



**SUSAN MONTEE, CPA**  
**Missouri State Auditor**

To the County Commission  
and  
Officeholders of Montgomery County, Missouri

The Office of the State Auditor is responsible under Section 29.230, RSMo, for auditing certain operations of Montgomery County, and issues a separate report on that audit. In addition, in cooperation with the county, the Office of the State Auditor has contracted for an audit of the county's financial statements for the 2 years ended December 31, 2007, through the state Office of Administration, Division of Purchasing and Materials Management. A copy of this audit, performed by Daniel Jones & Associates, P.C., Certified Public Accountants, is attached.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, CPA  
State Auditor

January 2009  
Report No. 2009-10

THE COUNTY OF MONTGOMERY, MISSOURI  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORTS  
AND SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2007 & 2006

THE COUNTY OF MONTGOMERY, MISSOURI  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)

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**Daniel Jones  
& Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF  
MISSOURI SOCIETY OF CPA'S  
AMERICAN INSTITUTE OF CPA'S

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## INDEPENDENT AUDITOR'S REPORT

To the County Commission  
The County of Montgomery, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Montgomery, Missouri, as of and for the years ended December 31, 2007 and 2006, which collectively comprise the basic financial statements of the Primary Government as listed in the table of contents. These financial statements are the responsibility of Primary Government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to the financial audit contained in the *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 from 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 the 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.

The financial statements referred to above include only the primary government of Primary Government, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the Primary Government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of The Primary Government, as of December 31, 2007 and 2006, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Montgomery County, and the Montgomery County Agency for Developmental Disabilities, have issued separate reporting entity financial statements. For information on these component units, please contact the Montgomery County Health Department, or the Agency for Developmental Disabilities.

As described in Note 1, the basic financial statements of Primary Government, were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, each major fund, and the aggregate remaining fund information for the Primary Government, as of December 31, 2007 and 2006 for the years then ended in conformity with the basis of accounting described in Note 1.

The Primary Government has not presented the management’s discussion and analysis that accounting principles generally accepted in the United States of America, as applicable to the modified cash basis of accounting, has determined is necessary to supplement, although not required to be part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 17, 2008 on our consideration for the Primary Government’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Schedules of Revenues, Expenditures and Change in Fund Balance – Modified Cash Basis – Budget and Actual and related notes on pages 29 through 34 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, as applicable to the modified cash basis of accounting. We have applied certain limited procedures, which consisted primarily 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 that collectively comprise the Primary Government’s basic financial statements. The combining and individual non-major funds financial statements on pages 35 through 42 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Daniel Jones & Associates*

DANIEL JONES & ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS

June 17, 2008

## **BASIC FINANCIAL STATEMENTS**

THE COUNTY OF MONTGOMERY  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

ASSETS	December 31, 2007 Total Governmental Activities	December 31, 2006 Total Governmental Activities
Cash and cash equivalents	1,152,266.99	1,389,471.78
Investment	<u>682,625.41</u>	<u>535,918.37</u>
<b>TOTAL ASSETS</b>	<b><u><u>1,834,892.40</u></u></b>	<b><u><u>1,925,390.15</u></u></b>
 NET ASSETS:		
Restricted For a Specific Purpose	1,783,951.73	1,875,066.65
Unrestricted	<u>50,940.67</u>	<u>50,323.50</u>
Total Net Assets	<u>1,834,892.40</u>	<u>1,925,390.15</u>
 TOTAL FUND BALANCE	 <b><u><u>1,834,892.40</u></u></b>	 <b><u><u>1,925,390.15</u></u></b>

See accompanying notes to the financial statements

THE COUNTY OF MONTGOMERY  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2007

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense)	
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets	
			Capital Grants and Contributions	Total Governmental Activities	
GOVERNMENTAL ACTIVITIES:					
General county government	1,411,881.01	162,642.30	1,229,805.62	-	(19,433.09)
Road & Bridge	1,193,112.71	487,882.01	58,602.37	-	(646,628.33)
Financial administration	129,483.17	-	-	-	(129,483.17)
Planning & Zoning	40,213.98	-	-	-	(40,213.98)
Property valuation and recording	77,163.08	-	-	-	(77,163.08)
Administration of justice and law enforcement	2,149,037.73	-	-	-	(2,149,037.73)
Other	-	-	42,041.50	-	42,041.50
Debt Service:					
Principal	235,016.91	-	-	-	(235,016.91)
Interest and Fiscal charges	81,795.07	-	-	-	(81,795.07)
Capital Outlay:					
Construction of roads and bridges	134,579.49	-	-	-	(134,579.49)
Property, equipment and buildings	195,579.49	-	-	-	(195,579.49)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>5,647,862.64</b>	<b>650,524.31</b>	<b>1,330,449.49</b>	<b>-</b>	<b>(3,666,888.84)</b>

General Revenues:

Taxes	
Property taxes, levied	1,628,798.39
Sales tax	1,656,209.55
Other taxes	-
Investment income	84,416.25
Miscellaneous	206,966.90
<b>TOTAL GENERAL REVENUES</b>	<b>3,576,391.09</b>
CHANGE IN NET ASSETS	(90,497.75)
NET ASSETS, BEGINNING OF YEAR	1,925,390.15
NET ASSETS, END OF YEAR	1,834,892.40

See accompanying notes to the financial statements

THE COUNTY OF MONTGOMERY  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2006

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:				Total Governmental Activities	
General county government	1,524,588.19	157,439.02	1,231,834.53	-	(135,314.64)
Road & Bridge	1,576,263.20	487,377.32	351,545.99	-	(737,339.89)
Financial administration	106,768.05	-	-	-	(106,768.05)
Planning & Zoning	40,389.15	-	-	-	(40,389.15)
Property valuation and recording	67,571.64	-	-	-	(67,571.64)
Administration of justice and law enforcement	2,223,909.68	-	-	-	(2,223,909.68)
Other	-	-	15,488.00	-	15,488.00
Debt Service:					
Principal	223,446.28	-	-	-	(223,446.28)
Interest and Fiscal charges	96,723.30	-	-	-	(96,723.30)
Capital Outlay:					
Construction of roads and bridges	86,653.65	-	-	-	(86,653.65)
Property, equipment and buildings	86,653.65	-	-	-	(86,653.65)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>6,032,966.79</b>	<b>644,816.34</b>	<b>1,598,868.52</b>	<b>-</b>	<b>(3,789,281.93)</b>

General Revenues:

Taxes	
Property taxes, levied	1,623,005.92
Sales tax	1,543,564.20
Other taxes	
Investment income	140,601.28
Miscellaneous	176,862.98
<b>TOTAL GENERAL REVENUES</b>	<b>3,484,034.38</b>
<b>CHANGE IN NET ASSETS</b>	<b>(305,247.55)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>2,230,637.70</b>
<b>NET ASSETS, END OF YEAR</b>	<b>1,925,390.15</b>

See accompanying notes to the financial statements

THE COUNTY OF MONTGOMERY  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
BALANCE SHEET - MODIFIED CASH BASIS  
ALL GOVERNMENTAL FUNDS  
DECEMBER 31, 2007 AND 2006

	DECEMBER 31, 2007					DECEMBER 31, 2006				
	General	Road and Bridge	Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds	General	Road and Bridge	Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>										
Cash and Cash Equivalents	50,940.67	220,532.79	298,242.76	582,550.77	1,152,266.99	50,323.50	294,139.04	532,737.22	512,272.02	1,389,471.78
Investments		417,014.64	260,675.08	4,935.69	682,625.41	-	322,954.98	208,027.70	4,935.69	535,918.37
TOTAL ASSETS	<u>50,940.67</u>	<u>637,547.43</u>	<u>558,917.84</u>	<u>587,486.46</u>	<u>1,834,892.40</u>	<u>50,323.50</u>	<u>617,094.02</u>	<u>740,764.92</u>	<u>517,207.71</u>	<u>1,925,390.15</u>
<b>FUND BALANCES</b>										
<b>FUND BALANCES:</b>										
Unreserved:										
General Fund	50,940.67	-		-	50,940.67	50,323.50	-		-	50,323.50
Special revenue funds	-	637,547.43	558,917.84	587,486.46	1,783,951.73	-	617,094.02	740,764.92	517,207.71	1,875,066.65
Total Fund Balances	<u>50,940.67</u>	<u>637,547.43</u>	<u>558,917.84</u>	<u>587,486.46</u>	<u>1,834,892.40</u>	<u>50,323.50</u>	<u>617,094.02</u>	<u>740,764.92</u>	<u>517,207.71</u>	<u>1,925,390.15</u>
TOTAL FUND BALANCES	<u>50,940.67</u>	<u>637,547.43</u>	<u>558,917.84</u>	<u>587,486.46</u>	<u>1,834,892.40</u>	<u>50,323.50</u>	<u>617,094.02</u>	<u>740,764.92</u>	<u>517,207.71</u>	<u>1,925,390.15</u>

See accompanying notes to the financial statements

THE COUNTY OF MONTGOMERY,  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS  
ALL GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	DECEMBER 31, 2007					DECEMBER 31, 2006				
	General	Road and Bridge	Reserve Fund	Non-Major Governmental Funds	Total Governmental Funds	General	Road and Bridge	Reserve Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>										
Property tax	419,594.68	1,209,203.71	-	-	1,628,798.39	430,052.27	1,192,953.65	-	-	1,623,005.92
Sales tax	1,098,096.55	118,918.33	-	439,194.67	1,656,209.55	1,065,535.74	104,507.98	-	373,520.48	1,543,564.20
Intergovernmental Revenue	-	-	-	-	-	-	-	-	15,488.00	15,488.00
Changes for Services	-	-	-	162,642.30	162,642.30	-	-	-	157,439.02	157,439.02
Grants, distributions and reimbursements	943,744.15	100,643.87	-	286,061.47	1,330,449.49	950,722.69	351,545.99	-	281,111.84	1,583,380.52
Fees, licenses and permits	365,371.97	58,602.37	-	63,907.67	487,882.01	363,805.73	66,545.30	-	57,026.29	487,377.32
Interest	7,148.88	35,682.11	24,956.81	16,628.45	84,416.25	15,292.22	28,737.55	27,870.48	68,701.03	140,601.28
Contributions	-	-	-	125,678.45	125,678.45	-	-	-	69,736.61	69,736.61
Other	54,857.47	860.34	-	25,570.64	81,288.45	42,144.22	47,315.16	-	17,666.99	107,126.37
<b>Total Revenues</b>	<b>2,888,813.70</b>	<b>1,523,910.73</b>	<b>24,956.81</b>	<b>1,119,683.65</b>	<b>5,557,364.89</b>	<b>2,867,552.87</b>	<b>1,791,605.63</b>	<b>27,870.48</b>	<b>1,040,690.26</b>	<b>5,727,719.24</b>
<b>EXPENDITURES:</b>										
<b>Current:</b>										
General county government	662,587.73	-	-	749,293.28	1,411,881.01	729,389.85	-	-	795,198.34	1,524,588.19
Road & Bridge	-	1,327,692.20	-	-	1,327,692.20	-	1,662,916.85	-	-	1,662,916.85
Financial Administration	129,483.17	-	-	-	129,483.17	106,768.05	-	-	-	106,768.05
Planning & Zoning	40,213.98	-	-	-	40,213.98	40,389.15	-	-	-	40,389.15
Property Valuation and Recording:	77,163.08	-	-	-	77,163.08	77,571.64	-	-	-	67,571.64
Administration of Justice and Law	2,149,037.73	-	-	-	2,149,037.73	2,223,909.68	-	-	-	2,223,909.68
Capital Outlay:	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	61,000.00	134,579.49	-	-	195,579.49	-	86,653.65	-	-	86,653.65
<b>Debt Service:</b>										
Principal payments	-	-	-	235,016.91	235,016.91	-	-	-	223,446.28	223,446.28
Interest and fiscal charges	-	-	-	72,325.41	72,325.41	-	-	-	87,750.24	87,750.24
Other charges	-	-	-	9,469.66	9,469.66	-	-	-	8,973.06	8,973.06
<b>Total Expenditures</b>	<b>3,119,485.69</b>	<b>1,462,271.69</b>	<b>-</b>	<b>1,066,105.26</b>	<b>5,647,862.64</b>	<b>3,168,028.37</b>	<b>1,749,570.50</b>	<b>-</b>	<b>1,115,367.92</b>	<b>6,032,966.79</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(230,671.99)</b>	<b>61,639.04</b>	<b>24,956.81</b>	<b>53,578.39</b>	<b>(90,497.75)</b>	<b>(300,475.50)</b>	<b>42,035.13</b>	<b>27,870.48</b>	<b>(74,677.66)</b>	<b>(305,247.55)</b>
<b>OTHER FINANCING SOURCES (USES):</b>										
Transfers in	277,889.16	-	-	46,600.00	324,489.16	130,128.17	-	100,000.00	46,600.00	276,728.17
Transfers out	(46,600.00)	(41,185.63)	(206,803.89)	(29,899.64)	(324,489.16)	(146,600.00)	(49,228.53)	(51,000.00)	(29,899.64)	(276,728.17)
<b>Debt Service</b>										
Principal payment	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (uses)</b>	<b>231,289.16</b>	<b>(41,185.63)</b>	<b>(206,803.89)</b>	<b>16,700.36</b>	<b>-</b>	<b>(16,471.83)</b>	<b>(49,228.53)</b>	<b>49,000.00</b>	<b>16,700.36</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>617.17</b>	<b>20,453.41</b>	<b>(181,847.08)</b>	<b>70,278.75</b>	<b>(90,497.75)</b>	<b>(316,947.33)</b>	<b>(7,193.40)</b>	<b>76,870.48</b>	<b>(57,977.30)</b>	<b>(305,247.55)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>50,323.50</b>	<b>617,094.02</b>	<b>740,764.92</b>	<b>517,207.71</b>	<b>1,925,390.15</b>	<b>367,270.83</b>	<b>624,287.42</b>	<b>663,894.44</b>	<b>575,185.01</b>	<b>2,230,637.70</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>50,940.67</b>	<b>637,547.43</b>	<b>558,917.84</b>	<b>587,486.46</b>	<b>1,834,892.40</b>	<b>50,323.50</b>	<b>617,094.02</b>	<b>740,764.92</b>	<b>517,207.71</b>	<b>1,925,390.15</b>

