379	162,379	137,514	24,865
TOTAL JUSTICE SYSTEM	2,214,807	2,243,896	2,116,955	126,941
PUBLIC SAFETY				
Constable Precinct #1:				
<i>Personnel</i>	13,962	14,172	14,085	87
<i>Operating costs</i>	5,450	6,450	6,424	26
Total Constable Precinct #1	19,412	20,622	20,509	113
Constable Precinct #2:				
<i>Personnel</i>	15,944	16,304	15,961	343
<i>Operating costs</i>	5,450	8,599	7,820	779
Total Constable Precinct #2	21,394	24,903	23,781	1,122
Constable Precinct #3:				
<i>Personnel</i>	13,964	14,174	14,084	90
<i>Operating costs</i>	3,230	4,230	4,230	--
Total Constable Precinct #3	17,194	18,404	18,314	90
Constable Precinct #4:				
<i>Personnel</i>	13,962	14,172	14,084	88
<i>Operating costs</i>	3,230	4,230	3,444	786
Total Constable Precinct #4	17,192	18,402	17,528	874
Constable Precinct #6:				
<i>Personnel</i>	15,944	16,154	15,383	771
<i>Operating costs</i>	3,230	4,961	4,568	393
Total Constable Precinct #6	19,174	21,115	19,951	1,164
County Sheriff:				
<i>Personnel</i>	1,741,011	1,764,816	1,764,735	81
<i>Operating costs</i>	332,109	425,916	395,726	30,190
<i>Capital outlay</i>	100,000	95,684	95,684	--
Total County Sheriff	2,173,120	2,286,416	2,256,145	30,271
Department of Public Safety:				
<i>Personnel</i>	9,445	9,445	8,448	997

MATAGORDA COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005

Page 5 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Operating costs</i>	6,100	11,600	10,896	704
<i>Capital outlay</i>	5,500	--	--	--
Total Department of Public Safety	21,045	21,045	19,344	1,701
Game Wardens:				
<i>Operating costs</i>	22,628	22,628	22,630	(2)
Total Game Wardens	22,628	22,628	22,630	(2)
Fire Protection:				
<i>Operating costs</i>	28,174	39,514	36,632	2,882
Total Fire Protection	28,174	39,514	36,632	2,882
County Wide 911 Services:				
<i>Personnel</i>	54,146	60,560	60,558	2
<i>Operating costs</i>	9,500	9,500	5,782	3,718
Total County Wide 911 Services	63,646	70,060	66,340	3,720
Emergency Management:				
<i>Personnel</i>	--	2,301	2,300	1
<i>Operating costs</i>	46,500	557,515	354,365	203,150
<i>Capital outlay</i>	--	325,607	289,017	36,590
Total Emergency Management	46,500	885,423	645,682	239,741
Unallocable by department:				
<i>Insurance</i>	91,537	91,537	91,537	--
<i>Appraisal fees</i>	15,739	15,739	15,739	--
Total unallocable by department	107,276	107,276	107,276	--
TOTAL PUBLIC SAFETY	2,556,756	3,535,809	3,254,132	281,677
CORRECTIONS & REHABILITATION				
County Jail:				
<i>Personnel</i>	1,140,089	1,091,807	1,090,669	1,138
<i>Operating costs</i>	291,956	339,427	312,910	26,517
<i>Inmate Placement</i>	150,000	549,260	478,090	71,170
<i>Capital outlay</i>	--	297,945	299,545	(1,600)
Total County Jail	1,582,045	2,278,439	2,181,214	97,225
Adult Probation:				
<i>Operating costs</i>	2,400	2,400	2,020	380
Total Adult Probation	2,400	2,400	2,020	380
Unallocable by department:				
<i>Insurance</i>	57,613	57,613	57,613	--
<i>Appraisal fees</i>	9,906	9,906	9,907	(1)
Total unallocable by department	67,520	67,520	67,520	--
TOTAL CORRECTIONS & REHABILITATION	1,651,965	2,348,359	2,250,754	97,605
HEALTH & HUMAN SERVICES				
Health Department:				

MATAGORDA COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005

Page 6 of 8

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<i>Personnel</i>	202,024	202,779	202,738	41
<i>Operating costs</i>	37,974	74,810	70,636	4,174
Total Health Department	239,998	277,589	273,374	4,215
Animal Control:				
<i>Personnel</i>	55,809	47,508	47,335	173
<i>Operating costs</i>	6,800	18,415	16,200	2,215
Total Animal Control	62,609	65,923	63,535	2,388
Mental Health:				
<i>Operating costs</i>	33,732	33,732	33,732	--
Total Mental Health	33,732	33,732	33,732	--
Ambulance Service:				
<i>Operating costs</i>	493,000	493,250	492,758	492
Total Ambulance Service	493,000	493,250	492,758	492
Aid to Others:				
<i>Economic Action Committee</i>	4,000	4,000	4,000	--
<i>Edith Armstrong Center</i>	8,400	8,400	8,400	--
<i>Friends of the Elderly</i>	38,000	38,000	38,000	--
<i>Cemetery</i>	3,000	3,000	3,000	--
<i>Indigent Burials</i>	1,000	1,000	1,600	(600)
Total Aid to Others	54,400	54,400	55,000	(600)
Veteran's Service Officer:				
<i>Personnel</i>	36,512	36,722	36,139	583
<i>Operating costs</i>	11,187	11,187	10,434	753
Total Veteran's Service Officer	47,699	47,909	46,573	1,336
Unallocable by department:				
<i>Insurance</i>	28,911	28,911	28,911	--
<i>Appraisal fees</i>	4,971	4,971	4,971	--
Total unallocable by department	33,882	33,882	33,882	--
TOTAL HEALTH & HUMAN SERVICES	965,320	1,006,685	998,854	7,831
COMMUNITY & ECONOMIC DEVELOPMENT				
521 Park:				
<i>Operating costs</i>	2,300	5,300	4,395	905
Total 521 Park	2,300	5,300	4,395	905
Marine Department:				
<i>Personnel</i>	79,580	83,563	83,518	45
<i>Operating costs</i>	44,115	228,217	193,600	34,617
Total Marine Department	123,695	311,780	277,118	34,662
Aid to Others:				
<i>Economic Development</i>	60,000	60,000	60,000	--
<i>Bay City Library</i>	162,450	162,450	162,450	--
<i>Palacios Library</i>	54,150	54,150	54,150	--
<i>Matagorda County Museum</i>	43,320	43,320	43,320	--

