

MONTGOMERY COUNTY TEXAS

Comprehensive Annual Financial Report



**For the Fiscal Year Ended
September 30, 2007**

MONTGOMERY COUNTY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2007

Prepared by
THE MONTGOMERY COUNTY AUDITOR'S OFFICE
Phyllis L. Martin
County Auditor

MONTGOMERY COUNTY, TEXAS
Comprehensive Annual Financial Report
Table of Contents
Year Ended September 30, 2007

PAGE

INTRODUCTORY SECTION

County Auditor's Letter of Transmittal	1
GFOA Certificate of Achievement.	5
Organization Chart	6
Directory of Elected and Appointed Officials	7

FINANCIAL SECTION

Independent Auditors' Report	9
Management's Discussion and Analysis.	11

Basic Financial Statements:

EXHIBIT

Government-wide Financial Statements:

Statement of Net Assets.	I	28
Statement of Activities.	II	29

Fund Financial Statements:

Balance Sheet – Governmental Funds	III	30
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets.. . . .		33
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.	IV	34
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities		37
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (GAAP Basis) and Actual – Major Governmental Funds	V	38
Statement of Assets and Liabilities – Fiduciary Funds.	VI	42
Notes to the Financial Statements		43

Additional Supplementary Information:

SCHEDULE

Schedule of Revenues and Other Financing Sources – Budget (GAAP Basis) and Actual – General Fund	A-1	68
Schedule of Expenditures and Other Financing Uses – Budget (GAAP Basis) and Actual – General Fund	A-2	70
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Debt Service Fund	A-3	81

Combining and Individual Fund Statements and Schedules:

Combining Balance Sheet – Nonmajor Governmental Funds	B-1	84
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.	B-2	85
Combining Balance Sheet – Nonmajor Special Revenue Funds.	C-1	88
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	C-2	92

MONTGOMERY COUNTY, TEXAS
Comprehensive Annual Financial Report
Table of Contents
Year Ended September 30, 2007

	<u>SCHEDULE</u>	<u>PAGE</u>
Schedule of Revenues, Expenditures, and Changes in Fund		
Balance – Budget (GAAP Basis) and Actual – Attorney		
Administration Fund	C-3	96
Schedule of Revenues, Expenditures, and Changes in Fund		
Balance – Budget (GAAP Basis) and Actual –		
Forfeitures Fund.	C-4	97
Schedule of Revenues, Expenditures, and Changes in Fund		
Balance – Budget (GAAP Basis) and Actual – Civic		
Center Complex Fund.	C-5	98
Schedule of Revenues, Expenditures, and Changes in Fund		
Balance – Budget (GAAP Basis) and Actual – FEMA		
Disaster Grants Fund.	C-6	99
Schedule of Revenues, Expenditures, and Changes in Fund		
Balance – Budget (GAAP Basis) and Actual – Jury Fund.	C-7	100
Schedule of Revenues, Expenditures, and Changes in Fund		
Balance – Budget (GAAP Basis) and Actual – Sheriff		
Commissary Fund	C-8	101
Schedule of Revenues, Expenditures, and Changes in Fund		
Balance – Budget (GAAP Basis) and Actual – Memorial		
Library Fund	C-9	102
Schedule of Revenues, Expenditures, and Changes in Fund		
Balance – Budget (GAAP Basis) and Actual –		
Community Development Fund.	C-10	103
Schedule of Revenues, Expenditures, and Changes in Fund		
Balance – Budget (GAAP Basis) and Actual – Animal		
Shelter Fund	C-11	104
Schedule of Revenues, Expenditures, and Changes in Fund		
Balance – Budget (GAAP Basis) and Actual – Law		
Library Fund	C-12	105
Schedule of Revenues, Expenditures, and Changes in Fund		
Balance – Budget (GAAP Basis) and Actual –		
Historical Commission Fund.	C-13	106
Schedule of Revenues, Expenditures, and Changes in Fund		
Balance – Budget (GAAP Basis) and Actual –		
Alternate Dispute Resolution Fund	C-14	107
Schedule of Revenues, Expenditures, and Changes in Fund		
Balance – Budget (GAAP Basis) and Actual – Juvenile		
Probation Fund.	C-15	108
Schedule of Revenues, Expenditures, and Changes in Fund		
Balance – Budget (GAAP Basis) and Actual – Child		
Welfare Fund	C-16	109
Combining Balance Sheet – Nonmajor Capital Project Funds	D-1	112

MONTGOMERY COUNTY, TEXAS
Comprehensive Annual Financial Report
Table of Contents
Year Ended September 30, 2007

	<u>SCHEDULE</u>	<u>PAGE</u>
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Capital Project Funds.	D-2	114
Combining Statement of Assets and Liabilities – Agency Funds.	E-1	118
Combining Statement of Changes in Assets and Liabilities – Agency Funds	E-2	119
Capital Assets Used in the Operation of Governmental Funds:		
Schedule by Source	F-1	121
Schedule by Function and Activity	F-2	122
Schedule of Changes by Function and Activity	F-3	124

STATISTICAL SECTION

	<u>TABLE</u>	
Financial Trends:		
Net Assets by Component	I	129
Changes in Net Assets.	II	130
Governmental Fund Balances – Last Ten Fiscal Years.	III	132
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years	IV	134
Revenue Capacity:		
Taxable Assessed Value and Actual Value of Property – Last Ten Fiscal Years.	V	137
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years.	VI	138
Principal Taxpayers – Current Year and Nine Years Ago	VII	146
Property Tax Levies and Collections – Last Ten Fiscal Years.	VIII	147
Debt Capacity:		
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years.	IX	148
Ratios of Net General Bonded Debt Outstanding – Last Ten Fiscal Years	X	149
Legal Debt Margin – Last Ten Fiscal Years.	XI	150
Direct and Overlapping Debt.	XII	152
Pledged-Revenue Coverage – Last Ten Fiscal Years.	XIII	155
Economic and Demographic Indicators:		
Demographic and Economic Statistics – Last Ten Fiscal Years.	XIV	156
Principal Employers – Current Year and Nine Years Ago	XV	157
Operating Information:		
County Employees by Function – Last Ten Fiscal Years.	XVI	159
Operating Indicators by Function – Last Ten Fiscal Years	XVII	160
Capital Asset and Infrastructure Statistics by Function – Last Ten Fiscal Years	XVIII	162



INTRODUCTORY SECTION



Phyllis L. Martin
County Auditor

Montgomery County, Texas
Office of the County Auditor
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P. O. Box 539, Conroe, Texas 77305

Peggie Rushing
1st Assistant County Auditor

James Robey, Supervisor
Accounts Payable

Carol Stroud, Supervisor
Internal Audit

Krissa Garner, Supervisor
Budget/Financial Reporting

March 18, 2008

The Board of District Judges
The Commissioners' Court
Montgomery County, Texas

Honorable Judges and Commissioners:

The Comprehensive Annual Financial Report of Montgomery County, Texas, for the year ended September 30, 2007, is submitted herewith. This report was prepared by the County Auditor in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board, and is in compliance with Chapter 114 Section 025 of the Local Government Code (Vernon's Texas Codes Annotated).

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. To provide a reasonable basis for making this representation, Montgomery County management has established a comprehensive internal control framework designed both to protect governmental assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the county's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Montgomery County's comprehensive framework, because the cost of internal controls should not outweigh their benefits, has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. We believe the data as presented is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of Montgomery County as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the County's financial activity have been included.

Montgomery County's financial statements have been audited by Hereford, Lynch, Sellars & Kirkham, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended September 30, 2007 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the financial statements of Montgomery County for the year ended September 30, 2007 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of Montgomery County was a part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The

standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the government's internal controls and compliance with legal requirements. Specific emphasis was placed on internal controls and compliance with laws and regulations involving the administration of federal awards. This Single Audit Report is available as a separate report from Montgomery County.

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

Profile of Montgomery County

Montgomery County was created in 1837, and is located on the southern edge of the Big Thicket, approximately forty miles north of metropolitan Houston. The County provides a full range of services, including police protection, legal and judicial services, construction and maintenance of roads and bridges, public health service, and facilities for recreational and cultural use. The County operates a full service airport as a reliever to nearby Bush Intercontinental Airport. Three major rail lines intersect in the county seat of Conroe. The North Harris Montgomery Community College District offers both 2- and 4-year degree plans in partnership with several universities throughout the state. Scenic Lake Conroe sits among some 1,090 square miles of rolling hills and grassy meadows to create an atmosphere of rural America nestled securely beside its urban neighbors.

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

The U.S. Census Bureau reported the 1990 population for Montgomery County to be 180,394, and the year 2000 population to be 293,768. At September 30, 2007 the reported population was 394,517. This 34% growth in eight years was evident in the increased demand for service at the county level.

Montgomery County maintains strict budgetary controls to ensure compliance with legal provisions in the annual appropriated budget approved by the governing body. Activities of the General Fund, the Special Revenue Funds, and the Debt Service Fund are included in the annual appropriated budget. Budget to actual comparisons are provided in this report for all funds for which an annual appropriated budget is adopted. According to the budget laws of the State of Texas, expenditures may not exceed the amount appropriated for each fund. The Budget Officer is responsible for compiling and presenting a budget to Commissioners' Court for their consideration and approval, adhering to a calendar established by the statutes of the State of Texas. In keeping with those statutes, the ad valorem tax levy cannot be established until the budget is adopted. In Montgomery County, the budget is adopted by September 1 of each year. Once adopted, it is enforced by the County Auditor, as provided by statute.

Factors Affecting Financial Condition

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

Local economy- The County's economy has historically been based on mineral production (oil, gas, sand, and gravel), agriculture (horses, cattle, greenhouse nurseries), and lumbering (timber products). Commercial construction has continued to increase as a result of several large shopping centers being developed along the Interstate 45 corridor. Investments made in Texas highways recently have assisted in attracting new and diverse businesses to the County. The Woodlands, a planned community in south Montgomery County, is home to energy, biomedical, and technology businesses, causing continued growth in the southern part of the County. Evidence of this growth is seen in the inclusion of The

Woodlands Land Development, LP near the top of the list of ten principal taxpayers in the County during 2007.

Long-term financial planning- The Commissioners' Court continues to be very active in infrastructure development, specifically road improvements, to help insure economic growth. In the second half of calendar year 2005, the County executed an agreement with the Texas Department of Transportation that will facilitate the improvement of five separate state-owned roads in the near future. This "pass-thru toll" agreement provides for the County to pledge local funds to improve these roads, with a partial reimbursement from federal highway funds at a later date. The County pledged \$100million of the Series 2006 \$160million voter-approved road bonds, as well as an additional \$86million of future bonds to leverage the federal funds for the projects in the hopes of gaining an estimated \$230million in improvements for the citizens of Montgomery County.

As part of this future planning, the Commissioners' Court created the Montgomery County Toll Road Authority ("MCTRA") in August 2006. The MCTRA will be charged with the task of collecting tolls from vehicles traveling on that portion of State Highway 242 which connects with Interstate 45 in southern Montgomery County. This project will improve one of the specific roads listed in the agreement with the Texas Department of Transportation, and is expected to be completed in early 2009. Revenues generated by the authority are anticipated to be used to either retire a portion of the debt related to the construction or to fund future improvements.

Recognizing the immediate as well as future need for more bed space in the county jail, Commissioners' Court created the Jail Financing Corporation in September 2006. The primary purpose of the new entity was to raise the funds necessary to construct an 1,100-bed detention facility adjacent to the existing jail. The Corporation issued \$45million in lease-revenue bonds during 2007, and construction is currently underway. Upon completion, the facility will be leased to the County by the Corporation to initially house federal inmates under the terms of an intergovernmental agreement (IGA) with the federal government. Revenues received from housing the federal inmates will, in turn, be used to retire the outstanding bonds. The County anticipates "opening up" an estimated 250 beds in the existing jail by transferring current federal inmates to the new facility.

In an effort to combat the increasing inflationary cost on medical claims and to control utilization of plan benefits by participants, the County will open an employee/retiree health clinic, which will allow the County to pay for minor medical services at substantially reduced pricing. The clinic will also be modeled to offer Health Risk Assessments (HRA) which will allow for identification and education for the prevention of medical conditions by the employee/retiree population. With proper maintenance of certain medical conditions, the employer sponsored medical plan will be less apt to incur large claims.

In addition to traditional medical claims, the Clinic will offer immediate medical services for Workers Compensation injuries. A large percentage of workers compensation claims could be resolved at the clinic and the employee would be released to back to work. This method of service would allow for a reduction of workers compensation claim cost and workers compensation indemnity payments for the County.

If all components of the medical clinic are implemented, including a pharmacy, the County should achieve substantial savings now and in the future.

Cash management policies and practices- The County's investment function operates within the guidelines of a written policy as required by the Public Funds Investment Act. An investment committee comprised of the County Treasurer, Tax Assessor-Collector, District Clerk, and a member of Commissioners' Court oversees the investment activities for the County. The County Auditor and County Attorney are advisors to the committee. Commissioners' Court has designated the County Treasurer the investment officer for the County.

Specific investment strategies have been identified for each group of funds. Strategies emphasize safety of principal as well as liquidity. Demand deposits are covered by pledged collateral maintained in joint

safekeeping accounts at Compass Bank. Special attention is paid to timing maturities to be consistent with construction project draws and regular operating expenditures.

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

Pension and other post-employment benefits- The County provides retirement, disability, and death benefits for all of its full-time regular employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). Detailed information on the retirement plan and other post-employment benefits can be found in the notes to the financial statements.

Awards and Acknowledgments

At the annual conference of the National Purchasing Institute (NPI), Montgomery County was awarded an Achievement of Excellence in Procurement for demonstrating extraordinary innovation, professionalism, productivity, and leadership attributes in the Purchasing Department. This was the fifth consecutive year that the County has achieved this award.

For only the second time in 10 years, the Board of Trustees of the Conroe Independent School District honored the Montgomery County Memorial Library System with its Patron Influencing Education (PIE) Award. The award recognizes the Library System's commitment and dedication to improving the literacy skills of the students of the Conroe Independent School District.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Montgomery County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2006. This was the nineteenth consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of all County departments. I want to express my appreciation to the entire staff of the Office of County Auditor for their continued efforts. Krissa Garner, Budget and Financial Reporting Supervisor, and the Budget and Financial Reporting Section were instrumental in the timely and accurate completion of this report, and should be commended for their contribution.

I also wish to commend the members of the Commissioners' Court for conducting the financial operations of Montgomery County in a responsible manner, while meeting the increasing demands for public service.

Respectfully submitted,

Phyllis L. Martin
Montgomery County Auditor

/s

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Montgomery County
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2006

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



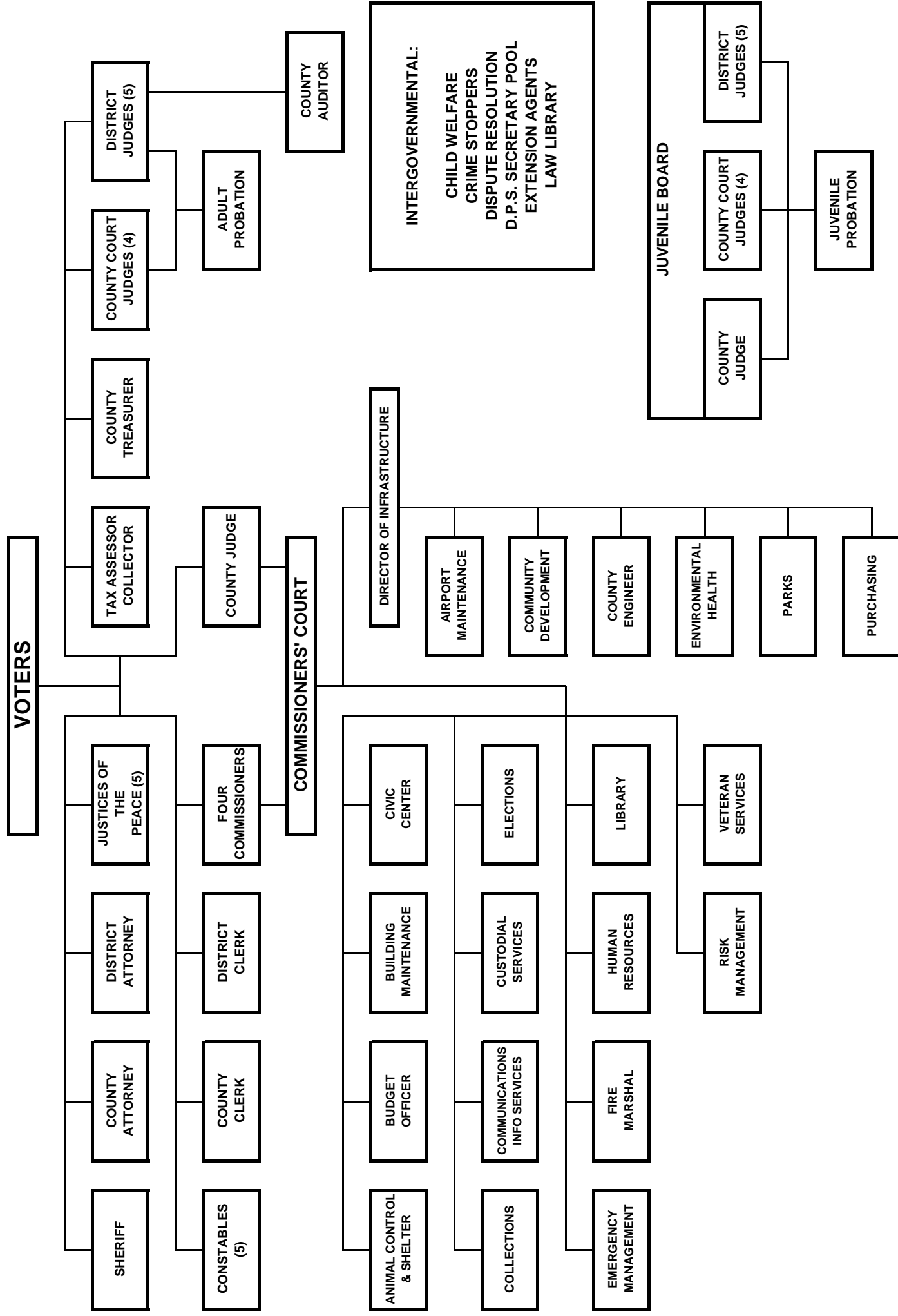
Chloe S. Cox

President

Jeffrey R. Egan

Executive Director

MONTGOMERY COUNTY, TEXAS ORGANIZATION CHART



MONTGOMERY COUNTY, TEXAS
DIRECTORY OF OFFICIALS
SEPTEMBER 30, 2007

COMMISSIONERS' COURT:

Alan B. Sadler
Mike Meador
Craig Doyal
Ernest E. Chance
Ed Rinehart

County Judge
Commissioner, Precinct #1
Commissioner, Precinct #2
Commissioner, Precinct #3
Commissioner, Precinct #4

DISTRICT COURT:

Fred Edwards
Suzanne Stovall
Cara Wood
Kathleen Hamilton
K. Michael Mayes
Michael McDougal
Barbara G. Adamick

Judge, 9th Judicial District
Judge, 221st Judicial District
Judge, 284th Judicial District
Judge, 359th Judicial District
Judge, 410th Judicial District
District Attorney
District Clerk

COUNTY COURT AT LAW:

Dennis Watson
Luther J. Winfree
Patrice McDonald
Mary Ann Turner
David Walker
Mark Turnbull

Judge, County Court at Law #1
Judge, County Court at Law #2
Judge, County Court at Law #3
Judge, County Court at Law #4
County Attorney
County Clerk

JUSTICE COURT:

Lanny Moriarty
Grady Trey Spikes
Mary E. Connelly
James Metts
Matthew Masden

Justice of Peace, Precinct #1
Justice of Peace, Precinct #2
Justice of Peace, Precinct #3
Justice of Peace, Precinct #4
Justice of Peace, Precinct #5

LAW ENFORCEMENT:

Tommy Gage
Donnie O. Chumley
Gene DeForest
Tim Holifield
Travis L. Bishop
David H. Hill

Sheriff
Constable, Precinct #1
Constable, Precinct #2
Constable, Precinct #3
Constable, Precinct #4
Constable, Precinct #5

FINANCIAL ADMINISTRATION:

J.R. Moore, Jr.
Martha N. Gustavsen
Phyllis L. Martin
Carolyn Hooper
Julane Tolbert, retired 11/30/2007

Tax Assessor-Collector
County Treasurer
County Auditor*
Purchasing Agent*
Budget Officer*

* Designates appointed official. All others are elected.



FINANCIAL SECTION

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American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants
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INDEPENDENT AUDITORS' REPORT

Honorable County Judge and
Commissioners' Court
Montgomery County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montgomery County, Texas (the "County") as of and for the year then ended September 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Montgomery County, Texas's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2007, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will issue at a later date, a report on our consideration of Montgomery County, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 11-26 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, additional supplementary information, combining and individual nonmajor fund financial statements and schedules, schedules of capital assets used in the operation of governmental funds, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules, additional supplementary information, and schedules of capital assets used in the operation of governmental funds as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Hereford, Lynch, Sellars & Kirkham, P.C.

HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.

Certified Public Accountants

Conroe, Texas

March 17, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis provides readers of the financial statements of Montgomery County, Texas (the County) with a narrative overview and analysis of the County's financial activities for the fiscal year ended September 30, 2007. The intent of this discussion and analysis is to evaluate the current activities, resulting changes, and currently known facts of the County as a whole. Readers of this discussion and analysis should consider the information presented here in conjunction with additional information that is furnished in the accompanying letter of transmittal, which can be found on pages 1-4 of this report. This discussion should also be read in conjunction with the basic financial statements and the notes to those financial statements (which immediately follow this discussion). The discussion and analysis includes comparative data for the prior year.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the fiscal year by \$316,966,768 (net assets). Of this amount, \$7,070,714 is restricted for specific purposes. With the presentation of the investment in capital assets, unrestricted net assets becomes a negative \$59,096,992. Analysis of the negative unrestricted net assets reveals that a large portion of debt was used to purchase land for road expansion projects that are a joint undertaking with the State. In these instances of expansion of State-owned roads, the County will report the debt at this time, but not the asset.
- The revenues of the County's government-wide activities were \$241,704,983 and expenses were \$203,300,672. Rapid growth in the county brought about uncommon infrastructure contributions, adding to an increase in net assets of \$38,404,311.
- At September 30, 2007, the County's governmental funds reported combined ending fund balances of \$148,623,365, a decrease of \$700,458 in comparison with the prior year. From the ending fund balance, \$125,357,069 is reserved for specific purposes. Approximately 13% of the ending balance, \$18,798,413, is available for spending at the government's discretion.
- At September 30, 2007, unreserved, undesignated fund balance for the General Fund was \$19,451,182, or 18.5% of total General Fund expenditures.
- The County's total net bonded debt increased by \$40,429,179 (14.0%) during the current fiscal year. This increase was brought about by the issuance of \$41,495,000 in refunding bonds and \$44,834,989 in lease revenue bonds. The refunding issue contributed to an increase of outstanding general obligation bonds by \$2,481,873, while instrumentally affecting a decrease in outstanding certificates of obligation by \$3,495,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Montgomery County's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional supplementary information to the financial statements themselves.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities, the two government-wide financial statements, are designed to provide readers with a broad overview of Montgomery County's finances, similar to the financial statements of a private-sector business. Both of these statements are presented using the full accrual basis of accounting; therefore, revenues are reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of cash being received or disbursed. These statements include capital assets of the County (including infrastructure added since implementing GASB 34 in fiscal year 2003 and the portion of GASB 34 as it pertains to retroactive infrastructure reporting) as well as all liabilities (including long-term debt). Additionally,

certain eliminations have occurred as prescribed by GASB 34 in regards to interfund activity, payables and receivables.

The Statement of Net Assets presents information on all of Montgomery County's assets and liabilities, with the difference between the two being reported as net assets. This statement is similar to that of the balance sheet of a private-sector business (with primary sections in a business balance sheet being assets, liabilities, and equity). The GASB believes that, over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents the County's revenues and expenses for the year, with the difference between the two resulting in the change in net assets for the fiscal year ended September 30, 2007. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Because the statement of activities separates program revenue (revenue generated by specific programs through fees, fines, forfeitures, charges for services, or grants received) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each function has to rely on general revenues for funding. The governmental functions of the County include general administration, judicial, legal services, elections, financial administration, public facilities, public safety, health and welfare, culture and recreation, conservation, public transportation, miscellaneous, and debt service.

Government-wide financial statements include not only the activities of the County itself (known as the primary government), but also those of a legally separate component unit: the Montgomery County Jail Financing Corporation. The County Commissioners' Court acts as the Board of Directors for the component unit whose activities are blended with those of the primary government because they function as part of the County government.

The government-wide financial statements can be found on pages 28-29 of this report.

Fund Financial Statements

The fund financial statements focus on the County's most significant funds (major funds) rather than fund types, or the County as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Montgomery County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

- 1) Governmental funds are maintained to account for the government's operating and financing activities. The measurement focus is on available resources.
- 2) Fiduciary funds are used to account for resources that are held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the government's own programs.

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. As mentioned earlier, government-wide financial statements are reported using full accrual accounting; governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as balances of available resources. In other words, revenue is reported when earned, provided it is collectible within the reporting period or soon enough afterward to be used to pay liabilities of the current period. Likewise, liabilities are recognized as expenditures only when payment is due since they must be liquidated with available cash. Such information is useful in comparing a government's near-term financing requirements to near-term resources available.

The focus of governmental funds is narrower than that of the government-wide financial statements; therefore it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers should better understand the results and long-term impact of the government's near-term financing decisions. The user is assisted in this comparison between the two bases of accounting by way of a reconciliation statement between the governmental fund balance sheet and the government-wide statement of net assets, as well as a reconciliation statement between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

Montgomery County maintained 31 individual governmental funds during the fiscal year ended September 30, 2007. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Road and Bridge Fund, the Debt Service Fund, the Airport Maintenance Special Revenue Fund, the Capital Project Jail Financing Corporation Fund, the Capital Projects Road Bonds Series 2006A Fund, and the Capital Projects Road Bonds Series 2006B Fund, all of which are considered to be major funds. Data from the remaining governmental funds (i.e., nonmajor funds) is combined into a single, aggregated presentation. Individual fund data for each nonmajor governmental fund is provided in the form of combining schedules, which are included in the Other Supplementary Information section following the notes to the financial statements.

Montgomery County utilizes and maintains budgetary controls over its operating funds. Budgetary controls are used to ensure compliance with legal provisions required under state statute governing the annual appropriated budget. Budgets for governmental funds are established in accordance with state law and are adopted at the department level for the General Fund, all Special Revenue Funds, and the Debt Service Fund using the primary categories of salaries, benefits, supplies, services, and capital outlay. A budgetary comparison statement is provided in the financial section for the General Fund and the Road and Bridge Special Revenue Fund. Budgetary comparison schedules for the Debt Service Fund and all nonmajor special revenue funds are provided as supplementary information. These budgetary comparisons can be used to demonstrate compliance with the budget both in its original and final forms.

The basic governmental fund financial statements can be found on pages 30-40 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties other than the County itself. Agency funds are the only fiduciary fund type used by Montgomery County, and they are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs and expenses of the County. The basis of accounting used for fiduciary funds is the full accrual basis, much like that of the government-wide statements.

The basic fiduciary fund financial statements can be found on page 41 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. As such, the notes are an integral part of the basic financial statements. They focus on the primary government's governmental activities, major funds, and nonmajor funds in the aggregate.

The notes to the financial statements can be found on pages 43-66 of this report.

Additional supplementary information is comprised of the General Fund final budget versus actual at the department level, along with the Debt Service Fund final budget versus actual at the function level. This comparative data can be found on pages 68-81 of this report.

Other supplementary information includes combining financial statements for nonmajor governmental and fiduciary funds. These funds are totaled by fund type and presented in a single column in the basic

financial statements. They are not reported individually, as with major funds, on the governmental fund financial statements.

Other supplementary information can be found on pages 84-125 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the GASB believes that net assets may serve over time as a useful indicator of a government's financial position. Montgomery County's assets exceeded liabilities by \$316,966,768 at September 30, 2007, as shown in the table below. This amount represents an increase through governmental activities of \$38,404,311 from the net assets at September 30, 2006.

Montgomery County, Texas		
Net Assets - Governmental Activities		
	FY 2007	FY 2006
Current and other assets	\$ 205,233,607	\$191,661,478
Capital assets	487,246,734	409,573,746
Total assets	<u>692,480,341</u>	<u>601,235,224</u>
Long-term liabilities outstanding	347,275,198	303,651,238
Other liabilities	28,238,375	19,021,529
Total liabilities	<u>375,513,573</u>	<u>322,672,767</u>
Net assets:		
Invested in capital assets, net of related debt	368,993,046	314,159,873
Restricted	7,070,714	6,009,968
Unrestricted	(59,096,992)	(41,607,384)
Total net assets	<u>\$ 316,966,768</u>	<u>\$ 278,562,457</u>

The County's total assets of \$692,480,341 are largely comprised of investments of \$146,326,044, or 21.2%, and capital assets net of accumulated depreciation of \$487,246,734, or 70.4%. The capital assets of the County include land, buildings, improvements other than buildings, equipment, and infrastructure (roads, bridges, signs, etc.) Capital assets are non-liquid assets that provide services to citizens; as a result, these assets cannot be utilized to satisfy County obligations.

As in last year, long-term debt of \$347,275,198 comprises the largest portion of the County's total liabilities of \$375,513,573, at 92.5%. Of total long-term liabilities, \$10,286,674 is due within one year, with the remainder of \$336,988,524 being due over a period of time greater than one year. A more in-depth discussion of long-term debt can be found in the notes to the financial statements.

The County's assets exceeded its liabilities by \$316,966,768 (net assets) on September 30, 2007. Roughly 2.3%, or \$7,070,714, of the County's net assets represents restricted net assets. These resources are subject to external restrictions on how they may be used. Restrictions include statutory requirements, bond covenants, and granting conditions. Of those restricted net assets, \$77,208 is restricted for capital projects and \$6,993,506 is restricted for debt service of compensated absences and arbitrage rebate. The most significant portion (\$368,993,046) of the County's net assets reflects its investment in capital assets, net of related debt. Although unrestricted net assets is negative for government-wide net assets, it should be noted that the County's fund financial statements continue to reflect positive unreserved fund balances.

Montgomery County's governmental activities increased net assets by \$38,404,311. The key components of this increase are as follows:

**Montgomery County, Texas
Governmental Activities**

	<u>FY 2007</u>	<u>FY 2006</u>
Revenues:		
<i>Program revenues:</i>		
Fees, fines, forfeitures, and charges for services	\$ 42,109,442	\$ 39,591,432
Federal grants and contributions	11,964,706	8,743,261
State grants and contributions	2,761,919	2,509,020
Other grants and contributions	58,884,598	38,682,758
<i>General revenues:</i>		
Property taxes	115,740,129	105,410,635
Other taxes	1,381,764	1,142,888
Other general revenues	8,862,425	3,743,517
Total revenues	<u>241,704,983</u>	<u>199,823,511</u>
Expenses:		
General administration	11,780,620	13,416,534
Judicial	17,042,393	16,761,386
Legal services	2,233,072	2,101,795
Elections	1,466,229	1,086,378
Financial administration	4,981,536	4,791,906
Public facilities	20,208,449	20,768,370
Public safety	44,725,170	41,162,610
Health and welfare	7,637,646	8,958,511
Culture and recreation	8,460,806	7,051,403
Conservation	760,370	721,982
Public transportation	69,455,834	58,874,891
Miscellaneous	2,846,822	3,009,024
Debt service interest and fiscal charges	11,701,725	10,553,741
Total expenses	<u>203,300,672</u>	<u>189,258,531</u>
Change in net assets	38,404,311	10,564,980
Net assets - beginning	<u>278,562,457</u>	<u>267,997,477</u>
Net assets - ending	<u>\$ 316,966,768</u>	<u>\$ 278,562,457</u>

The County's total revenues of \$241,704,983 were all from governmental activities. Property tax revenue accounts for \$115,740,129, or 47.9%; program revenues of fees, fines, forfeitures, and charges for services comprise \$42,109,442, or 17.4%; and grants and contributions encompass \$73,611,223, or 30.4% of total government-wide revenues. Exceptional infrastructure donations contribute to an increase of \$20,201,840 in other grants and contributions.

Expenses for the year totaled \$203,300,672. The public transportation function accounted for \$69,455,834, or 34.2% of this total. The increase in spending in the public transportation function continues to be due to the several large road construction projects the County has undertaken. These projects are primarily for the widening and improvement of State-owned roads, creating inflated expenditures in the public transportation function, with no offsetting asset capitalization. The public safety (\$44,725,170), public facilities (\$20,208,449), and judicial (\$17,042,393) functions represent 22.0%, 10.0%, and 8.4% of total government-wide expenditures, respectively. These three functions show marked interdependent increases. Expenses of the County jail and law enforcement agencies are reported in the public facilities and public safety functions, respectively. These two functions operate with the courts, which are housed in the judicial function.