See accompanying notes to the financial statements









THE COUNTY OF MONTGOMERY  
 MONTGOMERY CITY, MISSOURI  
 (the Primary Government)  
 STATEMENT OF FIDUCIARY NET ASSETS  
 CASH BASIS - AGENCY FUNDS  
 DECEMBER 31, 2007 AND 2006

	December 31, 2007 Agency Funds	December 31, 2006 Agency Funds
<b>ASSETS</b>		
Cash and Cash equivalents	<u>8,198,282.50</u>	<u>2,643,819.98</u>
<b>TOTAL ASSETS</b>	<u><u>8,198,282.50</u></u>	<u><u>2,643,819.98</u></u>
<b>LIABILITIES</b>		
Due to other funds	<u>8,198,282.50</u>	<u>2,643,819.98</u>
<b>TOTAL LIABILITIES</b>	<u><u>8,198,282.50</u></u>	<u><u>2,643,819.98</u></u>

See accompanying notes to financial statements

THE COUNTY OF MONTGOMERY, MISSOURI  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 & 2006

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County of Montgomery, Missouri (“County”), which is governed by a three-member board of commissioners, was established in 1818 by an Act of the Missouri Territory. In addition to the three board members, there are six elected Constitutional Officers: County Clerk, Collector, Treasurer, Circuit Clerk, Sheriff, and Prosecuting Attorney.

As discussed further in Note 1, these financial statements are presented on the modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

**A. Reporting Entity**

As required by generally accepted accounting principles, as applicable to the modified cash basis of accounting, these financial statements present financial accountability of the County.

The County’s operations include tax assessments and collections, state/county courts, county recorder, police and fire protection, transportation, economic development, social and human services, and cultural and recreation services.

The financial statements referred to above include only the primary government of Montgomery County, Missouri, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County’s legal entity. The financial statements do not include financial data for the County’s legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County’s primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Montgomery County as of December 31, 2007 and 2006, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the Health Department of Montgomery County, Missouri, and the Montgomery County Agency for Developmental Disabilities has issued separate reporting entity financial statements. For information on these component units, please contact the Montgomery County Health Department at (573) 564-2495 (or write to 400 North Salisbury Montgomery City, MO 63361), or the Agency for Developmental Disabilities at (573)564-5045 (or write to P.O. Box 63, Montgomery City, MO 63361).

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation**

*Government-wide Financial Statements:*

The Statement of Net Assets and the Statement of Activities present financial information about the primary government of Montgomery County only and not any of its component units. These statements include the financial activities of the primary government and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charges to external parties for goods or services. The County does not have any such activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the primary government of Montgomery County at year-end. 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 and are clearly identifiable to a particular function. Amounts reported as *program revenues* (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenue not properly included among *program revenues* are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

*Fund Financial Statements:*

Following the government-wide financial statements are separate financial statements for governmental funds and fiduciary funds. Presently, the County has no proprietary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The County has determined that the General Fund, The Reserve Fund, and Road and Bridge are major governmental funds. All other governmental funds are reported in one column labeled "Non-major Governmental Funds". If applicable, the total fund balances for all governmental funds is reconciled to total net assets. The net change in fund balance for all governmental funds, if applicable, is reconciled to the total change in net assets as shown on the statement of activities in the government-wide financial statements.

The fund financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

B. Basis of Presentation (continued)

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The County's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the County's governmental major funds:

General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Road and Bridge Fund – A Special Revenue Fund used to account for receipts of the County property tax levy and related expenditures for road maintenance and improvement projects.

Reserve Fund – The Reserve Fund is related to the general operating fund of the County. It is used as a "backup" fund for certain projects and for when the general fund is getting low.

The other governmental funds of the County are considered non-major funds. They include special revenue funds, which account for the proceeds of specific revenue sources that generally are legally restricted to expenditures for specific purposes.

Fiduciary Fund Types

Agency – Agency funds are used to account for assets held by the County in a trustee capacity as an agent of individuals, private organizations, other funds or other governmental units. Agency funds are accounted for and reported similar to the governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of collections for other taxing units by the Collector of Revenue and other agency operations.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using the Modified cash basis of accounting. The basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures when they result from cash transactions except that the purchase of investments are recorded as assets; funds collected through the agency funds, not yet remitted, are recorded as liabilities and as receivables and revenue in the fund statements as applicable; and receipts of proceeds of tax anticipation notes are recorded as liabilities. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, certificates of participation bonds and obligations under capital leases) and certain expenditures (such as expenditures for goods or services received but not yet paid) are not recorded in these financial statements.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types, if applicable, would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and tax bills are mailed to taxpayers in November, at which time they are payable. All unpaid property taxes become delinquent as of January 1, of the following year.

The assessed valuation of the tangible taxable property, included within the County's boundaries for the calendar year 2007 and 2006, for purposes of taxation was:

	2007	2006
Real Estate	\$ 118,266,160	\$107,395,420
Personal Property	33,899,824	31,389,781
Railroad and Utilities	29,639,526	29,393,499
	\$ 181,805,510	\$168,178,700

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

D. Property Taxes (continued)

During 2007 and 2006, the County Commission approved a \$0.7590 and \$0.7598 respectively tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2007 and 2006, for purposes of County taxation, as follows:

	2007	2006
General Revenue Fund	\$ .2606	\$.2454
Road and Bridge	.2817	.2862
Developmental D.A. Board	.0967	.0982
Montgomery County Health Dept.	.1200	.1300
	\$ 0.7590	\$ 0.7598

E. Cash Deposits and Investments

Deposits and investments are stated at cost, which approximates market. Cash balances for all the County Treasurer funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the funds' average daily cash balance. Cash equivalents include repurchase agreements and any other instruments with an original maturity of ninety days or less.

State law authorizes the deposit of funds in banks and trust companies or the investment of funds in bonds or treasury certificates of the United States, other interest bearing obligations guaranteed as to both principal and interest by the United States, bonds of the State of Missouri or other government bonds, or time certificates of deposit, provided, however, that no such investment shall be purchased at a price in excess of par. Funds in the form of cash on deposit or time certificates of deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the County's name at third-party banking institutions. Details of these cash balances are presented in Note 2.

F. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables, if applicable, are classified as "Due from other funds" or "Due to other funds" on the Balance Sheet – Modified cash basis – Governmental fund.

Legally required transfers are reported as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

F. Interfund Transactions (continued)

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

G. Reserved Fund Balance

Reserved fund balance represents the portion of fund balance that is not available for appropriation or is legally restricted for a specific purpose. Fund balance reserves have been established for capital projects.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net assets are reported as unrestricted. The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Use of Estimates in Financial Statements

Preparation of these financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**2. DEPOSITS AND INVESTMENTS**

The County maintains a cash and temporary investment pool that is available for use by all funds. Deposit with maturities greater than three months are considered investments. Each fund type's portion of this pool is displayed on the Balance Sheet Governmental Funds arising from cash transactions as "Cash and Equivalents" under each fund's caption.

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At December 31, 2007 and 2006, the carrying amount of the County's deposits was \$2,147,849.44 and \$2,212,010.61, the bank balance was \$1,834,892.40 and \$1,925,390.15 respectively. As of December 31, 2007 and 2006, 100% of the County's investments were guaranteed by the U. S. Government.

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**2. DEPOSITS AND INVESTMENTS (continued)**

**SUMMARY OF CARRYING VALUES**

The carrying values of deposits and investments shown above are included in the financial statements at December 31, 2007, as follows:

Included in the following fund financial statement captions:

Balance Sheet – Government Funds

Deposits	\$ 1,152,266.99
Investments	682,625.41
Restricted cash	-
<b>Total Deposits &amp; Investments as of December 31, 2007</b>	<b>\$ <u>1,834,892.40</u></b>

As of December 31, 2007, the county's investments were as follows:

Fund	Investments 2007 Type	Maturities	Cost
Reserve	Certificate of Deposit	2/11/2008	\$ 260,675.08
Road and Bridge	Certificate of Deposit	2/16/2008	208,626.49
Road and Bridge	Certificate of Deposit	2/16/2008	208,388.15
Johnson Grass Admin	Certificate of Deposit	5/18/2008	1,935.69
Johnson Grass Eradication	Certificate of Deposit	3/23/2008	3,000.00
	<b>Total Investments</b>		<b>\$ <u>682,625.41</u></b>

The carrying values of deposits and investments at December 31, 2006, are as follows:

Included in the following fund financial statement captions:

Balance Sheet – Government Funds

Deposits	\$ 1,389,471.78
Investments	535,918.37
Restricted cash	-
<b>Total Cash &amp; Investment as of December 31, 2006</b>	<b>\$ <u>1,925,390.15</u></b>

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**2. CASH AND INVESTMENTS (continued)**

As of December 31, 2006, the county's investments were as follows:

<b>Investments 2006</b>			
<b>Fund</b>	<b>Type</b>	<b>Maturities</b>	<b>Amount</b>
Reserve	Certificate of Deposit	1/1/2007	\$ 208,027.70
Road and Bridge	Certificate of Deposit	7/2/2007	108,317.17
Road and Bridge	Certificate of Deposit	7/2/2007	108,317.17
Road and Bridge	Certificate of Deposit	4/5/2007	106,320.64
Johnson Grass Admin	Certificate of Deposit	5/18/2007	1,935.69
Johnson Grass Eradication	Certificate of Deposit	3/23/2007	3,000.00
<b>Total Investments</b>			<b>\$ 535,918.37</b>

Custodial Credit Risk – Deposits

For a deposit, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County's investment policy does not include custodial credit risk requirements. The County's deposits were not exposed to custodial credit risk for the year end December 31, 2007 & 2006.