MATAGORDA COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005

Page 7 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Historical Commission Markers</i>	5,700	5,700	5,679	21
<i>Service Center</i>	3,420	3,420	3,420	--
Total Aid to Others	329,040	329,040	329,019	21
Agricultural Extension Service:				
<i>Personnel</i>	147,359	148,409	138,960	9,449
<i>Operating costs</i>	29,649	29,649	26,654	2,995
Total Agricultural Extension Service	177,008	178,058	165,614	12,444
Home Economist Service:				
<i>Personnel</i>	89,799	90,429	89,622	807
<i>Operating costs</i>	13,498	13,498	11,144	2,354
Total Home Economist Service	103,297	103,927	100,766	3,161
County Fairgrounds:				
<i>Personnel</i>	32,109	32,319	32,189	130
<i>Operating costs</i>	55,800	55,800	33,746	22,054
Total County Fairgrounds	87,909	88,119	65,935	22,184
Unallocable by department:				
<i>Insurance</i>	24,263	24,263	24,263	--
<i>Appraisal fees</i>	4,172	4,172	4,172	--
Total unallocable by department	28,435	28,435	28,435	--
TOTAL COMMUNITY & ECONOMIC DEVELOPMENT	851,684	1,044,659	971,282	73,377
INFRASTRUCTURE & ENVIRONMENTAL SERVICES				
Commissioner Precinct #1:				
<i>Personnel</i>	398,542	400,252	337,347	62,905
<i>Operating costs</i>	663,057	945,203	639,151	306,052
<i>Capital outlay</i>	25,000	25,000	--	25,000
Total Commissioner Precinct #1	1,086,599	1,370,455	976,498	393,957
Commissioner Precinct #2:				
<i>Personnel</i>	432,620	364,750	351,747	13,003
<i>Operating costs</i>	573,367	657,560	640,466	17,094
<i>Capital outlay</i>	75,000	180,115	179,024	1,091
<i>Debt</i>	--	27,875	27,874	1
Total Commissioner Precinct #2	1,080,987	1,230,300	1,199,111	31,189
Commissioner Precinct #3:				
<i>Personnel</i>	379,409	381,899	353,389	28,510
<i>Operating costs</i>	640,354	434,412	385,377	49,035
<i>Capital outlay</i>	50,000	246,113	226,820	19,293
Total Commissioner Precinct #3	1,069,763	1,062,424	965,586	96,838
Commissioner Precinct #4:				
<i>Personnel</i>	413,754	416,484	335,111	81,373
<i>Operating costs</i>	616,009	611,509	478,159	133,350
<i>Capital outlay</i>	40,000	40,000	40,201	(201)
Total Commissioner Precinct #4	1,069,763	1,067,993	853,471	214,522

MATAGORDA COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005

Page 8 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Right of Way Acquisition:				
<i>Capital outlay</i>	--	28,236	28,236	--
Total Right of Way Acquisition	--	28,236	28,236	--
Unallocable by department:				
<i>Insurance</i>	98,208	98,208	98,208	--
<i>Appraisal fees</i>	16,886	16,886	16,887	(1)
Total unallocable by department	115,095	115,095	115,095	--
TOTAL INFRASTRUCTURE & ENVIRONMENTAL SERVICE	4,422,208	4,874,504	4,137,997	736,507
Total Expenditures	15,212,212	17,654,274	16,103,020	1,551,254
Excess (deficiency) of revenues over (under) expenditures	(491,789)	(1,653,101)	(257,935)	1,395,166
OTHER FINANCING SOURCES (USES)				
<i>Transfers in</i>	--	3,000	7,000	4,000
<i>Flow-thru in</i>	--	--	12,297	12,297
<i>Flow-thru out</i>	--	--	(12,297)	(12,297)
<i>Capital lease proceeds</i>	--	79,120	79,119	(1)
Total other financing sources (uses)	--	82,120	86,119	3,999
Net Change in Fund Balances	(491,789)	(1,570,981)	(171,816)	1,399,165
Fund balance - beginning	10,653,266	10,653,266	10,653,266	--
Fund balance - ending	<u>\$ 10,161,477</u>	<u>\$ 9,082,285</u>	<u>\$ 10,481,450</u>	<u>\$ 1,399,165</u>

MATAGORDA COUNTY*REQUIRED SUPPLEMENTARY INFORMATION**SCHEDULE OF FUNDING PROGRESS**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**YEAR ENDED DECEMBER 31, 2005*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/02	\$ 14,326,403	\$ 18,850,117	\$ 4,523,714	76.0%	\$ 6,111,614	74.0%
12/31/03	15,679,965	20,110,470	4,430,505	78.0%	6,032,617	73.4%
12/31/04	16,053,805	20,521,043	4,467,238	78.2%	6,056,155	73.8%

MATAGORDA COUNTY

*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2005*

The County annually adopts budgets that are prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

District Attorney Legal/Law

This fund is used to account for the transactions related to hot check fees of the district attorney's office, funds awarded to the County from forfeitures, and state funds for the district attorney.

Sheriff & Jail Discretionary

This fund is used to account for the transactions related to forfeited funds and inmate commissary sales.

County Clerk Preservation & Automation

This fund is used to account for the fees collected by the County Clerk for preservation and automation.

Countywide Records Management & Preservation

This fund is used to account for fees collected by the County Clerk for records management and preservation.

Courthouse Security

This fund is used to account for fees collected by the County Court, District Court and JP Court for courthouse security.

Justice Court Technology

This fund is used to account for fees collected by the District Clerk for justice court technology.

District Clerk Records Management & Preservation

This fund is used to account for fees collected by the District Clerk for records management and preservation.

Historical Commission Grant

This fund is used to account for grant proceeds and local match for the purpose of conducting an historic resource survey in Matagorda County.

Local Emergency Planning

This fund was created to account for the activities of the Matagorda County Local Emergency Planning Committee (LEPC) which is to carry out those responsibilities specified by Public Law (PL) 99-499 and to implement other emergency plans or strategies as deemed appropriate.

Juvenile Probation Fund

This fund is used to account for Texas Juvenile Probation Commission grant funds for administering the juvenile probation program.