The government's ending net assets of \$316,966,768 represent an increase of \$38,404,311 from the prior year's \$278,562,457 in net assets. The County's change in net assets is summarized by the following chart:

Montgomery County, Texas
Change in Net Assets

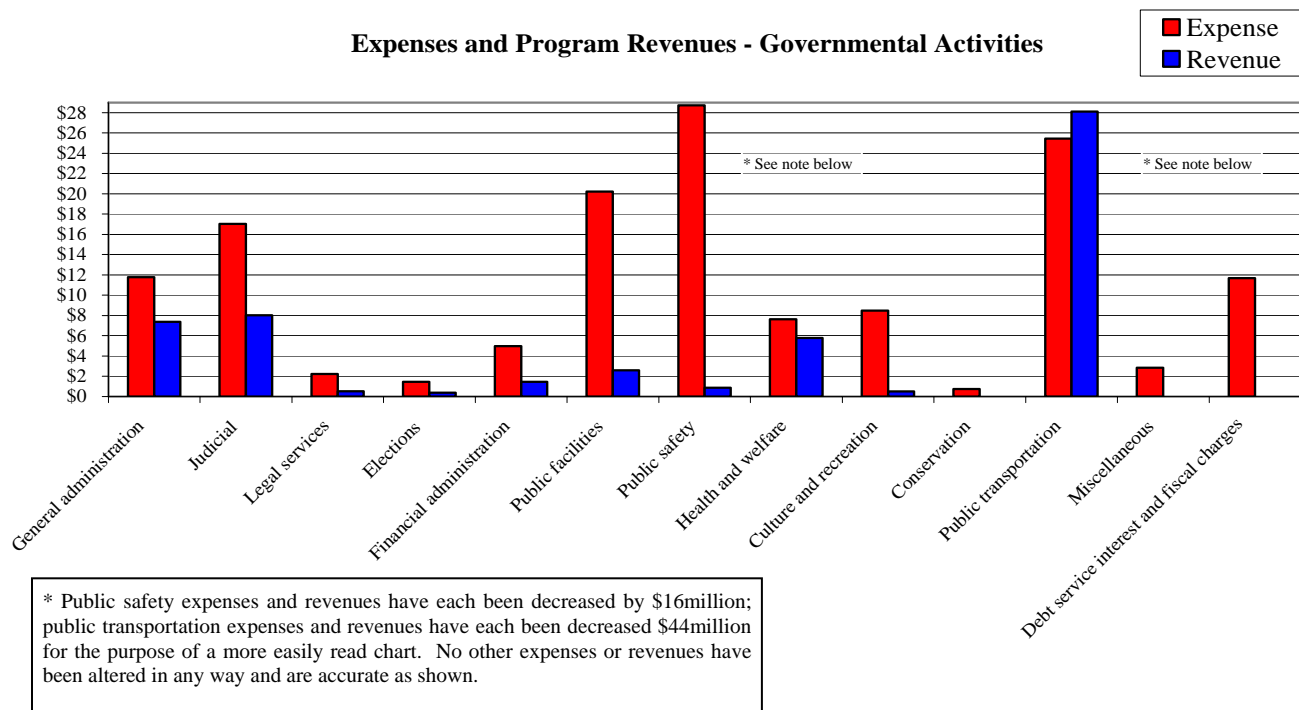
	<u>FY 2007</u>	<u>FY 2006</u>
<i>Governmental funds activity:</i>		
Total revenues	\$ 183,339,792	\$ 161,290,224
Total expenditures	<u>233,438,076</u>	<u>193,273,547</u>
Excess (Deficiency) of revenues over expenditures	(50,098,284)	(31,983,323)
Capital lease financing	3,953,897	262,529
Issuance of certificates of obligation	-	26,320,000
Issuance of general obligation bonds	86,329,989	111,550,000
Payment to refunded bond escrow agent	(41,706,307)	
Premiums on obligations, net	<u>820,247</u>	<u>3,650,574</u>
Net change in fund balance	(700,458)	109,799,780
<i>Government-wide activity:</i>		
Difference between current year's capital outlay expenditures and depreciation expense	20,155,851	(1,710,972)
Net effect of capital asset sales, donations, trade-ins, etc.	57,517,135	36,918,174
Revenues not reported in funds because they do not provide current-period financial resources	848,056	1,615,112
Long-term debt not reported in funds because it does not affect the current period	(37,805,657)	(135,033,692)
Expenses not reported in the funds because they do not use current-period financial resources	<u>(1,610,616)</u>	<u>(1,023,422)</u>
Total change in net assets	<u>\$ 38,404,311</u>	<u>\$ 10,564,980</u>

This change in net assets begins with the current year's differences between governmental revenues and expenditures (\$50,098,284), along with other financing sources and uses (\$49,397,826). Differences between capital assets added during the year and the depreciation related to all capital assets recorded, along with the effect of various capital assets transactions, such as dispositions and donations (\$77,672,986) also affect this change.

Other factors influencing the change in net assets are those revenues and expenses that do not provide or require the use of current financial resources (\$762,650). GASB 34 dictates that the County record an allowance for accounts that are unlikely to be collected. These allowances for doubtful accounts combine with items, such as deferrals of long-term balances not being paid in the current year, to constitute further changes in net assets. Additionally, long-term debt, whether being issued or retired, has an effect on the change in net assets (\$37,805,657). During the fiscal year, the County issued new debt and paid off a portion of its existing debt. These financings represent further changes in the net assets of the County.

The overall financial position of the County has improved over the last year. As mentioned earlier, there is an increase in net assets of \$38,404,311. Additionally, the increase of \$1,944,655 in the combined fund balance of Montgomery County's three major operating funds would indicate an improvement in overall financial position. However, total operating fund balance is neither where management desires nor intends for it to be. As part of long-range planning, management has pledged to continue increasing the level of the operating funds' fund balances until such time as they represent between 20 and 25 percent of annual operating costs.

The following chart depicts expenses and program revenues for the fiscal year ending September 30, 2007 for governmental activities.

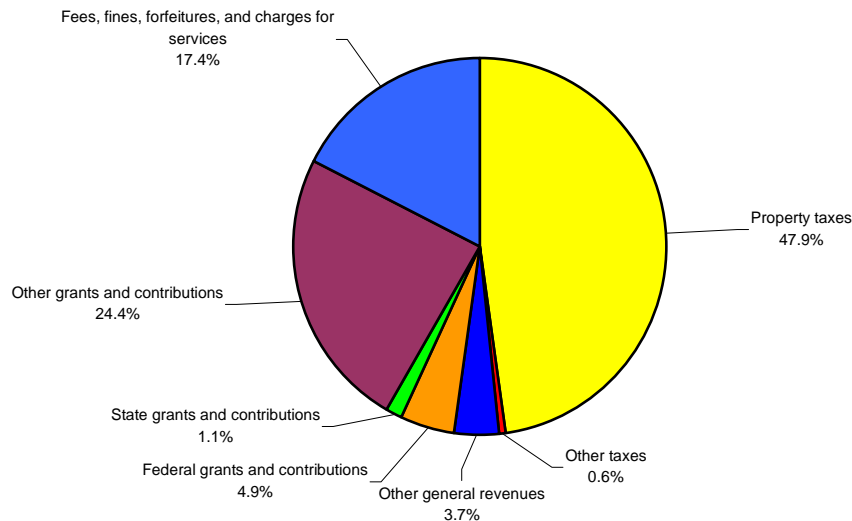


Key elements of the analysis of government-wide program revenues and expenses as they relate to each function reflect the following:

- Program revenues of \$115,720,665 are comprised in large part (62.4%) of public transportation's revenues of \$72,114,894 and public safety's revenues of \$16,867,611 (14.6%). The judicial function makes up 6.9% of program revenues with \$8,036,233, the general administration function covers 6.4% of program revenues with \$7,393,470, and the health and welfare function comprises 5.0% of program revenues with \$5,779,700. The expenses of these functions account for 34.2%, 22.0%, 8.4%, 5.8%, and 3.8%, respectively. As expected, general revenues provided the required support and coverage in areas where expenses exceeded revenues.
- The public transportation function experienced an increase in expenses of \$10,580,943 while realizing an increase in revenues of \$25,539,306. The increase in expenses is the result of an aggressive effort on the part of commissioners to improve and expand roads, many of which are state-owned, located in the County. These roads, because they are not owned by the County, cannot be shown as capital assets in the government-wide analysis; this creates a large expense, with no corresponding asset. The increase in revenues is due in large part to earlier-mentioned donations of roads in a rapidly expanding county.
- The voters of the County expressed their desire for an improved, county-wide library system by approving \$10,000,000 in library construction bonds in fiscal year 2003. As a result, three new libraries were to be built to satisfy library needs. The George and Cynthia Woods-Mitchell Library and the Charles B. Stewart West Branch Library opened in fiscal years 2005 and 2006, respectively. The third library, R. B. Tullis Library, located in the eastern part of the County, opened late in fiscal year 2007. Increased operations have resulted in an increase of culture and recreation expense of \$1,409,403.

The following chart depicts revenues of the governmental activities for the fiscal year ended September 30, 2007.

Revenues by Source - Governmental Activities



GOVERNMENTAL FUND FINANCIAL ANALYSIS

Montgomery County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are a means of providing information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Montgomery County's financing requirements. In particular, unreserved, undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2007, the County's governmental funds reported combined ending unreserved, undesignated fund balances of \$18,798,413, a decrease of \$1,697,463 in comparison with the prior year. This unreserved, undesignated fund balance is available for spending at the County's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed. These commitments can be to fund capital projects (\$119,067,943), pay debt service (\$2,633,600), reflect inventories (\$66,617), and reflect prepaid items (\$3,588,909). Commitments also come in the form of designations that will fund encumbrances from the prior year (\$4,467,883). On September 30, 2007, the total fund balance of the General Fund (the chief operating fund of the County) was \$20,763,060. Of that amount, \$19,451,182 was available for spending at the County's discretion, \$906,436 was designated for encumbrances, and \$405,442 was reserved for prepaid items.

Total assets in the General Fund amounted to \$44,198,471, accounting for 21.0% of total governmental fund assets. The total assets of other major funds include Road and Bridge Special Revenue Fund (\$6,667,046), Debt Service Fund (\$4,608,035), Airport Maintenance Special Revenue Fund (\$10,604,519) Jail Financing Corporation (\$37,130,688), Capital Projects Road Bonds Series 2006A Fund (\$24,549,732), and Capital Projects Road Bonds Series 2006B Fund (\$43,260,415). Together, all major funds account for \$171,018,906 (81.2%) of the County's \$210,726,844 in total assets.

The fund balance of the County's General Fund grew by \$3,911,320 during the current fiscal year. Key factors in this growth are as follows:

- The Commissioners' Court, as part of long-range planning, budgeted a \$2,000,000 fund balance increase.
- An increase in the appraised value of real and personal property and a decrease in the balance of outstanding delinquent taxes boosted ad valorem tax revenues \$2,856,514.
- Significant increases in fees collected for the County Clerk, District Clerk, Justices of the Peace, and Constables contributed toward total fee increases of \$933,763.
- The County has multiple contracts with outside entities for security services through the offices of the Sheriff and the Constables. Increases in the number of contracts generated larger than expected reimbursements from these organizations, resulting in an increase to contract reimbursements of \$1,261,040 over the past year.

The Road and Bridge Special Revenue Fund has a total fund balance of \$1,221,009 which is reported as \$66,617 reserved for inventory, \$758,879 designated for encumbrances and \$395,513 unreserved, undesignated. The unreserved, undesignated portion of the fund balance decreased \$3,053,262 during the current year due to budgeted transfers from the Road and Bridge Special Revenue Fund to various capital projects funds to help finance road construction contracts that were paid through the capital projects funds.

The Debt Service Fund has a total fund balance of \$2,633,600, all of which is reserved for the repayment of debt. The net increase of \$386,836 is largely due to budgeted transfers of \$510,395 that represent the surplus remaining in several capital project funds after completion of their respective projects.

The Airport Maintenance Special Revenue Fund has a fund balance of \$402, which is reported as \$3,183,467 reserved for prepaid items, \$987 designated for encumbrances and (\$3,184,052) unreserved, undesignated. This fund showed a balance of \$365,129 at September 30, 2006. The decrease in fund balance during the fiscal year is due to the transfer of funds associated with federal grants into the appropriate capital project funds.

The issuance of \$44,834,989 in lease-revenue bonds required the County to create the Capital Projects Jail Financing Corporation Fund to account for the bond proceeds. At year-end, the fund balance stood at \$29,243,640, all of which is reserved for completion of the new 1,100 bed jail facility.

The Capital Projects Road Bonds Series 2006A Fund has a fund balance of \$21,274,529 at the end of the fiscal year. The decrease of \$13,584,469 is due to the swift progress in road construction projects throughout the County.

At year end, the \$40,108,736 fund balance of the Capital Projects Road Bonds Series 2006B was reserved for capital projects. The County's commitment to rapid road expansion and its pioneering implementation of the State of Texas "pass-through toll" program brought about a decrease of \$15,857,281 in the fund balance.

GENERAL FUND BUDGETARY HIGHLIGHTS

The published budget of Montgomery County for the fiscal 2007 was prepared on a modified accrual basis, and includes all elements required by Texas Local Government Code Section 111.063, applicable to counties of population more than 125,000 that have appointed a County Budget Officer. The original adopted budget of the General Fund includes revenues of \$108,169,908 and expenditures of \$97,155,301. The General Fund's final budget, as amended, contains revenues of \$119,126,097 and expenditures of \$116,842,460. The following table presents the changes between the original adopted budget and the final budget for the General Fund as of September 30, 2007.

**General Fund
Budget Variances
Year Ended September 30, 2007**

	Original Budget	Final Budget	Variance with Original Budget Positive (Negative)
Revenues:			
Taxes	\$ 84,785,050	\$ 86,550,188	\$ 1,765,138
Licenses and Permits	1,264,558	1,347,901	83,343
Fees	11,990,061	12,344,178	354,117
Intergovernmental	118,024	4,672,354	4,554,330
Charges for Services	215,000	215,000	-
Interest	824,760	831,588	6,828
Contract Reimbursements	5,928,955	10,312,377	4,383,422
Inmate Housing	2,155,000	1,687,550	(467,450)
Fines and Forfeitures	175,000	175,000	-
Miscellaneous	713,500	989,961	276,461
Total Revenues	<u>108,169,908</u>	<u>119,126,097</u>	<u>10,956,189</u>
Expenditures:			
General Administration	13,880,128	16,306,379	(2,426,251)
Judicial	10,847,888	11,035,110	(187,222)
Legal Services	1,641,079	1,867,192	(226,113)
Elections	841,167	1,415,559	(574,392)
Financial Administration	5,048,122	5,175,397	(127,275)
Public Facilities	20,894,378	22,672,777	(1,778,399)
Public Safety	35,692,417	45,791,031	(10,098,614)
Health and Welfare	3,559,401	4,774,146	(1,214,745)
Conservation	431,986	454,607	(22,621)
Miscellaneous	4,318,735	7,350,262	(3,031,527)
Total Expenditures	<u>97,155,301</u>	<u>116,842,460</u>	<u>(19,687,159)</u>
Excess Revenues Over Expenditures	<u>11,014,607</u>	<u>2,283,637</u>	<u>(8,730,970)</u>
Other Financing Sources/(Uses):			
Transfers In	127,282	2,265,621	2,138,339
Transfers Out	-	(1,709,248)	(1,709,248)
Capital Lease Financing	-	567,596	567,596
Total Other Financing Sources/(Uses)	<u>127,282</u>	<u>1,123,969</u>	<u>996,687</u>
Net Change in Fund Balances	<u>11,141,889</u>	<u>3,407,606</u>	<u>(7,734,283)</u>
Fund Balance - Beginning	<u>16,851,740</u>	<u>16,851,740</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 27,993,629</u>	<u>\$ 20,259,346</u>	<u>\$ (7,734,283)</u>

Final budgeted revenues were higher than originally planned by \$10,956,189. The final amended budget for taxes increased \$1,765,138 over the original budget due to an aggressive collection effort, which resulted in higher than originally expected collections of current and delinquent taxes, along with the penalties and interest associated with those delinquent taxes. Intergovernmental revenue contained \$4,554,330 more in the final budget than in the original budget. This increase is largely due to the anticipated receipt of several federal and state grants during the year that were not foreseen at the time the original budget was adopted. The final budget for contract reimbursements was \$4,383,422 more than the original budget. The increase in the anticipated revenue was primarily due to a \$4,860,838 budgeted contract reimbursement for the Community Supervision and Corrections Department's salary and fringe benefits. During the original budget process, Commissioners' Court does not budget for funds that are not at the discretion of the County to spend. Since this contract reimbursement is earmarked for specific purposes, it is not included in the original budget. During the course of the fiscal year, the County entered into several contracts for law enforcement services with local agencies. These contracts were also contributing factors to the increase in the budget.

The originally unanticipated revenue partially offset the expenditure differences of \$19,687,159 between the original budget and the final amended budget. The general administration function had a final expenditure budget that is \$2,426,251 higher than the original budget. This increase was due in large part to employee health coverage in the County's self-insured benefit plan. Estimated reserves are required for self-insurance programs, which are recorded as they become available. At the time of the original budget process, these amounts were not readily identifiable.

The public facilities function had a final budget \$1,778,399 higher than the original budget. During the year, the County continued work to replace the Jail's damaged roof and began work on the replacement of the jail cell door control mechanism. At the time of the original budget process, the amount needed to complete both construction projects was not readily identifiable. Additionally, the cost of utilities for county buildings is charged to the public facilities function. Higher than anticipated increases in utility services caused the County to increase the budget throughout the year.

Funds that were originally scheduled in prior fiscal years were not included in the original budget for fiscal year 2007. This practice reflects the County's policy of letting encumbrances lapse at year-end and re-appropriating them in the current year. This policy created increases in the amended budget for carryovers from the prior year in the general administration, elections, public facilities, health and welfare, public safety, and miscellaneous functions.

A \$10,098,614 increase in the final budget over the original budget for expenditures in the public safety function was the result of several factors, including encumbrance carryovers as mentioned above. Included in the public safety function is the Community Supervision and Corrections Department (CSCD), which is not a County department. However, the County has entered into a contract with the CSCD that enables those employees to participate in the County's employee benefit plan. CSCD reimburses the County 100% of the costs associated with said participation. Management believes inclusion of 100% reimbursed contracts in the original budget would unnecessarily inflate revenues and expenditures because the revenues will always be sufficient to cover the expenditures. The County has elected not to include these amounts in the original, adopted budget each year.

Also contributing to the budgeted variances for the public safety function is the County's participation in several contracts with local agencies for law enforcement services. During the course of the fiscal year, additional interlocal agreements were created with local agencies for the performance of security services. These additional contracts created increased expenditures for the County, but also created an increase in the revenue line supporting the associated expenditure.

The health and welfare function had final budgeted expenditures \$1,214,745 higher than the original budget for expenditures. This function includes two grants that are managed by the University of Texas Medical Branch for the County. Both grants are pass-through in nature, ultimately resulting in a corresponding revenue for the expense incurred. To prevent any increase in taxes for the constituents of the County for this grant-funded cost, the expense is not budgeted until the revenue is budgeted, which was after the original budget process.

An increase in the final budget of \$3,031,527 over the original budget in the miscellaneous function was the result of several factors. During the original budget process, salaries and related benefits are budgeted in this function for anticipated salary increases throughout the year. As those increases are awarded, the funds are moved from the miscellaneous function to the function that relates to the position being increased. However, contributing to increases in the budget for the miscellaneous function are additional costs for the County's self-funded benefit plan for the employees' medical costs.

The increase of expenditures in the final amended budget over the original budget that was not covered by the revenues' increase was reported as a decrease in the final amended budgeted net change in fund balances. This amount was reduced by \$7,734,283.

The following table presents the differences between the final amended budget and actual expenditures for the General Fund as of September 30, 2007.

General Fund Budget Variances Year Ended September 30, 2007			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 86,550,188	\$ 86,721,116	\$ 170,928
Licenses and Permits	1,347,901	1,363,580	15,679
Fees	12,344,178	14,529,676	2,185,498
Intergovernmental	4,672,354	4,052,777	(619,577)
Charges for Services	215,000	282,712	67,712
Interest	831,588	2,293,789	1,462,201
Contract Reimbursements	10,312,377	10,237,033	(75,344)
Inmate Housing	1,687,550	1,607,241	(80,309)
Fines and Forfeitures	175,000	100,719	(74,281)
Miscellaneous	989,961	1,420,777	430,816
Total Revenues	119,126,097	122,609,420	3,483,323
Expenditures:			
General Administration	16,306,379	12,178,369	4,128,010
Judicial	11,035,110	10,958,487	76,623
Legal Services	1,867,192	1,864,419	2,773
Elections	1,415,559	1,373,213	42,346
Financial Administration	5,175,397	4,966,523	208,874
Public Facilities	22,672,777	22,477,341	195,436
Public Safety	45,791,031	43,108,422	2,682,609
Health and Welfare	4,774,146	4,755,954	18,192
Conservation	454,607	449,468	5,139
Miscellaneous	7,350,262	2,846,822	4,503,440
Total Expenditures	116,842,460	104,979,018	11,863,442
Excess Revenues Over Expenditures	2,283,637	17,630,402	15,346,765
Other Financing Sources/(Uses):			
Transfers In	2,265,621	7,653,868	5,388,247
Transfers Out	(1,709,248)	(21,940,546)	(20,231,298)
Capital Lease Financing	567,596	567,596	-
Total Other Financing Sources/(Uses)	1,123,969	(13,719,082)	(14,843,051)
Net Change in Fund Balances	3,407,606	3,911,320	503,714
Fund Balance - Beginning	16,851,740	16,851,740	-
Fund Balance - Ending	\$ 20,259,346	\$ 20,763,060	\$ 503,714

Actual revenues exceeded budgeted revenues by \$3,483,323. Of that amount, \$1,462,201 represents interest earnings. A more favorable investing climate in the market allowed the County to invest idle funds at a better interest rate than initially forecast. Fee increases approved by the state legislature during the fiscal year comprise an additional share of the increase (\$2,185,498).

Actual expenditures were \$11,863,442 lower than final budgeted expenditures. The general administration function contributed \$4,128,010 toward that amount. The risk management department of the County is charged with recording costs of various liability and property claims and settlements. During the fiscal year, costs of those claims were significantly lower than had been anticipated at the time of the budget process.

All departments in the public safety function of the General Fund expended less than was approved in the final amended budget by \$2,682,609. The addition of 25 new police vehicles in the current fiscal year allowed the Sheriff's department to save a large amount of funds on repairs of outdated vehicles. In

addition, the Sheriff's department received a year-long grant from the Texas Department of Transportation to combat speeding within the County. The grant allowed the County to be reimbursed for the extra overtime hours worked by deputies, in turn, incurring lower than anticipated payroll costs.

The miscellaneous function showed actual expenditures less than the final budget by \$4,503,440. As discussed in the original to final budget comparisons, this was due in large part to the funding of anticipated salary increases. At the time an increase is approved, the funds are transferred to the appropriate department or function. Therefore, actual expenditures in the miscellaneous function were far less than originally budgeted.

The actual net change in fund balance was \$503,714 greater than anticipated with the final budget. This is the result of both an increase in actual revenues and a reduction in actual expenditures that included sufficient amounts to cover transfers to other funds. The Jury Special Revenue Fund, the Memorial Library Special Revenue Fund and the Airport Maintenance Special Revenue Fund received \$4,315,000, \$7,837,000 and \$7,226,297 more than shown in the final budget. In all of these funds, the emphasis is on providing a service. In the case of the Jury Special Revenue Fund, that service is in the form of a court system. The Memorial Library Special Revenue Fund's emphasis is on culture and recreation. The Airport Maintenance Special Revenue Fund accounts for the County Airport. These funds are not expected in any year to provide enough revenues to adequately fund their own services. Therefore, it is anticipated that the General Fund will service the expenditures of those funds every year. Transfers in and out simply provide a mechanism to move funds from one self-balancing set of accounts (a fund) to another self-balancing set of accounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Montgomery County's investment in capital assets for its governmental activities as of September 30, 2007 amounted to \$487,246,734 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment, infrastructure that was purchased, completed or donated since the fiscal year ending September 30, 1981, and construction in progress.

Major capital asset events during the current fiscal year included the following:

- Additions to land totaled \$2,431,609 and included a purchase of land for the construction of a new parking garage.
- Purchases in the buildings category of \$6,122,191 included a new roof at the existing County Jail.
- Vehicles, vehicle modifications, and other various equipment items were purchased at a cost of \$2,837,955. To support the County's commitment to road construction, an asphalt reclaimer was purchased at a cost of \$429,650.
- A variety of projects for both new infrastructure construction and for expansion or updating of existing infrastructure were ongoing during the year. Infrastructure projects begun and completed in 2007 amounted to \$27,484,403.
- Montgomery County is the 27th fastest growing county in the United States¹. This brisk growth brings with it a need for vast improvements to a rural infrastructure system. Development frequently comes with donations in the form of roads. Infrastructure donations for the year totaled \$57,098,774.
- Projects that were capitalized from ongoing construction throughout the year, including a library, totaled \$6,166,961. Additional expenditures of \$17,756,166 were incurred for construction that was in progress throughout the year.
- Increases in assets were offset by depreciation expense of \$34,863,342.

¹ <http://ask.census.gov>

Montgomery County, Texas
Capital Assets
(net of depreciation)
September 30, 2007
with Comparative Totals for September 30, 2006

	Value of Capital Asset Net of Accumulated Depreciation		Increase (Decrease)
	FY 2007	FY 2006	
Land	\$ 10,179,111	\$ 7,747,501	\$ 2,431,610
Buildings	84,902,379	81,235,608	3,666,771
Improvements	4,895,280	2,967,622	1,927,658
Equipment	17,308,832	17,235,427	73,405
Infrastructure	354,181,457	296,197,118	57,984,339
Construction in Progress	15,779,675	4,190,470	11,589,205
Total	<u>\$487,246,734</u>	<u>\$ 409,573,746</u>	<u>\$ 77,672,988</u>

The County is committed to several capital projects that have either been completed during the current fiscal year, or will be completed in the near future. In a continued effort to improve services to citizens in the form of a Memorial Library System, the County has been constructing a new library facility. By September 30, 2007, \$4,482,559 had been spent on the library in the eastern area of the County. The R. B. Tullis Library was completed and opened March 30, 2007. The County is in the process of constructing a community center in the northern part of the County, utilizing Community Development Block Grant funds from the U.S. Department of Housing and Urban Development.

Efforts to assist constituents in obtaining services in a rapidly growing county come with many challenges. In 2007, the Commissioner's Court has met some of those challenges by building annexes in the southern and western portions of the County. An annex in the western part of the County holds offices for the Tax Assessor, a Constable and a Justice of the Peace. In the southern part of the County, the annex houses the Tax Office, a Justice of the Peace, a Constable and the District Clerk.

To accommodate a growing County workforce, construction of a new administration building and parking garage began in fiscal year 2007. By September 30, 2007, \$476,461 had been spent on the building and parking garage. These are only preliminary planning and design expenditures and do not include commitments for construction at this time.

The County has committed to multiple road construction projects in fiscal year 2007. In 2005, the voters of Montgomery County approved \$160,000,000 in road bonds to fund road improvements throughout the county. These bonds will be issued in phases to fund road construction as the need arises. The remainder of the authorized road bonds is anticipated to be issued in the second half of fiscal year 2008.

Additional information on the County's capital assets can be found in Note 7 starting on page 55 of this report.

Long-Term Debt

At September 30, 2007, Montgomery County had total bonded debt outstanding of \$329,113,855 (inclusive of the accreted portion of various capital appreciation bonds). Commissioners' Court continues to keep maturity dates confined to no more than 22 years. The County's underlying rating was upgraded by Moody's Investors Service during current fiscal year to "Aa3". The County maintains "Aaa" and "AAA" ratings from Moody's Investors Service, Inc. and Standard and Poor's Corporation, respectively, by purchasing credit enhancement in the form of insurance.

The County issues three types of debt; general obligation bonds are approved by the voters of the County while lease-revenue bonds and certificates of obligation are approved by Commissioners' Court. Of the

County's total debt, \$234,277,478 corresponds to general obligation debt, \$44,834,989 is in the form of lease revenue bonds and \$46,660,000 represents certificates of obligation. Montgomery County's total bonded debt had a net increase of \$40,429,179 during 2007. The following table represents the entire long-term debt of the County at September 30, 2007 on a comparative basis.

**Montgomery County, Texas
Governmental Activities
Outstanding Long-Term Debt**

	FY 2007	FY 2006
General obligation bonds	\$ 234,277,478	\$ 231,795,605
Lease revenue bonds	44,834,989	-
Certificates of obligation	46,660,000	50,155,000
Accreted interest	3,341,388	6,734,071
Capital Leases	3,452,124	1,096,177
Premiums, net of discounts	7,715,713	7,999,426
Compensated absences	6,855,903	5,870,959
Arbitrage rebate	137,603	-
Total	<u>\$ 347,275,198</u>	<u>\$ 303,651,238</u>

Debt activity in 2007 included an issue of \$41,495,000 in refunding bonds. This issue refunded six series of general obligation and certificates of obligation and resulted in an economic gain of \$1,257,736. In addition, the Jail Financing Corporation issued lease revenue bonds in the amount of \$44,834,989 to construct an 1,100 bed detention facility. The County retired \$8,697,683 in debt through scheduled principal payments made during the year.

The County is authorized under Article III, Section 52 of the State Constitution to issue bonds payable from ad valorem taxes for the construction and maintenance of roads. There is no constitutional or statutory limit as to rate on bonds issued pursuant to such constitutional provision. However, the amount of bonds that may be issued is limited to 25% of the assessed valuation of real property in the County. The current debt limitation for the County is \$4,806,316,004, which is significantly in excess of the County's outstanding debt obligation, despite the increases in debt issuance during 2007.

Additional information on Montgomery County's long-term debt can be found in Note 9 beginning on page 57 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The unemployment rate for the County is currently 3.9%², which is an increase from a rate of 3.8% a year ago. This compares favorably to the State's average unemployment rate of 4.4%³ and the national average rate of 4.7%⁴.
- Commissioners' Court approved allocating \$3,710,000 in salary and benefit increases in fiscal year 2008.
- Increased demand for law enforcement services propelled Commissioners' Court to increase the annualized budget in the Sheriff's department by \$3,600,000 over the prior fiscal year.
- The Commissioner's Court granted approval for 64 new positions and 36 position upgrades to staff various County offices, including two new district courts and one county court at law.
- The estimated debt service obligation increased by \$1,700,000 in fiscal year 2008 to \$20,772,060.
- Commissioners' Court has made a commitment to increase the County's fund balance by \$2,000,000 during the next fiscal year, as well as increase the fund balance by at least \$2,000,000

² The Work Source. <http://www.theworksource.org/employer/lmi/unemploymentrates/2007>.

³ The Work Source. <http://www.theworksource.org/employer/lmi/unemploymentrates/2007>.

⁴ U.S. Department of Labor, Bureau of Labor Statistics. <http://data.bls.gov/PDQ/servlet/SurveyOutputServlet>.

in subsequent years. This commitment is intended to provide the County with a strong equity base.

All of these factors were considered in preparing the Adopted Budget of Montgomery County, Texas for the fiscal year ending September 30, 2008.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Montgomery County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Montgomery County Auditor, P. O. Box 539, Conroe, Texas 77305-0539.

BASIC FINANCIAL STATEMENTS

MONTGOMERY COUNTY, TEXAS

Statement of Net Assets

September 30, 2007

EXHIBIT I

ASSETS:	Governmental Activities
Cash	\$ 14,126,193
Investments, at Fair Value	146,326,044
Cash, Restricted	2,787,525
Cash, Restricted for Retainage	595,395
Receivables:	
Taxes (net)	5,564,961
Accounts (net)	14,752,485
Due from Other Governments	5,317,250
Inventory, at Cost	66,617
Deferred Charges	12,108,228
Prepaid Items	3,588,909
Capital Assets, net of accumulated depreciation	
Land	10,179,111
Buildings	84,902,379
Improvements	4,895,280
Equipment	17,308,832
Infrastructure	354,181,457
Construction in Progress	15,779,675
Total Assets	<u>692,480,341</u>
LIABILITIES:	
Accounts Payable	22,347,991
Retainage Payable	1,859,932
Accrued Interest Payable	1,829,364
Due to Other Governments	1,615,072
Unearned Revenue	586,016
Noncurrent Liabilities:	
Due within one year	10,286,674
Due in more than one year	336,988,524
Total Liabilities	<u>375,513,573</u>
NET ASSETS:	
Invested in Capital Assets, net of related debt	368,993,046
Restricted for:	
Capital Projects	77,208
Debt Service	6,993,506
Unrestricted	(59,096,992)
Total Net Assets	<u>\$ 316,966,768</u>

See accompanying notes to the financial statements.

MONTGOMERY COUNTY, TEXAS**Statement of Activities****Year Ended September 30, 2007**

EXHIBIT II

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Fees, Fines, Forfeitures, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Current:					
General Administration	\$ 11,780,620	\$ 7,393,470	\$ -	\$ -	\$ (4,387,150)
Judicial	17,042,393	7,440,711	595,522	-	(9,006,160)
Legal Services	2,233,072	527,537	16,996	-	(1,688,539)
Elections	1,466,229	1,569	371,362	19,850	(1,073,448)
Financial Administration	4,981,536	1,459,788	-	-	(3,521,748)
Public Facilities	20,208,449	2,607,333	-	-	(17,601,116)
Public Safety	44,725,170	13,167,051	2,405,250	1,295,310	(27,857,559)
Health and Welfare	7,637,646	1,266,457	4,512,323	920	(1,857,946)
Culture and Recreation	8,460,806	258,398	201,515	56,031	(7,944,862)
Conservation	760,370	-	8,378	-	(751,992)
Public Transportation	69,455,834	7,987,128	177,582	63,950,184	2,659,060
Miscellaneous	2,846,822	-	-	-	(2,846,822)
Debt Service Interest and					
Fiscal Charges	11,701,725	-	-	-	(11,701,725)
Total Governmental Activities	<u>\$203,300,672</u>	<u>\$42,109,442</u>	<u>\$8,288,928</u>	<u>\$ 65,322,295</u>	<u>(87,580,007)</u>
General Revenues:					
Property Taxes					115,740,129
Other Taxes					152,710
Mixed Beverage Taxes					1,073,853
Bingo Taxes					155,201
Insurance Reimbursements					138,477
Unrestricted Investment Earnings					8,442,457
Gain on Sale of Capital Assets					281,491
Total General Revenues					<u>125,984,318</u>
Change in Net Assets					38,404,311
Net Assets - Beginning					<u>278,562,457</u>
Net Assets - Ending					\$316,966,768

See accompanying notes to the financial statements.

MONTGOMERY COUNTY, TEXAS

Balance Sheet

Governmental Funds

September 30, 2007

EXHIBIT III

	General	Road and Bridge	Debt Service
<u>ASSETS:</u>			
Cash	\$ 6,056,532	\$ 3,371,509	\$ 491,277
Investments, at Fair Value	22,603,737	1,915,983	-
Cash, Restricted	-	-	-
Cash, Restricted for Retainage	15,140	47,669	-
Receivables:			
Taxes (net)	4,081,754	541,644	941,563
Accounts (net)	1,620,871	33,714	-
Due from Other Funds	5,688,359	347,163	3,175,195
Due from Other Governments	3,726,636	342,747	-
Inventory, at Cost	-	66,617	-
Prepaid Items	405,442	-	-
<u>TOTAL ASSETS</u>	<u>\$ 44,198,471</u>	<u>\$ 6,667,046</u>	<u>\$ 4,608,035</u>
<u>LIABILITIES AND FUND BALANCES:</u>			
Liabilities:			
Accounts Payable	\$ 9,178,733	\$ 1,094,648	\$ 12,837
Retainage Payable	15,140	47,669	-
Due to Other Funds	8,562,822	3,754,853	1,067,147
Due to Other Governments	1,615,072	-	-
Deferred Revenue	4,063,644	548,867	894,451
Total liabilities	<u>23,435,411</u>	<u>5,446,037</u>	<u>1,974,435</u>
Fund Balances:			
Reserved for:			
Prepaid Items	405,442	-	-
Capital Projects	-	-	-
Inventory	-	66,617	-
Debt Service	-	-	2,633,600
Unreserved, designated for encumbrances, reported in :			
General Fund	906,436	-	-
Special Revenue Funds	-	758,879	-
Unreserved, undesignated, reported in:			
General Fund	19,451,182	-	-
Special Revenue Funds	-	395,513	-
Total Fund Balances	<u>20,763,060</u>	<u>1,221,009</u>	<u>2,633,600</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 44,198,471</u>	<u>\$ 6,667,046</u>	<u>\$ 4,608,035</u>

See accompanying notes to the financial statements.