Custodial Credit Risk – Investments

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by the party who sold the security to the County or its agent but not in the government's name. The County does not have a policy for custodial credit risk relating to investments.

Custodial Credit Risk – Investments

All investments, evidenced by individual securities, are registered in the name of the County or of a type that are not exposed to custodial credit risk.

Investment Interest Rate Risk

Investment interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The county does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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**2. DEPOSITS AND INVESTMENTS (concluded)**

Concentration of Investment Credit Risk

Concentration of credit risk is required to be disclosed by the County for any single investment that represents 5% or more of total investments (excluding investments issued by or explicitly guaranteed by the U.S. Government, investments in mutual funds, investments in external investment pools and investments in other pooled investments). The County has no policy in place to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer or specific class of securities. The County's deposits were not exposed to concentration of investment credit risk for the year end December 31, 2007 & 2006.

**3. CHANGES IN LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended December 31, 2006:

	General Obligation Bonds	Lease Purchase	Automobile Lease Purchase	TOTAL
Long-Term Debt – January 1, 2006	\$ 2,530,000	\$ 103,067.43	\$ 98,684.21	\$ 2,731,751.64
Add-issued	0.00	0.00	19,609.37	19,608.37
Less Payments	<u>(200,000)</u>	<u>(23,479.26)</u>	<u>(40,743.42)</u>	<u>(264,222.68)</u>
Long-Term Debt – December 31, 2006	<u>\$ 2,330,000</u>	<u>\$ 79,588.17</u>	<u>\$ 77,550.16</u>	<u>\$ 2,487,138.33</u>

Bonds payable at December 31, 2006, consists of:

\$3,680,000 Original Principal Montgomery County General Obligation Bonds Series 1998-due in varying annual principal installments ranging from \$60,000 to \$160,000 through August 15, 2015, interest rate is variable from 3.70 percent to 5.10 percent. \$ 2,330,000.00

Automobile Lease Purchase at December 31, 2006, consists of:

The County has entered into various Lease Purchase agreements for police vehicles through Ford Credit. These vehicles have been purchased in 2005 and 2006 and they make various annual payments that do not exceed 36 months. The interest rate on all of the Lease Purchases is 5.85%. \$ 77,550.16

Lease Purchase at December 31, 2006, consists of:

\$200,000 Original Principal Montgomery County Lease Purchase Series 2000; due in varying annual principal and interest installments ranging from \$7,764 to \$14,477 through August 1, 2009, interest rate is 6.5 percent. \$ 79,588.17

Total Long-Term Debt \$ 2,487,138.33

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**3. CHANGES IN LONG-TERM DEBT (CONTINUED)**

The annual requirements to amortize all General Obligation Bonds outstanding as of December 31, 2006, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$ 210,000.00	\$ 112,683.76	\$ 322,683.76
2008	220,000.00	102,827.50	322,827.50
2009	235,000.00	92,312.50	327,312.50
2010	245,000.00	80,882.50	325,882.50
2011	255,000.00	68,847.50	323,847.50
2012-2015	<u>1,165,000.00</u>	<u>137,572.50</u>	<u>1,302,572.50</u>
Totals	<u>\$ 2,330,000.00</u>	<u>\$ 595,126.26</u>	<u>\$ 2,925,126.26</u>

The annual requirements to amortize all Lease Purchase Agreements outstanding as of December 31, 2006, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$ 25,122.19	\$ 4,882.73	\$ 30,004.92
2008	26,579.88	3,214.48	29,794.36
2009	<u>27,886.10</u>	<u>1,419.29</u>	<u>29,305.39</u>
Totals	<u>\$ 79,588.17</u>	<u>\$ 9,516.50</u>	<u>\$ 89,104.67</u>

The annual requirements to amortize the Automobile Lease Purchase Agreements outstanding as of December 31, 2006, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$ 41,901.06	\$ 4,746.98	\$ 46,648.04
2008	<u>35,649.10</u>	<u>2,193.92</u>	<u>37,843.02</u>
Totals	<u>\$ 77,550.16</u>	<u>\$ 6,940.90</u>	<u>\$ 84,491.06</u>

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**3. CHANGES IN LONG-TERM DEBT (CONTINUED)**

The following is a summary of changes in long-term debt for the year ended December 31, 2007:

	General Obligation Bonds	Lease Purchase	Automobile Lease Purchase	TOTAL
Long-Term Debt – January 1, 2007	\$ 2,330,000	\$ 79,588.17	\$ 77,550.16	\$ 2,487,138.33
Add-issued	0.00	0.00	0.00	0.00
Less Payments	<u>(210,000)</u>	<u>(25,122.19)</u>	<u>(41,901.06)</u>	<u>(277,023.25)</u>
Long-Term Debt – December 31, 2007	<u>\$ 2,120,000</u>	<u>\$ 54,465.98</u>	<u>\$ 35,649.10</u>	<u>\$ 2,210,115.08</u>

Bonds payable at December 31, 2007, consist of:

\$3,680,000 Original Principal Montgomery County General Obligation Bonds Series 1998-due in varying annual principal installments ranging from \$60,000 to \$160,000 through August 15, 2015, interest rate is variable from 3.70 percent to 5.10 percent. \$ 2,120,000

Automobile Lease Purchase at December 31, 2007, consists of:

The County has entered into various Lease Purchase agreements for police vehicles through Ford Credit. These vehicles have been purchased in 2005 and 2006 and they make various annual payments that do not exceed 36 months. The interest rate on all of the Lease Purchases is 5.85%. \$ 35,649.10

Lease Purchase at December 31, 2007, consist of:

\$200,000 Original Principal Montgomery County Lease Purchase Series 2000; due in varying annual principal and interest installments ranging from \$7,764 to \$14,477 through August 1, 2009, interest rate is 6.5 percent. \$ 54,465.98

Total Long-Term Debt \$2,210,115.08

The annual requirements to amortize all General Obligation Bonds outstanding as of December 31, 2007, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 220,000.00	\$ 102,827.50	\$ 322,827.50
2009	235,000.00	92,312.50	327,312.50
2010	245,000.00	80,882.50	325,882.50
2011	255,000.00	68,847.50	323,847.50
2012	270,000.00	55,972.50	325,972.50
2013 - 2015	<u>895,000.00</u>	<u>81,600.00</u>	<u>976,600.00</u>
Totals	<u>\$ 2,120,000.00</u>	<u>\$ 482,442.50</u>	<u>\$ 2,602,442.50</u>

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**3. CHANGES IN LONG-TERM DEBT (CONCLUDED)**

The annual requirements to amortize all Lease Purchase Agreements outstanding as of December 31, 2007, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 26,579.88	\$ 3,214.48	\$ 29,794.36
2009	<u>27,886.10</u>	<u>1,419.29</u>	<u>29,305.39</u>
Totals	<u>\$ 54,465.98</u>	<u>\$ 4,633.77</u>	<u>\$ 59,099.75</u>

The annual requirements to amortize the Automobile Lease Purchase Agreements outstanding as of December 31, 2007, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	<u>\$ 35,649.10</u>	<u>\$ 2,193.92</u>	<u>\$ 37,843.02</u>
Totals	<u>\$ 35,649.10</u>	<u>\$ 2,193.92</u>	<u>\$ 37,843.02</u>

**4. INTERFUND TRANSFERS**

Transfers between funds for the year ended December 31, 2007 and 2006 are as follows:

	2007		2006	
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:				
General Fund	\$ 277,889.16	\$ 46,600.00	\$ 130,128.17	\$ 146,600.00
Reserve Fund	-	206,803.89	100,000.00	51,000.00
Road & Bridge Fund	-	41,185.63	-	49,228.53
Non-major Funds	<u>46,600.00</u>	<u>29,899.64</u>	<u>46,600.00</u>	<u>29,899.64</u>
Total	<u>\$ 324,489.16</u>	<u>\$ 324,489.16</u>	<u>\$ 276,728.17</u>	<u>\$ 276,728.17</u>

**5. COUNTY EMPLOYEES' RETIREMENT FUND (CERF)**

The County Employees' Retirement Fund was established by the State of Missouri to provide pension benefits for County officials and employees.

A. Plan Description

The Retirement Fund is a cost-sharing multiple employer defined benefit pension plan covering any county elective or appointed officer or employee whose performance requires the actual performance of duties during not less than (1,000) one thousand hours

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**5. COUNTY EMPLOYEES' RETIREMENT FUND (CERF) (Concluded)**

per calendar year in each county of the state, except for any city not within a county and any county of the first classification having a charter form of government. It does not include county prosecuting attorneys covered under Sections 56.800 to 56.840, RSMo, circuit clerks and deputy circuit clerks covered under the Missouri State Retirement System, county sheriffs covered under Sections 57.949 to 57.997, RSMo and certain personnel not defined as an employee per Section 50.1000(8), RSMo. The Fund was created by an act of the legislature and was effective August 28, 1994. The general administration and the responsibility for the proper operation of the fund and the investment of the fund are vested in a board of directors of nine persons.

**B. Pension Benefits**

Beginning January 1, 1997, employees attaining the age of sixty-two years may retire with full benefits with eight or more years of creditable service. The monthly benefit for County Employees is determined by selecting the highest benefit calculated using three different prescribed formulas (flat-dollar formula, targeted replacement ratio formula, and prior plan's formula). A death benefit of \$10,000 will be paid to the designated beneficiary of every active member upon his or her death.

Upon termination of employment, any member who is vested is entitled to a deferred annuity, payable at age sixty-two. Early retirement at age fifty-five with reduced benefit is allowed for the police department, all other departments in the county the age is sixty. Any member with less than eight years of creditable service forfeits all rights in the fund but will be paid his or her accumulated contributions.

The County Employees' Retirement Fund issues audited financial statements. Copies of these statements may be obtained from the Board of Directors of CERF by writing to CERF, P.O. Box 2271, Jefferson City, MO 65102-2271, or by calling 1-573-632-9203.

**C. Funding Policy**

In accordance with State Statutes, the Plan is funded through various fees collected by counties and remitted to the CERF. Eligible employees hired before February 2002 have an option to contribute 2% of their annually salary, while employees hired after February 2002 are required to contribute 6% of their annual salary in order to participate in the CERF. During 2007 and 2006, the County collected and remitted to CERF, employee contributions of approximately for \$41,057.81 and \$34,404.68, respectively, for the years then ended.

**6. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS)**

**A. Plan Description**

Montgomery County participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides

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**6. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS)  
(Continued)**

retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMo. 70.600 – 70.755. As such, it is the system’s responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt. The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P. O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

**B. Funding Status**

Montgomery County’s full time employees contribute 4.0% of annual payroll to the pension plan. The political subdivision is required by state statute to contribute at an actuarially determined rate; the current rate is 1.5% (general), 1.8% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

**C. Annual Pension Cost**

For 2007, the political subdivision's annual pension cost of \$128,509 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2005 and /or February 28, 2006 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5 percent per year, compounded annually, (b) projected salary increases of 4.0 percent per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0 percent to 6.0 percent per year, depending on age, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table and (e) post-retirement mortality based on the 1971 Group Annuity Mortality Table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a open basis. The amortization period at February 28, 2007, was 15 years.

Fiscal Year Ending	<u>Three Year Trend Information</u>		
	Annual Pension Cost (APC)	Percentage Of APC Contribute d	Net Pension Obligation
6/30/2005	\$ 104,858	100%	\$ 0
6/30/2006	123,950	100%	0
6/30/2007	128,509	100%	0

THE COUNTY OF MONTGOMERY, MISSOURI  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 & 2006

**6. LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM (LAGERS)  
(Concluded)**

REQUIRED SUPPLEMENTARY INFORMATION  
Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll
2/28/2005	\$ 3,299,369	\$ 2,354,052	\$ (945,317)	140%	\$ 1,891,889
2/28/2006	3,622,964	2,625,330	(997,634)	138%	2,117,615
2/29/2007	4,056,352	2,936,140	(1,120,212)	138%	2,159,977

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

**7. PROSECUTING ATTORNEY RETIREMENT FUND**

In accordance with state statute Chapter 56.807 RSMo, the County contributes monthly to the Missouri Office of Prosecution Services for deposit to the credit of the Missouri Prosecuting Attorneys and Circuit Attorney Retirement System Fund. Once remitted, the State of Missouri is responsible for administration of this plan. The County has contributed \$2,244 and \$2,444, respectively, for the years ended December 31, 2007 and 2006.