MATAGORDA COUNTY**COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS****DECEMBER 31, 2005**

	District Attorney Legal/Law	Sheriff & Jail Discretionary	County Clerk Preservation & Automation
ASSETS			
<i>Cash and cash equivalents</i>	\$ 92,198	\$ 90,761	\$ 291,723
Receivables (net of allowances for uncollectibles):			
<i>Other receivables</i>	--	--	231
<i>Inventories</i>	--	4,096	--
Total Assets	\$ 92,198	\$ 94,857	\$ 291,954
LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable</i>	\$ --	\$ 1,129	\$ --
<i>Due to other governments</i>	--	5	--
<i>Due to other funds</i>	--	50	--
<i>Due to others</i>	3,787	46,631	--
<i>Deferred revenue</i>	--	--	--
Total Liabilities	3,787	47,815	--
Fund Balances:			
Unreserved:			
<i>Undesignated:</i>			
<i>Special revenue funds</i>	88,411	47,042	291,954
Total Fund Balances	88,411	47,042	291,954
Total Liabilities and Fund Balances	\$ 92,198	\$ 94,857	\$ 291,954

Countywide Records Mgmt Preservation	Courthouse Security	Justice Court Technology	District Clerk Records Mgmt Preservation	Historical Commission Grant
\$ 126,544	\$ 169,331	\$ 56,370	\$ 4,828	\$ 5,531
24	219	212	--	576
--	--	--	--	--
<u>\$ 126,568</u>	<u>\$ 169,550</u>	<u>\$ 56,582</u>	<u>\$ 4,828</u>	<u>\$ 6,107</u>
\$ --	\$ 23	\$ --	\$ --	\$ 960
--	--	--	--	--
--	--	--	--	--
--	--	--	--	5,147
<u>--</u>	<u>23</u>	<u>--</u>	<u>--</u>	<u>6,107</u>
126,568	169,527	56,582	4,828	--
<u>126,568</u>	<u>169,527</u>	<u>56,582</u>	<u>4,828</u>	<u>--</u>
<u>\$ 126,568</u>	<u>\$ 169,550</u>	<u>\$ 56,582</u>	<u>\$ 4,828</u>	<u>\$ 6,107</u>

MATAGORDA COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2005

Page 2 of 2

	Local Emergency Planning	Juvenile Probation Fund	Total Nonmajor Special Revenue Funds
ASSETS			
<i>Cash and cash equivalents</i>	\$ 11,210	\$ 185,512	\$ 1,034,008
Receivables (net of allowances for uncollectibles):			
<i>Other receivables</i>	--	12,793	14,055
<i>Inventories</i>	--	--	4,096
Total Assets	\$ 11,210	\$ 198,305	\$ 1,052,159

LIABILITIES AND FUND BALANCES

Liabilities:			
<i>Accounts payable</i>	\$ --	\$ 11,686	\$ 13,798
<i>Due to other governments</i>	--	--	5
<i>Due to other funds</i>	--	--	50
<i>Due to others</i>	--	6,112	56,530
<i>Deferred revenue</i>	--	180,507	185,654
Total Liabilities	--	198,305	256,037

Fund Balances:

Unreserved:			
<i>Undesignated:</i>			
<i>Special revenue funds</i>	11,210	--	796,122
Total Fund Balances	11,210	--	796,122

Total Liabilities and Fund Balances	\$ 11,210	\$ 198,305	\$ 1,052,159
--	------------------	-------------------	---------------------

MATAGORDA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	District Attorney Legal/Law	Sheriff & Jail Discretionary	County Clerk Preservation & Automation
REVENUES			
<i>Intergovernmental</i>	\$ --	\$ --	\$ --
<i>Charges for services</i>	46,444	11,364	56,979
<i>Investment income</i>	973	397	8,356
<i>Miscellaneous</i>	--	41,298	--
Total revenues	<u>47,417</u>	<u>53,059</u>	<u>65,335</u>
EXPENDITURES			
Current:			
<i>General government</i>	--	--	46,166
<i>Justice system</i>	18,716	--	--
<i>Public Safety</i>	--	7,797	--
<i>Corrections and rehabilitation</i>	--	37,322	--
<i>Community and economic development</i>	--	--	--
Capital outlay	282	--	--
Debt service:			
Total expenditures	<u>18,998</u>	<u>45,119</u>	<u>46,166</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28,419</u>	<u>7,940</u>	<u>19,169</u>
OTHER FINANCING SOURCES (USES)			
<i>Transfers out</i>	(7,000)	--	--
Total other financing sources (uses)	<u>(7,000)</u>	<u>--</u>	<u>--</u>
Net change in fund balances	21,419	7,940	19,169
Fund balances - beginning	66,992	39,102	272,785
Fund balances - ending	<u>\$ 88,411</u>	<u>\$ 47,042</u>	<u>\$ 291,954</u>

Countywide Records Mgmt Preservation	Courthouse Security	Justice Court Technology	District Clerk Records Mgmt Preservation	Historical Commission Grant
\$ --	\$ --	\$ 9,280	\$ --	\$ 7,451
9,004	24,012	11,516	2,485	--
3,635	4,748	1,545	110	--
--	--	--	--	--
<u>12,639</u>	<u>28,760</u>	<u>22,341</u>	<u>2,595</u>	<u>7,451</u>
--	4,846	--	--	--
--	--	13,017	--	--
--	--	--	--	--
--	--	--	--	11,452
--	--	--	--	--
<u>--</u>	<u>4,846</u>	<u>13,017</u>	<u>--</u>	<u>11,452</u>
<u>12,639</u>	<u>23,914</u>	<u>9,324</u>	<u>2,595</u>	<u>(4,001)</u>
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
12,639	23,914	9,324	2,595	(4,001)
113,929	145,613	47,258	2,233	4,001
<u>\$ 126,568</u>	<u>\$ 169,527</u>	<u>\$ 56,582</u>	<u>\$ 4,828</u>	<u>\$ --</u>

MATAGORDA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Local Emergency Planning	Juvenile Probation Fund	Total Nonmajor Special Revenue Funds
REVENUES			
<i>Intergovernmental</i>	\$ --	\$ 417,013	\$ 433,744
<i>Charges for services</i>	--	--	161,804
<i>Investment income</i>	164	5,068	24,996
<i>Miscellaneous</i>	4,475	490	46,263
Total revenues	<u>4,639</u>	<u>422,571</u>	<u>666,807</u>
EXPENDITURES			
Current:			
<i>General government</i>	--	--	51,012
<i>Justice system</i>	--	422,571	454,304
<i>Public Safety</i>	1,385	--	9,182
<i>Corrections and rehabilitation</i>	--	--	37,322
<i>Community and economic development</i>	--	--	11,452
Capital outlay	--	--	282
Debt service:			
Total expenditures	<u>1,385</u>	<u>422,571</u>	<u>563,554</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,254</u>	<u>--</u>	<u>103,253</u>
OTHER FINANCING SOURCES (USES)			
<i>Transfers out</i>	--	--	(7,000)
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>(7,000)</u>
Net change in fund balances	3,254	--	96,253
Fund balances - beginning	7,956	--	699,869
Fund balances - ending	<u>\$ 11,210</u>	<u>\$ --</u>	<u>\$ 796,122</u>