Airport Maintenance	Jail Financing Corporation	Road Bonds Series 2006A	Road Bonds Series 2006B	Other Governmental Funds	Total Governmental Funds
\$ 135,518	\$ -	\$ -	\$ 787,864	\$ 3,283,493	\$ 14,126,193
-	36,985,183	22,100,731	42,472,201	20,248,209	146,326,044
-	-	-	-	2,787,525	2,787,525
-	-	281,861	-	250,725	595,395
-	-	-	-	-	5,564,961
1,274	145,505	-	350	192,082	1,993,796
7,284,260	-	2,163,780	-	11,701,397	30,360,154
-	-	3,360	-	1,244,507	5,317,250
-	-	-	-	-	66,617
3,183,467	-	-	-	-	3,588,909
<u>\$ 10,604,519</u>	<u>\$ 37,130,688</u>	<u>\$24,549,732</u>	<u>\$43,260,415</u>	<u>\$39,707,938</u>	<u>\$ 210,726,844</u>
\$ 12,057	\$ 3,922,686	\$ 2,349,719	\$ 3,151,679	\$ 2,625,632	\$ 22,347,991
-	596,684	925,484	-	274,955	1,859,932
10,327,060	3,367,678	-	-	3,280,594	30,360,154
-	-	-	-	-	1,615,072
265,000	-	-	-	148,368	5,920,330
<u>10,604,117</u>	<u>7,887,048</u>	<u>3,275,203</u>	<u>3,151,679</u>	<u>6,329,549</u>	<u>62,103,479</u>
3,183,467	-	-	-	-	3,588,909
-	29,243,640	21,274,529	40,108,736	28,441,038	119,067,943
-	-	-	-	-	66,617
-	-	-	-	-	2,633,600
-	-	-	-	-	906,436
987	-	-	-	2,801,581	3,561,447
-	-	-	-	-	19,451,182
(3,184,052)	-	-	-	2,135,770	(652,769)
<u>402</u>	<u>29,243,640</u>	<u>21,274,529</u>	<u>40,108,736</u>	<u>33,378,389</u>	<u>148,623,365</u>
<u>\$ 10,604,519</u>	<u>\$ 37,130,688</u>	<u>\$24,549,732</u>	<u>\$43,260,415</u>	<u>\$39,707,938</u>	<u>\$ 210,726,844</u>



MONTGOMERY COUNTY, TEXAS
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Assets
Year Ended September 30, 2007

Total fund balances - governmental funds (page 31) \$ 148,623,365

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

Bond issuance costs are expenditures in the funds
but are amortized over the life of the bonds in
government-wide statements. 12,108,228

Capital assets used in governmental activities are
not financial resources and therefore are not reported in
the funds. These capital assets (net of accumulated
depreciation) consist of:

Land	10,179,111	
Buildings	84,902,379	
Improvements	4,895,280	
Equipment	17,308,832	
Infrastructure	354,181,457	
Construction in Progress	15,779,675	
	<hr/>	
Total Capital Assets		487,246,734

Other long term assets that were not available to
pay for current-period expenditures were deferred in the
funds. These assets consist of fines and fees receivable,
net of allowance. 12,758,689

Property taxes earned that are not available to pay for
current-period expenditures are deferred in the funds. 5,334,314

Some liabilities are not due and payable in the current
period and therefore are not reported in the funds. Those
liabilities consist of:

Interest payable	(1,829,364)	
Bonds and capital leases payable	(340,281,692)	
Arbitrage payable	(137,603)	
Compensated absences	(6,855,903)	
	<hr/>	
Total future period liabilities		(349,104,562)

Net assets of governmental activities	<hr/> <hr/>	\$ 316,966,768
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See accompanying notes to the financial statements.

MONTGOMERY COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2007

EXHIBIT IV

	General	Road and Bridge	Debt Service
<u>REVENUES:</u>			
Taxes	\$ 86,721,116	\$ 11,471,034	\$ 19,111,318
Licenses and Permits	1,363,580	6,412,651	-
Fees	14,529,676	-	-
Intergovernmental	4,052,777	206,741	-
Charges for Services	282,712	-	-
Interest	2,293,789	102,443	44,437
Contract Reimbursements	10,237,033	-	-
Inmate Housing	1,607,241	-	-
Fines and Forfeitures	100,719	1,098,525	-
Miscellaneous	1,420,777	487,051	-
<u>TOTAL REVENUES</u>	<u>122,609,420</u>	<u>19,778,445</u>	<u>19,155,755</u>
<u>EXPENDITURES:</u>			
Current:			
General Administration	12,178,369	-	-
Judicial	10,958,487	-	-
Legal Services	1,864,419	-	-
Elections	1,373,213	-	-
Financial Administration	4,966,523	-	-
Public Facilities	22,477,341	-	-
Public Safety	43,108,422	-	-
Health and Welfare	4,755,954	-	-
Culture and Recreation	-	-	-
Conservation	449,468	296,299	-
Public Transportation	-	16,807,058	-
Miscellaneous	2,846,822	-	-
Capital Projects	-	-	-
Debt Service:			
Principal Retirement	-	-	5,305,000
Interest and Fiscal Charges	-	-	13,989,627
Issuance Costs	-	-	593,627
<u>TOTAL EXPENDITURES</u>	<u>104,979,018</u>	<u>17,103,357</u>	<u>19,888,254</u>
Excess (Deficiency) Revenues Over Expenditures	<u>17,630,402</u>	<u>2,675,088</u>	<u>(732,499)</u>
<u>OTHER FINANCING SOURCES/(USES):</u>			
Transfers In	7,653,868	909,206	510,395
Transfers Out	(21,940,546)	(6,511,196)	-
Capital Lease Financing	567,596	573,401	-
Issuance of Refunding Bonds	-	-	41,495,000
Issuance of Lease Revenue Bonds	-	-	-
Premium on Debt Issuance	-	-	940,880
Payment to Refunded Bond Escrow Agent	-	-	(41,706,307)
Discounts on Debt Issuance	-	-	(120,633)
<u>TOTAL OTHER FINANCING SOURCES/(USES)</u>	<u>(13,719,082)</u>	<u>(5,028,589)</u>	<u>1,119,335</u>
Net Change in Fund Balances	3,911,320	(2,353,501)	386,836
Fund Balances at Beginning of Year	16,851,740	3,574,510	2,246,764
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$ 20,763,060</u>	<u>\$ 1,221,009</u>	<u>\$ 2,633,600</u>

See accompanying notes to the financial statements.

Airport Maintenance	Jail Financing Corporation	Road Bonds Series 2006A	Road Bonds Series 2006B	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,303,468
-	-	-	-	126,917	7,903,148
-	-	-	-	389,963	14,919,639
6,067,930	-	-	-	6,611,590	16,939,038
176,673	-	-	-	1,223,678	1,683,063
374	671,285	1,522,062	2,590,005	1,355,638	8,580,033
-	-	-	-	148,852	10,385,885
-	-	-	-	-	1,607,241
-	-	-	-	734,130	1,933,374
-	-	-	-	177,075	2,084,903
<u>6,244,977</u>	<u>671,285</u>	<u>1,522,062</u>	<u>2,590,005</u>	<u>10,767,843</u>	<u>183,339,792</u>
-	-	-	-	115,045	12,293,414
-	-	-	-	6,221,345	17,179,832
-	-	-	-	363,820	2,228,239
-	-	-	-	-	1,373,213
-	-	-	-	-	4,966,523
-	-	-	-	-	22,477,341
-	-	-	-	2,076,202	45,184,624
-	-	-	-	4,127,271	8,883,225
-	-	-	-	7,812,017	7,812,017
-	-	-	-	-	745,767
354,674	-	-	-	-	17,161,732
-	-	-	-	-	2,846,822
-	15,572,634	16,703,310	18,869,334	18,548,886	69,694,164
-	-	-	-	-	5,305,000
-	-	-	-	-	13,989,627
-	690,000	-	12,909	-	1,296,536
<u>354,674</u>	<u>16,262,634</u>	<u>16,703,310</u>	<u>18,882,243</u>	<u>39,264,586</u>	<u>233,438,076</u>
<u>5,890,303</u>	<u>(15,591,349)</u>	<u>(15,181,248)</u>	<u>(16,292,238)</u>	<u>(28,496,743)</u>	<u>(50,098,284)</u>
7,240,459	-	2,215,936	434,957	27,234,749	46,199,570
(13,495,489)	-	(619,157)	-	(3,633,182)	(46,199,570)
-	-	-	-	2,812,900	3,953,897
-	-	-	-	-	41,495,000
-	44,834,989	-	-	-	44,834,989
-	-	-	-	-	940,880
-	-	-	-	-	(41,706,307)
-	-	-	-	-	(120,633)
<u>(6,255,030)</u>	<u>44,834,989</u>	<u>1,596,779</u>	<u>434,957</u>	<u>26,414,467</u>	<u>49,397,826</u>
(364,727)	29,243,640	(13,584,469)	(15,857,281)	(2,082,276)	(700,458)
365,129	-	34,858,998	55,966,017	35,460,665	149,323,823
<u>\$ 402</u>	<u>\$ 29,243,640</u>	<u>\$ 21,274,529</u>	<u>\$ 40,108,736</u>	<u>\$ 33,378,389</u>	<u>\$ 148,623,365</u>



MONTGOMERY COUNTY, TEXAS
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of the Governmental Funds
to the Statement of Activities
Year Ended September 30, 2007

Amounts reported for governmental activities in the statement of activities (page 29)
are different because:

Net change in fund balances - total governmental funds (page 35)	\$ (700,458)
--	--------------

Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	20,155,851
--	------------

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, seizures, and donations) is to increase net assets.	57,517,135
--	------------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	848,056
--	---------

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(37,805,657)
---	--------------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(1,610,616)</u>
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Change in net assets of governmental activities (page 29)	<u><u>\$ 38,404,311</u></u>
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See accompanying notes to the financial statements.

MONTGOMERY COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
Major Governmental Funds
Year Ended September 30, 2007

EXHIBIT V
Page 1 of 4

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Taxes	\$84,785,050	\$86,550,188	\$ 86,721,116	\$ 170,928
Licenses and Permits	1,264,558	1,347,901	1,363,580	15,679
Fees	11,990,061	12,344,178	14,529,676	2,185,498
Intergovernmental	118,024	4,672,354	4,052,777	(619,577)
Charges for Services	215,000	215,000	282,712	67,712
Interest	824,760	831,588	2,293,789	1,462,201
Contract Reimbursements	5,928,955	10,312,377	10,237,033	(75,344)
Inmate Housing	2,155,000	1,687,550	1,607,241	(80,309)
Fines and Forfeitures	175,000	175,000	100,719	(74,281)
Miscellaneous	713,500	989,961	1,420,777	430,816
<u>TOTAL REVENUES</u>	<u>108,169,908</u>	<u>119,126,097</u>	<u>122,609,420</u>	<u>3,483,323</u>
<u>EXPENDITURES:</u>				
Current:				
General Administration	13,880,128	16,306,379	12,178,369	4,128,010
Judicial	10,847,888	11,035,110	10,958,487	76,623
Legal Services	1,641,079	1,867,192	1,864,419	2,773
Elections	841,167	1,415,559	1,373,213	42,346
Financial Administration	5,048,122	5,175,397	4,966,523	208,874
Public Facilities	20,894,378	22,672,777	22,477,341	195,436
Public Safety	35,692,417	45,791,031	43,108,422	2,682,609
Health and Welfare	3,559,401	4,774,146	4,755,954	18,192
Conservation	431,986	454,607	449,468	5,139
Public Transportation	-	-	-	-
Miscellaneous	4,318,735	7,350,262	2,846,822	4,503,440
<u>TOTAL EXPENDITURES</u>	<u>97,155,301</u>	<u>116,842,460</u>	<u>104,979,018</u>	<u>11,863,442</u>
Excess Revenues Over Expenditures	11,014,607	2,283,637	17,630,402	15,346,765
<u>OTHER FINANCING SOURCES/ (USES):</u>				
Transfers In	127,282	2,265,621	7,653,868	5,388,247
Transfers Out	-	(1,709,248)	(21,940,546)	(20,231,298)
Capital Lease Financing	-	567,596	567,596	-
<u>TOTAL OTHER FINANCING (USES)</u>	<u>127,282</u>	<u>1,123,969</u>	<u>(13,719,082)</u>	<u>(14,843,051)</u>
Net Change in Fund Balances	11,141,889	3,407,606	3,911,320	503,714
Fund Balances at Beginning of Year	16,851,740	16,851,740	16,851,740	-
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$27,993,629</u>	<u>\$20,259,346</u>	<u>\$ 20,763,060</u>	<u>\$ 503,714</u>

See accompanying notes to the financial statements.

MONTGOMERY COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
Major Governmental Funds
Year Ended September 30, 2007

EXHIBIT V
Page 2 of 4

	Road and Bridge Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Taxes	\$11,183,750	\$11,183,750	\$11,471,034	\$ 287,284
Licenses and Permits	5,853,700	5,853,700	6,412,651	558,951
Fees	-	-	-	-
Intergovernmental	135,000	353,880	206,741	(147,139)
Charges for Services	-	-	-	-
Interest	55,000	55,000	102,443	47,443
Contract Reimbursements	-	-	-	-
Inmate Housing	-	-	-	-
Fines and Forfeitures	1,150,000	1,150,000	1,098,525	(51,475)
Miscellaneous	-	374,222	487,051	112,829
<u>TOTAL REVENUES</u>	<u>18,377,450</u>	<u>18,970,552</u>	<u>19,778,445</u>	<u>807,893</u>
<u>EXPENDITURES:</u>				
Current:				
General Administration	-	-	-	-
Judicial	-	-	-	-
Legal Services	-	-	-	-
Elections	-	-	-	-
Financial Administration	-	-	-	-
Public Facilities	-	-	-	-
Public Safety	-	-	-	-
Health and Welfare	-	-	-	-
Conservation	242,287	338,873	296,299	42,574
Public Transportation	16,871,181	19,747,669	16,807,058	2,940,611
Miscellaneous	-	-	-	-
<u>TOTAL EXPENDITURES</u>	<u>17,113,468</u>	<u>20,086,542</u>	<u>17,103,357</u>	<u>2,983,185</u>
Excess Revenues Over Expenditures	1,263,982	(1,115,990)	2,675,088	3,791,078
<u>OTHER FINANCING SOURCES/ (USES):</u>				
Transfers In	186,951	909,206	909,206	-
Transfers Out	-	(1,778,255)	(6,511,196)	(4,732,941)
Capital Lease Financing	-	573,401	573,401	-
<u>TOTAL OTHER FINANCING (USES):</u>	<u>186,951</u>	<u>(295,648)</u>	<u>(5,028,589)</u>	<u>(4,732,941)</u>
Net Change in Fund Balances	1,450,933	(1,411,638)	(2,353,501)	(941,863)
Fund Balances at Beginning of Year	3,574,510	3,574,510	3,574,510	-
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$ 5,025,443</u>	<u>\$ 2,162,872</u>	<u>\$ 1,221,009</u>	<u>\$ (941,863)</u>

See accompanying notes to the financial statements.

MONTGOMERY COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
Major Governmental Funds
Year Ended September 30, 2007

EXHIBIT V
Page 3 of 4

	Airport Maintenance Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Fees	-	-	-	-
Intergovernmental	-	1,121,017	6,067,930	4,946,913
Charges for Services	190,000	190,000	176,673	(13,327)
Interest	-	-	374	374
Contract Reimbursements	-	-	-	-
Inmate Housing	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
<u>TOTAL REVENUES</u>	<u>190,000</u>	<u>1,311,017</u>	<u>6,244,977</u>	<u>4,933,960</u>
<u>EXPENDITURES:</u>				
Current:				
General Administration	-	-	-	-
Judicial	-	-	-	-
Legal Services	-	-	-	-
Elections	-	-	-	-
Financial Administration	-	-	-	-
Public Facilities	-	-	-	-
Public Safety	-	-	-	-
Health and Welfare	-	-	-	-
Conservation	-	-	-	-
Public Transportation	360,239	375,601	354,674	20,927
Miscellaneous	-	-	-	-
<u>TOTAL EXPENDITURES</u>	<u>360,239</u>	<u>375,601</u>	<u>354,674</u>	<u>20,927</u>
Excess Revenues Over Expenditures	<u>(170,239)</u>	<u>935,416</u>	<u>5,890,303</u>	<u>4,954,887</u>
<u>OTHER FINANCING SOURCES/ (USES):</u>				
Transfers In	-	14,162	7,240,459	7,226,297
Transfers Out	-	(1,122,261)	(13,495,489)	(12,373,228)
Capital Lease Financing	-	-	-	-
<u>TOTAL OTHER FINANCING (USES):</u>	<u>-</u>	<u>(1,108,099)</u>	<u>(6,255,030)</u>	<u>(5,146,931)</u>
Net Change in Fund Balances	(170,239)	(172,683)	(364,727)	(192,044)
Fund Balances at Beginning of Year	365,129	365,129	365,129	-
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$ 194,890</u>	<u>\$ 192,446</u>	<u>\$ 402</u>	<u>\$ (192,044)</u>

See accompanying notes to the financial statements.

MONTGOMERY COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
Major Governmental Funds
Year Ended September 30, 2007

EXHIBIT V
Page 4 of 4

	Totals			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Taxes	\$ 95,968,800	\$97,733,938	\$98,192,150	\$ 458,212
Licenses and Permits	7,118,258	7,201,601	7,776,231	574,630
Fees	11,990,061	12,344,178	14,529,676	2,185,498
Intergovernmental	253,024	6,147,251	10,327,448	4,180,197
Charges for Services	405,000	405,000	459,385	54,385
Interest	879,760	886,588	2,396,606	1,510,018
Contract Reimbursements	5,928,955	10,312,377	10,237,033	(75,344)
Inmate Housing	2,155,000	1,687,550	1,607,241	(80,309)
Fines and Forfeitures	1,325,000	1,325,000	1,199,244	(125,756)
Miscellaneous	713,500	1,364,183	1,907,828	543,645
<u>TOTAL REVENUES</u>	<u>126,737,358</u>	<u>139,407,666</u>	<u>148,632,842</u>	<u>9,225,176</u>
<u>EXPENDITURES:</u>				
Current:				
General Administration	13,880,128	16,306,379	12,178,369	4,128,010
Judicial	10,847,888	11,035,110	10,958,487	76,623
Legal Services	1,641,079	1,867,192	1,864,419	2,773
Elections	841,167	1,415,559	1,373,213	42,346
Financial Administration	5,048,122	5,175,397	4,966,523	208,874
Public Facilities	20,894,378	22,672,777	22,477,341	195,436
Public Safety	35,692,417	45,791,031	43,108,422	2,682,609
Health and Welfare	3,559,401	4,774,146	4,755,954	18,192
Conservation	674,273	793,480	745,767	47,713
Public Transportation	17,231,420	20,123,270	17,161,732	2,961,538
Miscellaneous	4,318,735	7,350,262	2,846,822	4,503,440
<u>TOTAL EXPENDITURES</u>	<u>114,629,008</u>	<u>137,304,603</u>	<u>122,437,049</u>	<u>14,867,554</u>
Excess Revenues Over Expenditures	12,108,350	2,103,063	26,195,793	24,092,730
<u>OTHER FINANCING SOURCES/ (USES):</u>				
Transfers In	314,233	3,188,989	15,803,533	12,614,544
Transfers Out	-	(4,609,764)	(41,947,231)	(37,337,467)
Capital Lease Financing	-	1,140,997	1,140,997	-
<u>TOTAL OTHER FINANCING (USES)</u>	<u>314,233</u>	<u>(279,778)</u>	<u>(25,002,701)</u>	<u>(24,722,923)</u>
Net Change in Fund Balances	12,422,583	1,823,285	1,193,092	(630,193)
Fund Balances at Beginning of Year	20,791,379	20,791,379	20,791,379	-
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$ 33,213,962</u>	<u>\$22,614,664</u>	<u>\$21,984,471</u>	<u>\$ (630,193)</u>

See accompanying notes to the financial statements.

MONTGOMERY COUNTY, TEXAS
Statement of Assets and Liabilities
Fiduciary Funds
September 30, 2007

EXHIBIT VI

	<u>Agency Funds</u>
<u>ASSETS:</u>	
Cash	\$ 10,689,296
Investments, at Fair Value	1,234,153
Accounts Receivable	<u>7,705</u>
<u>TOTAL ASSETS</u>	<u>\$ 11,931,154</u>
<u>LIABILITIES:</u>	
Accounts Payable	\$ 6,594,927
Due to Other Governments	<u>5,336,227</u>
<u>TOTAL LIABILITIES</u>	<u>\$ 11,931,154</u>

See accompanying notes to the financial statements.

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2007

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Montgomery County, Texas have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local government units in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

A) REPORTING ENTITY:

Montgomery County, Texas (the County) was created in 1837. The County is a political subdivision of the State of Texas. The Commissioners' Court, composed of the County Judge and four Commissioners, governs the County. The following services are provided for the citizens: public safety, road and bridge construction and maintenance, health and social services, culture and recreation, public improvements, environmental protection, and administrative services.

In 1991, GASB issued Statement No. 14, *The Financial Reporting Entity*, which established standards for defining and reporting on the financial reporting entity. The discussion that follows sets forth the guidelines for an entity's inclusion in the County's financial statements.

The definition of the reporting entity is based primarily on the notion of **financial accountability**. The elected officials governing Montgomery County are accountable to their constituents for their public policy decisions, regardless of whether those decisions are carried out directly through the operations of the County or by their appointees through the operations of a separate entity. Therefore, the County is not only financially accountable for the organizations that make up its legal entity, it is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either, it is able to impose its will on that organization or, there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the County.

Depending upon the significance of the County's financial and operational relationships with various separate entities, the organizations are classified as blended or discrete component units, related organizations, joint ventures, or jointly governed organizations, and the financial disclosure is treated accordingly.

Blended Component Units- Legally separate entities that either a) have the same governing body as the governing body of the primary government or b) provide services entirely, or almost entirely, to the primary government must be reported in the financial statements of the primary government as blended component units.

Montgomery County Jail Financing Corporation:

The Montgomery County Jail Financing Corporation was created by the Commissioners' Court of the County in September 2006 as a 501(c)2 Title Holding Entity. The Corporation's Board of Directors and Officers are comprised of the members of Commissioners' Court. The Corporation's stated purpose is to provide financing for the construction of an 1,100-bed detention facility, which will subsequently be sold to the County in a lease-purchase transaction.

The Corporation's financial transactions have been reported in the Capital Project Funds of the County.

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2007

Related Organizations- Where the Commissioners' Court is responsible for appointing a majority of the members of a board of another organization, but the County's accountability does not extend beyond making such appointments, disclosure is made in the form of the relation between the County and such organization.

Montgomery County Emergency Service Districts No. 1-14:

The emergency service districts are organized under the statutes of the State of Texas as political subdivisions of the State to provide protection from fire for life and property. Commissioners' Court appoints a five-member board for each district, and must approve the issuance of any long-term debt for each. Individual boards retain authority to levy taxes and approve or modify annual appropriation budgets. Inasmuch as each district is required by state law to have audited financial statements prepared, and because the exercise of authority by Commissioners' Court is of a compliant nature rather than substantive, these entities are not included in the County's financial statements.

Montgomery County Housing Authority:

The Montgomery County Housing Authority is organized as a public corporation pursuant to Chapter 392 of the Statutes of the State of Texas, Local Government Code. Its stated mission is the development, acquisition, leasing and administration of federally assisted housing programs under the direction of the U.S. Department of Housing and Urban Development. Commissioners' Court appoints a five-member board for the corporation, but may not remove a member at-will. There is also no financial interdependence between the corporation and the County. The corporation issues a separate financial report, which may be obtained from its offices at 1022 McCall Street, Conroe, Texas, 77301.

B) FINANCIAL STATEMENT PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

Government-wide Statements

Government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government and its blended component unit. The effect of inter-fund transfers has been removed from these statements, but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Major revenue types, which have been accrued, are district and county clerk fees, justice of the peace fines, revenue from investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements are met.

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2007

Fund-level Statements

Separate fund financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. Non-major funds are aggregated into a single column in the fund financial statements. Detailed statements for non-major funds are presented within the Combining and Individual Fund Statements and Schedules.

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal year are reported as deferred revenue. Property taxes levied prior to September 30, 2006 that were due October 1, 2006, have been assessed to finance the budget of the fiscal year ending September 30, 2007. In accordance with the modified accrual basis of accounting, the balances outstanding at September 30, 2007, and beyond the 60 days after year end have been reflected as deferred revenue and taxes receivable in the fund financial statements. Property taxes and interest earned as of September 30 and received within 60 days of year end are accrued as income in the current period. Expenditures generally are recorded when a liability is incurred; however, debt service expenditures, claims and judgments, and compensated absences are recorded only when payment is made.

Fiduciary fund level financial statements include fiduciary funds which are classified into private purpose trust and agency funds. The County has only agency funds which are used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The County reports the following *major governmental funds*:

The General Fund is the general operating fund of the County and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues, and investment interest income. Primary expenditures are for general and financial administration, public safety, judicial operations, health and welfare, and capital acquisition.

The Road and Bridge Special Revenue Fund is used to account for rehabilitation, repair and maintenance of the County's roadways and bridges. The Road and Bridge Fund is financed by a designated part of the annual property tax levy, as well as certain statutory fees.

The Debt Service Fund is used to account for the receipt and disbursement of funds to retire debt resulting from the issuance of general obligation bonds and certificates of obligation. Financing is provided by a specific annual property tax levy, and the investment interest earned thereon.

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2007

The Airport Maintenance Fund is used to account for operations of the County airport. Funding is provided by user fees, ad valorem taxes and federal grants as passed through the Texas Department of Transportation.

The Jail Financing Corporation Fund is used to account for the construction of an 1,100-bed detention facility. The \$44,834,989 in proceeds from the issuance of a lease revenue bond will be used to construct the new jail facility.

The Capital Projects-Road Bonds, Series 2006A Fund is used to account for countywide road improvements. The proceeds from the issuance of an additional \$47,800,000 in general obligation bonds were used to finance this fund. A portion of the proceeds will be used to satisfy the County's obligation under several agreements with the State of Texas to improve state-owned roads in the County.

The Capital Projects-Road Bonds, Series 2006B Fund is used to account for an additional phase of variable rate road construction bonds that were approved in 2005 by the voters of the County. The \$63,750,000 in proceeds will be used to satisfy the County's obligation under a "pass-through toll" agreement with the State of Texas to improve six specific state-owned roads in the County.

The County reports the following *nonmajor governmental funds*:

Special revenue funds are used to account for specific revenue sources (other than capital projects) that are restricted to expenditures for specified purposes. These restrictions exist both externally (by agreement with other entities or by statute) and internally (by policy of Commissioners' Court).

Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital assets and infrastructure. Existing projects include construction of three new libraries, a courts building, road construction, airport improvements, and various remodeling plans.

The County reports the following *fiduciary funds*:

Agency funds are used to account for assets held by the County as custodian for individuals and other governmental units, such as officials' fee accounts, inmate funds, cash bail bonds, and other similar arrangements.

C) **ASSETS, LIABILITIES, AND FUND EQUITY:**

1. **Cash and Investments**

Cash and cash equivalents include amounts in demand deposits as well as bank certificates with a maturity date within three months of the date acquired by the County.

The County is authorized by the Public Funds Investment Act of 1987 to invest idle funds in a) obligations of the United States and its agencies or instrumentalities, b) obligations of the State of Texas, c) obligations of states, agencies, political subdivisions, and municipalities having a rating of not less than A, and d) fully collateralized direct repurchase agreements.

The County reports its investments as required by GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments with a maturity of less than a year at acquisition are reported at amortized cost. Investments

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2007

in open-end mutual funds are reported at fair value, as determined by the funds' current share prices. This value also approximates cost. Additionally, the County's investments in the state's public funds investment pool are reported at fair value based on the value per share of the pool's underlying portfolio. Historically, the value per share in this public fund investment pool has approximated cost; therefore, the County's investments in this pool are reported at amortized cost.

2. Receivables

Property taxes are recognized as revenues in the period for which they are levied, regardless of the lien date. Property taxes for the County are levied based on taxable value on the lien date of January 1 prior to September 30 of the same year. They become due October 1 of that same year and delinquent after January 31 of the following year. Accordingly, receivables and revenues for prior-year levies delinquent at year end are reflected on the government-wide statement based on the full accrual method of accounting and under the modified accrual method in the fund statements.

Accounts receivable from other governments include amounts due from grantors in regards to approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time all eligibility requirements have been met and reimbursable costs are incurred.

Reimbursements for services performed are recorded as receivables and revenues when they become eligible for accrual in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts.

Receivables are shown net of an allowance for uncollectibles.

3. Inter-fund Transactions

Outstanding balances of lending and borrowing type activities between funds are classified as "due from other funds" and "due to other funds," respectively, on the fund financial statements. Inter-fund activity has been eliminated for the government-wide statements.

4. Inventories and Prepaid Items

Inventory is valued at cost using the first-in, first-out (FIFO) method. Inventory in the Road and Bridge Fund consists of expendable paving materials held for consumption in accordance with several contracts. The cost is recorded as an expenditure at the time individual inventory items are consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and recorded as prepaid items in both government-wide and fund financial statements.

In the fund financial statements, reported inventories and prepaid items are offset by a reservation of fund balance, which indicates they do not represent "available spendable resources" even though they are a component of current assets.

5. Capital Assets

Capital assets, which include land, buildings, improvements, equipment, infrastructure, and construction in progress, are reported in the government-wide financial statements. By policy of the Commissioners' Court, acquisitions are capitalized when they cost at least \$1,000 and have a useful life in excess of five years. The policy applied to infrastructure acquisitions

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2007

requires a cost of at least \$10,000 and a useful life in excess of five years. Infrastructure assets include county-owned roads, drainage improvements, bridges, signals, and runways. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repair that do not add to the value of the asset or materially extend the asset's life are expensed rather than capitalized.

Capital assets, including infrastructure, are depreciated using the straight-line method over the following estimated useful lives (in years):

<u>Assets</u>	<u>Years</u>
Buildings	5-50
Improvements	10-30
Equipment	5-15
Infrastructure	5-50

6. Payables

Amounts due to suppliers for trade purchases and amounts due to employees for salaries and benefits are presented on both the government-wide statements and the fund statements as accounts payable. Amounts due to various contractors for funds previously deducted from construction draws are presented as retainage payable. Both categories represent current liabilities.

7. Deferred Revenue

The County records deferred revenue for uncollected taxes, received but unearned grant revenues and other miscellaneous fee revenues in the fund financial statements. In the government-wide statements, tax revenues are not deferred, but are recognized in the year of levy.

8. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Compensated Absences

A liability for unused vacation and compensatory time for all full-time regular employees is calculated and reported in the government-wide financial statements. For financial reporting purposes, the following criteria have been applied in considering the accrual of the liability associated with compensated absences: a) leave or compensation is attributable to services

MONTGOMERY COUNTY, TEXAS
Notes to the Financial Statements
September 30, 2007

already rendered, and b) leave or compensation is not contingent on a specific event (such as illness).

GASB Interpretation No. 6 indicates that liabilities for compensated absences should only be recognized in the fund statements to the extent the liabilities have matured and are payable out of current available resources. Compensated absences are accrued in the government-wide statements.

Each full-time regular employee earns ten days of excused leave per year, and from ten to twenty-five days of vacation time may be earned per year. A maximum of sixty days for excused leave may be accrued, and for those employees hired prior to September 1987, the number of days of excused leave accrued at September 30, 1987, may be paid only upon retirement. A maximum of twenty-five days of vacation may be accrued, and is paid upon retirement, resignation, or discharge from the County. Compensatory time is earned in accordance with the provisions of the Fair Labor Standards Act, as it applies to government employees.

10. Arbitrage Rebate

The Tax Reform Act of 1986 established regulations for the rebate to the federal government of arbitrage earnings on local government bonds. Issuing governments must calculate any rebate due and remit the amount due at least every five years. There were no arbitrage rebate payments made during fiscal year 2007; however, the estimated liability at year-end was \$137,603.

11. Net Assets/Fund Balance (reserved, restricted)

For the government-wide financial statements, restricted net assets represent externally imposed restrictions by creditors, grantors, contributors or laws or regulations of other governments. They may also represent restrictions imposed by law through constitutional provisions or enabling legislation.

For the fund financial statements, reserved fund balances represent those portions of fund equity not available for appropriation or that are legally segregated for a specific future use. Fund reservations include debt service, capital projects, prepaid items, and inventories.

Generally, resources that are *reserved* in the fund financial statements are broader in scope than resources that are *restricted*. However, in some instances, there may be some resources that would be considered restricted in the government-wide financial statements, but not considered reserved in the fund financial statements.

12. Use of Estimates

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

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2007

NOTE 2- RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between **net changes in fund balances – total governmental funds** and **changes in net assets of governmental activities** as reported in the government-wide statement of activities. Several of the elements of that reconciliation are more fully explained below.

“Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 55,019,193
Depreciation expense	(34,863,342)

Net adjustment to increase net changes in fund balances- total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 20,155,851</u>
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“The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, seizures, and donations) is to increase net assets.” The details of this difference are as follows:

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	\$ 183,123
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The acquisition of capital assets by seizure and by donations increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources	57,334,012
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Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 57,517,135</u>
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“The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (86,329,989)
Premium on bonds issued, net	(820,247)
Capital lease financing	(3,953,897)
Issuance Costs for new debt	1,296,536
Payment to Bond Escrow Agent for refunding debt	41,706,307

MONTGOMERY COUNTY, TEXAS
Notes to the Financial Statements
September 30, 2007

Principal repayments:

General obligation debt	6,057,683
Certificates of obligation debt	2,640,000
Capital leases	<u>1,597,950</u>

Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (37,805,657)</u>
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“Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Compensated absences	\$ (984,944)
Accrued interest	(613,490)
Amortization of gain on refunding bonds	150,705
Amortization of accrued interest on refunding bonds	(475,615)
Amortization of issuance costs	(542,749)
Amortization of bond discounts	(9,361)
Amortization of bond premiums	1,113,321
Reduction of receivable for reimbursement of county expenditures	<u>(248,483)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (1,610,616)</u>

NOTE 3- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) BUDGETS AND BUDGETARY ACCOUNTING:

The budget law of the State of Texas provides that “the amounts budgeted for the current expenditures from the various funds of the County shall not exceed the balances in said funds plus the anticipated revenues for the current year for which the budget is made as estimated by the County Auditor.” In addition, the law states that the Commissioners’ Court “may, upon proper application, transfer an existing budget surplus during the year to a budget of like kind and fund, but no such transfer shall increase the total of the budget.”