**8. POST EMPLOYMENT BENEFITS**

The County does not provide post-employment benefits except as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the County.

**9. CLAIMS COMMITMENTS AND CONTINGENCIES**

A. Litigation

The County is not involved in any lawsuits at this time.

B. Compensated Absences

The County provides employees with up to four weeks of paid vacation based upon the number of years of continuing service. Upon termination from county employment, an employee is not reimbursed for unused vacation and overtime if applicable. Sick time is accrued at 1 a day per month after the first 180 days of employment, with a maximum 60

THE COUNTY OF MONTGOMERY, MISSOURI  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2007 & 2006

**9. CLAIMS COMMITMENTS AND CONTINGENCIES (Concluded)**

days. An employee is not reimbursed for unused sick time upon termination of employment. These have not been subjected to auditing procedures.

C. Federal and State Assisted Programs

The County has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

**10. RISK MANAGEMENT**

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and has established a risk management strategy that attempts to minimize losses and the carrying costs of insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The County is a member participant in a public entity risk pool which is a corporate and political body created pursuant to state statute (Chapter 537.70 RSMo. 1986). The purpose of the risk pool is to provide liability protection to participating public entities, their officials, and employees. Annual contributions are collected based on actuarial projections to produce sufficient funds to pay losses and expenses. Should contributions not produce sufficient funds to meet its obligations, the risk pool is empowered with the ability to make special assessments. Members are jointly and severally liable for all claims against the risk pool.

The County is also a member of the Missouri Association of Counties Self-Insured Workers' Compensation and Insurance Fund. The County purchases workers' compensation insurance through this Fund, a non-profit corporation established for the purpose of providing insurance coverage for Missouri counties. The Fund is self-insured up to \$2,000,000 per occurrence and is reinsured up to the statutory limit through excess insurance.

**REQUIRED SUPPLEMENTARY INFORMATION**

THE COUNTY OF MONTGOMERY  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
SCHEDULE OF REVENUES, EXPEDITURES, AND CHANGES IN FUND BALANCES  
NON-GAAP BUDGET BASIS AND ACTUAL - MODIFIED CASH BASIS  
GENERAL FUND - UNAUDITED  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
REVENUES:								
Property taxes	448,827.00	448,827.00	419,594.68	(29,232.32)	421,300.00	421,300.00	430,052.27	8,752.27
Sales tax	1,100,000.00	1,100,000.00	1,098,096.55	(1,903.45)	1,110,200.00	1,110,200.00	1,065,535.74	(44,664.26)
Intergovernmental revenues	-	-	-	-	-	-	-	-
Grants, distributions and reimbursements	930,380.00	930,380.00	943,744.15	13,364.15	850,000.00	850,000.00	950,722.69	100,722.69
Fees, licenses and permits	360,000.00	360,000.00	365,371.97	5,371.97	439,630.00	439,630.00	363,805.73	(75,824.27)
Interests	17,000.00	17,000.00	7,148.88	(9,851.12)	15,000.00	15,000.00	15,292.22	292.22
Other	70,500.00	70,500.00	54,857.47	(15,642.53)	113,630.00	113,630.00	42,144.22	(71,485.78)
Total Revenues	2,926,707.00	2,926,707.00	2,888,813.70	(37,893.30)	2,949,760.00	2,949,760.00	2,867,552.87	(82,207.13)
EXPENDITURES:								
Current:								
General county government	668,203.00	668,203.00	662,587.73	(5,615.27)	709,140.00	709,140.00	729,389.85	20,249.85
Financial Administration:	134,425.00	134,425.00	129,483.17	(4,941.83)	113,340.00	113,340.00	106,768.05	(6,571.95)
Planning & Zoning	43,360.00	43,360.00	40,213.98	(3,146.02)	45,030.00	45,030.00	40,389.15	(4,640.85)
Property Valuation and Recording:	77,890.00	77,890.00	77,163.08	(726.92)	77,150.00	77,150.00	67,571.64	(9,578.36)
Administration of Justice and Law	2,337,483.00	2,337,483.00	2,149,037.73	(188,445.27)	2,349,410.00	2,349,410.00	2,223,909.68	(125,500.32)
Capital Outlay:								
Property, equipment and buildings	98,882.00	98,882.00	61,000.00	(37,882.00)	-	-	-	-
Debt Service:								
Principal payments	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Other charges	-	-	-	-	-	-	-	-
Total Expenditures	3,360,243.00	3,360,243.00	3,119,485.69	(240,757.31)	3,294,070.00	3,294,070.00	3,168,028.37	(126,041.63)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(433,536.00)	(433,536.00)	(230,671.99)	202,864.01	(344,310.00)	(344,310.00)	(300,475.50)	43,834.50
OTHER FINANCING SOURCES (USES):								
Transfers in	449,000.00	449,000.00	277,889.16	(171,110.84)	170,000.00	170,000.00	130,128.17	(39,871.83)
Transfers out	(47,100.00)	(47,100.00)	(46,600.00)	500.00	(147,340.00)	(147,340.00)	(146,600.00)	740.00
Debt Service								
Principal payment	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	401,900.00	401,900.00	231,289.16	(170,610.84)	22,660.00	22,660.00	(16,471.83)	(39,131.83)
NET CHANGE IN FUND BALANCE	(31,636.00)	(31,636.00)	617.17	32,253.17	(321,650.00)	(321,650.00)	(316,947.33)	4,702.67
FUND BALANCE - BEGIN OF YEAR	50,323.50	50,323.50	50,323.50	-	367,270.83	367,270.83	367,270.83	-
FUND BALANCE - END OF YEAR	18,687.50	18,687.50	50,940.67	32,253.17	45,620.83	45,620.83	50,323.50	4,702.67

See accompanying independent auditors' report

THE COUNTY OF MONTGOMERY  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
DEPARTMENTAL SCHEDULE OF EXPENDITURES  
NON-GAAP BUDGET BASIS AND ACTUAL MODIFIED CASH BASIS - GENERAL FUND  
UNAUDITED  
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
EXPENDITURES:								
Current:								
General County Government:								
County Commission	\$ 99,950.00	99,950.00	98,507.32	\$ (1,442.68)	\$ 99,180.00	99,180.00	98,235.04	\$ (944.96)
County Clerk	111,400.00	111,400.00	107,593.60	(3,806.40)	113,560.00	113,560.00	105,646.78	(7,913.22)
Elections	12,000.00	12,000.00	11,813.25	(186.75)	22,000.00	22,000.00	36,127.80	14,127.80
Buildings and grounds	156,383.00	156,383.00	159,814.95	3,431.95	185,530.00	185,530.00	201,787.07	16,257.07
Employee fringe benefits	11,350.00	11,350.00	11,193.24	(156.76)	8,300.00	8,300.00	11,079.67	2,779.67
Other Expenses	277,120.00	277,120.00	273,665.37	(3,454.63)	280,570.00	280,570.00	276,513.49	(4,056.51)
	<u>668,203.00</u>	<u>668,203.00</u>	<u>662,587.73</u>	<u>(5,615.27)</u>	<u>709,140.00</u>	<u>709,140.00</u>	<u>729,389.85</u>	<u>20,249.85</u>
Financial Administration:								
Collector	81,005.00	81,005.00	79,470.15	(1,534.85)	74,430.00	74,430.00	72,027.50	(2,402.50)
Treasurer	53,420.00	53,420.00	50,013.02	(3,406.98)	38,910.00	38,910.00	34,740.55	(4,169.45)
	<u>134,425.00</u>	<u>134,425.00</u>	<u>129,483.17</u>	<u>(4,941.83)</u>	<u>113,340.00</u>	<u>113,340.00</u>	<u>106,768.05</u>	<u>(6,571.95)</u>
Planning & Zoning								
Planning & Zoning	43,360.00	43,360.00	40,213.98	(3,146.02)	45,030.00	45,030.00	40,389.15	(4,640.85)
	<u>43,360.00</u>	<u>43,360.00</u>	<u>40,213.98</u>	<u>(3,146.02)</u>	<u>45,030.00</u>	<u>45,030.00</u>	<u>40,389.15</u>	<u>(4,640.85)</u>

See accompanying independent auditors' report

THE COUNTY OF MONTGOMERY  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
DEPARTMENTAL SCHEDULE OF EXPENDITURES  
NON-GAAP BUDGET BASIS AND ACTUAL MODIFIED CASH BASIS - GENERAL FUND - (CONTINUED)  
UNAUDITED  
FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
Property Valuation and Recording:								
Recorder of Deeds	77,890.00	77,890.00	77,163.08	(726.92)	77,150.00	77,150.00	67,571.64	(9,578.36)
Administration of Justice and Law Enforcement:								
Associate Circuit	27,850.00	27,850.00	25,796.00	(2,054.00)	27,910.00	27,910.00	24,122.06	(3,787.94)
Children's Detention Home	-	-	-	-	-	-	-	-
Circuit Clerk	40,280.00	40,280.00	32,019.33	(8,260.67)	32,160.00	32,160.00	30,578.50	(1,581.50)
Court Administrator	18,810.00	18,810.00	16,933.58	(1,876.42)	23,610.00	23,610.00	19,202.66	(4,407.34)
Dispatch	267,448.00	267,448.00	252,663.17	(14,784.83)	274,850.00	274,850.00	269,176.13	(5,673.87)
Family Court	-	-	-	-	-	-	-	-
Jail	1,032,700.00	1,032,700.00	924,471.30	(108,228.70)	1,059,300.00	1,059,300.00	1,004,981.22	(54,318.78)
Jury Script	-	-	-	-	-	-	-	-
Justice Center	-	-	-	-	-	-	-	-
Juvenile Office	53,045.00	53,045.00	51,875.08	(1,169.92)	53,050.00	53,050.00	59,366.27	6,316.27
Medical Examiner	23,460.00	23,460.00	21,883.44	(1,576.56)	23,460.00	23,460.00	19,197.08	(4,262.92)
Sheriff's Office	629,000.00	629,000.00	596,382.67	(32,617.33)	598,800.00	598,800.00	575,567.70	(23,232.30)
Surveyor	1,600.00	1,600.00	1,600.00	-	2,000.00	2,000.00	1,600.00	(400.00)
Police Cars	-	-	-	-	-	-	-	-
Prosecuting Attorney	208,480.00	208,480.00	190,933.69	(17,546.31)	217,340.00	217,340.00	185,205.82	(32,134.18)
Prosecuting Attorney Retirement	2,250.00	2,250.00	2,244.00	(6.00)	4,500.00	4,500.00	2,244.00	(2,256.00)
Public Administrator	32,560.00	32,560.00	32,235.47	(324.53)	32,430.00	32,430.00	32,668.24	238.24
	2,337,483.00	2,337,483.00	2,149,037.73	(188,445.27)	2,349,410.00	2,349,410.00	2,223,909.68	(125,500.32)
Debt Service:								
Principal payments	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Other charges	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	98,882.00	98,882.00	61,000.00	(37,882.00)	-	-	-	-
	98,882.00	98,882.00	61,000.00	(37,882.00)	-	-	-	-
Total Expenditures	\$ 3,360,243.00	3,360,243.00	3,119,485.69	(240,757.31)	\$ 3,294,070.00	3,294,070.00	3,168,028.37	(126,041.63)