MATAGORDA COUNTY

DA LEGAL LAW

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2005

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 61,200	\$ 46,444	\$ (14,756)
Investment income	300	973	673
Total revenues	61,500	47,417	(14,083)
EXPENDITURES			
JUSTICE SYSTEM			
District Attorney:			
Operating costs	42,200	18,716	23,484
Capital outlay	16,300	282	16,018
Total District Attorney	58,500	18,998	39,502
TOTAL JUSTICE SYSTEM	58,500	18,998	39,502
Total Expenditures	58,500	18,998	39,502
Excess (deficiency) of revenues over (under) expenditures	3,000	28,419	25,419
Transfers out	(3,000)	(7,000)	(4,000)
Total other financing sources (uses)	(3,000)	(7,000)	(4,000)
Net Change in Fund Balances	--	21,419	21,419
Fund balance - beginning	66,992	66,992	--
Fund balance - ending	\$ 66,992	\$ 88,411	\$ 21,419

MATAGORDA COUNTY

SHERIFF & JAIL DISCRETIONARY

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2005

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 11,250	\$ 11,364	\$ 114
Investment income	100	397	297
Miscellaneous	38,025	41,298	3,273
Total revenues	49,375	53,059	3,684
EXPENDITURES			
PUBLIC SAFETY			
County Sheriff:			
Operating costs	8,190	7,797	393
Capital outlay	3,235	--	3,235
Total County Sheriff	11,425	7,797	3,628
TOTAL PUBLIC SAFETY	11,425	7,797	3,628
CORRECTIONS & REHABILITATION			
County Jail:			
Operating costs	37,950	37,322	628
Total County Jail	37,950	37,322	628
TOTAL CORRECTIONS & REHABILITATION	37,950	37,322	628
Total Expenditures	49,375	45,119	4,256
Excess (deficiency) of revenues over (under) expenditures	--	7,940	7,940
Net Change in Fund Balances	--	7,940	7,940
Fund balance - beginning	39,102	39,102	--
Fund balance - ending	\$ 39,102	\$ 47,042	\$ 7,940

MATAGORDA COUNTY

COUNTY CLERK PRESERVATION & AUTOMATION

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2005

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 48,000	\$ 56,979	\$ 8,979
Investment income	1,500	8,356	6,856
Total revenues	49,500	65,335	15,835
EXPENDITURES			
GENERAL GOVERNMENT			
County Clerk:			
Personnel	--	2,055	(2,055)
Operating costs	49,500	44,111	5,389
Total County Clerk	49,500	46,166	3,334
TOTAL GENERAL GOVERNMENT	49,500	46,166	3,334
Total Expenditures	49,500	46,166	3,334
Excess (deficiency) of revenues over (under) expenditures	--	19,169	19,169
Net Change in Fund Balances	--	19,169	19,169
Fund balance - beginning	272,785	272,785	--
Fund balance - ending	\$ 272,785	\$ 291,954	\$ 19,169

MATAGORDA COUNTY

COUNTYWIDE RECORDS MANAGEMENT/PRESERVATION

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2005

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 12,000	\$ 9,004	\$ (2,996)
Investment income	700	3,635	2,935
Total revenues	12,700	12,639	(61)
EXPENDITURES			
GENERAL GOVERNMENT			
County Courthouse:			
Operating costs	12,700	--	12,700
Total County Courthouse	12,700	--	12,700
TOTAL GENERAL GOVERNMENT	12,700	--	12,700
Total Expenditures	12,700	--	12,700
Excess (deficiency) of revenues over (under) expenditures	--	12,639	12,639
Net Change in Fund Balances	--	12,639	12,639
Fund balance - beginning	113,929	113,929	--
Fund balance - ending	\$ 113,929	\$ 126,568	\$ 12,639

MATAGORDA COUNTY

COURTHOUSE SECURITY

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2005

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 51,600	\$ 24,012	\$ (27,588)
Investment income	1,800	4,748	2,948
Total revenues	53,400	28,760	(24,640)
EXPENDITURES			
GENERAL GOVERNMENT			
County Courthouse:			
Personnel	23,180	4,846	18,334
Operating costs	2,220	--	2,220
Capital outlay	28,000	--	28,000
Total County Courthouse	53,400	4,846	48,554
TOTAL GENERAL GOVERNMENT	53,400	4,846	48,554
Total Expenditures	53,400	4,846	48,554
Excess (deficiency) of revenues over (under) expenditures	--	23,914	23,914
Net Change in Fund Balances	--	23,914	23,914
Fund balance - beginning	145,613	145,613	--
Fund balance - ending	\$ 145,613	\$ 169,527	\$ 23,914

MATAGORDA COUNTY
JUSTICE COURT TECHNOLOGY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budget	Actual	Variance Positive (Negative)
REVENUES			
<i>Intergovernmental</i>	\$ 6,236	\$ 9,280	\$ 3,044
<i>Charges for services</i>	28,000	11,516	(16,484)
<i>Investment income</i>	400	1,545	1,145
Total revenues	34,636	22,341	(12,295)
EXPENDITURES			
JUSTICE SYSTEM			
Justice Court Technology:			
<i>Operating costs</i>	34,636	13,017	21,619
Total Justice Court Technology	34,636	13,017	21,619
TOTAL JUSTICE SYSTEM	34,636	13,017	21,619
Total Expenditures	34,636	13,017	21,619
Excess (deficiency) of revenues over (under) expenditures	--	9,324	9,324
Net Change in Fund Balances	--	9,324	9,324
Fund balance - beginning	47,258	47,258	--
Fund balance - ending	\$ 47,258	\$ 56,582	\$ 9,324

MATAGORDA COUNTY

DISTRICT CLERK RECORDS MGMT/PRESERVATION

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2005

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 4,000	\$ 2,485	\$ (1,515)
Investment income	20	110	90
Total revenues	4,020	2,595	(1,425)
EXPENDITURES			
JUSTICE SYSTEM			
District Clerk:			
Operating costs	4,020	--	4,020
Total District Clerk	4,020	--	4,020
TOTAL JUSTICE SYSTEM	4,020	--	4,020
Total Expenditures	4,020	--	4,020
Excess (deficiency) of revenues over (under) expenditures	--	2,595	2,595
Net Change in Fund Balances	--	2,595	2,595
Fund balance - beginning	2,233	2,233	--
Fund balance - ending	\$ 2,233	\$ 4,828	\$ 2,595

Fiduciary Funds

Fiduciary funds are used to account for funds held in a trustee or agency capacity for the benefit of others and therefore cannot be used to support the government's own programs. Fiduciary funds include pension trust funds, investment funds, private-purpose trust funds and agency funds. The County is only combining agency funds as defined below.

County Clerk Trust Fund

This fund is used to account for County Court awards for the benefit of minors or others considered by the County Court to be incapable of handling the award individually.

District Clerk Trust Fund

This fund is used to account for District Court awards for the benefit of minors or others considered by the District Court to be incapable of handling the award individually.