The budget is prepared by the Budget Officer and adopted by the Commissioners’ Court following departmental budget reviews and a public hearing. A copy of the budget must be filed with the Clerk of the County Court and made available to the public. The Commissioners’ Court must provide for a public hearing on the budget on some date within seven calendar days after the filing of the budget and prior to its adoption.

The budget is legally adopted by an order of the Commissioners’ Court on a basis consistent with generally accepted accounting principles. The legal level of control (as set forth by statute) is total resources as appropriated to each fund. Any expenditure that alters the total budgeted amounts of a fund must be approved by Commissioners’ Court, and the budget amended. The annual budget is monitored and reported in the financial statements at the *function* level, as management believes that this provides for a more thorough disclosure of the County’s operations. In addition, management files notice of all line item transfers for public record.

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2007

For fiscal year 2007, formal budgets were adopted for the General Fund, the Special Revenue Funds, and the Debt Service Fund. Formal budgetary integration is not employed for Capital Project Funds, and legal budgets are not adopted, because budgetary control is achieved through legally binding construction contracts. All appropriations lapse at fiscal year end with the exception of grant awards and certain ongoing projects.

The Commissioners' Court may approve expenditures as an amendment to the budget to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonably diligent thought and attention. Such expenditures would include the re-appropriation of approved but unexpended amounts for encumbrances, grants, and certain projects from the previous fiscal year. In fiscal 2007, budget amendments totaling \$13,774,958 were approved that met these criteria.

The Commissioners' Court may also adopt a supplemental budget for the limited purpose of spending proceeds that become available for disbursement in a fiscal year, but are not included in the budget for that budget year. Included in this category are public or private grants or aid money, revenue from intergovernmental contracts, and proceeds from the issuance of debt. In fiscal 2007, supplemental appropriations were approved in the amounts of \$6,894,424, \$5,888,422, and \$3,953,897 for grants received, intergovernmental contracts executed, and capital leases approved, respectively.

B) EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS:

Expenditures exceeded appropriations in four funds during fiscal year 2007. Expenditures in the Forfeitures, Sheriff Commissary and Alternate Dispute Special Revenue Funds exceeded appropriations by \$245,078, \$178,562, and \$1,986, respectively. These excesses were absorbed by unanticipated revenues and transfers from the General Fund, and had an immaterial impact on fund balances. The \$653,766 excess of expenditures over appropriations in the Debt Service Fund was remedied by transfers from the General Fund, Certificates of Obligation Series 2001 Capital Projects Fund and Road Bonds 2002 Capital Projects Fund.

C) DEFICIT FUND EQUITY:

At September 30, 2007, the Attorney Administration Special Revenue Fund, the Capital Project-Certificates of Obligation Series 2007 Fund and the Capital Project-Certificates of Obligation Series 2008 Fund, had deficit fund balances of \$4,518, \$274,936 and \$212,915, respectively. Management anticipates that future revenues will replenish the Attorney Administration Special Revenue Fund. The deficit in the Capital Project-Certificates of Obligation Series 2007 Fund and the Capital Project-Certificates of Obligation Series 2008 Fund will be addressed by issuing the certificates of obligation in the upcoming fiscal year.

NOTE 4- DEPOSITS AND INVESTMENTS:

A) DEPOSITS:

Custodial Credit Risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The County does not have a policy for custodial credit risk. As of September 30, 2007, the County's bank balance (collected funds) was \$29,484,418. At that same date, none of the County's bank balance was exposed to custodial credit risk since the County's deposits were insured and collateralized by securities pledged by the depository and held by third party agents of the County in the County's name.

MONTGOMERY COUNTY, TEXAS
Notes to the Financial Statements
September 30, 2007

B) **INVESTMENTS:**

As of September 30, 2007, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>
State's Investment Pool (TEXPOOL)	1,353,937	0.17
Money Market Mutual Fund (ICT)	37,811,182	0.13
Money Market Mutual Fund (BPIF)	33,654,742	0.03
Money Market Mutual Fund (AIM)	37,755,153	0.10
Repurchase Agreement (provided by Hypo Public Finance Bank)	36,985,183	0.08
Total Investments	<u>\$147,560,197</u>	

The County invested idle funds in a) the Government Portfolio of Investors' Cash Trust, b) the Trust for Federal Securities (T-Fund) with BlackRock Provident Institutional Funds, and c) the Short-Term Investments Trust (STIT) Government and Agency Portfolio with AIM Funds. These three mutual funds share several characteristics that have a positive effect on the safety of the County's funds, including:

- SEC registration and regulation,
- AAAM rating by Standard and Poor's,
- Limitations on investments to direct obligations of the US Treasury, US agencies, and its instrumentalities, and repurchase agreements collateralized by same,
- An average weighted maturity that is less than 90 days (0.25 years), and
- A portfolio valuation of net assets that is maintained at \$1 per share.

Additionally, funds were invested in the Texas Local Government Investment Pool (TexPool). This external investment pool was created in conformity with certain acts in the Government Code of the Texas Civil Statutes. The financial operations of the pool are managed by a third-party investment service and oversight is provided by the Comptroller of Public Accounts of the State of Texas, along with a statewide advisory board. Although TexPool is not SEC-registered, it adheres to the same standards as money market mutual funds for limitations on its investments, the length of its average weighted maturity, and the valuation of its net assets.

Proceeds from the issuance of lease revenue bonds by the Montgomery County Jail Financing Corporation (a blended component unit) were invested in a *Flexible Repurchase Agreement* with a guaranteed earnings rate of 5.04%. Hypo Public Finance Bank submitted the rate in response to the Corporation's request for bids. The agreement is collateralized with obligations of the United States, its agencies and instrumentalities. Collateral is maintained at 104% of the total principal deposited and accrued interest earned under the agreement. An additional tri-party agreement was executed whereby the collateral is held by U.S. Bank in the Corporation's name. The repurchase agreement will terminate on the earlier of November 1, 2008 or upon the withdrawal of all funds.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. While the County does not have an investment policy for custodial credit risk, there is no need for such policy because of the nature of the County's investments. A third party institution is required to hold the insured, registered securities underlying the county's investments in a safekeeping account in the County's name.

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2007

Interest rate risk In accordance with its written investment policy, the county manages its exposures to declines in fair value by limiting the maturity of its investments to less than one year at the time of purchase.

Credit risk. While state statutes allow for additional investments, the County's formal investment policy authorizes the County to only invest in the following:

- Obligations of the U.S. Treasury and Governmental Agencies,
- Time deposits,
- Negotiable Order of Withdrawal (NOW) Accounts,
- Investment Pools rated AAA or AAAM by at least 1 nationally recognized rating service,
- Certificates of Deposit, and
- Money Market mutual funds.

As stated above, Standard and Poor's has rated the state's investment pool and the three mutual funds AAAM. The County's investments in Federal National Mortgage Association (FNMA), Federal Farm Credit Bank (FFCB) and Federal Home Loan Bank (FHLB) were rated AAA by Standard and Poor's.

Concentration of credit risk. The County's investment policy does not have any provisions regarding the amount that may be invested in any one issuer. However, the Investment Committee regularly reviews that saturation for anything in excess of 25%. At September 30, 2007, none of the County's total direct invested amounts were in Federal National Mortgage Association, Federal Farm Credit Bank, or Federal Home Loan Bank.

NOTE 5- PROPERTY TAXES:

The County Tax Assessor-Collector bills and collects property taxes. Revenues are recognized in the Governmental Funds when levied to the extent that they result in current receivables. Property taxes are levied (assessed) and payable on October 1. They attach as an enforceable lien on property as of January 1 of the following year and become delinquent on February 1.

The County is permitted by the Texas State Constitution (Article VIII, Section 9) and statutes to levy taxes of up to \$0.80 per \$100 of assessed valuation for general governmental services and the payment of long-term debt. The combined current tax rate for the year end was \$0.4913 per \$100, which means that the County has a tax margin of \$0.3087 per \$100, and could raise up to \$72,081,398 in additional taxes from the present assessed valuation of \$23,349,383,141 before the limit is reached.

The thirty years' property taxes receivable at September 30, 2007, as reported by the Tax Assessor-Collector are presented as follows:

	Taxes Receivable	Less: Allowance for Uncollectibles	Net Taxes Receivable
General Fund	\$4,165,055	\$ 83,301	\$4,081,754
Road & Bridge Fund	552,698	11,054	541,644
Debt Service Fund	960,779	19,216	941,563
Total Receivable	<u>\$5,678,532</u>	<u>\$113,571</u>	<u>\$5,564,961</u>

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2007

NOTE 6- DUE FROM OTHER GOVERNMENTS:

Amounts due from other governments arise from funding received from federal and state grants, as well as interlocal agreements with local governments. At September 30, 2007, the following amounts were recorded as due to the County:

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
General Fund	\$2,070,327	\$ 690,030	\$ 966,279	\$3,726,636
Special Revenue Funds	569,178	362,205	155,871	1,087,254
Capital Project Funds	-	3,360	500,000	503,360
Total Due from Governments	<u>\$2,639,505</u>	<u>\$1,055,595</u>	<u>\$1,622,150</u>	<u>\$5,317,250</u>

NOTE 7- CAPITAL ASSETS:

A) CHANGES IN CAPITAL ASSETS FOR YEAR ENDED SEPTEMBER 30, 2007:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions (1)</u>	<u>Deletions (1)</u>	<u>Ending Balance</u>
Land	\$ 7,747,501	\$ 3,593,105	\$ (1,161,495)	10,179,111
Construction in Progress	4,190,470	18,865,256	(7,276,051)	15,779,675
Total Capital Assets not being depreciated	<u>11,937,971</u>	<u>22,458,361</u>	<u>(8,437,546)</u>	<u>25,958,786</u>
Buildings	108,822,551	7,148,638	(1,026,447)	114,944,742
Improvements	7,011,160	2,782,820	-	9,793,980
Equipment	46,767,915	5,246,100	(2,408,145)	49,605,870
Infrastructure	811,222,219	85,676,825	(1,093,648)	895,805,396
Total Capital Assets being depreciated	<u>973,823,845</u>	<u>100,854,383</u>	<u>(4,528,240)</u>	<u>1,070,149,988</u>
Less accumulated depreciation for:				
Buildings	(27,586,943)	(2,491,519)	36,099	(30,042,363)
Improvements	(4,043,538)	(855,162)	-	(4,898,700)
Equipment	(29,532,488)	(4,616,533)	1,851,983	(32,297,038)
Infrastructure	(515,025,101)	(26,900,128)	301,290	(541,623,939)
Total Capital Assets, net of Accumulated depreciation	<u>\$ 409,573,746</u>	<u>\$ 88,449,402</u>	<u>\$(10,776,414)</u>	<u>\$ 487,246,734</u>

(1) Amounts representing transfers between categories are included in the columns for both additions and deletions.

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2007

B) DEPRECIATION EXPENSE:

Depreciation expense on capital assets is recorded in the Government-wide financial statements, but not in the Fund financial statements. For the year ended September 30, 2007, the County charged depreciation expense to functions/programs as follows:

Governmental activities:	
General Administration	\$ 1,706,357
Judicial	101,558
Legal Services	92,662
Elections	358,219
Financial Administration	25,336
Public Facilities	1,468,101
Public Safety	1,724,090
Health and Welfare	111,486
Culture and Recreation	1,362,631
Conservation	15,944
Public Transportation	27,896,958
Total depreciation expense-governmental activities	<u><u>\$34,863,342</u></u>

C) CONSTRUCTION COMMITMENTS:

The County has entered into contracts for the construction, renovation, and improvement of real property. The following projects were in progress at September 30, 2007:

<u>Project</u>	<u>Status</u>	<u>Commitment</u>	<u>Paid to Date</u>
Various Road Projects	Under construction	136,353,559	97,110,151
Airport Improvement	Under construction	8,673,685	7,556,221
Park Improvements	Planning phase	13,510,000	3,030,535
Building Remodelings	Underway	5,328,062	1,161,440
Ed Chance Annex	Under construction	3,200,000	1,178,299
Jail Facility	Under construction	44,834,989	15,572,635
	Total	<u><u>\$211,900,295</u></u>	<u><u>\$125,609,281</u></u>

NOTE 8- DISAGGREGATION OF PAYABLE BALANCES:

A) DUE TO OTHER GOVERNMENTS:

The County records certain amounts due to other governments as a result of operating contracts and overpayment of certain grant funds. At September 30, 2007, the following amounts were due to other governments:

<u>Fund</u>	<u>Local</u>	<u>Total</u>
General	<u>\$1,615,072</u>	<u>\$ 1,615,072</u>

B) DEFERRED REVENUES:

The County reports deferred revenues in the governmental funds that consist of two categories:
a) receivables for revenues that are not considered to be available to liquidate liabilities of the

MONTGOMERY COUNTY, TEXAS**Notes to the Financial Statements****September 30, 2007**

current period, and b) resources that have been received, but not yet earned. At the end of September 2007, deferred revenues were presented as follows:

Fund	Property Taxes	Unearned Fees	Total Deferred Revenues
General	\$ 3,890,996	\$ 172,648	\$ 4,063,644
Road & Bridge	548,867	-	548,867
Debt Service	894,451	-	894,451
Other Nonmajor	-	413,368	413,368
Total	<u>\$ 5,334,314</u>	<u>\$ 586,016</u>	<u>\$ 5,920,330</u>

NOTE 9- LONG-TERM DEBT:

General long-term debt consists of general obligation bonds, lease-revenue bonds, certificates of obligation, the County's accrued liability for compensated absences and compensatory time, capital leases, and arbitrage due the federal government. Principal and interest payments on the County's bonded debt, in general, are secured by ad valorem property taxes levied on all taxable property within the County. The lease-revenue bonds are secured by a pledge of future revenues to be earned under an agreement between the County and the Montgomery County Jail Financing Corporation. Payments are recorded in the Debt Service Fund.

A) BONDED DEBT:

A summary of the long-term bonded debt, at September 30, 2007 is presented:

	Interest Rate (%)	Issue Date	Maturity Date	Bonds Outstanding
GENERAL OBLIGATION BONDS:				
Refunding Bonds, Series 1997	5.10-5.60	1997	2017	4,117,478
Permanent Improvement, Series 2000	4.50-5.25	2000	2020	900,000
Road Bonds, Series 2002A	4.00-4.50	2002	2022	6,560,000
Refunding Bonds, Series 2002B	3.00-4.50	2002	2011	1,905,000
Road Bonds, Series 2003A	5.00	2003	2026	12,595,000
Library Bonds, Series 2003B	2.00-4.75	2003	2026	9,570,000
Refunding Bonds, Series 2005	4.00-5.00	2005	2020	45,685,000
Road Bonds Fixed Rate, Series 2006A	3.75-5.00	2006	2027	47,700,000
Road Bonds Adj. Rate, Series 2006B	5.00	2006	2030	63,750,000
Refunding Bonds, Series 2007	4.00-5.50	2007	2026	41,495,000
Lease Revenue Bonds, Series 2007	4.00-5.00	2007	2026	44,834,989
Total Principal				<u>279,112,467</u>
Accretion of Cap Appreciation Bonds:				
Refunding, Series 1997	5.10-5.60	1997	2017	3,341,388
TOTAL GENERAL OBLIGATION BONDS PAYABLE				<u>\$282,453,855</u>
CERTIFICATES OF OBLIGATION:				
Series 1997A	4.10-6.00	1997	2015	5,370,000
Series 1998	4.60-6.50	1998	2018	220,000
Series 2001	4.65	2001	2011	1,145,000
Series 2003	2.00-4.75	2003	2022	11,375,000
Series 2004	3.00-4.60	2004	2020	2,330,000
Series 2006	3.75-5.00	2006	2027	26,220,000
TOTAL CERTIFICATES OF OBLIGATION				<u>\$ 46,660,000</u>
TOTAL BONDED DEBT				<u>\$329,113,855</u>

MONTGOMERY COUNTY, TEXAS**Notes to the Financial Statements****September 30, 2007**

All of the County's outstanding bonded debt is assigned a fixed rate of interest, with the exception of the Series 2006B Road Bonds. The Series 2006B bonds were issued with a variable rate of interest, initially set at 5.0%. The initial rate period for these bonds ends in 2008, and at that time a term rate will be determined by a remarketing agent (currently Goldman, Sachs, and Co.)

B) CHANGES IN LONG-TERM DEBT:

The following schedule illustrates changes in long-term debt for the year ended September 30, 2007. Reductions to general obligation bonds include an annual accretion reduction of capital appreciation bonds in the amount of \$3,392,683. For each category, management has presented the portion that will be due within one year.

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General Obligation	\$ 238,529,676	\$86,329,989	\$(42,405,810)	\$282,453,855	\$2,075,000
Certificates of obligation	50,155,000	-	(3,495,000)	46,660,000	2,523,740
Less deferred amounts:					
Issuance discounts	(97,852)	(120,633)	9,361	(209,124)	(12,711)
Unamortized premiums	8,097,278	940,880	(1,113,321)	7,924,837	532,381
Total bonds payable	296,684,102	87,150,236	(47,004,770)	336,829,568	5,118,410
Capital leases	1,096,177	3,953,897	(1,597,950)	3,452,124	607,833
Arbitrage Rebate	-	137,603	-	137,603	-
Compensated absences	5,870,959	5,229,321	(4,244,377)	6,855,903	4,560,431
Total Long-term Liabilities	\$303,651,238	\$96,471,057	\$(52,847,097)	\$347,275,198	\$10,286,674

At year end, \$1,024,250 of special revenue funds compensated absences are included in the above amounts. The remaining balance (\$5,831,653) will be liquidated by the general fund. This follows the prior year allocation of liability between operating funds.

C) ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY:

The following table lists the amounts required to amortize bonded debt, by debt type.

Maturity	General Obligation Bonds		Revenue Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 2,523,740	\$ 11,698,562	\$ -	\$ 1,883,754	\$ 2,075,000	\$ 2,139,763
2009	3,886,529	11,317,854	1,076,389	1,998,535	1,695,000	2,056,750
2010	4,493,661	11,386,791	1,501,900	1,941,581	1,780,000	1,986,788
2011	5,502,607	10,927,114	1,569,862	1,873,619	2,435,000	1,899,001
2012	5,786,620	10,965,182	1,640,899	1,802,582	2,220,000	1,796,126
2013-2017	32,889,321	50,801,076	9,387,790	7,829,611	12,805,000	7,353,503
2018-2022	48,505,000	38,413,322	11,712,931	5,504,470	12,665,000	4,249,864
2023-2027	66,940,000	24,515,166	14,613,956	2,603,445	10,985,000	1,395,375
2028-2030	63,750,000	4,887,500	3,331,262	112,218	-	-
Total	\$234,277,478	\$174,912,567	\$ 44,834,989	\$ 25,549,815	\$ 46,660,000	\$ 22,877,170

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2007

D) ADVANCE REFUNDING:

On March 6, 2007, to take advantage of lower interest rates, the County issued \$41,495,000 Limited Tax Refunding Bonds, Series 2007 with interest rates ranging from 4.0 percent to 5.5 percent to advance refund the following bonds:

<u>Series</u>	<u>Interest Rate (%)</u>	<u>Amount</u>
Refunding Bonds, Series 1997	5.10-5.60	\$ 4,208,127
Certificates of Obligation, Series 1998	4.50-6.50	855,000
Permanent Improvement Bonds, 2000	4.50-5.25	60,000
Unlimited Tax Road Bonds, Series 2002A	4.00-4.50	10,470,000
Unlimited Tax Road Bonds, Series 2003A	5.00	11,405,000
Unlimited Tax Road Bonds, Series 2004	5.50	10,205,000
Total Refunded		<u>\$ 37,203,127</u>

E) PRIOR YEAR DEFEASANCE OF DEBT:

In prior years, the County defeased multiple debt issues by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until it is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed from the government-wide financial statements. As of September 30, 2007, defeased but outstanding debt from prior year refunding transactions consisted of the following:

<u>Series</u>	<u>Amount</u>
Library and Refunding Bonds, Series 1992	\$ 3,000,000
Certificates of Obligation, 1996	2,500,000
Certificates of Obligation, 1997	2,490,000
Certificates of Obligation, 1997A	6,835,000
Certificates of Obligation, 1998	15,130,000
Permanent Improvement Bonds, Series 2000	12,300,000
Road Bonds, Series 2002A	6,960,000
Total Defeased but Outstanding	<u>\$ 49,215,000</u>

The proceeds of this refunding were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the prior debt. As a result, that debt is considered to be defeased and the liability for the old debt has been removed from the Statement of Net Assets.

The County advance refunded the above debt to reduce its total debt service payments over the next twenty-three years by \$1,324,684, and to obtain an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$1,257,736.

F) FUTURE BORROWING:

In September of 2005, the voters of Montgomery County approved the issuance of \$160,000,000 in unlimited tax road bonds to complete those projects that were begun with the Series 2002, 2003, and 2004 road bonds. The first of these issues occurred in July 2006 for \$111,550,000, net of premiums and expenses. The County intends to issue the remaining \$47,200,000 of authorized bonds in May 2008. When these bonds are issued, the County will report the debt with very little corresponding asset due to the fact that these projects are primarily for the improvement of State-owned roads.

The County intends to issue approximately \$14,000,000 in certificates of obligation in the second half of fiscal year 2008 to fund construction of a new county administration building, remodel of

MONTGOMERY COUNTY, TEXAS
Notes to the Financial Statements
September 30, 2007

a courts building and improvements to an existing building to accommodate a new employee medical clinic.

G) **CONDUIT DEBT OBLIGATIONS:**

Montgomery County Industrial Development Corporation and Harris County Health Facilities Development Corporation issued bonds to provide financial assistance to private and public sector entities engaged in activities that are deemed to be in the public interest. These bonds are obligations of the issuing entities payable solely from the proceeds of the underlying financing agreements and, in the opinion of legal counsel, do not represent indebtedness or liability to the issuing entity, to Montgomery County, Texas, to the State of Texas, or to any political subdivision; therefore, they are not reported as liabilities in the County's financial statements.

Montgomery County Industrial Development Corporation- The corporation issues industrial revenue bonds that promote and encourage employment and public welfare. As of September 30, 2007, there were fourteen series of bonds outstanding. The aggregate principal amount payable for the bonds issued prior to December 15, 1995, could not be determined; however, the original issues totaled \$44,895,000. The bonds will be repaid from sources defined in underlying financing agreements between the corporation and the entities for whose benefit the bonds were issued.

Harris County Health Facilities Development Corporation- The corporation issues bonds if there is a public benefit or purpose that is necessary or convenient for health care, research, or education. Its activity is included in this disclosure because its bonds have been issued for the benefit of organizations located in Montgomery County. As of September 30, 2007, there were thirty-eight (38) series of bonds outstanding with an aggregate principal payable of \$3,158,640,000. The bonds will be repaid from sources defined in the various underlying financing agreements between the corporation and the entities for whose benefit the bonds were issued.

H) **CAPITAL LEASES:**

The County has entered into capital lease agreements for the lease/purchase of certain heavy road equipment, vehicles, and a building. Equipment with a value of \$1,140,997 and a building with a value of \$2,812,900 were acquired during the current fiscal year under capital leases and recorded in the Capital Assets portion of the government-wide financial statements. Depreciation expense for these assets is included as part of the depreciation expense detailed in Note 7. The lease agreements are classified as capital leases because title passes to the County at the end of the lease term, and are included as leases payable in the Long-Term Debt portion of the government-wide statements.

The present value of future minimum capital lease payments at September 30, 2007 and the funds from which they will be paid are as shown below:

Year Ending	General Fund	Special Revenue Funds
2008	\$161,936	\$ 599,984
2009	161,936	599,984
2010	161,936	599,985
2011	122,538	531,386
2012	114,080	496,563
2013	-	410,209
Total Minimum Lease Payments	722,426	3,328,111
Less: amount representing interest	78,923	429,490
Present value-minimum lease payments	<u>\$643,503</u>	<u>\$ 2,808,621</u>

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2007

NOTE 10- INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS:

A) DUE FROM/DUE TO OTHER FUNDS:

Activity between funds that represents the current portion of lending/borrowing and inter-fund charges for goods and services arrangements outstanding at fiscal year end are referred to as "due from/due to other funds." Inter-fund balances are expected to be repaid within one year from the date of the financial statements, and are routine in nature. The composition of inter-fund balances as of September 30, 2007 was as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 5,688,359	\$ 8,562,822
Road and Bridge Fund	347,163	3,754,853
Debt Service Fund	3,175,195	1,067,147
Airport Maintenance Fund	7,284,260	10,327,060
Jail Financing Corporation	-	3,367,678
Cap Project/Road Bonds 2006A	2,163,780	-
Non-major Governmental Funds	11,701,397	3,280,594
Total	<u>\$ 30,360,154</u>	<u>\$ 30,360,154</u>

B) TRANSFERS:

Transfers are used to a) move revenues from the fund that the statute or budget requires to collect them to the fund that the statute or budget requires to expend them, b) move receipts from bond refundings and residual balances from capital project funds to the Debt Service Fund to pay debt obligations, and c) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Inter-fund transfers for the year ended September 30, 2007 were:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 7,653,868	\$ 21,940,546
Road and Bridge Fund	909,206	6,511,196
Debt Service Fund	510,395	-
Airport Maintenance Fund	7,240,459	13,495,489
Cap Project/Road Bonds 2006A	2,215,936	619,157
Cap Project/Road Bonds 2006B	434,957	-
Nonmajor Governmental Funds	27,234,749	3,633,182
Total	<u>\$ 46,199,570</u>	<u>\$ 46,199,570</u>

Although inter-fund activity is reported in the fund financial statements, it has been eliminated in the government-wide financial statements.

NOTE 11- OPERATING LEASES:

The County is a party to several lease agreements. Significant terms are discussed below:

Automated Flight Service Station- The County leases the Automated Flight Service Station to the Federal Aviation Administration on an annually renewable lease that currently extends to September 30, 2008. The annual rent of \$102,500 is recorded in the General Fund. The Flight Service Station is recorded as a Capital Asset in the County's government-wide financial statements at a cost of \$802,428, less accumulated depreciation of \$369,117.

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2007

Office Space- The County leases 2,777 square feet of office space at the Montgomery County Annex Building to the Lone Star Groundwater Conservation District for a period of sixty months with two six-month extensions. The term of this lease is January 1, 2005 through December 31, 2009. The annual rent of \$7,414 is recorded in the General Fund. The building is recorded as a Capital Asset in the County's government-wide financial statements at a cost of \$5,167,303, less accumulated depreciation of \$421,582. Following is a schedule of lease payments receivable on office space leases through the ending dates of the agreements:

<u>Year Ending</u> <u>September 30,</u>	
2008	\$ 7,414
2009	7,414
2010	1,854
Total Lease Payments Receivable	<u><u>\$ 16,682</u></u>

NOTE 12- RISK MANAGEMENT:

A) EMPLOYEE HEALTH BENEFITS:

Effective January, 1989, the County established a partially self-funded trust plan which offers medical, dental, vision, and life insurance coverage to employees and their dependents. The County maintains excess loss insurance, which limits annual claims paid from the plan to a maximum of \$150,000 for any individual claim. A third party administrator is employed by the plan to administer claims. A trustee has been engaged to receive employer and employee contributions and to disburse payments to the providers of the plan. Costs relating to the plan are recorded as expenditures in the General Fund. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The plan is funded to discharge liabilities as they become due. Claims incurred and reported, but not paid at September 30, 2007, were \$420,906. Claims incurred but not reported (IBNR) at September 30, 2007, are estimated to be \$2,984,569. Estimates are not based on actuarial calculations, but rather on historical trends. Both amounts have been recorded as expenditures in the General Fund and a liability has been established.

Changes in the health claims liability for the two fiscal years ended September 30, 2007 and September 30, 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Unpaid claims, beginning of year	\$ 2,350,004	\$ 2,491,712
Incurred claims (including IBNR)	15,766,442	13,838,151
Claim payments	(14,710,971)	(13,979,859)
Unpaid claims, end of year	<u><u>\$ 3,405,475</u></u>	<u><u>\$ 2,350,004</u></u>

During the year ended September 30, 2007, the plan received contributions in the amounts of \$16,115,288 and \$1,459,062 from the employer and employees, respectively. The contributions made by employees included contributions by qualified retirees and certain former employees covered by the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA). In addition to the claim payments made, the plan also expended \$483,164 in administrative costs and \$1,324,744 for reinsurance and insurance premiums.

B) WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY:

As of January 1, 2003, the County established a partially self-funded program to cover claims by employees arising from job related injuries. The program offers coverage at the statutorily required level of \$1,000,000 per occurrence. A third party administrator has been engaged by the

MONTGOMERY COUNTY, TEXAS
Notes to the Financial Statements
September 30, 2007

County to administer claims. Excess loss insurance was purchased to limit the claims loss to the County to no more than \$100,000 in 2007.

Costs associated with this program are recorded as expenditures in the General Fund. Liabilities are recorded when it is probable that a loss has occurred and when an amount can be reasonably estimated. During the year ended September 30, 2007, the County expended \$56,545 for administrative costs and \$220,592 for excess loss insurance premiums.

Changes in the workers' compensation liability for the two fiscal years ended September 30, 2007 and September 30, 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Unpaid claims, beginning of year	\$1,218,924	\$1,231,331
Incurred claims (including IBNR)	432,669	518,710
Claim payments	(547,447)	(531,117)
Unpaid claims, end of year	<u>\$1,104,146</u>	<u>\$1,218,924</u>

C) **PROPERTY AND CASUALTY:**

The County purchased insurance coverage for certain plant, property, and equipment for the fiscal year. Deductibles are maintained at \$1,000 for each occurrence. The County paid \$371,951 in premiums in fiscal 2007, and recorded the expenditure in the General Fund. Settled claims have not exceeded commercial coverage in any of the past two fiscal years.

D) **GENERAL LIABILITY:**

Effective December 1, 2003, the County began participating in an individual public entity risk pool to transfer certain risks associated with property, casualty, and general liability. Note 15 describes the County's obligation under liability claims for 2007.

NOTE 13- EMPLOYEE RETIREMENT PLAN:

A) **PLAN DESCRIPTION:**

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The TCDRS Board of Trustees is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 573 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, TX, 78768.

The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the Commissioners' Court of the County within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2007

B) FUNDING POLICY:

Montgomery County has elected the annually determined contribution rate (Variable Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 9.12% for the months of the accounting year in 2006, and 9.94% for the months of the accounting year in 2007.

The deposit rate payable by the employee members for calendar year 2007 was 6.0% as adopted by the Commissioners' Court. The employee deposit rate and the employer contribution rate may be changed by the Commissioners' Court within the options available in the TCDRS Act.

C) ANNUAL PENSION COST:

For Montgomery County's accounting year ended September 30, 2007, the pension cost for the TCDRS plan was \$6,956,597, and the actual contributions were \$6,956,597.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2004, and December 31, 2005, the basis for determining the contributions rates for calendar years 2006 and 2007. The December 31, 2006 actuarial valuation is the most recent valuation.

D) ACTUARIAL VALUATION INFORMATION:

Actuarial valuation date	12/31/2004	12/31/2005	12/31/2006
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Amortization period	20	20	15
Asset valuation method	Long-term appreciation with adjustment	Long-term appreciation with adjustment	SAF ⁽²⁾ : 10-year smoothed value ESF ⁽³⁾ : Fund value
Actuarial assumptions:			
Investment return ⁽¹⁾	8.00%	8.00%	8.00%
Projected salary increase ⁽¹⁾	5.50%	5.30%	5.30%
Inflation	3.50%	3.50%	3.50%
Cost-of-living adjustments	0.00%	0.00%	0.00%

⁽¹⁾ Includes inflation at the stated rate.

⁽²⁾ Subdivision Accumulation Fund.

⁽³⁾ Employee Savings Fund.

E) TREND INFORMATION:

Accounting Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/05	\$ 5,507,595	100.00%	\$ 0.00
9/30/06	6,108,857	100.00%	0.00
9/30/07	6,956,597	100.00%	0.00

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2007

F) SCHEDULE OF FUNDING PROGRESS FOR THE RETIREMENT PLAN FOR EMPLOYEES OF MONTGOMERY COUNTY: (Amounts expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll ⁽¹⁾	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	(a)	(b)	(b-a)	(a/b)	(c)	
12/31/04	\$113,133	\$132,345	\$19,212	85.48%	\$55,351	34.71%
12/31/05	125,920	146,067	20,147	86.21%	59,274	33.99%
12/31/06	142,688	158,719	16,031	89.90%	68,433	23.43%

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

NOTE 14- OTHER POST-EMPLOYMENT BENEFITS:

Effective January 1, 2000, Commissioners' Court adopted a plan to pay for health benefit coverage for qualified retirees. To qualify for inclusion in the coverage, an individual must attain 15 continuous years of full-time employment with the County and be eligible for a retirement annuity from the Texas County and District Retirement System. The employee can elect to waive health benefit coverage. The County is under no obligation to provide this benefit, and the decision to do so is made by the Commissioners' Court on a year-to-year basis.

The coverage is the same as that for a full time regular employee, as further disclosed in Note 12-A. Management funds this benefit on a "pay-as-you-go" basis, as actuarial estimates are not available. For the year ended September 30, 2007, 22 employees retired from service with the County. Fourteen of those retirees met the qualifications stated above. Currently, there are 115 retirees covered by this benefit. The cost recorded by the County is included in Note 12.

During the year, the County incurred \$609,981 in health care claims for retirees and their dependents. Retiree contributions for 2007 were \$112,841, and the County paid the remaining amount of the claims.

NOTE 15- CONTINGENT LIABILITIES:

A) GENERAL LIABILITY:

For fiscal year 2007, the County participated in a public entity risk pool, to which certain losses arising from liability claims were transferred. The premium for this coverage, \$320,962, was recorded in the General Fund. In addition, the County expended \$24,011 for damages in connection with twenty-three claims, for which the deductible had not been satisfied.

B) GRANTS:

The County receives various grant moneys that are subject to audit and adjustment by the grantor agencies. Any disallowed expenditure will become a liability of the County. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

C) LITIGATION:

The County is a defendant in a number of lawsuits with claims for damages in excess of \$5,000,000. These claims result primarily from assertions by former employees that they were wrongfully discharged, allegations by jail inmates that their rights were violated while incarcerated in the County jail, and claims by individuals arising from property damages. The County paid \$44,649 for legal counsel to defend existing claims. The County intends to

MONTGOMERY COUNTY, TEXAS

Notes to the Financial Statements

September 30, 2007

vigorously contest all the cases, and legal counsel is of the opinion that the County will prevail in all cases which may have a material effect on the financial position of the County.