See accompanying independent auditors' report

THE COUNTY OF MONTGOMERY  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
SCHEDULE OF REVENUES, EXPEDITURES, AND CHANGES IN FUND BALANCES  
NON-GAAP BUDGET BASIS AND ACTUAL - SPECIAL REVENUE FUND - MODIFIED CASH BASIS  
ROAD AND BRIDGE FUND - UNAUDITED  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
REVENUES:								
Property tax	1,162,775.00	1,162,775.00	1,209,203.71	46,428.71	808,580.00	808,580.00	1,192,953.65	384,373.65
Sales tax	61,000.00	61,000.00	118,918.33	57,918.33	50,550.00	50,550.00	104,507.98	53,957.98
Intergovernmental Revenue	-	-		-	-	-		-
Grants, distributions and reimbursements	94,000.00	94,000.00	100,643.87	6,643.87	765,690.00	765,690.00	351,545.99	(414,144.01)
Fees, licenses and permits	56,800.00	56,800.00	58,602.37	1,802.37	67,260.00	67,260.00	66,545.30	(714.70)
Interest	30,000.00	30,000.00	35,682.11	5,682.11	35,000.00	35,000.00	28,737.55	(6,262.45)
Other	500.00	500.00	860.34	360.34	500.00	500.00	47,315.16	46,815.16
Total Revenues	<u>1,405,075.00</u>	<u>1,405,075.00</u>	<u>1,523,910.73</u>	<u>118,835.73</u>	<u>1,727,580.00</u>	<u>1,727,580.00</u>	<u>1,791,605.63</u>	<u>64,025.63</u>
EXPENDITURES:								
Current:								
Maintenance of Roads:								
Salaries	475,143.00	475,143.00	481,475.99	6,332.99	476,650.00	476,650.00	479,119.38	2,469.38
Employee Benefits	121,660.00	121,660.00	114,037.47	(7,622.53)	119,540.00	119,540.00	124,557.26	5,017.26
Supplies	185,000.00	185,000.00	196,995.86	11,995.86	185,500.00	185,500.00	205,200.59	19,700.59
Insurance	15,000.00	15,000.00	20,357.12	5,357.12	20,000.00	20,000.00	10,347.56	(9,652.44)
Materials	301,500.00	301,500.00	303,358.83	1,858.83	346,500.00	346,500.00	296,862.50	(49,637.50)
Equipment Repairs	65,000.00	65,000.00	52,832.90	(12,167.10)	65,000.00	65,000.00	60,250.15	(4,749.85)
Rentals	500.00	500.00	70.00	(430.00)	2,500.00	2,500.00	42.16	(2,457.84)
R&B Construction, repair & maint. Projects	271,500.00	271,500.00	158,564.03	(112,935.97)	593,500.00	593,500.00	486,537.25	(106,962.75)
Other Expenses	-	-		-	-	-		-
Capital Outlay:								
Property, Equipment & Buildings	150,000.00	150,000.00	134,579.49	(15,420.51)	100,000.00	100,000.00	86,653.65	(13,346.35)
Total Expenditures	<u>1,585,303.00</u>	<u>1,585,303.00</u>	<u>1,462,271.69</u>	<u>(123,031.31)</u>	<u>1,909,190.00</u>	<u>1,909,190.00</u>	<u>1,749,570.50</u>	<u>(159,619.50)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(180,228.00)	(180,228.00)	61,639.04	241,867.04	(181,610.00)	(181,610.00)	42,035.13	223,645.13
OTHER FINANCING SOURCES(USES):								
Transfers in	-	-		-	-	-		-
Transfers out	(49,000.00)	(49,000.00)	(41,185.63)	7,814.37	(44,080.00)	(44,080.00)	(49,228.53)	(5,148.53)
Debt Service								
Total Other Financing Sources (Uses)	(49,000.00)	(49,000.00)	(41,185.63)	7,814.37	(44,080.00)	(44,080.00)	(49,228.53)	(5,148.53)
NET CHANGE IN FUND BALANCE	(229,228.00)	(229,228.00)	20,453.41	249,681.41	(225,690.00)	(225,690.00)	(7,193.40)	218,496.60
FUND BALANCE - BEGINNING OF YEAR	617,094.02	617,094.02	617,094.02	-	624,287.42	624,287.42	624,287.42	-
FUND BALANCE - END OF YEAR	<u>387,866.02</u>	<u>387,866.02</u>	<u>637,547.43</u>	<u>249,681.41</u>	<u>398,597.42</u>	<u>398,597.42</u>	<u>617,094.02</u>	<u>218,496.60</u>

See accompanying independent auditors' report

THE COUNTY OF MONTGOMERY  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
SCHEDULE OF REVENUES, EXPEDITURES, AND CHANGES IN FUND BALANCES  
NON-GAAP BUDGET BASIS AND ACTUAL - SPECIAL REVENUE FUND - MODIFIED CASH BASIS  
RESERVE FUND - UNAUDITED  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	DECEMBER 31, 2007				DECEMBER 31, 2006			
	Budgeted Amounts		Actual	Over (Under) Final Budget	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final			Original	Final		
<b>REVENUES:</b>								
Property tax	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-	-	-	-
Grants, distributions and reimbursements	-	-	-	-	-	-	-	-
Fees, licenses and permits	-	-	-	-	-	-	-	-
Interest	27,000.00	27,000.00	24,956.81	(2,043.19)	11,000.00	11,000.00	27,870.48	16,870.48
Other	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<u>27,000.00</u>	<u>27,000.00</u>	<u>24,956.81</u>	<u>(2,043.19)</u>	<u>11,000.00</u>	<u>11,000.00</u>	<u>27,870.48</u>	<u>16,870.48</u>
<b>EXPENDITURES:</b>								
Current:								
Maintenance of Roads:								
Salaries	-	-	-	-	-	-	-	-
Employee Benefits	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Materials	-	-	-	-	-	-	-	-
Equipment Repairs	-	-	-	-	-	-	-	-
Rentals	-	-	-	-	-	-	-	-
R&B Construction, repair & maint. Projects	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-
Capital Outlay:								
Property, Equipment & Buildings	-	-	-	-	76,720.00	76,720.00	-	(76,720.00)
<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,720.00</u>	<u>76,720.00</u>	<u>-</u>	<u>(76,720.00)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>27,000.00</u>	<u>27,000.00</u>	<u>24,956.81</u>	<u>(2,043.19)</u>	<u>(65,720.00)</u>	<u>(65,720.00)</u>	<u>27,870.48</u>	<u>93,590.48</u>
<b>OTHER FINANCING SOURCES(USES):</b>								
Transfers in	500.00	500.00	-	(500.00)	500.00	500.00	100,000.00	99,500.00
Transfers out	(400,000.00)	(400,000.00)	(206,803.89)	193,196.11	(160,000.00)	(160,000.00)	(51,000.00)	109,000.00
Debt Service								
Total Other Financing Sources (Uses)	<u>(399,500.00)</u>	<u>(399,500.00)</u>	<u>(206,803.89)</u>	<u>192,696.11</u>	<u>(159,500.00)</u>	<u>(159,500.00)</u>	<u>49,000.00</u>	<u>208,500.00</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(372,500.00)</u>	<u>(372,500.00)</u>	<u>(181,847.08)</u>	<u>190,652.92</u>	<u>(225,220.00)</u>	<u>(225,220.00)</u>	<u>76,870.48</u>	<u>302,090.48</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>740,764.92</u>	<u>740,764.92</u>	<u>740,764.92</u>	<u>-</u>	<u>663,894.44</u>	<u>663,894.44</u>	<u>663,894.44</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>368,264.92</u></u>	<u><u>368,264.92</u></u>	<u><u>558,917.84</u></u>	<u><u>190,652.92</u></u>	<u><u>438,674.44</u></u>	<u><u>438,674.44</u></u>	<u><u>740,764.92</u></u>	<u><u>302,090.48</u></u>

See accompanying independent auditors' report

THE COUNTY OF MONTGOMERY  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2007 & 2006

Budgets and Budgetary Accounting

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 50 RSMo, the County adopts a budget for each governmental fund.
2. On or before January 15th, each elected officer and department director will transmit to the County Clerk, who serves as budget officer, the budget request and revenue estimates for their office or department for the budget year.
3. The County Clerk submits to the County Commission a proposed budget for the fiscal year beginning the following January 1. The proposed budget included estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Budgeting of appropriations is based upon an estimated unencumbered fund balance at the beginning of the year as well as estimated revenues to be received. The budget to actual comparisons in these financial statements, however, do not present encumbered fund balances, but only compare budgeted and actual revenues and expenditures.

During our audit we noted that the County was not in compliance with Missouri budgetary state statute Chapter 50 RSMo. During the year December 31, 2007, there was an instance of noncompliance because the actual expenditures exceeded the budgeted expenditures in the Road and Bridge Fund.

4. A public hearing is conducted to obtain public comment. Prior to its approval by the County Commission, the budget document is available for public inspection.
5. Prior to February 1 the budget is legally enacted by a vote of the County Commission.
6. Subsequent to its formal approval of the budget, the County Commission has the authority to make necessary adjustments to the budget by formal vote of the Commission. Adjustments made during the year are reflected in the budget information in the financial statements.

Budgeted amounts are as originally adopted, or as amended by the County Commission throughout the year. Individual amendments were not material in relation to the original appropriations which were adopted.

7. Budgets are prepared and adopted on the cash basis of accounting.

## **SUPPLEMENTARY INFORMATION**

THE COUNTY OF MONTGOMERY  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)  
DECEMBER 31, 2007

	Assessment Fund	Law Enforcement Fund	Emergency Management	Emergency 911	Prosecuting Attorney Bad Check Fund	Capital Improvement	Law Enforcement Training	Prosecuting Attorney Training	Johnson Grass	Recorder User Fee	Sheriff Forfeiture	LEPC	Prosecuting Attorney Delinquent Tax Fund	Sheriff Revolving Fund	POST Commission
<b>ASSETS</b>															
Cash and Cash Equivalents	117,692.65	3,261.49	24,788.30	6,007.46	22,633.24	94,461.35	5,750.81	13,997.59	838.60	34,311.15	6,374.24	32,509.91	11,186.48	6,334.44	1,502.36
Investments	-	-	-	-	-	-	-	-	4,935.69	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>117,692.65</b>	<b>3,261.49</b>	<b>24,788.30</b>	<b>6,007.46</b>	<b>22,633.24</b>	<b>94,461.35</b>	<b>5,750.81</b>	<b>13,997.59</b>	<b>5,774.29</b>	<b>34,311.15</b>	<b>6,374.24</b>	<b>32,509.91</b>	<b>11,186.48</b>	<b>6,334.44</b>	<b>1,502.36</b>
<b>LIABILITIES AND FUND BALANCES</b>															
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>UNRESERVED FUND BALANCES</b>	<b>117,692.65</b>	<b>3,261.49</b>	<b>24,788.30</b>	<b>6,007.46</b>	<b>22,633.24</b>	<b>94,461.35</b>	<b>5,750.81</b>	<b>13,997.59</b>	<b>5,774.29</b>	<b>34,311.15</b>	<b>6,374.24</b>	<b>32,509.91</b>	<b>11,186.48</b>	<b>6,334.44</b>	<b>1,502.36</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>117,692.65</b>	<b>3,261.49</b>	<b>24,788.30</b>	<b>6,007.46</b>	<b>22,633.24</b>	<b>94,461.35</b>	<b>5,750.81</b>	<b>13,997.59</b>	<b>5,774.29</b>	<b>34,311.15</b>	<b>6,374.24</b>	<b>32,509.91</b>	<b>11,186.48</b>	<b>6,334.44</b>	<b>1,502.36</b>

THE COUNTY OF MONTGOMERY  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)  
DECEMBER 31, 2007