Inmate Trust Fund

This fund is used to account for money held on behalf of inmates booked into the County jail.

Tax Assessor Collector

This fund is used as a clearing account for the receipt and disbursement of tax collected by the County Tax Assessor Collector on behalf of other governmental entities.

MATAGORDA COUNTY*COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**AGENCY FUNDS**DECEMBER 31, 2005*

	County Clerk Trust	District Clerk Trust
ASSETS		
<i>Cash and cash equivalents</i>	\$ 329,412	\$ 1,917,116
Total Assets	<u>\$ 329,412</u>	<u>\$ 1,917,116</u>
LIABILITIES		
<i>Accounts payable</i>	\$ --	\$ --
<i>Due to others</i>	<u>329,412</u>	<u>1,917,116</u>
Total Liabilities	<u>329,412</u>	<u>1,917,116</u>
NET ASSETS		
<i>Unrestricted</i>	--	--
Total Net Assets	<u>\$ --</u>	<u>\$ --</u>

Inmate Trust Fund	Tax Assessor Collector	Total Agency Funds
\$ 7,612	\$ 1,476,651	\$ 3,730,791
\$ 7,612	\$ 1,476,651	\$ 3,730,791
\$ --	\$ 1,473,542	\$ 1,473,542
7,612	3,109	2,257,249
7,612	1,476,651	3,730,791
--	--	--
\$ --	\$ --	\$ --

MATAGORDA COUNTY**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES****ALL AGENCY FUNDS****YEAR ENDED DECEMBER 31, 2005**

	Balance December 31 2004	Additions	Deductions	Balance December 31, 2005
COUNTY CLERK TRUST FUNDS				
ASSETS				
<i>Cash & investments</i>	\$ 446,664	\$ 60,053	\$ 177,305	\$ 329,412
Total Assets	<u>\$ 446,664</u>	<u>\$ 60,053</u>	<u>\$ 177,305</u>	<u>\$ 329,412</u>
LIABILITIES				
<i>Due to others</i>	\$ 446,664	\$ 60,053	\$ 177,305	\$ 329,412
Total Liabilities	<u>\$ 446,664</u>	<u>\$ 60,053</u>	<u>\$ 177,305</u>	<u>\$ 329,412</u>
DISTRICT CLERK TRUST FUNDS				
ASSETS				
<i>Cash & investments</i>	\$ 1,998,904	\$ 1,772,682	\$ 1,854,470	\$ 1,917,116
Total Assets	<u>\$ 1,998,904</u>	<u>\$ 1,772,682</u>	<u>\$ 1,854,470</u>	<u>\$ 1,917,116</u>
LIABILITIES				
<i>Due to others</i>	\$ 1,998,904	\$ 1,772,682	\$ 1,854,470	\$ 1,917,116
Total Liabilities	<u>\$ 1,998,904</u>	<u>\$ 1,772,682</u>	<u>\$ 1,854,470</u>	<u>\$ 1,917,116</u>
INMATE TRUST FUND				
ASSETS				
<i>Cash & investments</i>	\$ 2,935	\$ 207,560	\$ 202,883	\$ 7,612
Total Assets	<u>\$ 2,935</u>	<u>\$ 207,560</u>	<u>\$ 202,883</u>	<u>\$ 7,612</u>
LIABILITIES				
<i>Due to others</i>	\$ 2,935	\$ 207,560	\$ 202,883	\$ 7,612
Total Liabilities	<u>\$ 2,935</u>	<u>\$ 207,560</u>	<u>\$ 202,883</u>	<u>\$ 7,612</u>
TAX ASSESSOR COLLECTOR				
ASSETS				
<i>Cash & investments</i>	\$ 165,060	\$ 48,787,990	\$ 47,476,399	\$ 1,476,651
Total Assets	<u>\$ 165,060</u>	<u>\$ 48,787,990</u>	<u>\$ 47,476,399</u>	<u>\$ 1,476,651</u>
LIABILITIES				
<i>Due to other governments</i>	\$ 165,060	\$ 48,784,881	\$ 47,476,399	\$ 1,473,542
<i>Due to others</i>	--	3,109	--	3,109
Total Liabilities	<u>\$ 165,060</u>	<u>\$ 48,787,990</u>	<u>\$ 47,476,399</u>	<u>\$ 1,476,651</u>
TOTAL AGENCY FUNDS:				
ASSETS				
<i>Cash & investments</i>	\$ 2,613,563	\$ 50,828,285	\$ 49,711,057	\$ 3,730,791
Total Assets	<u>\$ 2,613,563</u>	<u>\$ 50,828,285</u>	<u>\$ 49,711,057</u>	<u>\$ 3,730,791</u>
LIABILITIES				
<i>Due to other governments</i>	\$ 165,060	\$ 48,784,881	\$ 47,476,399	\$ 1,473,542
<i>Due to others</i>	2,448,503	2,043,404	2,234,658	2,257,249
Total Liabilities	<u>\$ 2,613,563</u>	<u>\$ 50,828,285</u>	<u>\$ 49,711,057</u>	<u>\$ 3,730,791</u>

Statistical Section

MATAGORDA COUNTY

GOVERNMENT-WIDE EXPENSES BY FUNCTION

LAST TEN FISCAL YEARS

Fiscal Year	General Administration	Justice System	Public Safety	Corrections & Rehabilitation	Health & Human Services	Community & Economic Development	Infrastructure & Environmental Services	Interest	Totals
1996	*	*	*	*	*	*	*		--
1997	*	*	*	*	*	*	*		--
1998	*	*	*	*	*	*	*		--
1999	*	*	*	*	*	*	*		--
2000	*	*	*	*	*	*	*		--
2001	*	*	*	*	*	*	*		--
2002	*	*	*	*	*	*	*		--
2003	3,046,439	2,975,523	2,694,246	1,809,524	1,214,145	1,277,447	3,476,672		16,493,996
2004	2,307,507	2,684,216	2,683,984	1,794,043	1,025,635	1,008,691	6,114,484	6,292	17,624,852
2005	2,744,598	3,032,205	3,722,659	2,343,039	1,175,751	1,132,587	3,993,968	2,621	18,147,428

* December 31, 2003 first year for GASB 34 implementation

MATAGORDA COUNTY
GOVERNMENT-WIDE REVENUES
LAST TEN FISCAL YEARS

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES			Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Property Taxes	Miscellaneous	Interest	
1996	*	*	*	*	*	*	--
1997	*	*	*	*	*	*	--
1998	*	*	*	*	*	*	--
1999	*	*	*	*	*	*	--
2000	*	*	*	*	*	*	--
2001	*	*	*	*	*	*	--
2002	*	*	*	*	*	*	--
2003	5,862,719	1,399,241	422,173	8,472,638	120,622	195,782	16,473,175
2004	5,877,608	1,015,290	188,098	8,384,447	346,931	247,964	16,060,338
2005	5,944,527	1,794,005	--	8,294,370	14,053	456,110	16,503,065