NOTE 16- NEW ACCOUNTING PRONOUNCEMENTS:

The Governmental Accounting Standards Board (GASB) has recently issued several new statements. A listing follows of those that apply to the County. These statements will be implemented in subsequent years, as required by the GASB.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, which establishes standards for the measurement, recognition, and display of other postemployment benefit expenditures and related liabilities, and note disclosures in the financial report. This statement will be effective for the County for the fiscal year ending September 30, 2009.

GASB Statement No. 47, *Accounting for Termination Benefits*; which establishes accounting standards for voluntary and involuntary termination benefits. This statement will be effective for the County for the fiscal year ending September 30, 2009.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which establishes accounting and reporting standards for pollution (including contamination) remediation obligations. This statement will be effective for the County for the fiscal year ending September 30, 2009.

GASB Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27*, enhances information disclosed in notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension plans. This statement will be effective for the County for the fiscal year ending September 30, 2009.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, establishes accounting and reporting standards for intangible assets. This statement will be effective for the County for the fiscal year ending September 30, 2010.

NOTE 17- SUBSEQUENT EVENTS:

In November 2007, the County issued \$9,260,000 in certificates of obligation in order to construct a parking garage that will accommodate the County's growing workforce. The bonds were issued at a rate of 4.46% with a maturity of 20 years.

In November 2007, the County's Budget Officer retired. At that time, the Commissioners' Court saw fit to formally reorganize the County's budget function. As required by Local Government Code 111.032 the County Auditor assumed the duties of the budget function.

In December 2007, the Commissioners' Court entered into a municipal lease purchase agreement with Motorola, Incorporated for the acquisition of a regional communications system, complete with radios for several smaller governmental agencies in the County. The purchase terms included a \$9,911,251 sale price with 3.71% annual financing and a maturity of 10 years.

In February 2008, two national rating agencies saw fit to downgrade the bond ratings associated with the investment portfolios maintained by one of the County's bond insurers. The County filed appropriate subsequent event notices. After conversations with the County's bond counsel and disclosure counsel, management is confident that there will be no substantial impact on the County's bond ratings.

ADDITIONAL SUPPLEMENTARY INFORMATION

MONTGOMERY COUNTY, TEXAS
General Fund
Schedule of Revenues and Other Financing Sources
Budget (GAAP Basis) and Actual Year Ended September 30, 2007

A-1
Page 1 of 2

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>TAXES:</u>				
Ad Valorem Current	\$ 80,989,700	\$ 82,409,316	\$ 82,409,316	\$ -
Ad Valorem Delinquent	943,250	1,358,736	1,358,736	-
Penalty and Interest	727,100	1,309,287	1,309,287	-
Mixed Beverage	850,000	917,710	1,073,853	156,143
Bingo Tax	150,000	150,000	155,201	5,201
Miscellaneous Taxes	1,125,000	405,139	414,723	9,584
Total Taxes	84,785,050	86,550,188	86,721,116	170,928

LICENSES AND PERMITS:

Beer Licenses	77,700	77,700	90,609	12,909
Trial Fees	5,600	5,600	8,386	2,786
Stenographer Fees	100,000	124,734	123,799	(935)
Health Permits	575,000	575,000	536,735	(38,265)
Park Permits	55,000	55,000	48,917	(6,083)
Animal Control Fees	20,000	20,000	12,100	(7,900)
Food Service Permits	335,000	335,000	355,930	20,930
Alarm Permits	76,258	76,258	146,099	69,841
Hazardous Waste Mgmt Fees	20,000	20,000	11,660	(8,340)
Flood Plain Fees	-	58,609	29,345	(29,264)
Total Licenses and Permits	1,264,558	1,347,901	1,363,580	15,679

FEES:

County Judge	11,500	11,500	10,864	(636)
County Sheriff	250,000	251,715	325,127	73,412
County Attorney	75,000	75,000	105,574	30,574
County Clerk	4,529,286	4,577,025	5,196,744	619,719
Records Management Fees	-	101,075	320,260	219,185
Tax Assessor-Collector	1,153,275	1,160,775	1,459,788	299,013
District Clerk	975,000	975,000	837,551	(137,449)
Justice of the Peace	3,500,000	3,532,565	4,315,040	782,475
Constable	750,000	771,940	810,851	38,911
Voter Registration	5,000	5,000	1,887	(3,113)
Criminal Justice Fees	741,000	882,583	1,145,990	263,407
Total Fees	11,990,061	12,344,178	14,529,676	2,185,498

INTERGOVERNMENTAL:

Federal Grants:

Department of Agriculture	25,000	868,527	874,027	5,500
Dept Health/Human Services	3,274	50,836	39,341	(11,495)
Department of Homeland Security	-	1,727,046	1,175,008	(552,038)
Department of Justice	50,000	50,000	141,407	91,407
Department of Transportation	-	205,154	182,371	(22,783)
Federal Emergency Mgt Agency	24,750	24,750	31,760	7,010
General Services Administration	-	19,850	19,850	-
Total Federal Grants	103,024	2,946,163	2,463,764	(482,399)

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Revenues and Other Financing Sources

Budget (GAAP Basis) and Actual Year Ended September 30, 2007

A-1

Page 2 of 2

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
INTERGOVERNMENTAL(cont'd)				
State Grants:				
Auto Theft Prevention Authority	-	484,683	375,074	(109,609)
Department of Health Services	-	87,889	87,889	-
Department of Emergency Mgmt	-	-	14,053	14,053
Office of the Attorney General	-	38,735	30,108	(8,627)
Tx Comm on Environmental Quality	-	225,608	239,200	13,592
Total State Grants	-	836,915	746,324	(90,591)
Other:				
U.S. Marshal Transportation	-	277,846	320,449	42,603
Prosecutor Salary Supplement	-	81,050	112,197	31,147
Intergovernmental Contracts	15,000	15,290	17,605	2,315
Voter Registration	-	515,090	392,438	(122,652)
Total Other	15,000	889,276	842,689	(46,587)
Total Intergovernmental	118,024	4,672,354	4,052,777	(619,577)
<u>CHARGES FOR SERVICES</u>	215,000	215,000	282,712	67,712
<u>INTEREST</u>	824,760	831,588	2,293,789	1,462,201
<u>CONTRACT REIMBURSEMENTS</u>	5,928,955	10,312,377	10,237,033	(75,344)
<u>INMATE HOUSING</u>	2,155,000	1,687,550	1,607,241	(80,309)
<u>FINES AND FORFEITURES</u>	175,000	175,000	100,719	(74,281)
<u>MISCELLANEOUS:</u>				
Lease of Facility	108,500	108,500	115,315	6,815
Commissions	530,000	505,000	684,621	179,621
Other	75,000	376,461	620,841	244,380
Total Miscellaneous	713,500	989,961	1,420,777	430,816
<u>TOTAL REVENUES</u>	108,169,908	119,126,097	122,609,420	3,483,323
<u>OTHER FINANCING SOURCES:</u>				
Transfers In	127,282	2,265,621	7,653,868	5,388,247
Capital Lease Financing	-	567,596	567,596	-
<u>TOTAL OTHER FINANCING SOURCES</u>	127,282	2,833,217	8,221,464	5,388,247
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	\$ 108,297,190	\$ 121,959,314	\$ 130,830,884	\$ 8,871,570

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Expenditures and Other Financing Uses

Budget (GAAP Basis) and Actual Year Ended September 30, 2007

A-2

Page 1 of 11

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>GENERAL ADMINISTRATION:</u>				
County Judge:				
Salaries	\$ 245,109	\$ 252,154	\$ 252,151	\$ 3
Employee Benefits	78,983	74,246	74,244	2
Supplies	7,500	7,825	5,337	2,488
Contract Services	9,300	24,950	20,505	4,445
Capital Outlay	1,200	1,200	-	1,200
Total County Judge	342,092	360,375	352,237	8,138
Human Resources:				
Salaries	222,020	193,495	193,494	1
Employee Benefits	84,057	69,801	69,798	3
Supplies	9,600	10,482	9,339	1,143
Contract Services	28,051	28,851	20,062	8,789
Capital Outlay	7,500	4,825	4,825	-
Total Human Resources	351,228	307,454	297,518	9,936
Risk Management:				
Salaries	174,555	192,803	192,802	1
Employee Benefits	66,714	70,283	70,281	2
Supplies	14,000	15,700	10,145	5,555
Contract Services	1,977,915	4,851,954	1,352,205	3,499,749
Capital Outlay	-	8,300	7,194	1,106
Total Risk Management	2,233,184	5,139,040	1,632,627	3,506,413
County Clerk:				
Salaries	1,459,478	1,410,458	1,392,486	17,972
Employee Benefits	659,938	582,944	575,086	7,858
Supplies	82,700	103,894	93,747	10,147
Contract Services	144,645	161,245	144,176	17,069
Capital Outlay	20,278	4,829	4,829	-
Total County Clerk	2,367,039	2,263,370	2,210,324	53,046
Collections:				
Salaries	390,370	398,281	398,279	2
Employee Benefits	176,080	157,701	157,697	4
Supplies	37,168	37,570	36,196	1,374
Contract Services	21,655	22,851	22,566	285
Capital Outlay	-	3,600	3,600	-
Total Collections	625,273	620,003	618,338	1,665

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Expenditures and Other Financing Uses

Budget (GAAP Basis) and Actual Year Ended September 30, 2007

A-2

Page 2 of 11

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>GENERAL ADMINISTRATION(cont'd)</u>				
Veterans' Service:				
Salaries	103,429	105,020	105,019	1
Employee Benefits	36,192	36,648	36,646	2
Supplies	851	1,389	1,316	73
Contract Services	700	757	736	21
Total Veterans' Service	141,172	143,814	143,717	97
Communications/Information:				
Salaries	1,263,573	1,328,815	1,328,813	2
Employee Benefits	419,733	427,219	427,218	1
Supplies	124,973	144,602	143,375	1,227
Contract Services	452,993	1,411,743	1,139,114	272,629
Capital Outlay	50,000	169,551	56,721	112,830
Total Comms/Information	2,311,272	3,481,930	3,095,241	386,689
Records Mgmt. & Preservation				
Salaries	-	10,194	10,194	-
Employee Benefits	-	2,809	2,809	-
Supplies	-	87,743	8,700	79,043
Total Records Mgmt & Preservation	-	100,746	21,703	79,043
Purchasing Agent:				
Salaries	751,607	772,024	772,022	2
Employee Benefits	267,048	256,639	256,637	2
Supplies	19,780	28,135	23,530	4,605
Contract Services	140,999	156,715	137,789	18,926
Capital Outlay	500	17,627	17,627	-
Total Purchasing Agent	1,179,934	1,231,140	1,207,605	23,535
County-Wide:				
Supplies	625,600	655,600	603,157	52,443
Contract Services	3,703,334	2,002,907	1,995,902	7,005
Total County-Wide	4,328,934	2,658,507	2,599,059	59,448
<u>TOTAL GENERAL ADM</u>	<u>13,880,128</u>	<u>16,306,379</u>	<u>12,178,369</u>	<u>4,128,010</u>
<u>JUDICIAL:</u>				
County Court No1:				
Salaries	193,034	196,516	194,503	2,013
Employee Benefits	68,664	66,790	66,788	2
Supplies	6,924	9,412	6,399	3,013
Contract Services	8,025	6,404	5,873	531
Total County Court No1	276,647	279,122	273,563	5,559

MONTGOMERY COUNTY, TEXAS**General Fund****Schedule of Expenditures and Other Financing Uses****Budget (GAAP Basis) and Actual Year Ended September 30, 2007**

A-2

Page 3 of 11

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>JUDICIAL(cont'd)</u>				
County Court No2:				
Salaries	296,495	302,192	300,179	2,013
Employee Benefits	104,861	102,921	102,919	2
Supplies	6,500	6,084	4,946	1,138
Contract Services	4,630	5,780	5,653	127
Total County Court No2	412,486	416,977	413,697	3,280
County Court No3:				
Salaries	186,575	204,212	202,199	2,013
Employee Benefits	67,540	64,037	64,036	1
Supplies	15,800	11,158	8,527	2,631
Contract Services	13,075	16,245	15,262	983
Capital Outlay	-	7,046	7,046	-
Total County Court No3	282,990	302,698	297,070	5,628
County Court No4:				
Salaries	195,319	215,298	213,285	2,013
Employee Benefits	69,060	75,245	75,243	2
Supplies	12,300	13,103	8,537	4,566
Contract Services	6,600	7,135	5,963	1,172
Capital Outlay	-	2,313	2,313	-
Total County Court No4	283,279	313,094	305,341	7,753
District Attorney:				
Salaries	3,544,183	3,617,668	3,617,666	2
Employee Benefits	1,270,037	1,235,266	1,235,264	2
Supplies	82,600	91,849	87,669	4,180
Contract Services	108,530	119,048	99,637	19,411
Total District Attorney	5,005,350	5,063,831	5,040,236	23,595
District Clerk:				
Salaries	1,386,278	1,353,549	1,353,548	1
Employee Benefits	650,240	605,560	605,558	2
Supplies	55,400	67,960	64,261	3,699
Contract Services	42,922	48,676	40,080	8,596
Capital Outlay	2,949	7,130	4,263	2,867
Total District Clerk	2,137,789	2,082,875	2,067,710	15,165

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Expenditures and Other Financing Uses

Budget (GAAP Basis) and Actual Year Ended September 30, 2007

A-2

Page 4 of 11

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>JUDICIAL(cont'd)</u>				
Justice of Peace Pct 1:				
Salaries	317,746	325,752	325,751	1
Employee Benefits	128,027	125,277	125,276	1
Supplies	8,000	29,156	29,130	26
Contract Services	13,977	30,279	29,834	445
Capital Outlay	-	1,013	1,013	-
Total Justice of Peace Pct 1	<u>467,750</u>	<u>511,477</u>	<u>511,004</u>	<u>473</u>
Justice of Peace Pct 2:				
Salaries	243,269	234,236	234,235	1
Employee Benefits	96,869	91,086	91,085	1
Supplies	7,250	10,125	9,203	922
Contract Services	9,620	10,120	7,098	3,022
Capital Outlay	-	1,458	-	1,458
Total Justice of Peace Pct 2	<u>357,008</u>	<u>347,025</u>	<u>341,621</u>	<u>5,404</u>
Justice of Peace Pct 3:				
Salaries	478,635	491,201	488,446	2,755
Employee Benefits	219,579	208,150	207,585	565
Supplies	18,861	25,090	24,724	366
Contract Services	12,525	16,420	14,645	1,775
Capital Outlay	-	3,377	3,377	-
Total Justice of Peace Pct 3	<u>729,600</u>	<u>744,238</u>	<u>738,777</u>	<u>5,461</u>
Justice of Peace Pct 4:				
Salaries	386,883	422,476	422,475	1
Employee Benefits	176,355	178,879	178,878	1
Supplies	9,903	11,034	10,729	305
Contract Services	10,737	11,699	11,340	359
Capital Outlay	-	82	-	82
Total Justice of Peace Pct 4	<u>583,878</u>	<u>624,170</u>	<u>623,422</u>	<u>748</u>
Justice of Peace Pct 5:				
Salaries	211,732	217,492	217,491	1
Employee Benefits	82,267	82,453	82,452	1
Supplies	9,362	13,249	12,492	757
Contract Services	7,750	35,229	32,431	2,798
Capital Outlay	-	1,180	1,180	-
Total Justice of Peace Pct 5	<u>311,111</u>	<u>349,603</u>	<u>346,046</u>	<u>3,557</u>
<u>TOTAL JUDICIAL</u>	<u>10,847,888</u>	<u>11,035,110</u>	<u>10,958,487</u>	<u>76,623</u>

MONTGOMERY COUNTY, TEXAS**General Fund****Schedule of Expenditures and Other Financing Uses****Budget (GAAP Basis) and Actual Year Ended September 30, 2007**

A-2

Page 5 of 11

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>LEGAL:</u>				
County Attorney:				
Salaries	1,184,069	1,324,936	1,324,934	2
Employee Benefits	405,880	442,703	442,167	536
Supplies	30,430	39,013	38,974	39
Contract Services	20,700	51,197	49,001	2,196
Capital Outlay	-	9,343	9,343	-
<u>TOTAL LEGAL</u>	<u>1,641,079</u>	<u>1,867,192</u>	<u>1,864,419</u>	<u>2,773</u>
<u>ELECTIONS:</u>				
Salaries	493,244	626,829	626,828	1
Employee Benefits	156,697	158,167	158,165	2
Supplies	48,826	150,298	148,886	1,412
Contract Services	142,400	152,898	129,746	23,152
Capital Outlay	-	327,367	309,588	17,779
<u>TOTAL ELECTIONS</u>	<u>841,167</u>	<u>1,415,559</u>	<u>1,373,213</u>	<u>42,346</u>
<u>FINANCIAL ADMINISTRATION:</u>				
County Auditor:				
Salaries	744,884	733,740	725,112	8,628
Employee Benefits	284,054	287,228	250,037	37,191
Supplies	15,530	28,415	13,291	15,124
Contract Services	14,969	37,864	22,984	14,880
Capital Outlay	1,480	16,507	16,507	-
Total County Auditor	<u>1,060,917</u>	<u>1,103,754</u>	<u>1,027,931</u>	<u>75,823</u>
Budget Officer:				
Salaries	213,588	220,250	220,249	1
Employee Benefits	73,502	74,677	74,676	1
Supplies	4,760	4,378	4,185	193
Contract Services	5,755	6,511	6,130	381
Total Budget Officer	<u>297,605</u>	<u>305,816</u>	<u>305,240</u>	<u>576</u>
County Treasurer:				
Salaries	307,072	314,006	314,005	1
Employee Benefits	117,027	115,976	115,975	1
Supplies	14,450	12,172	12,171	1
Contract Services	15,166	19,834	19,716	118
Total County Treasurer	<u>453,715</u>	<u>461,988</u>	<u>461,867</u>	<u>121</u>

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Expenditures and Other Financing Uses

Budget (GAAP Basis) and Actual Year Ended September 30, 2007

A-2

Page 6 of 11

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>FINANCIAL ADM(cont'd)</u>				
Tax Assessor-Collector:				
Salaries	2,058,337	2,072,785	2,071,086	1,699
Employee Benefits	912,949	867,256	866,091	1,165
Supplies	114,540	164,970	91,389	73,581
Contract Services	145,959	192,479	139,492	52,987
Capital Outlay	4,100	6,349	3,427	2,922
Total Tax Assessor-Collector	3,235,885	3,303,839	3,171,485	132,354
<u>TOTAL FINANCIAL ADM</u>	<u>5,048,122</u>	<u>5,175,397</u>	<u>4,966,523</u>	<u>208,874</u>
 <u>PUBLIC FACILITIES:</u>				
Custodial Services:				
Salaries	1,259,577	1,246,126	1,246,124	2
Employee Benefits	555,842	534,519	534,516	3
Supplies	254,250	254,697	254,427	270
Contract Services	124,067	100,303	83,970	16,333
Capital Outlay	3,745	65,651	65,651	-
Total Custodial Services	2,197,481	2,201,296	2,184,688	16,608
 Building Maintenance:				
Salaries	1,167,729	1,258,897	1,258,895	2
Employee Benefits	466,643	467,754	467,750	4
Supplies	566,098	550,657	549,867	790
Contract Services	144,532	887,233	882,575	4,658
Capital Outlay	-	54,209	54,209	-
Total Building Maintenance	2,345,002	3,218,750	3,213,296	5,454
 Jail:				
Salaries	8,643,971	8,754,112	8,754,110	2
Employee Benefits	3,848,303	3,610,541	3,606,458	4,083
Supplies	1,772,978	1,831,557	1,830,900	657
Contract Services	1,096,721	888,834	888,718	116
Capital Outlay	-	1,055,110	903,538	151,572
Total Jail	15,361,973	16,140,154	15,983,724	156,430
 Civic Center:				
Salaries	332,516	352,037	352,035	2
Employee Benefits	139,631	131,866	131,863	3
Supplies	114,466	100,640	98,938	1,702
Contract Services	291,500	410,574	402,030	8,544
Capital Outlay	-	1,420	1,420	-
Total Civic Center	878,113	996,537	986,286	10,251

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Expenditures and Other Financing Uses

Budget (GAAP Basis) and Actual Year Ended September 30, 2007

A-2

Page 7 of 11

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>PUBLIC FACILITIES(cont'd)</u>				
Parks:				
Salaries	68,207	70,767	70,765	2
Employee Benefits	20,952	21,433	21,432	1
Supplies	3,300	5,670	2,909	2,761
Contract Services	19,100	17,920	14,241	3,679
Capital Outlay	250	250	-	250
Total Parks	111,809	116,040	109,347	6,693
<u>TOTAL PUBLIC FACILITIES</u>	<u>20,894,378</u>	<u>22,672,777</u>	<u>22,477,341</u>	<u>195,436</u>
<u>PUBLIC SAFETY:</u>				
Fire Marshal:				
Salaries	469,213	486,830	486,829	1
Employee Benefits	140,620	140,601	140,599	2
Supplies	13,750	14,748	14,101	647
Contract Services	19,013	22,157	20,049	2,108
Capital Outlay	3,400	3,252	-	3,252
Total Fire Marshal	645,996	667,588	661,578	6,010
Constable Pct 1:				
Salaries	1,645,583	1,705,965	1,701,854	4,111
Employee Benefits	604,304	599,965	597,182	2,783
Supplies	103,714	101,380	96,283	5,097
Contract Services	56,349	79,835	73,827	6,008
Capital Outlay	33,777	58,920	56,393	2,527
Total Constable Pct 1	2,443,727	2,546,065	2,525,539	20,526
Constable Pct 2:				
Salaries	724,861	757,129	757,127	2
Employee Benefits	244,245	249,244	249,242	2
Supplies	34,773	40,908	38,595	2,313
Contract Services	17,400	28,092	23,124	4,968
Capital Outlay	-	7,088	7,088	-
Total Constable Pct 2	1,021,279	1,082,461	1,075,176	7,285
Constable Pct 3:				
Salaries	1,780,300	1,627,761	1,623,052	4,709
Employee Benefits	627,729	546,551	536,728	9,823
Supplies	48,843	58,857	49,623	9,234
Contract Services	18,880	36,008	31,055	4,953
Capital Outlay	-	6,094	6,094	-
Total Constable Pct 3	2,475,752	2,275,271	2,246,552	28,719

MONTGOMERY COUNTY, TEXAS**General Fund****Schedule of Expenditures and Other Financing Uses****Budget (GAAP Basis) and Actual Year Ended September 30, 2007**

A-2

Page 8 of 11

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>PUBLIC SAFETY(cont'd)</u>				
Constable Pct 4:				
Salaries	911,099	892,774	892,773	1
Employee Benefits	312,963	295,790	295,787	3
Supplies	15,800	15,287	15,249	38
Contract Services	17,657	22,169	19,859	2,310
Capital Outlay	-	5,235	5,235	-
Total Constable Pct 4	<u>1,257,519</u>	<u>1,231,255</u>	<u>1,228,903</u>	<u>2,352</u>
Constable Pct 5:				
Salaries	1,294,922	1,334,264	1,334,263	1
Employee Benefits	443,335	441,261	441,259	2
Supplies	41,275	35,776	29,291	6,485
Contract Services	28,115	44,826	37,373	7,453
Capital Outlay	-	6,968	1,623	5,345
Total Constable Pct 5	<u>1,807,647</u>	<u>1,863,095</u>	<u>1,843,809</u>	<u>19,286</u>
Sheriff:				
Salaries	13,096,016	14,158,161	13,760,924	397,237
Employee Benefits	5,088,395	5,288,236	5,086,040	202,196
Supplies	1,459,988	1,761,822	1,502,594	259,228
Contract Services	1,467,265	1,479,849	1,212,110	267,739
Capital Outlay	528,466	1,805,946	1,538,891	267,055
Total Sheriff	<u>21,640,130</u>	<u>24,494,014</u>	<u>23,100,559</u>	<u>1,393,455</u>
Juvenile Services:				
Salaries	2,710,057	2,643,894	2,643,893	1
Employee Benefits	1,120,145	1,081,452	1,081,448	4
Supplies	65,815	67,582	67,563	19
Contract Services	226,945	283,810	282,719	1,091
Capital Outlay	-	40,333	40,086	247
Total Juvenile Services	<u>4,122,962</u>	<u>4,117,071</u>	<u>4,115,709</u>	<u>1,362</u>
Adult Services:				
Salaries	-	4,126,891	4,126,891	-
Employee Benefits	-	713,947	713,947	-
Supplies	3,238	3,132	1,910	1,222
Contract Services	18,049	38,155	35,198	2,957
Total Adult Services	<u>21,287</u>	<u>4,882,125</u>	<u>4,877,946</u>	<u>4,179</u>

MONTGOMERY COUNTY, TEXAS

General Fund

Schedule of Expenditures and Other Financing Uses

Budget (GAAP Basis) and Actual Year Ended September 30, 2007

A-2

Page 9 of 11

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>PUBLIC SAFETY(cont'd)</u>				
Emergency Management:				
Salaries	125,030	252,927	193,849	59,078
Employee Benefits	39,923	74,131	53,077	21,054
Supplies	3,925	3,425	2,566	859
Contract Services	5,920	215,775	151,961	63,814
Capital Outlay	-	2,002,170	947,581	1,054,589
Total Emergency Management	174,798	2,548,428	1,349,034	1,199,394
Department of Public Safety:				
Salaries	53,404	55,060	55,059	1
Employee Benefits	27,466	27,648	27,647	1
Supplies	450	450	446	4
Contract Services	-	500	465	35
Total Dept of Public Safety	81,320	83,658	83,617	41
<u>TOTAL PUBLIC SAFETY</u>	<u>35,692,417</u>	<u>45,791,031</u>	<u>43,108,422</u>	<u>2,682,609</u>
<u>HEALTH AND WELFARE:</u>				
Vehicle Emissions Program:				
Contract Services	-	126,924	126,924	-
Medical:				
Contract Services	90,000	986,590	986,590	-
Mental Health:				
Contract Services	191,930	296,930	287,376	9,554
Environmental Health:				
Salaries	1,092,349	1,139,091	1,139,090	1
Employee Benefits	424,017	412,313	412,310	3
Supplies	22,200	26,599	24,811	1,788
Contract Services	44,875	42,970	41,253	1,717
Capital Outlay	-	21,185	21,124	61
Total Environmental Health	1,583,441	1,642,158	1,638,588	3,570
Animal Control:				
Salaries	461,442	464,332	464,331	1
Employee Benefits	216,589	205,926	205,923	3
Supplies	57,900	51,365	50,128	1,237
Contract Services	33,900	35,809	35,767	42
Capital Outlay	1,000	30,913	27,128	3,785
Total Animal Control	770,831	788,345	783,277	5,068

MONTGOMERY COUNTY, TEXAS
General Fund
Schedule of Expenditures and Other Financing Uses
Budget (GAAP Basis) and Actual Year Ended September 30, 2007

A-2
Page 10 of 11

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>HEALTH/WELFARE(cont'd)</u>				
Welfare:				
Contract Services	923,199	933,199	933,199	-
<u>TOTAL HEALTH/WELFARE</u>	<u>3,559,401</u>	<u>4,774,146</u>	<u>4,755,954</u>	<u>18,192</u>
<u>CONSERVATION:</u>				
Extension Agent:				
Salaries	271,745	277,382	277,381	1
Employee Benefits	107,525	100,348	100,346	2
Supplies	12,700	22,478	19,082	3,396
Contract Services	40,016	52,834	51,095	1,739
Capital Outlay	-	1,565	1,564	1
<u>TOTAL CONSERVATION</u>	<u>431,986</u>	<u>454,607</u>	<u>449,468</u>	<u>5,139</u>
<u>MISCELLANEOUS:</u>				
Salaries	1,847,153	-	-	-
Benefits	321,220	3,651,307	2,407,267	1,244,040
Contingency	2,150,362	3,698,955	439,555	3,259,400
<u>TOTAL MISCELLANEOUS</u>	<u>4,318,735</u>	<u>7,350,262</u>	<u>2,846,822</u>	<u>4,503,440</u>
<u>TOTAL EXPENDITURES</u>	<u>97,155,301</u>	<u>116,842,460</u>	<u>104,979,018</u>	<u>11,863,442</u>

MONTGOMERY COUNTY, TEXAS
General Fund
Schedule of Expenditures and Other Financing Uses
Budget (GAAP Basis) and Actual Year Ended September 30, 2007

A-2
Page 11 of 11

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>OTHER FINANCING USES:</u>				
Transfers Out:				
To FEMA Disaster Grants	-	-	1	(1)
To Jury	-	597,289	4,912,289	(4,315,000)
To Road and Bridge	-	538,731	538,731	-
To Memorial Library	-	260,055	8,097,055	(7,837,000)
To Animal Shelter	-	155,351	510,351	(355,000)
To Alternative Dispute Res.	-	200	200	-
To Juvenile Probation	-	133,555	133,555	-
To Child Welfare	-	9,905	57,905	(48,000)
To Airport Maintenance	-	14,162	7,240,459	(7,226,297)
To Debt Service	-	-	450,000	(450,000)
<u>TOTAL FINANCING USES</u>	<u>-</u>	<u>1,709,248</u>	<u>21,940,546</u>	<u>(20,231,298)</u>
<u>TOTAL EXPENDITURES AND FINANCING USES</u>	<u>\$ 97,155,301</u>	<u>\$ 118,551,708</u>	<u>\$ 126,919,564</u>	<u>\$ (8,367,856)</u>

MONTGOMERY COUNTY, TEXAS
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Year Ended September 30, 2007

A-3

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Taxes	\$18,607,300	\$ 18,788,253	\$ 19,111,318	\$ 323,065
Interest	464,801	491,062	44,437	(446,625)
<u>TOTAL REVENUES</u>	<u>19,072,101</u>	<u>19,279,315</u>	<u>19,155,755</u>	<u>(123,560)</u>
<u>EXPENDITURES:</u>				
Debt Service:				
Principal Retirement	5,365,000	5,305,000	5,305,000	-
Interest and Fiscal Charges	13,707,101	13,929,488	13,989,627	(60,139)
Issuance Costs	-	-	593,627	(593,627)
<u>TOTAL EXPENDITURES</u>	<u>19,072,101</u>	<u>19,234,488</u>	<u>19,888,254</u>	<u>(653,766)</u>
(Deficiency) Revenues Over Expenditures	-	44,827	(732,499)	(777,326)
<u>OTHER FINANCING SOURCES:</u>				
Transfers In	-	-	510,395	510,395
Issuance of Refunding Bonds	-	41,495,000	41,495,000	-
Premium on Refunding Bonds	-	940,880	940,880	-
Payment to Refunded Bond Escrow Agent	-	(41,706,307)	(41,706,307)	-
Discount on Refunding Bonds	-	(120,633)	(120,633)	-
<u>TOTAL OTHER FINANCING SOURCES</u>	<u>-</u>	<u>608,940</u>	<u>1,119,335</u>	<u>510,395</u>
Net Change in Fund Balance	-	653,767	386,836	(266,931)
Fund Balance at Beginning of Year	<u>2,246,764</u>	<u>2,246,764</u>	<u>2,246,764</u>	<u>-</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ 2,246,764</u>	<u>\$ 2,900,531</u>	<u>\$ 2,633,600</u>	<u>\$ (266,931)</u>



**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

MONTGOMERY COUNTY, TEXAS
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2007

B-1

	Special Revenue	Capital Projects	Total
<u>ASSETS:</u>			
Cash	\$ 1,114,482	\$ 2,169,011	\$ 3,283,493
Investments, at Fair Value	702,643	19,545,566	20,248,209
Cash, Restricted	2,787,525	-	2,787,525
Cash, Restricted for Retainage	-	250,725	250,725
Receivables:			
Accounts	192,082	-	192,082
Due from Other Funds	1,309,112	10,392,285	11,701,397
Due from Other Governments	744,507	500,000	1,244,507
<u>TOTAL ASSETS</u>	<u>\$ 6,850,351</u>	<u>\$ 32,857,587</u>	<u>\$ 39,707,938</u>

LIABILITIES AND FUND BALANCES:

<u>LIABILITIES:</u>			
Accounts Payable	\$ 823,206	\$ 1,802,426	\$ 2,625,632
Retainage Payable	24,230	250,725	274,955
Due to Other Funds	917,196	2,363,398	3,280,594
Deferred Revenue	148,368	-	148,368
Total Liabilities	<u>1,913,000</u>	<u>4,416,549</u>	<u>6,329,549</u>

FUND BALANCES:

Reserved for:			
Capital Projects	-	28,441,038	28,441,038
Unreserved, designated for encumbrances, reported in:			
Special Revenue Funds	2,801,581	-	2,801,581
Unreserved, undesignated	2,135,770	-	2,135,770
Total Fund Balances	<u>4,937,351</u>	<u>28,441,038</u>	<u>33,378,389</u>

**TOTAL LIABILITIES AND
FUND BALANCES**

<u>\$ 6,850,351</u>	<u>\$ 32,857,587</u>	<u>\$ 39,707,938</u>
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MONTGOMERY COUNTY, TEXAS**Nonmajor Governmental Funds****Combining Statement of Revenues, Expenditures, and Changes in Fund Balances****Year Ended September 30, 2007**

B-2

	Special Revenue	Capital Projects	Totals
<u>REVENUES:</u>			
Licenses and Permits	\$ 126,917	\$ -	\$ 126,917
Fees	389,963	-	389,963
Intergovernmental	5,955,140	656,450	6,611,590
Charges for Services	1,223,678	-	1,223,678
Interest	56,549	1,299,089	1,355,638
Contract Reimbursements	148,852	-	148,852
Fines and Forfeitures	734,130	-	734,130
Miscellaneous	177,075	-	177,075
<u>TOTAL REVENUES</u>	<u>8,812,304</u>	<u>1,955,539</u>	<u>10,767,843</u>
<u>EXPENDITURES:</u>			
Current:			
General Administration	115,045	-	115,045
Judicial	6,221,345	-	6,221,345
Legal Services	363,820	-	363,820
Public Safety	2,076,202	-	2,076,202
Health and Welfare	4,127,271	-	4,127,271
Culture and Recreation	7,812,017	-	7,812,017
Capital Projects	-	18,548,886	18,548,886
<u>TOTAL EXPENDITURES</u>	<u>20,715,700</u>	<u>18,548,886</u>	<u>39,264,586</u>
(Deficiency) Revenues Over Expenditures	<u>(11,903,396)</u>	<u>(16,593,347)</u>	<u>(28,496,743)</u>
<u>OTHER FINANCING SOURCES/(USES):</u>			
Transfers In	13,740,355	13,494,394	27,234,749
Transfers Out	(1,537,261)	(2,095,921)	(3,633,182)
Capital Lease Financing	2,812,900	-	2,812,900
<u>TOTAL OTHER FINANCING SOURCES/(USES)</u>	<u>15,015,994</u>	<u>11,398,473</u>	<u>26,414,467</u>
Net Change in Fund Balances	3,112,598	(5,194,874)	(2,082,276)
Fund Balances at Beginning of Year	1,824,753	33,635,912	35,460,665
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$ 4,937,351</u>	<u>\$ 28,441,038</u>	<u>\$ 33,378,389</u>



NONMAJOR SPECIAL REVENUE FUNDS

Attorney Administration Fund - to account for the operations of the County's returned check collection service provided by the County and District attorneys. Fees charged to offenders finance this fund.