	Special Election	Sheriff Operations	Elections Services	Children's Trust	Courthouse Annex Building	Recorder Technology	Collector's Tax Maintenance	Associate Circuit Interest	Circuit Clerk Interest	Law Library	Inmate Security	Total
ASSETS												
Cash and Cash Equivalents	0.00	100,829.95	8,428.32	1,741.06	5,289.51	26,582.94	32,268.19	5,646.68	4,711.30	12,294.16	3,108.59	582,550.77
Investments	-	-	-	-	-	-	-	-	-	-	-	4,935.69
<b>TOTAL ASSETS</b>	<b>0.00</b>	<b>100,829.95</b>	<b>8,428.32</b>	<b>1,741.06</b>	<b>5,289.51</b>	<b>26,582.94</b>	<b>32,268.19</b>	<b>5,646.68</b>	<b>4,711.30</b>	<b>12,294.16</b>	<b>3,108.59</b>	<b>587,486.46</b>
LIABILITIES AND FUND BALANCES												
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	0.00	100,829.95	8,428.32	1,741.06	5,289.51	26,582.94	32,268.19	5,646.68	4,711.30	12,294.16	3,108.59	587,486.46
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>0.00</b>	<b>100,829.95</b>	<b>8,428.32</b>	<b>1,741.06</b>	<b>5,289.51</b>	<b>26,582.94</b>	<b>32,268.19</b>	<b>5,646.68</b>	<b>4,711.30</b>	<b>12,294.16</b>	<b>3,108.59</b>	<b>587,486.46</b>

THE COUNTY OF MONTGOMERY  
MONTGOMERY CITY, MISSOURI  
(the Primary Govt)  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES  
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)  
FOR YEAR ENDED DECEMBER, 2007

	Assessment Fund	DARE	Emergency Management	Emergency 911	Prosecuting Attorney Bad Check Fund	Capital Improvement	Law Enforcement Training	Prosecuting Attorney Training	Johnson Grass	Recorder User Fee	Sheriff Forfeiture	LEPC	Prosecuting Attorney Delinquent Tax Fund	Sheriff Revolving Fund	POST Commission	Special Election	Sheriff Operations
<b>REVENUES:</b>																	
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	439,194.67	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes for Services	1,642.16	-	-	100,327.83	15,915.18	-	3,763.50	981.95	-	6,459.00	-	-	10,438.67	-	-	-	-
Grants, distributions and reimbursements	209,591.64	-	52,792.01	4,622.34	-	-	-	-	-	-	-	-	-	-	-	-	-
Fees, licenses and permits	-	74.65	-	280.00	-	-	-	-	-	-	-	-	-	2,185.00	-	-	15,924.48
Interest	3,077.89	-	1,108.33	151.42	484.82	3,066.13	111.14	327.17	-	776.87	145.93	2,277.05	97.08	110.36	-	-	49,934.77
Contributions	-	-	-	-	-	-	-	-	-	-	-	3,755.87	-	-	-	32,125.37	2,269.28
Other	3,640.95	-	4,658.57	-	-	-	120.00	-	-	-	-	-	-	440.00	1,794.12	-	12,323.00
<b>Total Revenues</b>	<b>217,952.64</b>	<b>74.65</b>	<b>58,558.91</b>	<b>105,381.59</b>	<b>16,400.00</b>	<b>442,260.80</b>	<b>3,994.64</b>	<b>1,309.12</b>	<b>-</b>	<b>7,235.87</b>	<b>145.93</b>	<b>6,032.92</b>	<b>10,535.75</b>	<b>2,735.36</b>	<b>1,794.12</b>	<b>32,125.37</b>	<b>80,451.53</b>
<b>EXPENDITURES</b>																	
<b>Current:</b>																	
Salary	172,449.97	-	36,085.18	48,693.64	4,569.09	29,286.04	-	-	-	-	-	-	-	-	-	-	-
Benefits	34,251.78	-	8,571.60	11,116.69	378.31	6,971.96	-	-	-	-	-	-	-	-	-	-	-
Office supplies	4,757.76	-	300.00	1,088.15	2,956.41	-	-	-	-	-	-	-	-	-	1,759.74	-	6,367.08
Equipment	35,305.21	-	-	1,439.55	2,646.11	26,408.97	350.00	1,593.91	-	6,422.59	-	-	956.50	-	-	-	32,425.57
Mileage and training	8,950.85	-	1,465.28	4,657.54	-	-	-	-	-	-	-	173.48	-	-	-	-	-
Other	377.70	-	1,344.68	-	901.88	-	1,840.00	-	-	-	-	-	-	-	-	32,125.37	34,857.95
Telephone	1,397.93	-	1,438.69	39,933.56	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance	-	-	3,162.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Postage	6,300.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rentals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	1,827.99	-	1,243.57	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Capital Outlay:</b>																	
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Debt Service</b>																	
Principal payment	-	-	-	-	-	235,016.91	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	72,325.41	-	-	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	9,469.66	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>265,619.19</b>	<b>-</b>	<b>53,611.00</b>	<b>106,929.13</b>	<b>11,451.80</b>	<b>379,478.95</b>	<b>2,190.00</b>	<b>1,593.91</b>	<b>-</b>	<b>6,422.59</b>	<b>-</b>	<b>173.48</b>	<b>956.50</b>	<b>-</b>	<b>1,759.74</b>	<b>32,125.37</b>	<b>73,650.60</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(47,666.55)</b>	<b>74.65</b>	<b>4,947.91</b>	<b>(1,547.54)</b>	<b>4,948.20</b>	<b>62,781.85</b>	<b>1,804.64</b>	<b>(284.79)</b>	<b>-</b>	<b>813.28</b>	<b>145.93</b>	<b>5,859.44</b>	<b>9,579.25</b>	<b>2,735.36</b>	<b>34.38</b>	<b>-</b>	<b>6,800.93</b>
<b>OTHER FINANCING SOURCES (USES):</b>																	
Transfers in	46,600.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(29,899.64)	-	-	-	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>46,600.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(29,899.64)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,066.55)</b>	<b>74.65</b>	<b>4,947.91</b>	<b>(1,547.54)</b>	<b>4,948.20</b>	<b>32,882.21</b>	<b>1,804.64</b>	<b>(284.79)</b>	<b>-</b>	<b>813.28</b>	<b>145.93</b>	<b>5,859.44</b>	<b>9,579.25</b>	<b>2,735.36</b>	<b>34.38</b>	<b>-</b>	<b>6,800.93</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>118,759.20</b>	<b>3,186.84</b>	<b>19,840.39</b>	<b>7,555.00</b>	<b>17,685.04</b>	<b>61,579.14</b>	<b>3,946.17</b>	<b>14,282.38</b>	<b>5,774.29</b>	<b>33,497.87</b>	<b>6,228.31</b>	<b>26,650.47</b>	<b>1,607.23</b>	<b>3,599.08</b>	<b>1,467.98</b>	<b>0.00</b>	<b>94,029.02</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>117,692.65</b>	<b>3,261.49</b>	<b>24,788.30</b>	<b>6,007.46</b>	<b>22,633.24</b>	<b>94,461.35</b>	<b>5,750.81</b>	<b>13,997.59</b>	<b>5,774.29</b>	<b>34,311.15</b>	<b>6,374.24</b>	<b>32,509.91</b>	<b>11,186.48</b>	<b>6,334.44</b>	<b>1,502.36</b>	<b>0.00</b>	<b>100,829.95</b>

THE COUNTY OF MONTGOMERY  
MONTGOMERY CITY, MISSOURI  
(the Primary Govt)  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES  
MODIFIED CASH BASIS NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)  
FOR YEAR ENDED DECEMBER, 2007

	Elections Services	Children's Trust	Courthouse Annex Building	Recorder Technology	Collector's Tax Maintenance	Associate Circuit Interest	Circuit Clerk Interest	Law Library	Inmate Security	Total
<b>REVENUES:</b>										
Property taxes	-	-	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-	-	439,194.67
Intergovernmental Revenue	-	-	-	-	-	-	-	-	-	-
Changes for Services	-	1,976.88	-	-	21,137.13	-	-	-	-	162,642.30
Grants, distributions and reimbursements	-	-	-	-	3,131.00	-	-	-	-	286,061.47
Fees, licenses and permits	-	-	-	3,651.25	-	-	-	7,290.00	492.00	63,907.67
Interest	211.68	30.19	130.34	588.14	738.55	119.38	784.11	-	22.59	16,628.45
Contributions	89,797.21	-	-	-	-	-	-	-	-	125,678.45
Other	-	-	-	-	-	-	-	-	2,594.00	25,570.64
<b>Total Revenues</b>	<b>90,008.89</b>	<b>2,007.07</b>	<b>130.34</b>	<b>4,239.39</b>	<b>25,006.68</b>	<b>119.38</b>	<b>784.11</b>	<b>7,290.00</b>	<b>3,108.59</b>	<b>1,119,683.65</b>
<b>EXPENDITURES</b>										
<b>Current:</b>										
Salary	-	-	-	-	2,633.53	-	-	-	-	293,717.45
Benefits	-	-	8.52	-	-	-	-	-	-	61,298.86
Office supplies	3,780.44	-	540.75	1,329.02	2,318.00	-	-	-	-	25,197.35
Equipment	90,634.30	-	-	-	4,151.13	3,859.02	-	9,350.71	-	215,543.57
Mileage and training	-	-	-	-	447.80	-	-	-	-	15,694.95
Other	3,145.17	1,000.00	-	-	6,418.87	-	-	-	-	82,011.62
Telephone	171.49	-	-	-	354.25	-	-	-	-	43,295.92
Utilities	-	-	-	-	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-	-	-	-	3,162.00
Postage	-	-	-	-	-	-	-	-	-	6,300.00
Rentals	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	3,071.56
<b>Capital Outlay:</b>										
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	-	-	-
<b>Debt Service</b>										
Principal payment	-	-	-	-	-	-	-	-	-	235,016.91
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	72,325.41
Other Charges	-	-	-	-	-	-	-	-	-	9,469.66
<b>Total Expenditures</b>	<b>97,731.40</b>	<b>1,000.00</b>	<b>549.27</b>	<b>1,329.02</b>	<b>16,323.58</b>	<b>3,859.02</b>	<b>-</b>	<b>9,350.71</b>	<b>-</b>	<b>1,066,105.26</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(7,722.51)</b>	<b>1,007.07</b>	<b>(418.93)</b>	<b>2,910.37</b>	<b>8,683.10</b>	<b>(3,739.64)</b>	<b>784.11</b>	<b>(2,060.71)</b>	<b>3,108.59</b>	<b>53,578.39</b>
<b>OTHER FINANCING SOURCES (USES):</b>										
Transfers in	-	-	-	-	-	-	-	-	-	46,600.00
Transfers out	-	-	-	-	-	-	-	-	-	(29,899.64)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,700.36</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(7,722.51)</b>	<b>1,007.07</b>	<b>(418.93)</b>	<b>2,910.37</b>	<b>8,683.10</b>	<b>(3,739.64)</b>	<b>784.11</b>	<b>(2,060.71)</b>	<b>3,108.59</b>	<b>70,278.75</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>16,150.83</b>	<b>733.99</b>	<b>5,708.44</b>	<b>23,672.57</b>	<b>23,585.09</b>	<b>9,386.32</b>	<b>3,927.19</b>	<b>14,354.87</b>	<b>-</b>	<b>517,207.71</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>8,428.32</b>	<b>1,741.06</b>	<b>5,289.51</b>	<b>26,582.94</b>	<b>32,268.19</b>	<b>5,646.68</b>	<b>4,711.30</b>	<b>12,294.16</b>	<b>3,108.59</b>	<b>587,486.46</b>

THE COUNTY OF MONTGOMERY  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
COMBINING BALANCE SHEET - MODIFIED CASH BASIS -  
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)  
DECEMBER 31, 2006