* December 31, 2003 first year for GASB 34 implementation

MATAGORDA COUNTY

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION - GENERAL AND SPECIAL REVENUE FUNDS
LAST TEN FISCAL YEARS

Fiscal Year	General Administration	Justice System	Public Safety	Corrections & Rehabilitation	Health & Human Services	Community & Economic Development	Infrastructure & Environmental Services	Capital Outlay	Debt Service	Totals
1996	3,664,488	1,939,000	1,807,293	1,069,387	739,290	1,012,165	4,244,185	*	*	14,475,808
1997	2,517,514	2,056,850	1,906,198	1,124,619	694,305	1,117,382	4,568,656	*	*	13,985,524
1998	2,345,567	2,169,217	1,981,048	1,090,492	721,846	908,188	4,707,159	*	*	13,923,517
1999	2,572,755	2,366,563	1,987,791	1,119,081	728,057	791,711	4,951,954	*	*	14,517,912
2000	2,448,660	2,367,910	2,138,382	1,202,220	770,570	896,794	3,568,439	*	*	13,392,975
2001	2,736,492	2,205,928	2,154,679	1,255,603	697,151	1,118,075	4,517,829	*	*	14,685,757
2002	3,167,239	2,288,472	2,203,332	1,332,544	835,538	803,457	3,439,321	511,853	136,010	14,717,766
2003	2,620,415	2,539,135	2,304,868	1,546,588	1,040,808	853,060	4,328,262	1,105,468	76,381	16,414,985
2004	2,379,815	2,556,715	2,416,017	1,709,487	977,663	961,982	4,030,857	632,931	71,491	15,736,958
2005	2,169,018	2,571,259	2,878,613	1,988,531	998,854	982,734	3,635,842	1,342,358	99,365	16,666,574

* Fiscal year 2002 was the first year to separate capital outlay and debt from the functions.

MATAGORDA COUNTY

GENERAL GOVERNMENTAL REVENUES BY SOURCE - GENERAL AND SPECIAL REVENUE FUNDS
LAST TEN FISCAL YEARS

Fiscal Year		Taxes	Licenses and Permits	Inter- governmental	Charges for Services	Fines & Forfeitures	Investment Income	Miscellaneous	Total
1996	\$	10,180,630	\$ 752,059	\$ 486,919	\$ 1,115,436	\$ 256,867	\$ 700,531	\$ 356,879	\$ 13,849,321
1997		10,000,061	759,672	649,801	1,097,810	290,091	658,927	300,554	13,756,916
1998		9,884,526	780,370	810,551	1,185,974	290,875	575,433	287,026	13,814,755
1999		10,628,736	781,182	1,341,525	1,271,545	317,091	704,384	535,053	15,579,516
2000		10,487,143	819,959	956,777	1,100,942	273,470	951,474	233,560	14,823,325
2001		7,468,767	821,646	903,618	4,031,211	342,666	796,880	251,412	14,616,200
2002		8,445,148	808,192	1,316,796	3,740,359	353,815	311,127	489,581	15,465,018
2003		8,357,402	970,331	1,710,510	4,177,998	385,380	195,099	480,764	16,277,484
2004		8,313,120	833,355	1,020,701	4,441,197	359,315	256,591	871,912	16,096,191
2005		8,330,557	830,979	1,794,052	4,541,652	313,281	480,942	220,429	16,511,892

MATAGORDA COUNTY*PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS*

Levy Year/ Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
1995/96	10,385,349	10,225,501	98.5%	148,033	10,373,534	99.9%	593,924	5.7%
1996/97	10,136,191	9,953,988	98.2%	199,221	10,153,209	100.2%	591,822	5.8%
1997/98	9,850,592	9,609,589	97.6%	165,067	9,774,656	99.2%	644,303	6.5%
1998/99	10,695,672	10,415,333	97.4%	145,916	10,561,249	98.7%	748,698	7.0%
1999/00	10,501,474	10,229,122	97.4%	210,428	10,439,550	99.4%	826,587	7.9%
2000/01	7,436,857	7,248,452	97.5%	147,750	7,396,202	99.5%	693,462	9.3%
2001/02	8,237,944	8,096,089	98.3%	238,908	8,334,997	101.2%	619,318	7.5%
2002/03	8,241,894	7,979,552	96.8%	288,923	8,268,475	100.3%	769,336	9.3%
2003/04	8,213,576	7,946,142	96.7%	282,896	8,229,038	100.2%	753,874	9.2%
2004/05	8,123,105	8,015,644	98.7%	100,160	8,115,804	99.9%	761,175	9.4%

Per Matagorda County Tax Assessor/Collector

MATAGORDA COUNTY

ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Real Property		Personal Property		Exemptions	Total		Ratio of Total Assessed Value To Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Real Property	Assessed Value	Estimated Actual Value	
1996	\$ *	\$ *	\$ *	\$ *	\$ 593,286,652	\$ 3,690,297,216	\$ 4,283,583,868	86.15%
1997	*	*	*	*	654,542,046	3,589,129,564	4,243,671,610	84.58%
1998	*	*	*	*	601,855,938	3,483,796,359	4,085,652,297	85.27%
1999	*	*	*	*	432,398,961	3,419,949,662	3,852,348,623	88.78%
2000	*	*	*	*	602,697,571	2,420,131,758	3,022,829,329	80.06%
2001	*	*	*	*	422,361,485	2,788,104,359	3,210,465,844	86.84%
2002	1,327,058,095	1,327,436,092	1,622,221,157	1,923,619,689	382,827,307	2,566,451,945	3,251,055,781	78.94%
2003	2,656,745,852	2,687,021,211	327,878,186	635,915,683	404,313,434	2,580,310,604	3,322,936,894	77.65%
2004	1,528,321,761	1,540,823,266	1,423,438,755	1,731,792,440	400,342,742	2,551,417,774	3,272,615,706	77.96%
2005	2,717,106,070	2,742,677,900	459,670,380	843,191,770	511,752,684	2,665,023,766	3,585,869,670	74.32%

Per Matagorda County Appraisal District

* Breakdown between real and personal not available for these years.