Forfeitures Fund - to account for funds received by prosecutors and law enforcement agencies from forfeitures and/or seizures. Chapter 59 of the Criminal Code of Procedure governs expenditure of these funds.

Civic Center Complex Fund - to account for the proceeds of an interlocal agreement with the City of Conroe, whereby the city contributes a portion of its hotel/motel occupancy taxes for the operation of a countywide civic center.

FEMA Disaster Grants Fund - to account for grants from the Federal Emergency Management Agency. The purpose of these grants is to assist the County in recovering from Hurricanes Rita and Katrina.

Jury Fund - to account for the operations of the courts. Financing is provided by ad valorem taxes transferred from General Fund.

Sheriff Commissary Fund - to account for the proceeds from sale of personal items in the jail commissary. Expenditures are restricted to providing education and entertainment for inmates of the county jail.

Memorial Library Fund - to account for the operations of a countywide library system. Financing includes ad valorem taxes and user fees.

Community Development Fund - to account for annual grants from U.S. Department of Housing and Urban Development (HUD), both Block Grants and HOME Partnership grants. Grants are intended to alleviate substandard housing conditions in the County.

Animal Shelter Fund - to account for operations of the Montgomery County Animal Shelter. Funding is provided by ad valorem taxes and user fees.

Law Library Fund - to account for the operations of a law library. Financing is provided by a fee assessed on each civil case filed in County and District Courts.

Historical Commission Fund - to account for certain expenditures toward historical projects within the County. Donations and transfers from General Fund finance these projects.

Alternate Dispute Resolution Fund - to account for the operations of the Dispute Resolution Center created by Commissioners' Court in agreement with the Montgomery County Bar Association. Financing is provided by fees assessed on court cases.

Juvenile Probation Fund - to account for expenditure of state grants-in-aid and federal reimbursements associated with the care and custody of minors under the supervision of the juvenile courts.

Child Welfare Fund - to account for expenditures made in connection with a contract between the County and the State of Texas for the care of neglected and abused children.

MONTGOMERY COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Balance Sheet
September 30, 2007

C-1
Page 1 of 2

	Attorney Administration	Forfeitures	Civic Center Complex	FEMA Disaster Grants
<u>ASSETS:</u>				
Cash	\$ 12,720	\$ 702,574	\$ -	\$ -
Investments, at Fair Value	-	-	-	-
Cash, Restricted	-	-	-	-
Receivables:				
Accounts		-	5,160	-
Due from Other Funds	-	-	-	306,910
Due from Other Governments	-	-	115,663	-
<u>TOTAL ASSETS</u>	<u>\$ 12,720</u>	<u>\$ 702,574</u>	<u>\$ 120,823</u>	<u>\$ 306,910</u>

LIABILITIES AND FUND BALANCES:

<u>LIABILITIES:</u>				
Accounts Payable	\$ 1,651	\$ -	\$ 3,882	\$ -
Retainage Payable	-	-	-	-
Due to Other Funds	15,587	-	107,154	306,910
Deferred Revenue	-	-	-	-
Total Liabilities	<u>17,238</u>	<u>-</u>	<u>111,036</u>	<u>306,910</u>

FUND BALANCES:

Unreserved, designated for encumbrances, reported in:				
Special Revenue Funds	-	-	-	-
Unreserved, undesignated	<u>(4,518)</u>	<u>702,574</u>	<u>9,787</u>	<u>-</u>
Total Fund Balances	<u>(4,518)</u>	<u>702,574</u>	<u>9,787</u>	<u>-</u>

**TOTAL LIABILITIES AND
FUND BALANCES**

<u>\$ 12,720</u>	<u>\$ 702,574</u>	<u>\$ 120,823</u>	<u>\$ 306,910</u>
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Jury	Sheriff Commissary	Memorial Library	Memo Totals from Page 91	Totals
\$ 43,024	\$ 44,818	\$ 620	\$ 310,726	\$ 1,114,482
-	-	-	702,643	702,643
-	-	-	2,787,525	2,787,525
13,575	-	3,252	170,095	192,082
171,229	-	292,875	538,098	1,309,112
118,779	-	-	510,065	744,507
<u>\$ 346,607</u>	<u>\$ 44,818</u>	<u>\$ 296,747</u>	<u>\$ 5,019,152</u>	<u>\$ 6,850,351</u>
\$ 343,792	\$ -	\$ 267,191	\$ 206,690	\$ 823,206
-	-	-	24,230	24,230
-	-	-	487,545	917,196
-	-	21,269	127,099	148,368
<u>343,792</u>	<u>-</u>	<u>288,460</u>	<u>845,564</u>	<u>1,913,000</u>
9,981	-	50,822	2,740,778	2,801,581
(7,166)	44,818	(42,535)	1,432,810	2,135,770
<u>2,815</u>	<u>44,818</u>	<u>8,287</u>	<u>4,173,588</u>	<u>4,937,351</u>
<u>\$ 346,607</u>	<u>\$ 44,818</u>	<u>\$ 296,747</u>	<u>\$ 5,019,152</u>	<u>\$ 6,850,351</u>

MONTGOMERY COUNTY, TEXAS
Nonmajor Special Revenue Funds
Combining Balance Sheet
September 30, 2007

C-1
Page 2 of 2

	Community Development	Animal Shelter	Law Library
<u>ASSETS:</u>			
Cash	\$ -	\$ -	\$ 128,003
Investments, at Fair Value	-	-	702,643
Cash, Resticted	2,787,525	-	
Receivables:			
Accounts	170,000	-	-
Due from Other Funds	-	47,571	-
Due from Other Governments	327,221	-	-
<u>TOTAL ASSETS</u>	<u>\$ 3,284,746</u>	<u>\$ 47,571</u>	<u>\$ 830,646</u>

LIABILITIES AND FUND BALANCES:

<u>LIABILITIES:</u>			
Accounts Payable	\$ 78,916	\$ 44,490	\$ 13,053
Retainage Payable	24,230	-	-
Due to Other Funds	442,599	-	2,107
Deferred Revenue	10	-	-
Total Liabilities	<u>545,755</u>	<u>44,490</u>	<u>15,160</u>

FUND BALANCES:

Unreserved, designated for encumbrances, reported in:			
Special Revenue Funds	2,738,991	351	-
Unreserved, undesignated	-	2,730	815,486
Total Fund Balances	<u>2,738,991</u>	<u>3,081</u>	<u>815,486</u>

**TOTAL LIABILITIES AND
FUND BALANCES**

<u>\$ 3,284,746</u>	<u>\$ 47,571</u>	<u>\$ 830,646</u>
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Historical Commission	Alternate Dispute Resolution	Juvenile Probation	Child Welfare	Memo Totals to Page 89
\$ -	\$ 40,335	\$ 134,968	\$ 7,420	\$ 310,726
-	-	-	-	702,643
-				2,787,525
-	-	95	-	170,095
28,999	-	461,528	-	538,098
-	-	175,329	7,515	510,065
<u>\$ 28,999</u>	<u>\$ 40,335</u>	<u>\$ 771,920</u>	<u>\$ 14,935</u>	<u>\$ 5,019,152</u>
\$ 1,532	\$ 2,886	\$ 59,937	\$ 5,876	\$ 206,690
-	-	-	-	24,230
27,467	7,768	-	7,604	487,545
-	-	127,089	-	127,099
<u>28,999</u>	<u>10,654</u>	<u>187,026</u>	<u>13,480</u>	<u>845,564</u>
-	-	-	1,436	2,740,778
-	29,681	584,894	19	1,432,810
<u>-</u>	<u>29,681</u>	<u>584,894</u>	<u>1,455</u>	<u>4,173,588</u>
<u>\$ 28,999</u>	<u>\$ 40,335</u>	<u>\$ 771,920</u>	<u>\$ 14,935</u>	<u>\$ 5,019,152</u>

MONTGOMERY COUNTY, TEXAS

Nonmajor Special Revenue Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended September 30, 2007

C-2
Page 1 of 2

	Attorney Administration	Forfeitures	Civic Center Complex	FEMA Disaster Grants
<u>REVENUES:</u>				
Licenses and Permits	\$ -	\$ -	\$ -	\$ -
Fees	-	-	-	-
Intergovernmental	-	-	222,493	-
Charges for Services	90,413	-	406,715	-
Interest	83	632	-	-
Contract Reimbursements	-	-	-	-
Fines and Forfeitures	-	329,465	-	-
Miscellaneous	-	-	-	-
<u>TOTAL REVENUES</u>	<u>90,496</u>	<u>330,097</u>	<u>629,208</u>	<u>-</u>
<u>EXPENDITURES:</u>				
General Administration	115,045	-	-	-
Judicial	-	-	-	-
Legal Services	-	-	-	-
Public Safety	-	327,241	-	-
Health and Welfare	-	-	-	-
Culture and Recreation	-	-	-	-
<u>TOTAL EXPENDITURES</u>	<u>115,045</u>	<u>327,241</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) Revenues Over Expenditures	<u>(24,549)</u>	<u>2,856</u>	<u>629,208</u>	<u>-</u>
<u>OTHER FINANCING SOURCES/ (USES):</u>				
Transfers In	-	-	-	1
Transfers Out	-	-	(640,000)	-
Capital Lease Financing	-	-	-	-
<u>TOTAL OTHER FINANCING SOURCES/(USES)</u>	<u>-</u>	<u>-</u>	<u>(640,000)</u>	<u>1</u>
Net Change in Fund Balances	(24,549)	2,856	(10,792)	1
Fund Balances at Beginning of Year	<u>20,031</u>	<u>699,718</u>	<u>20,579</u>	<u>(1)</u>
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$ (4,518)</u>	<u>\$ 702,574</u>	<u>\$ 9,787</u>	<u>\$ -</u>

Jury	Sheriff Commissary	Memorial Library	Memo Totals from Page 95	Totals
\$ -	\$ -	\$ -	\$ 126,917	\$ 126,917
-	-	-	389,963	389,963
648,022	-	64,069	5,020,556	5,955,140
115,610	240,949	142,033	227,958	1,223,678
330	397	37	55,070	56,549
148,852	-	-	-	148,852
404,665	-	-	-	734,130
-	-	164,150	12,925	177,075
<u>1,317,479</u>	<u>241,346</u>	<u>370,289</u>	<u>5,833,389</u>	<u>8,812,304</u>
-	-	-	-	115,045
6,221,345	-	-	-	6,221,345
-	-	-	363,820	363,820
-	283,642	-	1,465,319	2,076,202
-	-	-	4,127,271	4,127,271
-	-	7,783,018	28,999	7,812,017
<u>6,221,345</u>	<u>283,642</u>	<u>7,783,018</u>	<u>5,985,409</u>	<u>20,715,700</u>
<u>(4,903,866)</u>	<u>(42,296)</u>	<u>(7,412,729)</u>	<u>(152,020)</u>	<u>(11,903,396)</u>
4,912,289	-	8,097,055	731,010	13,740,355
(80,311)	-	(676,599)	(140,351)	(1,537,261)
-	-	-	2,812,900	2,812,900
<u>4,831,978</u>	<u>-</u>	<u>7,420,456</u>	<u>3,403,559</u>	<u>15,015,994</u>
(71,888)	(42,296)	7,727	3,251,539	3,112,598
<u>74,703</u>	<u>87,114</u>	<u>560</u>	<u>922,049</u>	<u>1,824,753</u>
<u>\$ 2,815</u>	<u>\$ 44,818</u>	<u>\$ 8,287</u>	<u>\$ 4,173,588</u>	<u>\$ 4,937,351</u>

MONTGOMERY COUNTY, TEXAS**Nonmajor Special Revenue Funds****Combining Statement of Revenues, Expenditures, and Changes in Fund Balances****Year Ended September 30, 2007**C-2
Page 2 of 2

	Community Development	Animal Shelter	Law Library	Historical Commission
<u>REVENUES:</u>				
Licenses and Permits	\$ -	\$ 126,917	\$ -	\$ -
Fees	-	-	256,924	-
Intergovernmental	3,274,957	-	-	-
Charges for Services	-	157,907	-	-
Interest	24,305	-	30,064	-
Contract Reimbursements	-	-	-	-
Fines and Forfeitures	-	-	-	-
Miscellaneous	-	12,105	-	-
<u>TOTAL REVENUES</u>	<u>3,299,262</u>	<u>296,929</u>	<u>286,988</u>	<u>-</u>
<u>EXPENDITURES:</u>				
General Administration	-	-	-	-
Judicial	-	-	-	-
Legal Services	-	-	193,497	-
Public Safety	-	-	-	-
Health and Welfare	3,348,867	688,891	-	-
Culture and Recreation	-	-	-	28,999
<u>TOTAL EXPENDITURES</u>	<u>3,348,867</u>	<u>688,891</u>	<u>193,497</u>	<u>28,999</u>
Excess (Deficiency) Revenues Over Expenditures	<u>(49,605)</u>	<u>(391,962)</u>	<u>93,491</u>	<u>(28,999)</u>
<u>OTHER FINANCING SOURCES/ (USES):</u>				
Transfers In	-	510,351	-	28,999
Transfers Out	(24,305)	(115,750)	-	-
Capital Lease Financing	2,812,900	-	-	-
<u>TOTAL OTHER FINANCING SOURCES</u>	<u>2,788,595</u>	<u>394,601</u>	<u>-</u>	<u>28,999</u>
Net Change in Fund Balances	2,738,990	2,639	93,491	-
Fund Balances at Beginning of Year	<u>1</u>	<u>442</u>	<u>721,995</u>	<u>-</u>
<u>FUND BALANCES AT END OF YEAR</u>	<u>\$ 2,738,991</u>	<u>\$ 3,081</u>	<u>\$ 815,486</u>	<u>\$ -</u>

Alternate Dispute Resolution	Juvenile Probation	Child Welfare	Memo Totals to Page 93
\$ -	\$ -	\$ -	\$ 126,917
133,039	-	-	389,963
-	1,716,644	28,955	5,020,556
32,000	38,051	-	227,958
246	455	-	55,070
-	-	-	-
-	-	-	-
-	820	-	12,925
165,285	1,755,970	28,955	5,833,389
-	-	-	-
-	-	-	-
170,323	-	-	363,820
-	1,465,319	-	1,465,319
-	-	89,513	4,127,271
-	-	-	28,999
170,323	1,465,319	89,513	5,985,409
(5,038)	290,651	(60,558)	(152,020)
200	133,555	57,905	731,010
-	(296)	-	(140,351)
-	-	-	2,812,900
200	133,259	57,905	3,403,559
(4,838)	423,910	(2,653)	3,251,539
34,519	160,984	4,108	922,049
\$ 29,681	\$ 584,894	\$ 1,455	\$ 4,173,588

MONTGOMERY COUNTY, TEXAS
Attorney Administration Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2007

C-3

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Charges for Service	\$ 121,868	\$ 121,868	\$ 90,413	\$ (31,455)
Interest	-	-	83	83
Total Revenues	<u>121,868</u>	<u>121,868</u>	<u>90,496</u>	<u>(31,372)</u>
<u>EXPENDITURES:</u>				
General Administration:				
Salaries	67,490	67,490	69,582	(2,092)
Employee Benefits	29,916	29,916	30,717	(801)
Supplies	10,187	10,187	8,119	2,068
Contract Services	14,275	14,275	6,627	7,648
Total Expenditures	<u>121,868</u>	<u>121,868</u>	<u>115,045</u>	<u>6,823</u>
(Deficiency) Revenues Over Expenditures	-	-	(24,549)	(24,549)
Fund Balance at Beginning of Year	<u>20,031</u>	<u>20,031</u>	<u>20,031</u>	<u>-</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ 20,031</u>	<u>\$ 20,031</u>	<u>\$ (4,518)</u>	<u>\$ (24,549)</u>

MONTGOMERY COUNTY, TEXAS
Forfeitures Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2007

C-4

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Interest	\$ -	\$ -	\$ 632	\$ 632
Fines and Forfeitures	82,163	82,163	329,465	247,302
Total Revenues	82,163	82,163	330,097	247,934
<u>EXPENDITURES:</u>				
Public Safety:				
Salaries	12,669	12,669	52,849	(40,180)
Supplies	47,675	47,675	137,608	(89,933)
Contract Services	21,819	21,819	48,411	(26,592)
Capital Outlay	-	-	88,373	(88,373)
Total Expenditures	82,163	82,163	327,241	(245,078)
Excess Revenues Over Expenditures	-	-	2,856	2,856
Fund Balance at Beginning of Year	699,718	699,718	699,718	-
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ 699,718</u>	<u>\$ 699,718</u>	<u>\$ 702,574</u>	<u>\$ 2,856</u>

MONTGOMERY COUNTY, TEXAS
Civic Center Complex Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2007

C-5

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Intergovernmental	\$ 230,000	\$ 230,000	\$ 222,493	\$ (7,507)
Charges for Services	400,000	400,000	406,715	6,715
Total Revenues	<u>630,000</u>	<u>630,000</u>	<u>629,208</u>	<u>(792)</u>
 <u>OTHER FINANCING (USES):</u>				
Transfers Out	<u>-</u>	<u>(640,000)</u>	<u>(640,000)</u>	<u>-</u>
 Net Change in Fund Balance	630,000	(10,000)	(10,792)	(792)
 Fund Balance at Beginning of Year	<u>20,579</u>	<u>20,579</u>	<u>20,579</u>	<u>-</u>
 <u>FUND BALANCE AT END OF YEAR</u>	<u>\$ 650,579</u>	<u>\$ 10,579</u>	<u>\$ 9,787</u>	<u>\$ (792)</u>

MONTGOMERY COUNTY, TEXAS
FEMA Disaster Grants Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2007

C-6

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>OTHER FINANCING SOURCES:</u>				
Transfers In	-	-	1	1
Net Change in Fund Balance	-	-	1	1
Fund Balance at Beginning of Year	(1)	(1)	(1)	-
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 1</u>

MONTGOMERY COUNTY, TEXAS

Jury Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance

Budget (GAAP Basis) and Actual Year Ended September 30, 2007

C-7

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Intergovernmental:				
Federal Grants	\$ -	\$ 140,374	\$ 135,702	\$ (4,672)
State Grants	300,000	179,507	459,820	280,313
Other	35,000	35,000	52,500	17,500
Charges for Services	55,000	55,000	115,610	60,610
Interest	1,000	1,000	330	(670)
Contract Reimbursements	167,148	167,148	148,852	(18,296)
Fines and Forfeitures	277,000	277,000	404,665	127,665
Total Revenues	<u>835,148</u>	<u>855,029</u>	<u>1,317,479</u>	<u>462,450</u>
<u>EXPENDITURES:</u>				
Judicial:				
Salaries	1,298,956	1,341,979	1,331,155	10,824
Employee Benefits	516,755	461,981	451,382	10,599
Supplies	39,850	68,398	52,475	15,923
Contract Services	4,000,322	4,532,744	4,369,663	163,081
Capital Outlay	-	17,986	16,670	1,316
Total Expenditures	<u>5,855,883</u>	<u>6,423,088</u>	<u>6,221,345</u>	<u>201,743</u>
(Deficiency) Revenues Over Expenditures	<u>(5,020,735)</u>	<u>(5,568,059)</u>	<u>(4,903,866)</u>	<u>664,193</u>
<u>OTHER FINANCING SOURCES/(USES):</u>				
Transfers In	-	597,289	4,912,289	4,315,000
Transfers Out	<u>-</u>	<u>(80,311)</u>	<u>(80,311)</u>	<u>-</u>
Total Other Financing Sources	<u>-</u>	<u>516,978</u>	<u>4,831,978</u>	<u>4,315,000</u>
Net Change in Fund Balance	(5,020,735)	(5,051,081)	(71,888)	4,979,193
Fund Balance at Beginning of Year	<u>74,703</u>	<u>74,703</u>	<u>74,703</u>	<u>-</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ (4,946,032)</u>	<u>\$ (4,976,378)</u>	<u>\$ 2,815</u>	<u>\$ 4,979,193</u>

MONTGOMERY COUNTY, TEXAS
Sheriff Commissary Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2007

C-8

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Charges for Services	\$ 105,080	\$ 105,080	\$ 240,949	\$ 135,869
Interest	-	-	397	397
Total Revenues	<u>105,080</u>	<u>105,080</u>	<u>241,346</u>	<u>136,266</u>
<u>EXPENDITURES:</u>				
Public Safety:				
Salaries	22,080	22,080	22,080	-
Supplies	73,000	73,000	235,657	(162,657)
Contract Services	10,000	10,000	20,894	(10,894)
Capital Outlay	-	-	5,011	(5,011)
Total Expenditures	<u>105,080</u>	<u>105,080</u>	<u>283,642</u>	<u>(178,562)</u>
(Deficiency) Revenues Over Expenditures	-	-	(42,296)	(42,296)
Fund Balance at Beginning of Year	<u>87,114</u>	<u>87,114</u>	<u>87,114</u>	<u>-</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ 87,114</u>	<u>\$ 87,114</u>	<u>\$ 44,818</u>	<u>\$ (42,296)</u>

MONTGOMERY COUNTY, TEXAS
Memorial Library Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2007

C-9

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Intergovernmental	\$ -	\$ 39,088	\$ 64,069	\$ 24,981
Charges for Service	125,000	125,000	142,033	17,033
Interest	-	-	37	37
Miscellaneous	-	190,154	164,150	(26,004)
Total Revenues	<u>125,000</u>	<u>354,242</u>	<u>370,289</u>	<u>16,047</u>
<u>EXPENDITURES:</u>				
Culture and Recreation:				
Salaries	4,119,226	3,894,112	3,894,111	1
Employee Benefits	1,769,453	1,545,023	1,545,020	3
Supplies	576,300	934,167	770,164	164,003
Contract Services	593,781	687,839	670,843	16,996
Capital Outlay	872,680	939,296	902,880	36,416
Total Expenditures	<u>7,931,440</u>	<u>8,000,437</u>	<u>7,783,018</u>	<u>217,419</u>
(Deficiency) Revenues Over Expenditures	<u>(7,806,440)</u>	<u>(7,646,195)</u>	<u>(7,412,729)</u>	<u>233,466</u>
<u>OTHER FINANCING SOURCES/(USES):</u>				
Transfers In	-	260,055	8,097,055	7,837,000
Transfers Out	-	(676,599)	(676,599)	-
Total Other Financing Sources	<u>-</u>	<u>(416,544)</u>	<u>7,420,456</u>	<u>7,837,000</u>
Net Change in Fund Balance	<u>(7,806,440)</u>	<u>(8,062,739)</u>	<u>7,727</u>	<u>8,070,466</u>
Fund Balance at Beginning of Year	<u>560</u>	<u>560</u>	<u>560</u>	<u>-</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u><u>\$ (7,805,880)</u></u>	<u><u>\$ (8,062,179)</u></u>	<u><u>\$ 8,287</u></u>	<u><u>\$ 8,070,466</u></u>

MONTGOMERY COUNTY, TEXAS
Community Development Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2007

C-10

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Intergovernmental	\$ 2,308,283	\$ 2,434,985	\$ 3,274,957	\$ 839,972
Interest	-	-	24,305	24,305
Total Revenues	<u>2,308,283</u>	<u>2,434,985</u>	<u>3,299,262</u>	<u>864,277</u>
<u>EXPENDITURES:</u>				
Health and Welfare:				
Salaries	223,541	631,600	228,255	403,345
Employee Benefits	76,262	201,559	68,405	133,154
Supplies	25,000	394,550	15,351	379,199
Contract Services	1,033,654	2,745,069	1,645,325	1,099,744
Capital Outlay	949,826	6,366,740	1,391,531	4,975,209
Total Expenditures	<u>2,308,283</u>	<u>10,339,518</u>	<u>3,348,867</u>	<u>6,990,651</u>
(Deficiency) Revenues Over Expenditures	-	(7,904,533)	(49,605)	7,854,928
<u>OTHER FINANCING SOURCES/(USES):</u>				
Transfers Out	-	-	(24,305)	(24,305)
Capital Lease Financing	-	2,812,900	2,812,900	-
Total Other Financing Sources/(Uses)	<u>-</u>	<u>2,812,900</u>	<u>2,788,595</u>	<u>(24,305)</u>
Net Change in Fund Balance	-	(5,091,633)	2,738,990	7,830,623
Fund Balance at Beginning of Year	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ 1</u>	<u>\$ (5,091,632)</u>	<u>\$ 2,738,991</u>	<u>\$ 7,830,623</u>

MONTGOMERY COUNTY, TEXAS
Animal Shelter Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2007

C-11

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Licenses and Permits	\$ 95,000	\$ 162,814	\$ 126,917	\$ (35,897)
Charges for Service	-	157,907	157,907	-
Miscellaneous	-	-	12,105	12,105
Total Revenues	95,000	320,721	296,929	(23,792)
<u>EXPENDITURES:</u>				
Health and Welfare:				
Salaries	218,331	256,229	256,228	1
Employee Benefits	119,801	121,504	121,503	1
Supplies	42,700	278,864	235,188	43,676
Contract Services	95,876	96,927	66,725	30,202
Capital Outlay	-	9,247	9,247	-
Total Expenditures	476,708	762,771	688,891	73,880
(Deficiency) Revenues Over Expenditures	(381,708)	(442,050)	(391,962)	50,088
<u>OTHER FINANCING SOURCES/(USES):</u>				
Transfers In	-	155,351	510,351	355,000
Transfers Out	-	(115,750)	(115,750)	-
Total Other Financing Sources/(Uses)	-	39,601	394,601	355,000
Net Change in Fund Balance	(381,708)	(402,449)	2,639	405,088
Fund Balance at Beginning of Year	442	442	442	-
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ (381,266)</u>	<u>\$ (402,007)</u>	<u>\$ 3,081</u>	<u>\$ 405,088</u>

MONTGOMERY COUNTY, TEXAS
Law Library Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2007

C-12

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Fees	\$ 286,684	\$ 286,684	\$ 256,924	\$ (29,760)
Interest	-	-	30,064	30,064
Total Revenues	<u>286,684</u>	<u>286,684</u>	<u>286,988</u>	<u>304</u>
<u>EXPENDITURES:</u>				
Legal Services:				
Salaries	50,793	50,793	32,593	18,200
Employee Benefits	26,491	26,491	14,319	12,172
Supplies	56,249	46,649	12,908	33,741
Contract Services	33,151	42,751	37,280	5,471
Capital Outlay	120,000	120,000	96,397	23,603
Total Expenditures	<u>286,684</u>	<u>286,684</u>	<u>193,497</u>	<u>93,187</u>
Excess Revenues Over Expenditures	-	-	93,491	93,491
Fund Balance at Beginning of Year	<u>721,995</u>	<u>721,995</u>	<u>721,995</u>	<u>-</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ 721,995</u>	<u>\$ 721,995</u>	<u>\$ 815,486</u>	<u>\$ 93,491</u>

MONTGOMERY COUNTY, TEXAS
Historical Commission Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2007

C-13

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>EXPENDITURES:</u>				
Culture and Recreation:				
Contract Services	\$ 9,000	\$ 29,311	\$ 26,888	\$ 2,423
Capital Outlay	-	2,112	2,111	1
Total Expenditures	<u>9,000</u>	<u>31,423</u>	<u>28,999</u>	<u>2,424</u>
 (Deficiency) Revenues Over Expenditures	 <u>(9,000)</u>	 <u>(31,423)</u>	 <u>(28,999)</u>	 <u>2,424</u>
 <u>OTHER FINANCING</u>				
<u>SOURCES:</u>				
Transfers In	<u>-</u>	<u>20,000</u>	<u>28,999</u>	<u>8,999</u>
 Net Change in Fund Balance	 (9,000)	 (11,423)	 -	 11,423
 Fund Balance at Beginning of Year	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 <u>FUND BALANCE AT</u>				
<u>END OF YEAR</u>	 <u><u>\$ (9,000)</u></u>	 <u><u>\$ (11,423)</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 11,423</u></u>

MONTGOMERY COUNTY, TEXAS
Alternate Dispute Resolution Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2007

C-14

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Fees	\$ 80,000	\$ 80,000	\$ 133,039	\$ 53,039
Charges for Services	88,137	88,137	32,000	(56,137)
Interest	-	-	246	246
Total Revenues	<u>168,137</u>	<u>168,137</u>	<u>165,285</u>	<u>(2,852)</u>
<u>EXPENDITURES:</u>				
Legal Services:				
Salaries	120,000	120,000	122,226	(2,226)
Employee Benefits	48,137	48,137	48,006	131
Contract Services	-	200	91	109
Total Expenditures	<u>168,137</u>	<u>168,337</u>	<u>170,323</u>	<u>(1,986)</u>
(Deficiency) Revenues Over Expenditures	-	(200)	(5,038)	(4,838)
<u>OTHER FINANCING SOURCES:</u>				
Transfers In	<u>-</u>	<u>200</u>	<u>200</u>	<u>-</u>
Net Change in Fund Balance	-	-	(4,838)	(4,838)
Fund Balance at Beginning of Year	<u>34,519</u>	<u>34,519</u>	<u>34,519</u>	<u>-</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ 34,519</u>	<u>\$ 34,519</u>	<u>\$ 29,681</u>	<u>\$ (4,838)</u>

MONTGOMERY COUNTY, TEXAS
Juvenile Probation Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2007

C-15

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Intergovernmental:				
Dept Health/Human Services Grant	\$ -	\$ 55,008	\$ 243,032	\$ 188,024
Texas Juvenile Prob Comm Grants	-	1,763,421	1,473,612	(289,809)
Charges for Services	-	41,593	38,051	(3,542)
Interest	-	-	455	455
Miscellaneous	-	820	820	-
Total Revenues	-	1,860,842	1,755,970	(104,872)
<u>EXPENDITURES:</u>				
Public Safety:				
Salaries	-	1,596,134	768,048	828,086
Benefits	-	647,581	273,510	374,071
Supplies	-	207,247	60,628	146,619
Contract Services	-	1,044,907	361,416	683,491
Capital Outlay	-	37,717	1,717	36,000
Total Expenditures	-	3,533,586	1,465,319	2,068,267
Excess Revenues Over Expenditures	-	(1,672,744)	290,651	1,963,395
<u>OTHER FINANCING</u>				
<u>SOURCES/(USES):</u>				
Transfers In	-	133,555	133,555	-
Transfers Out	-	(296)	(296)	-
<u>Total Other Financing</u>				
<u>Sources/(Uses)</u>	-	133,259	133,259	-
Net Change in Fund Balance	-	(1,539,485)	423,910	1,963,395
Fund Balance at Beginning of Year	-	160,984	160,984	-
<u>FUND BALANCE AT</u>				
<u>END OF YEAR</u>	<u>\$ -</u>	<u>\$ (1,378,501)</u>	<u>\$ 584,894</u>	<u>\$ 1,963,395</u>

MONTGOMERY COUNTY, TEXAS
Child Welfare Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual Year Ended September 30, 2007

C-16

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>REVENUES:</u>				
Intergovernmental	\$ -	\$ -	\$ 28,955	\$ 28,955
<u>EXPENDITURES:</u>				
Health and Welfare:				
Salaries	-	29,097	2,280	26,817
Supplies	31,250	39,465	31,965	7,500
Contract Services	44,700	36,500	55,268	(18,768)
Total Expenditures	75,950	105,062	89,513	15,549
(Deficiency) Revenues Over Expenditures	(75,950)	(105,062)	(60,558)	44,504
<u>OTHER FINANCING SOURCES:</u>				
Transfers In	-	9,905	57,905	48,000
Net Change in Fund Balance	(75,950)	(95,157)	(2,653)	92,504
Fund Balance at Beginning of Year	4,108	4,108	4,108	-
<u>FUND BALANCE AT END OF YEAR</u>	<u>\$ (71,842)</u>	<u>\$ (91,049)</u>	<u>\$ 1,455</u>	<u>\$ 92,504</u>



NONMAJOR CAPITAL PROJECT FUNDS

Library Construction - to account for the construction of three libraries. Financing for this fund includes the proceeds from the issuance of general obligation bonds.

Road Bonds Series 2002A - to account for various road improvements throughout the County. The issuance of \$25million in general obligation bonds was the first phase of road construction bonds that were approved in 2001 by the voters of the County.

Road Bonds Series 2003A - to account for various road improvements to be made with the proceeds of \$24million in general obligation bonds. This is the second phase of road construction bonds that were approved in 2001 by the voters of the County.

Road Bonds Series 2004 - to account for various improvements to be made to both County and state-owned roads. The \$10.2million bond issue is the third and final phase of road construction bonds that were approved in 2001 by the voters of the County.

Certificates of Obligation, Series 1997A/1998 - to account for the construction of a civic center and multipurpose facility, the construction of a law enforcement building in South County, and improvements to various roads and parks throughout the county. Funding is provided by the issuance of certificates of obligation.

Certificates of Obligation, Series 2001 - to account for the acquisition and renovation of a former church building and parking area to be utilized as a courts building. Funding for this fund is provided by the issuance of \$2.5million in certificates of obligation.

Certificates of Obligation, Series 2004 - to account for the remodel of county buildings and improvements to the County's municipal airport. Financing is provided by the issuance of \$2.6million in certificates of obligation.

Certificates of Obligation, Series 2006 - to account for improvements to several county buildings and the County park system. Funding is provided by the issuance of \$26.3million in certificates of obligation.

Certificates of Obligation, Series 2007 - to account for the construction of a new parking garage. Funding will be provided by the issuance of \$9,260,000 in certificates of obligation.

Certificates of Obligation, Series 2008 - to account for improvements to several county buildings, the purchase of land and the construction of a new administration building. The certificates will also account for the remodel of an existing building to house the future employee medical clinic. The issuance of approximately \$14million in certificates of obligation will provide the funding.