	Assessment Fund	Law Enforcement Fund	Emergency Management	Emergency 911	Prosecuting Attorney Bad Check Fund	Capital Improvement	Law Enforcement Training	Prosecuting Attorney Training	Johnson Grass	Recorder User Fee	Sheriff Forfeiture	LEPC	Prosecuting Attorney Delinquent Tax Fund	Sheriff Revolving Fund	POST Commission
ASSETS															
Cash and Cash Equivalents	118,759.20	3,186.84	19,840.39	7,555.00	17,685.04	61,579.14	3,946.17	14,282.38	838.60	33,497.87	6,228.31	26,650.47	1,607.23	3,599.08	1,467.98
Investments	-	-	-	-	-	-	-	-	4,935.69	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>118,759.20</b>	<b>3,186.84</b>	<b>19,840.39</b>	<b>7,555.00</b>	<b>17,685.04</b>	<b>61,579.14</b>	<b>3,946.17</b>	<b>14,282.38</b>	<b>5,774.29</b>	<b>33,497.87</b>	<b>6,228.31</b>	<b>26,650.47</b>	<b>1,607.23</b>	<b>3,599.08</b>	<b>1,467.98</b>
LIABILITIES AND FUND BALANCES															
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	118,759.20	3,186.84	19,840.39	7,555.00	17,685.04	61,579.14	3,946.17	14,282.38	5,774.29	33,497.87	6,228.31	26,650.47	1,607.23	3,599.08	1,467.98
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>118,759.20</b>	<b>3,186.84</b>	<b>19,840.39</b>	<b>7,555.00</b>	<b>17,685.04</b>	<b>61,579.14</b>	<b>3,946.17</b>	<b>14,282.38</b>	<b>5,774.29</b>	<b>33,497.87</b>	<b>6,228.31</b>	<b>26,650.47</b>	<b>1,607.23</b>	<b>3,599.08</b>	<b>1,467.98</b>

THE COUNTY OF MONTGOMERY  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
COMBINING BALANCE SHEET - MODIFIED CASH BASIS -  
NON-MAJOR GOVERNMENTAL FUNDS (SPECIAL REVENUE FUNDS)  
DECEMBER 31, 2006

	Special Election	Sheriff Operations	Elections Services	Children's Trust	Courthouse Annex Building	Recorder Technology	Collector's Tax Maintenance	Associate Circuit Interest	Circuit Clerk Interest	Law Library	Inmate Security	Total
ASSETS												
Cash and Cash Equivalents	0.00	94,029.02	16,150.83	733.99	5,708.44	23,672.57	23,585.09	9,386.32	3,927.19	14,354.87	-	512,272.02
Investments	-	-	-	-	-	-	-	-	-	-	-	4,935.69
<b>TOTAL ASSETS</b>	<b>0.00</b>	<b>94,029.02</b>	<b>16,150.83</b>	<b>733.99</b>	<b>5,708.44</b>	<b>23,672.57</b>	<b>23,585.09</b>	<b>9,386.32</b>	<b>3,927.19</b>	<b>14,354.87</b>	<b>-</b>	<b>517,207.71</b>
LIABILITIES AND FUND BALANCES												
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	0.00	94,029.02	16,150.83	733.99	5,708.44	23,672.57	23,585.09	9,386.32	3,927.19	14,354.87	-	517,207.71
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>0.00</b>	<b>94,029.02</b>	<b>16,150.83</b>	<b>733.99</b>	<b>5,708.44</b>	<b>23,672.57</b>	<b>23,585.09</b>	<b>9,386.32</b>	<b>3,927.19</b>	<b>14,354.87</b>	<b>-</b>	<b>517,207.71</b>

THE COUNTY OF MONTGOMERY  
MONTGOMERY CITY, MISSOURI  
(the Primary Govt)  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES  
MODIFIED CASH BASIS NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Assessment Fund	DARE	Emergency Management	Emergency 911	Prosecuting Attorney Bad Check Fund	Capital Improvement	Law Enforcement Training	Prosecuting Attorney Training	Johnson Grass	Recorder User Fee	Sheriff Forfeiture	LEPC	Prosecuting Attorney Delinquent Tax Fund	Sheriff Revolving Fund	POST Commission
<b>REVENUES:</b>															
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	373,520.48	-	-	-	-	-	-	-	-	-
Intergovernmental Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes for Services	2,203.55	-	-	99,852.01	12,840.01	-	3,655.00	925.06	-	7,623.00	-	-	-	-	-
Grants, distributions and reimbursements	209,204.20	-	19,648.20	1,307.54	-	-	-	-	-	-	-	-	-	-	-
Fees, licenses and permits	-	-	-	275.00	-	-	-	-	-	-	-	-	-	630.00	-
Interest	3,363.03	75.56	1,038.20	226.36	525.79	55,567.16	60.63	343.41	-	747.80	196.93	647.50	40.96	77.86	-
Contributions	-	-	-	-	-	-	-	-	-	-	-	6,876.20	-	-	-
Other	140.00	-	3,389.08	-	60.00	-	4.00	-	5.79	-	-	-	-	-	1,841.12
<b>Total Revenues</b>	<b>214,910.78</b>	<b>75.56</b>	<b>24,075.48</b>	<b>101,660.91</b>	<b>13,425.80</b>	<b>429,087.64</b>	<b>3,719.63</b>	<b>1,268.47</b>	<b>5.79</b>	<b>8,370.80</b>	<b>196.93</b>	<b>7,523.70</b>	<b>40.96</b>	<b>707.86</b>	<b>1,841.12</b>
<b>EXPENDITURES</b>															
<b>Current:</b>															
Salary	152,363.11	-	30,917.72	45,911.81	1,000.00	28,740.69	-	-	-	-	-	-	-	-	-
Benefits	24,873.06	-	8,113.97	11,824.69	-	8,789.73	-	-	-	-	-	-	-	-	-
Office supplies	3,272.54	-	17,018.62	47,019.53	21,391.70	-	-	-	-	-	-	-	-	-	1,806.30
Equipment	44,297.19	-	-	-	-	57,013.33	-	-	-	7,926.76	2,088.45	14,250.00	120.00	-	-
Mileage and training	6,172.77	-	-	-	-	-	1,104.67	1,521.16	-	-	-	172.84	-	-	-
Other	539.07	-	5,000.00	-	-	-	824.94	-	-	-	-	175.00	-	-	-
Telephone	1,125.38	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Postage	5,000.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rentals	1,188.01	-	-	-	-	-	-	-	-	550.00	-	-	-	-	-
Miscellaneous	78.27	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Capital Outlay:</b>															
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Debt Service</b>															
Principal payment	-	-	-	-	-	223,446.28	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	87,750.24	-	-	-	-	-	-	-	-	-
Other Charges	-	-	-	-	-	8,973.06	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>238,909.40</b>	<b>-</b>	<b>61,050.31</b>	<b>104,756.03</b>	<b>22,391.70</b>	<b>414,713.33</b>	<b>1,929.61</b>	<b>1,521.16</b>	<b>-</b>	<b>8,476.76</b>	<b>2,088.45</b>	<b>14,597.84</b>	<b>120.00</b>	<b>-</b>	<b>1,806.30</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(23,998.62)</b>	<b>75.56</b>	<b>(36,974.83)</b>	<b>(3,095.12)</b>	<b>(8,965.90)</b>	<b>14,374.31</b>	<b>1,790.02</b>	<b>(252.69)</b>	<b>5.79</b>	<b>(105.96)</b>	<b>(1,891.52)</b>	<b>(7,074.14)</b>	<b>(79.04)</b>	<b>707.86</b>	<b>34.82</b>
<b>OTHER FINANCING SOURCES (USES):</b>															
Transfers in	46,600.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(29,899.64)	-	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>46,600.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(29,899.64)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>22,601.38</b>	<b>75.56</b>	<b>(36,974.83)</b>	<b>(3,095.12)</b>	<b>(8,965.90)</b>	<b>(15,525.33)</b>	<b>1,790.02</b>	<b>(252.69)</b>	<b>5.79</b>	<b>(105.96)</b>	<b>(1,891.52)</b>	<b>(7,074.14)</b>	<b>(79.04)</b>	<b>707.86</b>	<b>34.82</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>96,157.82</b>	<b>3,111.28</b>	<b>56,815.22</b>	<b>10,650.12</b>	<b>26,650.94</b>	<b>77,104.47</b>	<b>2,156.15</b>	<b>14,535.07</b>	<b>5,768.50</b>	<b>33,603.83</b>	<b>8,119.83</b>	<b>33,724.61</b>	<b>1,686.27</b>	<b>2,891.22</b>	<b>1,433.16</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>118,759.20</b>	<b>3,186.84</b>	<b>19,840.39</b>	<b>7,555.00</b>	<b>17,685.04</b>	<b>61,579.14</b>	<b>3,946.17</b>	<b>14,282.38</b>	<b>5,774.29</b>	<b>33,497.87</b>	<b>6,228.31</b>	<b>26,650.47</b>	<b>1,607.23</b>	<b>3,599.08</b>	<b>1,467.98</b>

THE COUNTY OF MONTGOMERY  
MONTGOMERY CITY, MISSOURI  
(the Primary Govt)  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCES  
MODIFIED CASH BASIS - NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Special Election	Sheriff Operations	Elections Services	Children's Trust	Courthouse Annex Building	Recorder Technology	Collector's Tax Maintenance	Associate Circuit Interest	Circuit Clerk Interest	Law Library	Inmate Security	Total
REVENUES:												
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-	-	-	-	373,520.48
Intergovernmental Revenue	-	15,488.00	-	-	-	-	-	-	-	-	-	15,488.00
Changes for Services	-	-	6,074.32	350.00	-	-	23,916.07	-	-	-	-	157,439.02
Grants, distributions and reimbursements	-	50,951.90	-	-	-	-	-	-	-	-	-	281,111.84
Fees, licenses and permits	-	43,967.54	-	-	-	4,098.75	-	-	-	8,055.00	-	57,026.29
Interest	-	3,425.19	130.52	32.37	512.92	517.63	763.60	155.36	252.25	-	-	68,701.03
Contributions	62,860.41	-	-	-	-	-	-	-	-	-	-	69,736.61
Other	-	-	12,227.00	-	-	-	-	-	-	-	-	17,666.99
<b>Total Revenues</b>	<b>62,860.41</b>	<b>113,832.63</b>	<b>18,431.84</b>	<b>382.37</b>	<b>512.92</b>	<b>4,616.38</b>	<b>24,679.67</b>	<b>155.36</b>	<b>252.25</b>	<b>8,055.00</b>	<b>-</b>	<b>1,040,690.26</b>
EXPENDITURES												
Current:												
Salary	-	-	-	-	19,287.29	-	2,080.25	-	-	-	-	280,300.87
Benefits	-	-	-	-	6,792.12	-	-	-	-	-	-	60,393.57
Office supplies	-	1,014.26	688.32	-	-	-	2,495.87	5,855.04	-	-	-	100,562.18
Equipment	-	68,939.20	5,210.10	1,000.00	-	1,290.52	11,620.77	-	-	8,878.82	-	222,635.14
Mileage and training	-	-	-	-	-	-	421.64	-	-	-	-	9,393.08
Other	63,228.58	23,339.01	3,070.32	-	-	-	12,896.68	-	-	-	-	109,073.60
Telephone	-	-	-	-	-	-	343.98	-	-	-	-	1,469.36
Utilities	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance	-	-	-	-	292.76	-	-	-	-	-	-	292.76
Postage	-	-	-	-	-	-	-	-	-	-	-	5,000.00
Rentals	-	-	-	-	-	-	-	-	-	-	-	1,738.01
Miscellaneous	-	4,261.50	-	-	-	-	-	-	-	-	-	4,339.77
Capital Outlay:												
Construction of roads and bridges	-	-	-	-	-	-	-	-	-	-	-	-
Property, equipment and buildings	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service												
Principal payment	-	-	-	-	-	-	-	-	-	-	-	223,446.28
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	-	87,750.24
Other Charges	-	-	-	-	-	-	-	-	-	-	-	8,973.06
<b>Total Expenditures</b>	<b>63,228.58</b>	<b>97,553.97</b>	<b>8,968.74</b>	<b>1,000.00</b>	<b>26,372.17</b>	<b>1,290.52</b>	<b>29,859.19</b>	<b>5,855.04</b>	<b>-</b>	<b>8,878.82</b>	<b>-</b>	<b>1,115,367.92</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(368.17)</b>	<b>16,278.66</b>	<b>9,463.10</b>	<b>(617.63)</b>	<b>(25,859.25)</b>	<b>3,325.86</b>	<b>(5,179.52)</b>	<b>(5,699.68)</b>	<b>252.25</b>	<b>(823.82)</b>	<b>-</b>	<b>(74,677.66)</b>
OTHER FINANCING SOURCES (USES):												
Transfers in	-	-	-	-	-	-	-	-	-	-	-	46,600.00
Transfers out	-	-	-	-	-	-	-	-	-	-	-	(29,899.64)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,700.36</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(368.17)</b>	<b>16,278.66</b>	<b>9,463.10</b>	<b>(617.63)</b>	<b>(25,859.25)</b>	<b>3,325.86</b>	<b>(5,179.52)</b>	<b>(5,699.68)</b>	<b>252.25</b>	<b>(823.82)</b>	<b>-</b>	<b>(57,977.30)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>368.17</b>	<b>77,750.36</b>	<b>6,687.73</b>	<b>1,351.62</b>	<b>31,567.69</b>	<b>20,346.71</b>	<b>28,764.61</b>	<b>15,086.00</b>	<b>3,674.94</b>	<b>15,178.69</b>	<b>-</b>	<b>575,185.01</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>0.00</b>	<b>94,029.02</b>	<b>16,150.83</b>	<b>733.99</b>	<b>5,708.44</b>	<b>23,672.57</b>	<b>23,585.09</b>	<b>9,386.32</b>	<b>3,927.19</b>	<b>14,354.87</b>	<b>-</b>	<b>517,207.71</b>