MATAGORDA COUNTY

PROPERTY TAX RATES

DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

Fiscal Year	County	City		Utility Districts		Special Districts		Schools		Total
	Operating per \$100	Operating per \$100	Debt per \$100	Utility Operating per \$100	Utility Debt per \$100	Other Operating per \$100	Other Debt per \$100	Operating per \$100	Debt Service per \$100	
1996	*	*	*	*	*	*	*	*	*	*
1997	0.275	0.598	--	0.325	0.326	0.095	--	1.280	0.121	3.020
1998	0.307	0.605	--	0.321	0.286	0.098	--	1.320	0.326	3.263
1999	0.307	0.605	--	0.317	0.276	0.103	--	1.390	0.187	3.185
2000	0.307	0.605	--	0.376	0.238	0.117	--	1.395	0.148	3.186
2001	0.293	0.625	--	0.353	0.172	0.078	0.030	1.394	0.150	3.095
2002	0.322	0.628	--	0.361	0.193	0.088	0.030	1.455	0.150	3.227
2003	0.318	0.605	0.045	0.143	0.139	0.090	0.030	1.407	0.100	2.878
2004	0.318	0.620	0.043	0.141	0.130	0.091	0.030	1.415	0.110	2.898
2005	0.309	0.605	0.046	0.136	0.104	0.083	0.030	1.455	0.095	2.863

Per Matagorda County Tax Assessor/Collector and Palacios ISD Tax Assessor/Collector

* Information not available for these years.

MATAGORDA COUNTY

PRINCIPAL TAXPAYERS

DECEMBER 31, 2005

	<u>Taxpayer</u>	<u>Type of Business</u>	<u>2005 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
1	Texas Gen Co LP (FKA Reliant)	Utilities	\$ 408,112,146	15.3%
2	Equistar Chemicals LP	Chemicals	183,812,490	6.9%
3	Texas Genco Holdings Inc	Utilities	160,504,531	6.0%
4	Celanese LTD Chemical Division	Petro-Chem	71,459,100	2.7%
5	AEP Central Power & Light Co STP	Utilities	58,106,126	2.2%
6	AEP Texas Central Company	Utilities	37,115,780	1.4%
7	Flint Hills Resources Inv.	Transmission	29,554,760	1.1%
8	BP America Production Co.	Petroleum	29,538,710	1.1%
9	Williams Fld Svcs - Gulf Coast Co.	Transmission	28,481,372	1.1%
10	Transcontinental Gas Pipeline	Petroleum	21,424,840	0.8%
	Totals		<u>\$ 1,028,109,855</u>	<u>38.6%</u>

Matagorda County Tax Assessor/Collector

MATAGORDA COUNTY*DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS*

Fiscal Year	(1) Building Permits Valuation	(1) Number of Permits	(2) Total Bank Deposits	(3) Total County Population	(4) Per Capita Income	(5) Unemployment Rate Percentage
1996	\$ *	*	\$ 292,000,000	37,856	\$ 17,509	13.40%
1997	*	*	211,000,000	37,852	18,529	13.50%
1998	9,078,153	294	209,000,000	37,987	19,372	11.50%
1999	9,589,117	307	286,000,000	37,828	19,949	10.30%
2000	17,212,531	313	286,000,000	37,958	20,630	10.00%
2001	12,364,904	295	309,000,000	38,027	20,656	11.10%
2002	13,555,083	247	310,000,000	37,954	21,069	12.60%
2003	13,785,135	295	313,000,000	38,290	21,553	14.20%
2004	14,672,575	342	366,000,000	39,205	22,362	14.00%
2005	20,421,823	320	378,000,000	39,529	*	8.20%

Data Sources:

- (1) Environmental Health Department of Matagorda County
- (2) Federal Deposit Insurance Corporation
- (3) Department of State Health Services
- (4) Bureau of Economic Analysis
- (5) Texas Workforce Commission

* Information not available

MATAGORDA COUNTY*MISCELLANEOUS STATISTICS**DECEMBER 31, 2005*

Continued

Date of Organization	1836
County seat: Matagorda	1836-1894
Bay City	1894-present
Area in square miles	1612
Governing Body: County Judge	1
Commissioners	4
Elected officials	25
Non-elected employees	193
Incorporated cities: Bay City	2
Palacios	
Hospital districts: Matagorda General Hospital District	1
School districts: Bay City Independent School District	5
Matagorda Independent School District	
Palacios Independent School District	
Tidehaven Independent School District	
Van Vleck Independent School District	
Special districts: Matagorda County Conservation & Reclamation District	8
Matagorda County Drainage District #1	
Matagorda County Drainage District #2	
Matagorda County Drainage District #3	
Matagorda County Drainage District #4	
Matagorda County Navigation District #1	
Palacios Seawall Commission	
Port of Bay City Authority	
Sheriff departments: Matagorda County Sheriff Department	1
Utility districts: Coastal Plains Groundwater Conservation District	7
Caney Creek Municipal Utility District	
Markham Municipal Utility District	
Beach Road Municipal Utility District	
Water Control and Improvement District #2	
Water Control and Improvement District #5	
Water Control and Improvement District #6	

MATAGORDA COUNTY*MISCELLANEOUS STATISTICS**DECEMBER 31, 2005*

Continued

Volunteer Fire Departments:	Blessing Volunteer Fire Department	11
	Collegeport Volunteer Fire Department	
	Markham Volunteer Fire Department	
	Matagorda Volunteer Fire Department	
	Midfield Volunteer Fire Department	
	Palacios Volunteer Fire Department	
	Pledger Volunteer Fire Department	
	Sargent Volunteer Fire Department	
	Tres Palacios Volunteer Fire Department	
	Van Vleck Volunteer Fire Department	
	Wadsworth Volunteer Fire Department	
Populations per census:	1920 Census	16,589
	1930 Census	17,678
	1940 Census	20,066
	1950 Census	21,559
	1960 Census	25,744
	1970 Census	27,913
	1980 Census	37,828
	1990 Census	36,928
	2000 Census	37,957
Population distribution based on 2000 census:		
Ethnic:	White	25,745
	Black or African American	4,829
	American Indian and Alaska Native	256
	Asian	903
	Hawaiian or Other Pacific Islander	16
	Some Other Race	5,305
Age:	Under 5	2,822 7.4%
	5 to 9	3,127 8.2%
	10 to 14	3,365 8.9%
	15 to 19	3,231 8.5%
	20 to 24	2,197 5.8%
	25 to 34	4,333 11.4%
	35 to 44	5,877 15.5%
	45 to 54	4,945 13.0%
	55 to 59	1,782 4.7%
	60 to 64	1,566 4.1%
	65 to 74	2,608 6.9%
	75 to 84	1,559 4.1%
	85 and over	544 1.4%

MATAGORDA COUNTY

MISCELLANEOUS STATISTICS

DECEMBER 31, 2005

Continued

Households: The County had about 13,901 households according to the 2000 US Census Bureau. This represents an average of 2.7 persons per household. Statewide households according to the 2000 US Census Bureau were 7.39 million, representing approximately 2.74 persons per household.