MONTGOMERY COUNTY, TEXAS
Nonmajor Capital Project Funds
Combining Balance Sheet
September 30, 2007

D-1

	Library Construction	Road Bonds Series 2002A	Road Bonds Series 2003A	Road Bonds Series 2004	Certificates Obligation Series 97A-98
<u>ASSETS:</u>					
Cash	\$ 430,820	\$ -	\$ 26,442	\$ 111	\$ 77,208
Investments, at Fair Value	595,732	-	1,411,367	1,569,151	-
Cash, Restricted for Retainage	187,564	-	8,386	-	-
Due from Other Funds	-	-	-	-	-
Due from Other Governments	-	-	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 1,214,116</u>	<u>\$ -</u>	<u>\$ 1,446,195</u>	<u>\$ 1,569,262</u>	<u>\$ 77,208</u>

LIABILITIES AND FUND BALANCES:

<u>LIABILITIES:</u>					
Accounts Payable	\$ -	\$ -	\$ 164,373	\$ 180,267	\$ -
Retainage Payable	187,564	-	8,386	-	-
Due to Other Funds	-	-	707,525	49,891	-
Total Liabilities	<u>187,564</u>	<u>-</u>	<u>880,284</u>	<u>230,158</u>	<u>-</u>

<u>FUND BALANCES:</u>					
Reserved for Capital Projects	<u>1,026,552</u>	<u>-</u>	<u>565,911</u>	<u>1,339,104</u>	<u>77,208</u>

<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 1,214,116</u>	<u>\$ -</u>	<u>\$ 1,446,195</u>	<u>\$ 1,569,262</u>	<u>\$ 77,208</u>
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Certificates Obligation Series 2001	Certificates Obligation Series 2004	Certificates Obligation Series 2006	Certificates Obligation Series 2007	Certificates Obligation Series 2008	Totals
\$ -	\$ 6,060	\$ 1,628,370	\$ -	\$ -	\$ 2,169,011
-	-	15,969,316	-	-	19,545,566
-	-	54,775	-	-	250,725
-	9,984,868	342,192	65,225	-	10,392,285
-	-	-	500,000	-	500,000
<u>\$ -</u>	<u>\$ 9,990,928</u>	<u>\$ 17,994,653</u>	<u>\$ 565,225</u>	<u>\$ -</u>	<u>\$ 32,857,587</u>
\$ -	\$ 947,719	\$ 360,861	\$ 60,703	\$ 88,503	\$ 1,802,426
-	-	54,775	-	-	250,725
-	564,641	137,471	779,458	124,412	2,363,398
<u>-</u>	<u>1,512,360</u>	<u>553,107</u>	<u>840,161</u>	<u>212,915</u>	<u>4,416,549</u>
<u>-</u>	<u>8,478,568</u>	<u>17,441,546</u>	<u>(274,936)</u>	<u>(212,915)</u>	<u>28,441,038</u>
<u>\$ -</u>	<u>\$ 9,990,928</u>	<u>\$ 17,994,653</u>	<u>\$ 565,225</u>	<u>\$ -</u>	<u>\$ 32,857,587</u>

MONTGOMERY COUNTY, TEXAS
Nonmajor Capital Project Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2007

D-2

	Library Construction	Road Bonds Series 2002A	Road Bonds Series 2003A	Road Bonds Series 2004	Certificates Obligation Series 97A-98
<u>REVENUES:</u>					
Intergovernmental-Federal	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	65,763	237	161,438	152,015	1,709
<u>TOTAL REVENUES</u>	<u>65,763</u>	<u>237</u>	<u>161,438</u>	<u>152,015</u>	<u>1,709</u>
<u>EXPENDITURES:</u>					
Capital Outlay	533,054	39,586	2,372,924	3,661,277	27,421
<u>TOTAL EXPENDITURES</u>	<u>533,054</u>	<u>39,586</u>	<u>2,372,924</u>	<u>3,661,277</u>	<u>27,421</u>
(Deficiency) Revenues					
Over Expenditures	(467,291)	(39,349)	(2,211,486)	(3,509,262)	(25,712)
<u>OTHER FINANCING</u>					
<u>SOURCES/(USES):</u>					
Transfers In	-	-	-	149	-
Transfers Out	-	(49,990)	(1,180,179)	(49,965)	-
<u>TOTAL OTHER FINANCING</u>					
<u>SOURCES/(USES)</u>	<u>-</u>	<u>(49,990)</u>	<u>(1,180,179)</u>	<u>(49,816)</u>	<u>-</u>
Net Change in Fund Balance	(467,291)	(89,339)	(3,391,665)	(3,559,078)	(25,712)
Fund Balances at Beginning of Year	1,493,843	89,339	3,957,576	4,898,182	102,920
<u>FUND BALANCES AT</u>					
<u>END OF YEAR</u>	<u>\$ 1,026,552</u>	<u>\$ -</u>	<u>\$ 565,911</u>	<u>\$ 1,339,104</u>	<u>\$ 77,208</u>

Certificates Obligation Series 2001	Certificates Obligation Series 2004	Certificates Obligation Series 2006	Certificates Obligation Series 2007	Certificates Obligation Series 2008	Totals
\$ -	\$ 656,450	\$ -	\$ -	\$ -	\$ 656,450
2,803	6,121	909,003	-	-	1,299,089
2,803	662,571	909,003	-	-	1,955,539
27,744	6,707,002	4,692,027	274,936	212,915	18,548,886
27,744	6,707,002	4,692,027	274,936	212,915	18,548,886
(24,941)	(6,044,431)	(3,783,024)	(274,936)	(212,915)	(16,593,347)
-	13,494,245	-	-	-	13,494,394
(24,729)	(380,361)	(410,697)	-	-	(2,095,921)
(24,729)	13,113,884	(410,697)	-	-	11,398,473
(49,670)	7,069,453	(4,193,721)	(274,936)	(212,915)	(5,194,874)
49,670	1,409,115	21,635,267	-	-	33,635,912
\$ -	\$ 8,478,568	\$ 17,441,546	\$ (274,936)	\$ (212,915)	\$ 28,441,038



AGENCY FUNDS

Restitution Center Fund - to account for the earnings by probationers housed in the Montgomery County Residential Treatment Center. Expenditure of the funds is limited to obligations incurred by the probationers while residing in the Center.

County Officials Fund - to account for the collection of fees and court ordered payments collected by various elected county officials and distribution of those funds on their behalf.

MONTGOMERY COUNTY, TEXAS
Agency Funds
Combining Statement of Assets and Liabilities
September 30, 2007

E-1

	Restitution Center	County Officials	Totals
<u>ASSETS:</u>			
Cash	\$ 7,381	\$ 10,681,915	\$ 10,689,296
Investments, at Fair Value	-	1,234,153	1,234,153
Accounts Receivable	-	7,705	7,705
<u>TOTAL ASSETS</u>	<u>\$ 7,381</u>	<u>\$ 11,923,773</u>	<u>\$ 11,931,154</u>
<u>LIABILITIES:</u>			
Accounts Payable	\$ 7,381	\$ 6,587,546	\$ 6,594,927
Due to Other Governments	-	5,336,227	5,336,227
<u>TOTAL LIABILITIES</u>	<u>\$ 7,381</u>	<u>\$ 11,923,773</u>	<u>\$ 11,931,154</u>

MONTGOMERY COUNTY, TEXAS
Agency Funds
Combining Statement of Changes in Assets and Liabilities
Year Ended September 30, 2007

E-2

	Balance October 1, 2006	Additions	Deductions	Balance September 30, 2007
<u>RESTITUTION CENTER:</u>				
Assets:				
Cash	\$ 7,293	\$ 487,903	\$ 487,815	\$ 7,381
Liabilities:				
Accounts Payable	\$ 7,293	\$ 487,903	\$ 487,815	\$ 7,381

COUNTY OFFICIALS:

Assets:				
Cash	\$ 11,659,925	\$ 1,029,420,629	\$ 1,030,398,639	\$ 10,681,915
Investments, at Fair Value	1,262,555	1,589,017	1,617,419	1,234,153
Accounts Receivable	4,672	15,022	11,989	7,705
Due from Other Funds	-	265,329	265,329	-
Total Assets	\$ 12,927,152	\$ 1,031,289,997	\$ 1,032,293,376	\$ 11,923,773
Liabilities:				
Accounts Payable	\$ 7,949,852	\$ 24,159,968	\$ 25,522,274	\$ 6,587,546
Due to Other Funds	-	469,526,356	469,526,356	-
Due to Other Governments	4,977,300	537,603,673	537,244,746	5,336,227
Total Liabilities	\$ 12,927,152	\$ 1,031,289,997	\$ 1,032,293,376	\$ 11,923,773

TOTALS - ALL AGENCY FUNDS:

Assets:				
Cash	\$ 11,667,218	\$ 1,029,908,532	\$ 1,030,886,454	\$ 10,689,296
Investments, at Fair Value	1,262,555	1,589,017	1,617,419	1,234,153
Accounts Receivable	4,672	15,022	11,989	7,705
Due from Other Funds	-	265,329	265,329	-
Total Assets	\$ 12,934,445	\$ 1,031,777,900	\$ 1,032,781,191	\$ 11,931,154
Liabilities:				
Accounts Payable	\$ 7,957,145	\$ 24,647,871	\$ 26,010,089	\$ 6,594,927
Due to Other Funds	-	469,526,356	469,526,356	-
Due to Other Governments	4,977,300	537,603,673	537,244,746	5,336,227
Total Liabilities	\$ 12,934,445	\$ 1,031,777,900	\$ 1,032,781,191	\$ 11,931,154

**CAPITAL ASSETS
USED IN THE OPERATION
OF
GOVERNMENTAL FUNDS**

MONTGOMERY COUNTY, TEXAS
Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
September 30, 2007

F-1

GOVERNMENTAL FUNDS CAPITAL ASSETS:

Land	\$ 10,179,111
Buildings	114,944,742
Improvements Other than Buildings	9,793,980
Equipment	49,605,870
Infrastructure	895,805,396
Construction in Progress	15,779,675

<u>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</u>	<u>\$ 1,096,108,774</u>
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INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS

BY SOURCE:

General Fund	\$ 137,230,853
Special Revenue Funds	943,098,246
Capital Project Funds	15,779,675

<u>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</u>	<u>\$ 1,096,108,774</u>
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MONTGOMERY COUNTY, TEXAS
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
September 30, 2007

F-2
Page 1 of 2

Function and Activity	Total	Land	Buildings	Improvements Other than Buildings	Equipment
<u>GENERAL ADMINISTRATION:</u>					
County Judge	\$ 13,069	\$ -	\$ -	\$ -	\$ 13,069
Human Resources	9,642	-	-	-	9,642
Risk Management	16,842	-	-	-	16,842
County Clerk	609,802	-	-	-	609,802
Collections	64,435	-	-	-	64,435
Veterans' Service	-	-	-	-	-
Purchasing Agent	250,356	-	-	-	250,356
Commns/Info Services	1,084,403	-	86,900	8,000	989,503
County Buildings	74,713,358	-	74,628,344	85,014	-
County Land	6,156,395	6,046,644	-	109,751	-
Worthless Check Administration	-	-	-	-	-
<u>TOTAL GENERAL ADM</u>	<u>82,918,302</u>	<u>6,046,644</u>	<u>74,715,244</u>	<u>202,765</u>	<u>1,953,649</u>
<u>FINANCIAL ADMINISTRATION:</u>					
County Auditor	56,968	-	-	-	56,968
Budget Office	6,502	-	-	-	6,502
County Treasurer	25,871	-	-	-	25,871
Tax Assessor/Collector	172,788	7,500	-	-	165,288
<u>TOTAL FINANCIAL ADM</u>	<u>262,129</u>	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>254,629</u>
<u>CONSERVATION:</u>					
Extension Agents	58,197	-	8,948	15,520	33,729
Recycling Stations	161,878	-	66,318	20,722	74,838
<u>TOTAL CONSERVATION</u>	<u>220,075</u>	<u>-</u>	<u>75,266</u>	<u>36,242</u>	<u>108,567</u>
<u>ELECTIONS:</u>					
Elections Administrator	3,136,564	3,000	493,239	70,469	2,569,856
<u>TOTAL ELECTIONS ADM</u>	<u>3,136,564</u>	<u>3,000</u>	<u>493,239</u>	<u>70,469</u>	<u>2,569,856</u>
<u>FACILITIES:</u>					
Custodial Services	666,282	-	168,473	6,155	491,654
Building Maintenance	812,630	-	131,818	5,668	675,144
Parks	15,222,648	1,907,910	6,417,103	6,782,742	114,893
Jail	1,284,238	297,147	614,326	-	372,765
Civic Center	16,538,262	88,216	14,531,132	1,321,857	597,057
<u>TOTAL FACILITIES</u>	<u>34,524,060</u>	<u>2,293,273</u>	<u>21,862,852</u>	<u>8,116,422</u>	<u>2,251,513</u>
<u>HEALTH AND WELFARE:</u>					
Public Health	2,373,281	49,211	2,111,495	-	212,575
Child Welfare	5,600	-	-	-	5,600
Community Development	1,345,944	-	1,237,325	-	108,619
<u>TOTAL HEALTH/WELFARE</u>	<u>3,724,825</u>	<u>49,211</u>	<u>3,348,820</u>	<u>-</u>	<u>326,794</u>

MONTGOMERY COUNTY, TEXAS
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
September 30, 2007

F-2
Page 2 of 2

Function and Activity	Total	Land	Buildings	Improvements Other than Buildings	Equipment	Infrastructure
<u>JUDICIAL:</u>						
Courts	337,310	-	-	924	336,386	-
District Attorney	286,885	-	-	-	286,885	-
District Clerk	391,407	-	-	-	391,407	-
Justice of Peace	161,524	-	6,580	1,440	153,504	-
<u>TOTAL JUDICIAL</u>	<u>1,177,126</u>	<u>-</u>	<u>6,580</u>	<u>2,364</u>	<u>1,168,182</u>	<u>-</u>
<u>LEGAL SERVICES:</u>						
County Attorney	26,358	-	-	-	26,358	-
Law Library	899,943	-	-	-	899,943	-
<u>TOTAL LEGAL SERVICES</u>	<u>926,301</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>926,301</u>	<u>-</u>
<u>PUBLIC SAFETY:</u>						
Emergency Management	2,927,332	-	-	122,302	2,805,030	-
Fire Marshal	12,766	-	-	-	12,766	-
Department of Public Safety	1,213	-	-	-	1,213	-
Constables	1,424,107	-	36,890	1,440	1,385,777	-
Sheriff	11,358,925	132,932	442,922	543,999	10,239,072	-
District Attorney Forfeitures	154,698	-	-	8,900	145,798	-
Juvenile Probation	290,838	-	55,703	-	235,135	-
Adult Probation	19,834	-	-	-	19,834	-
<u>TOTAL PUBLIC SAFETY</u>	<u>16,189,713</u>	<u>132,932</u>	<u>535,515</u>	<u>676,641</u>	<u>14,844,625</u>	<u>-</u>
<u>PUBLIC TRANSPORTATION:</u>						
Engineer	56,561	-	-	-	56,561	-
Commissioners' Operations	901,535,962	517,626	1,987,227	190,400	12,503,593	886,337,116
Airport	11,865,280	86,806	1,652,536	490,333	167,325	9,468,280
<u>TOTAL PUBLIC TRANSPORTATION</u>	<u>913,457,803</u>	<u>604,432</u>	<u>3,639,763</u>	<u>680,733</u>	<u>12,727,479</u>	<u>895,805,396</u>
<u>CULTURE AND RECREATION:</u>						
Memorial Library	23,790,090	1,042,119	10,267,463	8,344	12,472,164	-
Historical Society	2,111	-	-	-	2,111	-
<u>TOTAL CULTURE/REC</u>	<u>23,792,201</u>	<u>1,042,119</u>	<u>10,267,463</u>	<u>8,344</u>	<u>12,474,275</u>	<u>-</u>
<u>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</u>	<u>1,080,329,099</u>	<u>\$10,179,111</u>	<u>\$114,944,742</u>	<u>\$9,793,980</u>	<u>\$49,605,870</u>	<u>\$895,805,396</u>
Construction In Progress	<u>15,779,675</u>					
<u>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</u>	<u>\$ 1,096,108,774</u>					

MONTGOMERY COUNTY, TEXAS
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended September 30, 2007

F-3
Page 1 of 2

Function and Activity	Govtl Funds Capital Assets October 1, 2006	Additions	Deletions	Govtl Funds Capital Assets September 30, 2007
<u>GENERAL ADMINISTRATION:</u>				
County Judge	\$ 15,865	\$ -	\$ 2,796	\$ 13,069
Human Resources	6,642	3,000	-	9,642
Risk Management	17,563	6,975	7,696	16,842
County Clerk	639,300	4,829	34,327	609,802
Collections	23,420	56,514	15,499	64,435
Veterans' Service	1,376	-	1,376	-
Purchasing Agent	155,078	179,654	83,541	251,191
Commns/Info Services	1,008,595	157,202	82,229	1,083,568
County Buildings	73,637,379	1,978,449	902,470	74,713,358
County Land	4,225,706	1,938,189	7,500	6,156,395
Worthless Check Administration	6,284	-	6,284	-
<u>TOTAL GENERAL ADM</u>	<u>79,737,208</u>	<u>4,324,812</u>	<u>1,143,718</u>	<u>82,918,302</u>
<u>FINANCIAL ADMINISTRATION:</u>				
County Auditor	70,917	15,758	29,707	56,968
Budget Office	10,530	-	4,028	6,502
County Treasurer	32,675	-	6,804	25,871
Tax Assessor/Collector	221,909	9,857	58,978	172,788
<u>TOTAL FINANCIAL ADM</u>	<u>336,031</u>	<u>25,615</u>	<u>99,517</u>	<u>262,129</u>
<u>CONSERVATION:</u>				
Extension Agents	72,454	1,564	15,821	58,197
Recycling Stations	163,219	-	1,341	161,878
<u>TOTAL CONSERVATION</u>	<u>235,673</u>	<u>1,564</u>	<u>17,162</u>	<u>220,075</u>
<u>ELECTIONS:</u>				
Elections Administrator	2,966,931	319,866	150,233	3,136,564
<u>TOTAL ELECTIONS</u>	<u>2,966,931</u>	<u>319,866</u>	<u>150,233</u>	<u>3,136,564</u>
<u>FACILITIES:</u>				
Custodial Services	620,551	65,651	19,920	666,282
Building Maintenance	758,300	74,215	19,885	812,630
Parks	12,292,576	3,809,676	879,604	15,222,648
Jail	745,422	590,954	52,138	1,284,238
Civic Center	16,532,701	17,685	12,124	16,538,262
<u>TOTAL FACILITIES</u>	<u>30,949,550</u>	<u>4,558,181</u>	<u>983,671</u>	<u>34,524,060</u>
<u>HEALTH AND WELFARE:</u>				
Public Health	2,351,330	56,253	34,302	2,373,281
Child Welfare	5,600	-	-	5,600
Community Development	1,333,524	12,420	-	1,345,944
<u>TOTAL HEALTH & WELFARE</u>	<u>3,690,454</u>	<u>68,673</u>	<u>34,302</u>	<u>3,724,825</u>

MONTGOMERY COUNTY, TEXAS
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended September 30, 2007

F-3
Page 2 of 2

Function and Activity	Govtl Funds Capital Assets October 1, 2006	Additions	Deletions	Govtl Funds Capital Assets September 30, 2007
<u>JUDICIAL:</u>				
Courts	453,383	31,147	147,220	337,310
District Attorney	348,445	5,745	67,305	286,885
District Clerk	445,934	3,918	58,445	391,407
Justice of Peace	171,401	32,380	42,257	161,524
<u>TOTAL JUDICIAL</u>	<u>1,419,163</u>	<u>73,190</u>	<u>315,227</u>	<u>1,177,126</u>
<u>LEGAL SERVICES:</u>				
County Attorney	47,649	2,481	23,772	26,358
Law Library	812,291	96,367	8,715	899,943
<u>TOTAL LEGAL SERVICES</u>	<u>859,940</u>	<u>98,848</u>	<u>32,487</u>	<u>926,301</u>
<u>PUBLIC SAFETY:</u>				
Emergency Management	2,623,617	329,400	25,685	2,927,332
Fire Marshal	18,785	-	6,019	12,766
Department of Public Safety	1,213	-	-	1,213
Constables	1,540,470	140,612	256,975	1,424,107
Sheriff	9,963,854	1,787,640	392,569	11,358,925
District Attorney Forfeitures	112,133	51,518	8,953	154,698
Juvenile Probation	330,847	41,998	82,007	290,838
Adult Probation	43,692	-	23,858	19,834
<u>TOTAL PUBLIC SAFETY</u>	<u>14,634,611</u>	<u>2,351,168</u>	<u>796,066</u>	<u>16,189,713</u>
<u>PUBLIC TRANSPORTATION:</u>				
Engineer	76,756	-	20,194	56,562
Commissioners' Operations	822,098,819	81,435,472	1,998,330	901,535,961
Airport	5,910,334	5,990,845	35,899	11,865,280
<u>TOTAL PUBLIC TRANS</u>	<u>828,085,909</u>	<u>87,426,317</u>	<u>2,054,423</u>	<u>913,457,803</u>
<u>CULTURE & RECREATION:</u>				
Memorial Library	18,655,876	5,197,143	62,929	23,790,090
Historical Commission	-	2,111	-	2,111
<u>TOTAL CULTURE/REC</u>	<u>18,655,876</u>	<u>5,199,254</u>	<u>62,929</u>	<u>23,792,201</u>
Construction In Progress	4,190,470	18,865,256	7,276,051	15,779,675
<u>TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS</u>	<u>\$ 985,761,816</u>	<u>\$ 123,312,744</u>	<u>\$ 12,965,786</u>	<u>\$ 1,096,108,774</u>



STATISTICAL SECTION

STATISTICAL SECTION

(unaudited)

This part of Montgomery County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and additional supplementary information says about the County's overall financial health.

Contents

Table

Financial Trends - These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	I, II, III, IV
Revenue Capacity - These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.	V, VI, VII, VIII
Debt Capacity - These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.	IX, X, XI, XII
Economic and Demographic Indicators - These schedules offer economic and demographic indicators to help the reader understand the environment within which the County's financial activities take place.	XIII, XIV
Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides.	XV, XVI, XVII

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

MONTGOMERY COUNTY, TEXAS

Net Assets by Component

Last Four Fiscal Years

(accrual basis of accounting)

TABLE I

Governmental Activities:

	Invested in Capital Assets, Net of Related Debt	Restricted for:		Unrestricted	Total Net Assets
		Capital Projects	Debt Service		
2003	\$ 70,953,418	\$ 9,716,809	\$ 3,998,299	\$ (50,153,484)	\$ 34,515,042
2004	78,432,519	82,619	4,221,760	(41,868,121)	40,868,777
2005	122,477,741	7,138	5,212,724	(52,123,132)	75,574,471
2006	314,159,873	139,009	5,870,959	(41,607,384)	278,562,457

Note: Accounting standards require that net assets be reported in 3 components in the financial statements: Invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted when (1) an external party, such as the state or federal government, places a restriction on how the resources may be used, or (2) enabling legislation is enacted.

MONTGOMERY COUNTY, TEXAS**Changes in Net Assets****Last Four Fiscal Years**

(accrual basis of accounting)

TABLE II

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental Activities:				
General Administration	\$ 11,648,705	\$ 11,020,255	\$ 11,228,147	\$ 13,416,534
Judicial	12,773,623	14,196,220	14,787,696	16,761,386
Legal	1,535,772	1,688,226	1,823,681	2,101,795
Elections	578,472	741,325	460,869	1,086,378
Financial Administration	3,545,228	3,775,200	4,398,998	4,791,906
Public Facilities	6,756,690	6,351,995	16,611,013	20,768,370
Public Safety	39,426,821	41,783,788	38,293,859	41,162,610
Health and Welfare	4,735,049	5,679,181	6,253,621	8,958,511
Culture and Recreation	4,207,762	4,746,828	6,257,162	7,051,403
Conservation	595,714	565,941	721,238	721,982
Public Transportation	1,447,670	14,662,727	23,780,503	58,874,891
Miscellaneous	4,589,512	7,234,220	4,519,314	3,009,024
Debt Service	8,229,368	8,062,860	7,464,112	10,553,741
Total Governmental Activities Expenses	100,070,386	120,508,766	136,600,213	189,258,531
Total Primary Government Expenses	<u>\$100,070,386</u>	<u>\$120,508,766</u>	<u>\$136,600,213</u>	<u>\$189,258,531</u>
Program Revenues				
Governmental Activities:				
Fees, Fines, Forfeitures and Charges for Services	\$ 28,355,009	\$ 31,299,005	\$ 35,943,376	39,591,432
Operating Grants and Contributions	6,205,454	5,787,485	8,238,497	8,343,395
Capital Grants and Contributions	319,745	1,032,241	27,335,093	41,591,644
Total Governmental Activities Program Revenues	34,880,208	38,118,731	71,516,966	89,526,471
Total Primary Government Program Revenues	<u>\$ 34,880,208</u>	<u>\$ 38,118,731</u>	<u>\$ 71,516,966</u>	<u>\$ 89,526,471</u>
Net (Expense) Revenue	<u>\$(65,190,178)</u>	<u>\$(82,390,035)</u>	<u>\$(65,083,247)</u>	<u>\$(99,732,060)</u>
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes				
Property Taxes	\$ 78,482,657	\$ 86,767,811	\$ 95,927,528	105,410,635
Other Taxes	730,506	929,853	1,077,680	1,142,888
Unrestricted Grants and Contributions	1,016,103	-	-	-
Investment Earnings	1,168,435	785,873	2,007,229	3,582,630
Miscellaneous	130,806	260,233	776,504	160,887
Total Governmental Activities	81,528,507	88,743,770	99,788,941	110,297,040
Total Primary Government	<u>\$ 81,528,507</u>	<u>\$ 88,743,770</u>	<u>\$ 99,788,941</u>	<u>\$110,297,040</u>
Change in Net Assets	<u>\$ 16,338,329</u>	<u>\$ 6,353,735</u>	<u>\$ 34,705,694</u>	<u>\$ 10,564,980</u>

MONTGOMERY COUNTY, TEXAS

Governmental Fund Balances

Last Ten Fiscal Years

	Fiscal Year			
	1997	1998	1999	2000
General Fund				
Reserved for:				
Prepaid items	\$ -	\$ -	\$ -	\$ -
Unreserved	8,715,824	9,529,258	8,193,737	5,703,369
Total General Fund	<u>\$ 8,715,824</u>	<u>\$ 9,529,258</u>	<u>\$ 8,193,737</u>	<u>\$ 5,703,369</u>
All Other Governmental Funds				
Reserved for:				
Prepaid items	\$ 176	\$ 176	\$ -	\$ 500
Capital projects	18,573,531	27,255,971	19,992,422	6,221,991
Inventory	16,014	3,346	25,642	33,786
Debt service	844,838	1,065,497	1,005,634	811,885
Unreserved, reported in:				
Special revenue funds	4,175,796	5,404,266	6,015,497	5,711,670
Total All Other				
Governmental Funds	<u>\$ 23,610,355</u>	<u>\$ 33,729,256</u>	<u>\$ 27,039,195</u>	<u>\$ 12,779,832</u>

TABLE III

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ -	\$ -	\$ 25,209	\$ 186,540	\$ -	\$ 355,284
1,097,068	1,452,802	3,111,416	4,597,977	9,818,012	16,496,456
<u>\$ 1,097,068</u>	<u>\$ 1,452,802</u>	<u>\$ 3,136,625</u>	<u>\$ 4,784,517</u>	<u>\$ 9,818,012</u>	<u>\$ 16,851,740</u>
\$ 10,468	\$ 293,686	\$ 44,865	\$ 56,219	\$ 1,799,127	\$ 1,464,625
13,836,579	23,390,216	42,881,808	40,717,540	25,183,317	124,460,927
49,274	59,883	72,409	77,008	80,227	71,186
2,860,746	1,580,961	2,043,861	2,160,259	2,142,695	2,246,764
4,987,601	4,390,626	2,466,223	1,774,849	500,665	4,228,581
<u>\$ 21,744,668</u>	<u>\$ 29,715,372</u>	<u>\$ 47,509,166</u>	<u>\$ 44,785,875</u>	<u>\$ 29,706,031</u>	<u>\$ 132,472,083</u>

MONTGOMERY COUNTY, TEXAS
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)

	1997	1998	1999	2000
Revenues				
Taxes	\$ 45,180,562	\$ 48,584,808	\$ 52,611,626	\$ 55,606,396
Licenses and Permits	4,936,810	5,426,093	5,858,172	6,203,717
Fees	4,661,065	5,714,570	6,704,550	7,354,016
Intergovernmental	2,419,889	3,159,165	4,892,718	4,344,212
Charges for Services	696,049	753,979	817,254	783,919
Interest	1,816,309	2,545,836	2,893,175	2,514,623
Contract Reimbursements	4,700,322	5,368,916	5,435,479	5,647,519
Inmate Housing	2,797,921	2,890,049	2,777,248	1,356,444
Fines and Forfeitures	1,045,391	1,146,969	1,547,650	1,659,434
Miscellaneous	1,107,811	2,141,712	2,805,512	2,731,521
Total Revenues	69,362,129	77,732,097	86,343,384	88,201,801
Expenditures				
General Administration	6,400,141	7,505,752	8,141,208	7,503,373
Judicial	5,648,210	6,331,292	6,800,845	7,750,470
Legal Services	1,434,643	1,515,382	1,583,830	1,713,202
Elections	369,015	441,725	330,022	441,851
Financial Administration	2,228,841	2,463,660	2,686,149	2,749,449
Public Facilities	2,902,725	3,127,051	3,651,170	4,092,645
Public Safety	24,114,850	27,104,453	28,561,434	30,857,263
Health and Welfare	2,837,989	3,751,987	4,950,959	5,007,622
Culture and Recreation	2,378,063	2,829,968	3,317,301	3,615,564
Conservation	260,656	264,074	272,788	299,612
Public Transportation	13,424,111	12,551,589	14,823,006	16,606,255
Miscellaneous	633,668	1,820,432	3,017,333	2,352,687
Capital Outlay	3,778,928	11,279,364	9,507,853	16,810,895
Debt Service:				
Principal Retirement	3,351,139	2,589,398	3,031,236	3,123,227
Interest and Fiscal Charges	2,805,312	3,074,921	3,849,657	3,564,820
Issuance Costs	318,185	59,352	33,889	10,456
Total Expenditures	72,886,476	86,710,400	94,558,680	106,499,391
(Deficiency) Revenues over Expenditures	(3,524,347)	(8,978,303)	(8,215,296)	(18,297,590)
Other Financing Sources/(Uses)				
Transfers In	3,909,073	5,986,790	4,918,647	8,089,320
Transfers Out	(3,909,073)	(5,986,790)	(4,918,647)	(8,089,320)
Capital Lease Financing	152,300	1,560,638	189,714	1,660,192
Issuance of Refunding Bonds	9,510,608	-	-	-
Payment to Refunded Bond Escrow Agent	(9,304,166)	-	-	-
Issuance of Other Bonds	18,750,492	18,350,000	-	-
Discounts/Premiums on Debt Issuance	-	-	-	-
Total Other Financing Sources/(Uses)	19,109,234	19,910,638	189,714	1,660,192
Prior Period Adjustment	-	-	-	-
Net Change in Fund Balances	\$ 15,584,887	\$ 10,932,335	\$ (8,025,582)	\$ (16,637,398)
Debt Service as a percentage of noncapital expenditures	9.4%	7.6%	8.1%	7.5%

TABLE IV

2001	2002	2003	2004	2005	2006
\$ 61,792,434	\$ 69,165,276	\$ 79,235,180	\$ 87,999,696	\$ 96,881,886	\$ 106,734,347
6,134,638	6,848,251	6,774,170	7,391,938	7,090,124	7,705,191
7,866,591	8,661,726	9,704,730	10,355,267	11,245,253	13,965,850
6,031,959	8,493,436	7,528,351	7,780,777	9,753,650	12,928,979
948,496	1,078,794	1,126,189	1,159,017	1,208,604	1,479,104
2,135,375	1,201,707	888,724	785,873	2,007,225	3,582,649
6,160,532	7,351,963	6,952,378	7,587,085	8,026,103	9,105,696
375,313	448,159	479,399	118,818	50,430	1,356,977
1,636,656	1,570,219	1,586,335	2,421,254	2,338,177	2,010,036
2,404,469	1,864,084	2,143,431	1,706,620	2,477,813	2,421,395
95,486,463	106,683,615	116,418,887	127,306,345	141,079,265	161,290,224
7,967,743	12,629,952	10,299,486	9,656,917	11,956,474	12,249,238
9,078,900	10,294,847	12,775,232	14,135,706	14,533,798	16,621,754
1,468,205	1,452,800	1,560,404	1,712,325	1,820,797	2,113,773
450,201	588,836	562,397	730,253	650,970	3,144,556
3,151,028	3,464,350	3,520,998	3,737,425	4,359,609	4,751,654
5,055,180	5,418,380	6,093,188	6,376,545	15,795,553	20,439,889
33,238,674	37,018,409	39,615,733	42,296,886	39,990,719	41,794,370
6,985,594	6,312,253	6,590,080	6,426,018	6,979,121	8,969,704
4,253,302	4,281,759	4,390,872	4,473,911	6,102,610	6,948,700
379,251	609,646	712,160	755,853	707,684	646,202
16,353,845	19,224,885	16,860,588	18,210,470	16,857,418	17,390,668
3,937,048	6,427,786	5,594,822	7,234,220	4,519,314	3,009,024
10,129,605	15,460,863	17,544,646	14,361,966	16,092,056	41,126,282
3,355,000	3,685,806	9,700,493	3,237,591	3,034,930	3,830,069
3,191,279	4,375,931	6,169,771	8,831,163	8,087,980	8,285,966
276,020	438,436	760,392	262,523	618,647	1,951,698
109,270,875	131,684,939	142,751,262	142,439,772	152,107,680	193,273,547
(13,784,412)	(25,001,324)	(26,332,375)	(15,133,427)	(11,028,415)	(31,983,323)
11,554,566	13,891,059	19,849,875	14,571,754	16,324,181	15,894,991
(11,554,566)	(13,891,059)	(19,849,875)	(14,571,754)	(16,324,181)	(15,894,991)
2,397,596	8,230,514	151,948	581,915	1,264,452	262,529
-	3,800,000	-	-	45,850,000	-
-	(3,702,752)	-	-	(49,904,606)	-
17,500,000	25,000,000	45,699,907	12,805,000	-	137,870,000
-	-	-	671,113	3,772,220	3,650,574
19,897,596	33,327,762	45,851,855	14,058,028	982,066	141,783,103
(1,754,649)	-	-	-	-	-
\$ 4,358,535	\$ 8,326,438	\$ 19,519,480	\$ (1,075,399)	\$ (10,046,349)	\$ 109,799,780
6.9%	7.3%	13.3%	9.6%	8.6%	9.2%



MONTGOMERY COUNTY, TEXAS
Taxable Assessed Value and Actual Value of Property^{(1) (2)}
Last Ten Fiscal Years

TABLE V

Fiscal Year	Residential Property	Commercial Property	Other Property	Personal Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate ⁽³⁾
1997	\$ 5,131,538	\$ 1,064,217	\$ 1,841,056	\$ 1,434,865	\$ (872,114)	\$ 8,599,562	\$ 0.5285
1998	5,777,742	1,090,680	1,780,664	1,510,582	(837,323)	9,322,345	0.5110
1999	6,416,375	1,178,010	1,869,304	1,593,073	(866,137)	10,190,625	0.5110
2000	7,264,885	1,282,579	1,852,495	1,704,490	(902,675)	11,201,774	0.4907
2001	8,324,588	1,414,658	1,951,662	1,865,436	(1,019,818)	12,536,526	0.4747
2002	9,778,759	1,704,851	2,060,537	2,030,021	(1,292,141)	14,282,027	0.4710
2003	11,355,674	2,155,239	2,280,789	2,134,447	(1,636,767)	16,289,382	0.4710
2004	12,224,993	2,473,292	2,250,623	2,212,393	(1,568,846)	17,592,455	0.4828
2005	13,394,640	2,611,940	2,279,231	2,381,924	(1,699,504)	18,968,231	0.4963
2006	13,358,120	2,853,812	2,347,028	2,494,947	(1,903,704)	19,150,203	0.4963

(1) Amounts expressed in thousands.