THE COUNTY OF MONTGOMERY  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
COMBINING STATEMENTS OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
DECEMBER 31, 2007

	Prosecuting Attorney	Circuit Clerk	Sheriff Account	Jury Account	Juvenile Account	Collector Accounts	Recorder	Rhineland Special Road District	County Schools	Surplus Land Sales	CERF	Welsville Special Road District	Hinton Interest	Unclaimed Fees	Cemetery Interest	Ambulance, Cities, and Fire	Total
ASSETS																	
Cash and Cash Equivalents	656.93	39,922.27	10,995.29	2,167.47	4,454.02	7,992,450.85	-	4,216.83	93,274.60	35,698.73	-	11,703.12	25.38	1,300.59	971.35	445.07	8,198,282.50
TOTAL ASSETS	<u>656.93</u>	<u>39,922.27</u>	<u>10,995.29</u>	<u>2,167.47</u>	<u>4,454.02</u>	<u>7,992,450.85</u>	<u>-</u>	<u>4,216.83</u>	<u>93,274.60</u>	<u>35,698.73</u>	<u>-</u>	<u>11,703.12</u>	<u>25.38</u>	<u>1,300.59</u>	<u>971.35</u>	<u>445.07</u>	<u>8,198,282.50</u>
LIABILITIES AND FUND BALANCES																	
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	656.93	39,922.27	10,995.29	2,167.47	4,454.02	7,992,450.85	-	4,216.83	93,274.60	35,698.73	-	11,703.12	25.38	1,300.59	971.35	445.07	8,198,282.50
TOTAL LIABILITIES AND FUND BALANCES	<u>656.93</u>	<u>39,922.27</u>	<u>10,995.29</u>	<u>2,167.47</u>	<u>4,454.02</u>	<u>7,992,450.85</u>	<u>-</u>	<u>4,216.83</u>	<u>93,274.60</u>	<u>35,698.73</u>	<u>-</u>	<u>11,703.12</u>	<u>25.38</u>	<u>1,300.59</u>	<u>971.35</u>	<u>445.07</u>	<u>8,198,282.50</u>

THE COUNTY OF MONTGOMERY  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS -MODIFIED CASH BASIS  
DECEMBER 31, 2006

	Prosecuting Attorney	Circuit Clerk	Sheriff Account	Jury Account	Juvenile Account	Collector Accounts	Recorder	Rhineland Special Road District	County Schools	Surplus Land Sales	CERF	Welsville Special Road District	Hinton Interest	Unclaimed Fees	Cemetery Interest	Ambulance, Cities, and Fire	Total
ASSETS																	
Cash and Cash Equivalents	(5.35)	80,547.49	10,103.03	3,946.61	4,393.65	2,444,073.44	-	-	92,882.84	5,178.62	-	-	23.31	1,260.67	245.06	1,170.61	2,643,819.98
<b>TOTAL ASSETS</b>	<b>(5.35)</b>	<b>80,547.49</b>	<b>10,103.03</b>	<b>3,946.61</b>	<b>4,393.65</b>	<b>2,444,073.44</b>	<b>-</b>	<b>-</b>	<b>92,882.84</b>	<b>5,178.62</b>	<b>-</b>	<b>-</b>	<b>23.31</b>	<b>1,260.67</b>	<b>245.06</b>	<b>1,170.61</b>	<b>2,643,819.98</b>
LIABILITIES AND FUND BALANCES																	
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
UNRESERVED FUND BALANCES	(5.35)	80,547.49	10,103.03	3,946.61	4,393.65	2,444,073.44	-	-	92,882.84	5,178.62	-	-	23.31	1,260.67	245.06	1,170.61	2,643,819.98
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>(5.35)</b>	<b>80,547.49</b>	<b>10,103.03</b>	<b>3,946.61</b>	<b>4,393.65</b>	<b>2,444,073.44</b>	<b>-</b>	<b>-</b>	<b>92,882.84</b>	<b>5,178.62</b>	<b>-</b>	<b>-</b>	<b>23.31</b>	<b>1,260.67</b>	<b>245.06</b>	<b>1,170.61</b>	<b>2,643,819.98</b>

**STATE COMPLIANCE SECTION**

THE COUNTY OF MONTGOMERY, MISSOURI  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
SCHEDULE OF STATE FINDINGS  
DECEMBER 31, 2007 & 2006

**SCHEDULE OF STATE FINDINGS:**

There were no state findings.

**FEDERAL COMPLIANCE SECTION**



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

To the County Commission  
The County of Montgomery, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The County of Montgomery, (the Primary Government), as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the basic financial statements of the County's primary government, and have issued our modified cash basis report thereon dated June 17, 2008.

Our report which was modified because the Primary Government prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We did not express an opinion on supplementary information required by the Governmental Accounting Standards Board. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Primary Government's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Primary Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Primary Government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Internal Control Over Financial Reporting (concluded)

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 06/07-01 06/07-02, and 06/07-03 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Additionally, we noted certain matters that we reported to management of the County in a separate report dated June 17, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Primary Government'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 for the information and use of the County Commission, County Officeholders, Missouri State Auditor, the Federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than those specified parties.

*Daniel Jones & Associates*

DANIEL JONES & ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

June 17, 2008

THE COUNTY OF MONTGOMERY  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
SCHEDULE OF QUESTIONED COSTS  
YEARS ENDED DECEMBER 31, 2007 AND 2006

**I. Financial Statement Findings**

- 06/07-01**      **Criteria:** Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.
- Condition:** During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.
- Effect:** Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.
- Cause:** Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.
- Recommendation:** Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.
- Management's Response:** The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.
- 06/07-02**      **Criteria:** Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.
- Condition:** Documentation of the County's internal controls has not been prepared.
- Effect:** The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

THE COUNTY OF MONTGOMERY  
MONTGOMERY CITY, MISSOURI  
(the Primary Government)  
SCHEDULE OF QUESTIONED COSTS  
YEARS ENDED DECEMBER 31, 2007 AND 2006

**I. Financial Statement Findings (Concluded)**

**Cause:** Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

**Recommendation:** We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

**Management's Response:** The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

**06/07-03**

**Criteria:** Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

**Condition:** During our audit, we noted there is no formal fraud risk assessment in place.

**Effect:** Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

**Cause:** Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

**Recommendation:** We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

**Management Response:** The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

**II. Follow-Up Prior Year Financial Statement Findings and Questioned Costs**

There were no prior year findings and questioned costs related to Government Auditing Standards for an audit of financial statements.



**Daniel Jones  
& Associates**  
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF  
MISSOURI SOCIETY OF CPA'S  
AMERICAN INSTITUTE OF CPA'S

June 17, 2008

To the County Commissioners  
Montgomery County of Missouri

In planning and performing our audit of the basic financial statements of the Montgomery County of Missouri as of and for the years ended December 31, 2007 and 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Significant
- II. Changes Impacting Governmental Organizations
- III. Information Required by Professional Standards

County's management has provided written responses to the comments in this report that were identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, board of trustees, and others within the County, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Daniel Jones & Associates*

Daniel Jones & Associates  
Certified Public Accountants

## I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

06/07-01

**Criteria:** Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, under Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2006, conditions necessitating the entity's auditor to provide such assistance is at least indicative of a significant deficiency.

**Condition:** During the current year, auditors of the County assisted with the preparation of the financial statements and the notes to financial statements.

**Effect:** Auditors may continue to assist clients with the preparation of the financial statements now and in the future. However, SAS 112 indicates that conditions necessitate the entity's auditor to provide such assistance is at least indicative of a significant deficiency in internal control over financial reporting.

**Cause:** Due to the short time frame for the implementation of the new SAS requirements, management did not prepare the financial statements or the notes to financial statements.

**Recommendation:** Due to the changing standards, the County may wish to consider alternatives available that would eliminate this situation.

**Management's Response:** The County is currently complying with all state statutes relating to the preparation of the financial statements with the preparation of the county's annual budget document and annual financial statement. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-02

**Criteria:** Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters in an Audit*, which is effective for period ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

**Condition:** Documentation of the County's internal controls has not been prepared.

**Effect:** The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the County may not be able to ensure that controls are in place, communicated and operating effectively.

**Cause:** Due to the short time frame for the implementation of the new SAS requirements, the County did not prepare the required documentation.

**Recommendation:** We recommend that the County develop the required internal control documentation. In addition, we recommend studying the COSO internal control guidance and tools as a means to begin the process. Once this documentation is complete, those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

## I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT(Concluded)

**Management's Response:** The County is willing to review this recommendation with the state auditor and the contract auditor to further understand the COSO internal controls. The county was not aware of new SAS requirements and questions if county governments of our size are required to comply with SAS standards.

06/07-03

**Criteria:** Antifraud programs and controls are the policies and procedures put in place by an organization to help ensure that management directives are carried out. They are part of the overall system of internal control established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

**Condition:** During our audit, we noted there is no formal fraud risk assessment in place.

**Effect:** Lack of an appropriate risk assessment process may result in certain risks not being identified by County's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper assessment procedures.

**Cause:** Management has not prepared documentation of risk assessments, including identified risks and mitigating controls.

**Recommendation:** We recommend that the County address various risks in the environment, including risk of fraud occurring by performing assessments to identify, analyze and manage these risks.

**Management Response:** The County is willing to review this recommendation with the state auditor and the contract auditor to determine various risk assessments.

## II. CHANGES IMPACTING GOVERNMENTAL ORGANIZATIONS

- a. SAS 104 through 111, *Risk Assessment Standards*, are effective for fiscal periods beginning on or after December 15, 2006. These standards increase the auditors' responsibility and requirements, including a more extensive understanding of the organization and documentation of audit procedures.
- b. SAS 112, *Communication of Internal Control Matters*, is effective for fiscal periods ending on or after December 15, 2006. These standards change the definition of internal control deficiencies.
- c. SAS 114, *The Auditor's Communication with Those Charged with Governance*, is effective for fiscal periods beginning on or after December 15, 2006. This standard increases the auditors' responsibility to communicate information about audit planning, the client's accounting practices, and other significant matters.

## III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS

### Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated June 17, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### **III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Continued)**

As part of our audit, we considered the internal control of the Montgomery County of Missouri. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Montgomery County of Missouri's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

#### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Montgomery County of Missouri are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2007 and 2006. We noted no transactions entered into by the governmental unit during the years for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

#### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 17, 2008.

### **III. INFORMATION REQUIRED BY PROFESSIONAL STANDARDS (Concluded)**

#### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.