Economy: The County's economy is based on petroleum operations, petrochemicals, agriculture and tourism.

Commodities: Cattle, turf grass, cotton, rice, grain sorghum, corn and catfish.

Recreation:

- Numerous parks, some of which include overnight facilities
- Birding Nature Center
- Beaches
- Hunting & Fishing
- Tennis Courts
- Public Libraries
- Public Golf Course
- Museums

Transportation:

- Texas Highway 35
- Texas Highway 60
- US Highway 59 - 25 miles

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

SLIVA & REED, PC
1717 8th Street, Suite 5
Bay City, Texas 77414

Independent Auditor's Report

Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

Board of Trustees
Matagorda County
1700 Seventh Street
Bay City, Texas 77414

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Matagorda County as of and for the year ended December 31, 2005, which collectively comprise the Matagorda County's basic financial statements and have issued our report thereon dated May 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Matagorda County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Matagorda County's ability to record, process, summarize and report financial data consistent with the assertions of management in the basic financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-1 and 05-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, others within the organization, the

Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sliva & Reed, PC".

Sliva & Reed, PC
May 19, 2006

SLIVA & REED, PC
1717 8th Street, Suite 5
Bay City, Texas 77414

Independent Auditor's Report

Report on Compliance with Requirements Applicable
To each Major Program and Internal Control over Compliance
In Accordance With OMB Circular A-133

Board of Trustees
Matagorda County
1700 Seventh Street
Bay City, Texas 77414

Members of the Board of Trustees:

Compliance

We have audited the compliance of Matagorda County with the types of compliance requirements described in the U. S. OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR A-133 COMPLIANCE SUPPLEMENT that are applicable to each of its major federal programs for the year ended December 31, 2005. Matagorda County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Matagorda County's management. Our responsibility is to express an opinion on Matagorda County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States; and OMB Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Matagorda County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Matagorda County's compliance with those requirements.

In our opinion, Matagorda County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

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

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Sliva & Reed, PC".

Sliva & Reed, PC
May 19, 2006

MATAGORDA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2005

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

 Yes X No

Reportable condition(s) identified that are
not considered to be material weaknesses?

 X Yes None Reported

Noncompliance material to financial
statements noted?

 Yes X No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified?

 Yes X No

Reportable condition(s) identified that are
not considered to be material weaknesses?

 Yes X None Reported

Type of auditor's report issued on compliance for
major programs:

Unqualified

Any audit findings disclosed that are required
to be reported in accordance with section 510(a)
of Circular A-133?

 Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

97.004

State Domestic Preparedness Equipment Support Program

97.036

Public Assistance Grant

Dollar threshold used to distinguish between
type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X Yes No

B. Financial Statement Findings

05-1 Bank reconciliations

Condition:

Bank reconciliations were not prepared timely on all accounts at various times during the year.

Criteria:

Timely bank reconciliations on all accounts by all departments is necessary for proper financial reporting and fiscal responsibility.

MATAGORDA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2005

Effect:

Inaccurate financial data may be reported to Commissioners and fraudulent bank activity may not be recognized timely.

Recommendation:

A reasonable date should be established for all departments to submit or have bank reconciliations available for the Auditors office to review.

05-2 Cash receipts

Condition:

Not all departments are depositing funds timely.

Criteria:

Timely depositing of all funds is necessary to meet fiscal responsibilities.

Effect:

Loss of funds.

Recommendation:

Internal controls should be established and monitored for all departments to deposit funds in a timely manner.

C. Federal Award Findings and Questioned Costs

NONE

MATAGORDA COUNTY***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2005***

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
	None	

MATAGORDA COUNTY
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2005

05-1 Bank reconciliations

Corrective action:

All departments will be required to have completed bank reconciliations available for review by the auditors office no later than the 20th of the following month.

Contact person responsible for corrective action:

County Auditor

Anticipated completion date:

Effective beginning June 1, 2006

05-2 Cash receipts

Corrective action:

All fee offices will be required to make deposits within three banking days of receipt.

Contact person responsible for corrective action:

County Auditor

Anticipated completion date:

Effective beginning June 1, 2006

MATAGORDA COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. DEPARTMENT OF THE INTERIOR</u>			
Passed Through Texas Historical Commission:			
National Register of Historic Places	15.914	48-03-18244-037	\$ 7,448
Total U. S. Department of the Interior			<u>7,448</u>
<u>U. S. DEPARTMENT OF JUSTICE</u>			
Direct Program:			
State Criminal Alien Assistance Program	16.606	N/A	6,257
Passed Through Texas Building Procurement Commission:			
Federal Surplus Property Program	16.578	1940540	927
Total U. S. Department of Justice			<u>7,184</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Texas Department of Protective and Regulatory Services:			
Title IV-E Welfare	93.658	23357179	9,372
Title IV-E Legal	93.658	23357183	22,946
Title IV-E	93.658	E-2004-161	85,529
Total Passed Through Texas Department of Protective and Regulatory Services			<u>117,847</u>
Passed Through Office of Attorney General:			
Title IV-D	93.563	04-C0241	1,160
Total U. S. Department of Health and Human Services			<u>119,007</u>
<u>U. S. DEPARTMENT OF COMMERCE</u>			
Direct Program:			
Coastal Zone Management Administration	11.419	N/A	145,851
Total U. S. Department of Commerce			<u>145,851</u>
<u>ELECTIONS ASSISTANCE COMMISSION</u>			
Passed Through Secretary of State:			
HAVA-Title II - General Compliance	90.401	Unavailable	120,870
HAVA-Title II - Accessible Voting System	90.401	Unavailable	57,000
HAVA - Title I, Section 101	Unavailable	Unavailable	2,351
Total Passed Through Secretary of State			<u>180,221</u>
Total Elections Assistance Commission			<u>180,221</u>
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Texas Department of Public Safety:			
Public Assistance Grant	97.036	FEMA - 3216 EM TX	284,751
Public Assistance Grant	97.036	FEMA - 3261-DR	75,997
Public Assistance Grant	97.036	321-99321-00	12,631
Emergency Management Performance Grant	97.042	05TX-EMPG-084	18,174
Total Passed Through Texas Department of Public Safety			<u>391,553</u>
Passed Through Governor's Division of Emergency Management:			
State Homeland Security Grant Program	97.004	2003-SHSP -48321	79,200
Law Enforcement Terrorism Prevention Program	97.004	2004-LETPP-48321	14,543
State Homeland Security Grant Program	97.004	2004-SHSP-48321	195,274
Total Passed Through Governor's Division of Emergency Management			<u>289,017</u>
Total Department of Homeland Security			<u>680,570</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>1,140,281</u>

The accompanying notes are an integral part of this schedule.

MATAGORDA COUNTY***NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005***Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Matagorda County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.