(2) Property in the County is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value.

(3) Tax rates are per \$100 of assessed value. Includes tax rate for South Montgomery County, Texas Road District No. 1, a blended component unit, through 1999.

Source: Montgomery Central Appraisal District

MONTGOMERY COUNTY, TEXAS
Property Tax Rates⁽¹⁾ - Direct and Overlapping Governments
Last Ten Fiscal Years

	1997	1998	1999	2000
<u>MONTGOMERY COUNTY, TEXAS:</u>				
General Fund	\$ 0.3631	\$ 0.3669	\$ 0.3583	\$ 0.3498
Special Revenue Funds	0.0746	0.0746	0.0746	0.0746
Debt Service Fund	0.0550	0.0482	0.0568	0.0503
Total Montgomery County, Texas	0.4927	0.4897	0.4897	0.4747
<u>SOUTH MONTGOMERY COUNTY,</u>				
<u>TEXAS ROAD DISTRICT NO. 1:</u>				
Debt Service Fund	0.0358	0.0213	0.0213	0.0160
<u>OVERLAPPING GOVERNMENTS:</u>				
Special Districts:				
Chateau Woods M.U.D.	0.8976	0.8190	0.6761	0.5215
Clover Creek M.U.D.	1.0000	1.2500	-	1.2500
Corinthian Point M.U.D.	0.8380	0.8836	0.8459	0.8175
East Montgomery County M.U.D. #1	0.6000	0.6300	0.5000	0.4397
East Montgomery County M.U.D. #3	-	-	-	-
East Plantation U.D.	0.8350	0.7810	0.7590	0.7430
Far Hills U.D.	0.6300	0.5900	0.5700	0.5700
Grand Oaks M.U.D.	-	-	-	-
Harris County U.D. #1	Annexed	Annexed	Annexed	Annexed
Harris County U.D. #4	Annexed	Annexed	Annexed	Annexed
Kingwood Place South M.U.D.	Annexed	Annexed	Annexed	Annexed
Kings Manor M.U.D.	1.2900	1.2900	1.2900	1.2900
Lake Conroe Hills M.U.D.	1.0899	0.8736	0.7712	0.6593
Lazy River I.D.	0.4746	0.4792	0.5000	0.8285
Montgomery County D.D. #6	0.5111	0.4046	0.3520	0.3358
Montgomery County D.D. #10	-	-	-	-
Montgomery County F.W.S.D. #6	0.3833	0.3652	0.3619	0.3618
Montgomery County Hospital Dist	0.0885	0.0785	0.0785	0.1378
Montgomery County M.U.D. #6	0.6500	0.6010	0.5652	0.5650
Montgomery County M.U.D. #7	0.6000	0.5544	0.4840	0.4576
Montgomery County M.U.D. #8	0.5495	0.4986	0.4895	0.2671
Montgomery County M.U.D. #9	1.1700	1.0700	1.0200	0.9700

TABLE VI

Page 1 of 4

2001	2002	2003	2004	2005	2006
\$ 0.3446	\$ 0.3509	\$ 0.3568	\$ 0.3627	\$ 0.3822	\$ 0.3869
0.0746	0.0746	0.0525	0.0523	0.0528	0.0528
0.0555	0.0455	0.0617	0.0678	0.0613	0.0566
0.4747	0.4710	0.4710	0.4828	0.4963	0.4963
-	-	-	-	-	-
0.5019	0.2500	0.2500	0.2500	0.2332	0.1939
1.2500	1.2500	1.2500	1.2500	1.2500	1.2500
0.8175	0.8175	0.7987	0.7987	0.7694	0.7222
0.4000	0.3800	0.3800	0.3800	0.3800	0.3600
-	-	0.5000	0.5000	0.7500	0.9500
0.7300	0.7300	0.7300	0.7300	0.7700	0.8100
0.5650	0.4950	0.4950	0.4950	0.4800	0.4800
-	-	-	-	-	1.3500
Annexed	Annexed	Annexed	Annexed	Annexed	Annexed
Annexed	Annexed	Annexed	Annexed	Annexed	Annexed
Annexed	Annexed	Annexed	Annexed	Annexed	Annexed
1.2900	1.2900	1.2900	1.2900	1.2900	1.2000
0.6300	0.5000	0.5000	0.5000	0.5000	0.5000
0.7848	0.7500	0.7200	0.7200	0.6339	0.6220
0.3052	0.3052	0.2922	0.2922	0.2800	0.2733
-	-	-	-	0.4580	0.4580
0.4200	0.3924	0.3774	0.3774	0.3945	0.3945
0.1378	0.1338	0.1082	0.1082	0.0999	0.0850
0.5550	0.5000	0.3000	0.3000	0.2500	0.2200
0.4400	0.4200	0.3800	0.3800	0.3400	0.3000
0.2682	0.2263	0.2263	0.2263	0.2171	0.2012
0.9700	0.8600	0.7000	0.7000	0.6000	0.6000

MONTGOMERY COUNTY, TEXAS
Property Tax Rates⁽¹⁾ - Direct and Overlapping Governments
Last Ten Fiscal Years

	1997	1998	1999	2000
Special Districts (continued):				
Montgomery County M.U.D. #15	2.0209	2.0386	1.9010	1.8088
Montgomery County M.U.D. #16	5.3700	5.3700	5.0800	5.0800
Montgomery County M.U.D. #18	0.8237	0.7200	0.6800	0.6600
Montgomery County M.U.D. #19	0.9500	0.6500	0.5000	0.4919
Montgomery County M.U.D. #24	2.5000	1.8500	1.7900	1.6800
Montgomery County M.U.D. #36	0.4200	0.4148	0.3956	0.3956
Montgomery County M.U.D. #39	0.8700	0.8800	0.8800	0.8200
Montgomery County M.U.D. #40	0.5825	0.5418	0.4250	0.4150
Montgomery County M.U.D. #42	0.5000	0.9500	1.2500	1.5000
Montgomery County M.U.D. #43	3.3100	-	-	-
Montgomery County M.U.D. #46	0.8450	0.8400	0.7950	0.7800
Montgomery County M.U.D. #47	0.5900	0.5443	0.5200	0.4340
Montgomery County M.U.D. #48	Annexed	Annexed	Annexed	Annexed
Montgomery County M.U.D. #53	1.8500	-	-	-
Montgomery County M.U.D. #56	1.2500	1.2500	1.2500	1.2500
Montgomery County M.U.D. #58	Annexed	Annexed	Annexed	Annexed
Montgomery County M.U.D. #60	0.6500	0.6400	0.6100	0.5949
Montgomery County M.U.D. #67	0.5200	0.4780	0.4700	0.4700
Montgomery County M.U.D. #83	-	-	1.0000	0.9880
Montgomery County M.U.D. #84	-	-	-	-
Montgomery County M.U.D. #88	-	-	-	-
Montgomery County M.U.D. #89	-	-	-	-
Montgomery County M.U.D. #90	-	-	-	-
Montgomery County M.U.D. #92	-	-	-	-
Montgomery County M.U.D. #94	-	-	-	-
Montgomery County M.U.D. #95	-	-	-	-
Montgomery County M.U.D. #98	-	-	-	-
Montgomery County U.D. #2	0.9062	0.7625	0.7342	0.6893
Montgomery County U.D. #3	0.5783	0.5783	0.5733	0.5765
Montgomery County U.D. #4	0.7500	0.6500	0.4100	0.3300
Montgomery County W.C.I.D. #1	1.1122	1.1136	0.9341	0.9378
New Caney M.U.D.	0.5827	0.5188	0.5076	0.5076
No Harris/Mont. Comm. College	0.1228	0.1198	0.1174	0.1100
Oak Ridge M.U.D.	Annexed	Annexed	Annexed	Annexed

TABLE VI

Page 2 of 4

2001	2002	2003	2004	2005	2006
2.1442	2.0800	1.6000	1.6000	1.5000	1.4500
5.0800	4.8300	3.9600	3.9600	2.4600	1.5800
0.6400	0.5860	0.5600	0.5600	0.5100	0.5100
0.4500	0.4500	0.4500	0.4500	0.4000	0.3500
1.5900	1.5900	1.5900	1.5900	1.5700	1.4900
0.3900	0.3600	0.3600	0.3600	0.3600	0.3230
0.7200	0.7200	0.7200	0.7200	0.7000	0.5800
0.4050	0.3650	0.3200	0.3200	0.2800	0.2500
1.5000	1.5000	1.4800	1.4800	1.3800	1.3500
-	-	-	-	-	-
0.6950	0.6300	0.6000	0.6000	0.5800	0.5000
0.4200	0.3950	0.3700	0.3700	0.3600	0.3100
Annexed	Annexed	Annexed	Annexed	Annexed	Annexed
-	-	-	-	-	-
1.2500	1.2500	1.2500	1.2500	1.2500	1.2500
Annexed	Annexed	Annexed	Annexed	Annexed	Annexed
0.5500	0.4500	0.4200	0.4200	0.4200	0.3500
0.4700	0.4700	0.4700	0.4700	0.4500	0.4300
0.9880	1.0000	1.2500	1.2500	1.2500	1.2500
-	-	-	-	-	1.2500
-	-	-	-	-	No Tax
-	-	1.3900	1.3900	1.3900	1.3900
-	-	-	-	-	0.6000
-	-	-	-	-	0.6000
-	-	1.2200	1.2200	1.2200	1.2200
-	-	1.2500	1.2500	1.2500	1.2500
-	-	-	-	-	1.2500
0.6800	0.6000	0.5900	0.5900	0.5700	0.5700
0.5765	0.5765	0.5765	0.5765	0.4516	0.4516
0.3800	0.3800	0.3800	0.3800	0.3300	0.3800
0.8500	0.8200	0.8200	0.8200	0.8200	0.8200
0.5076	0.5076	0.5076	0.5076	0.5076	0.5376
0.1100	0.1055	0.1145	0.1145	0.1145	0.1207
Annexed	Annexed	Annexed	Annexed	Annexed	Annexed

MONTGOMERY COUNTY, TEXAS
Property Tax Rates⁽¹⁾ - Direct and Overlapping Governments
Last Ten Fiscal Years

	1997	1998	1999	2000
Special Districts (continued):				
Point Aquarius M.U.D.	0.7000	0.6800	0.6800	0.6708
Porter M.U.D.	0.5293	0.5200	0.5150	0.5150
Rayford Road M.U.D.	0.6400	0.6890	0.7416	0.7620
River Plantation M.U.D.	0.6379	0.6104	0.6109	0.6055
Roman Forest Cons. M.U.D.	0.7849	0.7750	0.7237	0.6429
Roman Forest P.U.D. #3	4.0000	1.8900	2.1400	1.8900
Roman Forest P.U.D. #4	2.5000	2.0959	2.0193	1.8965
South Montgomery County M.U.D.	0.2341	0.2266	0.2985	0.2704
Spring Creek U.D.	1.0460	0.9490	0.9400	0.9100
Stanley Lake M.U.D.	1.0376	0.8000	0.6700	0.6345
Texas National M.U.D.	0.7500	0.6566	0.7500	1.1400
Wood Trace M.U.D. #1	-	-	-	-
Woodlands Metro-Center M.U.D.	0.4600	0.4500	0.4500	0.4000
Woodlands M.U.D. #2	0.4800	0.4800	0.4800	0.4800
Woodlands R.U.D. #1	0.4900	0.5000	0.5000	0.4925
Emergency Service District #1	0.0850	0.0884	0.0950	0.0967
Emergency Service District #2	0.0800	0.0875	0.0934	0.1000
Emergency Service District #3	0.1000	0.1000	0.1000	0.0978
Emergency Service District #4	0.1000	0.1000	0.1000	0.0948
Emergency Service District #5	0.0600	0.0908	0.0984	0.0977
Emergency Service District #6	0.1000	0.1000	0.1000	0.1000
Emergency Service District #7	0.1000	0.0965	0.1000	0.1000
Emergency Service District #8	0.0300	0.0700	0.0790	0.0784
Emergency Service District #9	0.1000	0.1000	0.1000	0.1000
Emergency Service District #10	0.0800	0.0905	0.1000	0.0983
Emergency Service District #11	0.1000	0.0995	0.0927	0.1000
Emergency Service District #12	0.0300	0.0957	0.1000	0.1000
Emergency Service District #14	0.1000	0.1000	0.1000	0.1000
Total Special Districts	54.0666	44.6206	42.8640	43.3078

TABLE VI

Page 3 of 4

2001	2002	2003	2004	2005	2006
0.6666	0.5877	0.5558	0.5558	0.5347	0.5132
0.5150	0.5150	0.5150	0.5150	0.5150	0.5150
0.7620	0.7620	0.7620	0.7620	0.7620	0.7620
0.5357	0.5026	0.4895	0.4895	0.4812	0.4504
0.6100	0.5900	0.5800	0.5800	0.5650	0.4760
1.8900	1.2500	1.2500	1.2500	1.2500	1.2500
1.2500	1.1500	1.1500	1.1500	1.1500	1.1500
0.2704	0.2704	0.2704	0.2704	0.2326	0.2200
0.9100	0.9100	1.0100	1.0100	1.0100	1.0000
0.6345	0.6345	0.6000	0.6000	0.5800	0.5800
1.1400	1.1200	1.1100	1.1100	0.9022	0.8918
-	1.5000	1.2500	1.2500	1.2500	1.0000
0.4000	0.3200	0.3000	0.3000	0.3000	0.2700
0.4600	0.4400	0.4100	0.4100	0.3750	0.3350
0.5000	0.5000	0.5000	0.5000	0.5000	0.4817
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.0893	0.0820	0.1000	0.1000	0.0980	0.0908
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.1000	0.1000	0.1000	0.1000	0.1000	0.0983
0.0646	0.0545	0.0562	0.0562	0.0722	0.0713
0.1000	0.1000	0.0620	0.0620	0.0981	0.0948
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
42.2598	41.2545	43.5173	43.5173	41.4957	44.5333

MONTGOMERY COUNTY, TEXAS
Property Tax Rates⁽¹⁾ - Direct and Overlapping Governments
Last Ten Fiscal Years

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Cities:				
Conroe	0.4200	0.4200	0.4200	0.4200
Magnolia	0.5649	0.5747	0.5337	0.5090
Montgomery	0.1017	0.1060	0.4221	0.4106
Oak Ridge North	1.1533	1.1296	1.0600	0.9950
Panorama Village	0.7437	0.7445	0.7355	0.6802
Patton Village	0.2606	0.2606	0.2569	0.2636
Roman Forest	0.4310	0.4959	0.4891	0.4891
Shenandoah Village	0.8000	0.7638	0.7251	0.6163
Splendora	-	-	0.3000	0.3000
Stagecoach	0.3796	0.6376	0.6497	0.5054
Willis	0.6421	0.6449	0.6280	0.5243
Woodbranch Village	0.5360	0.5355	0.5376	0.5364
Woodloch	0.9400	0.0928	0.9185	0.9446
Houston (County Line City)	0.6650	0.6650	0.6650	0.6550
Total Cities	<u>7.6379</u>	<u>7.0709</u>	<u>8.3412</u>	<u>7.8495</u>
School Districts:				
Cleveland I.S.D.	1.3288	1.4000	1.3750	1.3750
Conroe I.S.D.	1.6355	1.7505	1.6905	1.7025
Magnolia I.S.D.	1.6900	1.7500	1.7100	1.5500
Montgomery I.S.D.	1.5100	1.6100	1.6400	1.6400
New Caney I.S.D.	1.7400	1.8300	1.6900	1.7696
Richards I.S.D.	1.3000	1.3800	1.2220	1.4000
Splendora I.S.D.	1.7400	1.7600	1.3800	1.4200
Tomball I.S.D.	1.5900	1.5900	1.5900	1.6500
Willis I.S.D.	1.7100	1.7600	1.6700	1.6600
Total School Districts	<u>14.2443</u>	<u>14.8305</u>	<u>13.9675</u>	<u>14.1671</u>
<u>TOTAL PROPERTY TAX RATES -</u>				
<u>DIRECT AND OVERLAPPING</u>				
<u>GOVERNMENTS</u>	<u>\$76.4773</u>	<u>\$67.0329</u>	<u>\$65.6837</u>	<u>\$65.8151</u>

⁽¹⁾ Per \$100 of assessed valuation.

NOTE: The County's property tax rate may only be changed in a public hearing.

Sources: Montgomery Central Appraisal District, Harris County Appraisal District, Liberty County Appraisal District, Tomball Independent School District.

TABLE VI

Page 4 of 4

2001	2002	2003	2004	2005	2006
0.4200	0.4165	0.4335	0.4335	0.4335	0.4335
0.4603	0.4052	0.4186	0.4186	0.4963	0.4935
0.3620	0.3869	0.3869	0.3869	0.3869	0.5605
0.8950	0.7710	0.7579	0.7579	0.7579	0.7300
0.6633	0.6663	0.6586	0.6586	0.6653	0.6653
0.2673	0.2779	0.4340	0.4340	0.4585	0.5000
0.4845	0.5000	0.5000	0.5000	0.5198	0.5000
0.5000	0.4187	0.4099	0.4099	0.4010	0.4010
0.3000	0.3000	0.3000	0.3000	0.3000	0.3000
0.5176	0.5316	0.5330	0.5330	0.5520	0.5373
0.5310	0.5647	0.5784	0.5784	0.5903	0.5934
0.5214	0.4986	0.4919	0.4919	0.4775	0.4179
0.8187	0.7642	0.7186	0.7186	0.6884	0.6300
0.6550	0.6550	0.6550	0.6500	0.6500	0.6475
7.3961	7.1566	7.2763	7.2713	7.3774	7.4099
1.5750	1.6000	1.7000	1.7000	1.7000	1.7400
1.7025	1.7225	1.7325	1.7325	1.7325	1.7600
1.6900	1.6900	1.6800	1.6800	1.6800	1.7900
1.6600	1.6600	1.6600	1.6600	1.6600	1.6600
1.6554	1.7100	1.7700	1.7700	1.7700	1.7900
1.4600	1.4629	1.5000	1.5000	1.5000	1.5000
1.5700	1.6500	1.7300	1.7300	1.7300	1.6900
1.6800	1.7500	1.7300	1.7300	1.7300	1.7100
1.7200	1.7300	1.7100	1.7100	1.7350	1.7350
14.7129	14.9754	15.2125	15.2125	15.2375	15.3750
<u>\$64.8435</u>	<u>\$63.8575</u>	<u>\$66.4771</u>	<u>\$66.4839</u>	<u>\$64.6069</u>	<u>\$67.8145</u>

MONTGOMERY COUNTY, TEXAS**Principal Taxpayers****Current Year and Nine Years Ago****TABLE VII**

<u>2006 Taxpayer</u>	<u>Type of Business</u>	<u>2006 Assessed Valuation ⁽¹⁾</u>	<u>Percentage of Total Assessed Valuation ⁽²⁾</u>
Gulf States Utilities Company	Electric Utility	\$ 162,155,189	0.85 %
Wal-Mart Real Estate Bus Trust	Land Development	157,319,212	0.82
Columbia Conroe Regional Medical Center/Kingwood Medical Plaza	Medical	116,136,716	0.61
Woodlands Land Development, LP	Land Development	78,554,652	0.41
Consolidated Communications of Texas	Communications	69,977,630	0.37
Huntsman Petrochemical Corp.	Industrial	65,193,310	0.34
CVS Distribution Center and Regional Offices	Retail	61,185,954	0.32
The Woodlands Mall Association	Retail	58,698,870	0.31
SBC Communications Inc.	Telephone Utility	51,764,976	0.27
Devon Energy Operating Company	Industrial	47,211,230	0.25
		<u>\$ 868,197,739</u>	<u>4.55 %</u>
<u>1997 Taxpayer</u>	<u>Type of Business</u>	<u>1997 Assessed Valuation ⁽¹⁾</u>	<u>Percentage of Total Assessed Valuation ⁽³⁾</u>
Woodlands Corporation	Land Development	\$ 323,600,394	3.76 %
Exxon Corporation	Oil Properties	119,910,945	1.39
Huntsman Petrochemical Corp.	Oil Properties	109,207,750	1.27
Columbia Regional Medical Center	Medical	108,650,146	1.26
Gulf States Utilities	Electric Utility	106,926,660	1.24
Lufkin-Conroe Telephone	Telephone Utility	55,367,810	0.64
Southwestern Bell Telephone	Telephone Utility	54,109,120	0.63
Wal-Mart Inc./Sam's Club	Retail Store	49,511,912	0.58
Eckerd Distribution	Retail Distribution	37,852,170	0.44
Ball Manufacturing	Manufacturer	29,254,686	0.34
		<u>\$ 994,391,593</u>	<u>11.55 %</u>

⁽¹⁾ Source: Montgomery Central Appraisal District⁽²⁾ Net Assessed Valuation - 2006 \$ 19,150,202,773⁽³⁾ Net Assessed Valuation - 1997 \$ 8,599,561,448

MONTGOMERY COUNTY, TEXAS
Property Tax Levies and Collections ⁽¹⁾
Last Ten Fiscal Years

TABLE VIII

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>
1997	\$43,694,149	\$ 42,119,201	96.4 %	\$ 1,764,514	\$ 43,883,715	100.4 %	\$6,441,147
1998	46,937,541	45,882,279	97.8	1,208,829	47,091,108	100.3	6,112,852
1999	50,889,079	49,887,250	98.0	1,247,664	51,134,914	100.5	6,175,378
2000	54,051,832	52,810,108	97.7	1,244,737	54,054,845	100.0	6,501,501
2001	59,831,094	58,384,869	97.6	1,547,076	59,931,945	100.2	6,232,148
2002	67,447,935	65,714,723	97.4	1,608,717	67,323,440	99.8	6,471,525
2003	77,043,931	75,232,037	97.6	1,784,876	77,016,913	100.0	6,587,183
2004	85,764,910	83,960,577	97.9	1,839,076	85,799,653	100.0	6,109,116
2005	94,513,506	92,527,246	97.9	1,856,421	94,383,667	99.9	6,043,917
2006	104,074,236	102,113,249	98.1	1,788,843	103,902,092	99.8	5,840,603

⁽¹⁾ Taxes levied in any year which are collected from October 1 through June 30 are shown as current collections. Such amounts include collections of the current levy after February 1, which is the date taxes become legally delinquent.

Source: Montgomery County Tax Assessor-Collector

MONTGOMERY COUNTY, TEXAS
Ratios of Outstanding Debt by Type⁽¹⁾
Last Ten Fiscal Years

TABLE IX

Fiscal Year	General Obligation Bonds	Certificates of Obligation	Capital Leases Obligation	Total Long-Term Debt	Percent of Personal Income ⁽²⁾	Per Capita ⁽²⁾
1997	\$ 33,656,104	\$ 23,775,000	\$ 1,541,680	\$ 58,972,784	0.85 %	\$ 250.20
1998	33,915,028	41,725,000	1,969,579	77,609,607	0.98	329.27
1999	31,122,243	41,295,000	1,391,288	73,808,531	0.87	280.53
2000	29,537,239	40,730,000	2,048,336	72,315,575	0.74	249.00
2001	42,686,392	42,630,000	3,888,079	89,204,471	0.85	303.66
2002	65,821,669	41,775,000	10,509,449	118,106,118	1.11	375.10
2003	97,746,800	52,540,000	2,588,746	152,875,546	1.38	444.59
2004	97,515,414	54,270,000	1,790,377	153,575,791	1.27	426.10
2005	122,050,678	25,860,000	1,403,363	149,314,041	N/A	397.62
2006	231,795,605	50,155,000	1,096,177	283,046,782	N/A	752.58

⁽¹⁾ Details regarding the County's outstanding debt can be found in the notes to the financial statements.

⁽²⁾ See Table XIII for personal income and population data.
Personal income for 2005 and 2006 not available.

MONTGOMERY COUNTY, TEXAS
Ratios of Net General Bonded Debt Outstanding ⁽¹⁾
Last Ten Fiscal Years

TABLE X

Fiscal Year	General Bonded Debt Outstanding ⁽²⁾			Less: Amounts Available for Debt Service	Total	Percentage of Actual Value of Property ⁽³⁾	Per Capita ⁽⁴⁾
	General Obligation Bonds	Certificates of Obligation	Total				
1997	\$33,656,104	\$23,775,000	\$ 57,431,104	\$ 844,838	\$ 56,586,266	0.66 %	\$ 240.08
1998	33,915,028	41,725,000	75,640,028	1,065,497	74,574,531	0.80	316.40
1999	31,122,243	41,295,000	72,417,243	1,005,634	71,411,609	0.70	271.42
2000	29,537,239	40,730,000	70,267,239	811,885	69,455,354	0.62	239.15
2001	42,686,392	42,630,000	85,316,392	2,860,746	82,455,646	0.66	280.68
2002	65,821,669	41,775,000	107,596,669	1,580,961	106,015,708	0.74	336.70
2003	97,746,800	52,540,000	150,286,800	2,043,861	148,242,939	0.91	431.12
2004	97,515,414	54,270,000	151,785,414	2,160,259	149,625,155	0.85	415.14
2005	122,050,678	25,860,000	147,910,678	2,142,695	145,767,983	0.77	388.18
2006	231,795,605	50,155,000	281,950,605	2,264,764	279,685,841	1.46	743.64

⁽¹⁾ Details regarding the County's outstanding debt can be found in the notes to the financial statements.

⁽²⁾ Includes debt of South Montgomery County, Texas Road District No. 1 for fiscal years through 1999.

⁽³⁾ Taxable Assessed Valuation can be found in Table V.

⁽⁴⁾ Population data can be found in Table XIII.

MONTGOMERY COUNTY, TEXAS

Legal Debt Margin⁽¹⁾

Last Ten Fiscal Years

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Assessed value ⁽²⁾	\$ 7,164,696	\$ 7,811,763	\$ 8,597,552	\$ 9,497,283
Debt limit ⁽³⁾	1,791,174	1,952,941	2,149,388	2,374,321
Debt applicable to limit				
Total bonded debt	57,431	75,640	72,417	70,267
Less: Assets in Debt				
Service Funds available				
for payment of principal	<u>(845)</u>	<u>(1,065)</u>	<u>(1,006)</u>	<u>(812)</u>
Total debt applicable				
to limit	<u>56,586</u>	<u>74,575</u>	<u>71,411</u>	<u>69,455</u>
Legal debt margin	<u>\$ 1,734,588</u>	<u>\$ 1,878,366</u>	<u>\$ 2,077,977</u>	<u>\$ 2,304,865</u>
Total debt applicable				
to the limit as a				
percent of debt limit	3.16%	3.82%	3.32%	2.93%

⁽¹⁾ Amounts expressed in thousands.

⁽²⁾ Assessed valuation is equal to total valuation less personal property.

⁽³⁾ The County is authorized under Article III, Section 52 of the State Constitution to issue bonds payable from ad valorem taxes for the construction and maintenance of roads. There is no constitutional or statutory limit as to rate on bonds issued pursuant to such constitutional provision. However, the amount of bonds which may be issued is limited to 25% of the assessed valuation of real property in the County.

TABLE XI

2001	2002	2003	2004	2005	2006
\$ 10,671,089	\$ 12,252,007	\$ 14,154,934	\$ 15,380,063	\$ 16,586,307	\$ 16,655,256
2,667,772	3,063,002	3,538,734	3,845,016	4,146,577	4,163,814
85,316	107,597	150,287	159,631	155,043	288,685
(2,860)	(1,581)	(2,044)	(2,160)	(2,143)	(2,247)
82,456	106,016	148,243	157,470	152,900	286,438
<u>\$ 2,585,317</u>	<u>\$ 2,956,986</u>	<u>\$ 3,390,491</u>	<u>\$ 3,687,545</u>	<u>\$ 3,993,677</u>	<u>\$ 3,877,376</u>
3.09%	3.46%	4.19%	4.10%	3.69%	6.88%

MONTGOMERY COUNTY, TEXAS**Direct and Overlapping Debt****September 30, 2006****TABLE XII**

	Debt Outstanding	Percentage Applicable to Montgomery County ⁽¹⁾	Amount Applicable to Montgomery County
Montgomery County, Texas	\$ 288,684,676	100.00	\$ 288,684,676

OVERLAPPING GOVERNMENTS:**Special Districts:**

Clovercreek M.U.D.	1,870,000	100.00	1,870,000
Corinthian Point M.U.D. #2	1,450,000	100.00	1,450,000
East Plantation U.D.	3,975,000	100.00	3,975,000
Far Hills U.D.	2,815,000	100.00	2,815,000
Kings Manor M.U.D.	17,850,000	97.85	17,466,225
Lazy River I.D.	1,170,000	100.00	1,170,000
Montgomery Co. D.D. #6	2,649,990	100.00	2,649,990
Montgomery Co. M.U.D. #7	10,915,000	100.00	10,915,000
Montgomery Co. M.U.D. #9	6,010,000	100.00	6,010,000
Montgomery Co. M.U.D. #15	2,775,000	100.00	2,775,000
Montgomery Co. M.U.D. #18	25,380,000	100.00	25,380,000
Montgomery Co. M.U.D. #24	535,000	100.00	535,000
Montgomery Co. M.U.D. #36	240,000	100.00	240,000
Montgomery Co. M.U.D. #39	20,284,445	100.00	20,284,445
Montgomery Co. M.U.D. #40	6,685,000	100.00	6,685,000
Montgomery Co. M.U.D. #42	1,810,000	100.00	1,810,000
Montgomery Co. M.U.D. #46	109,535,000	100.00	109,535,000
Montgomery Co. M.U.D. #47	46,195,000	100.00	46,195,000
Montgomery Co. M.U.D. #56	2,673,546	100.00	2,673,546
Montgomery Co. M.U.D. #60	30,390,000	100.00	30,390,000
Montgomery Co. M.U.D. #67	23,445,000	100.00	23,445,000
Montgomery Co. M.U.D. #83	9,375,000	100.00	9,375,000
Montgomery Co. M.U.D. #89	9,340,000	100.00	9,340,000
Montgomery Co. M.U.D. #90	1,980,000	100.00	1,980,000
Montgomery Co. M.U.D. #94	14,430,000	100.00	14,430,000
Montgomery Co. U.D. #2	3,000,000	100.00	3,000,000
Montgomery Co. U.D. #3	1,150,000	100.00	1,150,000
Montgomery Co. U.D. #4	4,410,000	100.00	4,410,000
Montgomery Co. W.C.I.D. #1	4,240,000	100.00	4,240,000
New Caney M.U.D.	17,040,000	100.00	17,040,000
North Harris/Mont. Comm. College	195,336,613	25.74	50,279,644
Point Aquarius M.U.D.	2,875,000	100.00	2,875,000

MONTGOMERY COUNTY, TEXAS**Direct and Overlapping Debt****September 30, 2006****TABLE XII**

	Debt	Percentage Applicable to	Amount Applicable to Montgomery
	Outstanding	Montgomery County ⁽¹⁾	County
Special Districts:(Continued)			
Porter M.U.D.	12,630,458	100.00	12,630,458
Rayford Road M.U.D.	33,570,000	100.00	33,570,000
River Plantation M.U.D.	1,340,000	100.00	1,340,000
Roman Forest Cons. M.U.D.	2,250,000	100.00	2,250,000
Roman Forest P.U.D. #3	-	DEFAULT	-
Roman Forest P.U.D. #4	765,000	100.00	765,000
South Montgomery Co. M.U.D.	4,976,164	100.00	4,976,164
Spring Creek U.D.	15,515,000	100.00	15,515,000
Stanley Lake M.U.D.	6,539,000	100.00	6,539,000
Texas National M.U.D.	265,000	100.00	265,000
Woodlands Metro-Center M.U.D.	23,900,000	100.00	23,900,000
Woodlands M.U.D. #2	2,365,000	100.00	2,365,000
Woodlands R.U.D. #1	58,420,000	100.00	58,420,000
Emergency Service District #1	406,631	100.00	406,631 ⁽²⁾
Emergency Service District #2	787,689	100.00	787,689 ⁽²⁾
Emergency Service District #3	174,481	100.00	174,481 ⁽²⁾
Emergency Service District #4	941,021	100.00	941,021 ⁽²⁾
Emergency Service District #5	164,819	100.00	164,819 ⁽²⁾
Emergency Service District #6	425,303	100.00	425,303 ⁽²⁾
Emergency Service District #7	508,499	100.00	508,499 ⁽²⁾
Emergency Service District #9	161,309	100.00	161,309 ⁽²⁾
Emergency Service District #10	1,275,690	100.00	1,275,690 ⁽²⁾
Emergency Service District #11	133,458	100.00	133,458 ⁽²⁾
Emergency Service District #12	73,789	100.00	73,789 ⁽²⁾
Total Special Districts	749,417,905		603,977,161
Cities:			
Conroe	59,155,000	100.00	59,155,000
Magnolia	2,305,000	100.00	2,305,000
Montgomery	4,110,000	100.00	4,110,000
Oak Ridge North	5,515,000	100.00	5,515,000
Panorama Village	2,825,000	100.00	2,825,000
Shenandoah Village	4,692,793	100.00	4,692,793

MONTGOMERY COUNTY, TEXAS**Direct and Overlapping Debt****September 30, 2006****TABLE XII**

	Debt	Percentage	Amount Applicable
	Outstanding	Applicable to	to Montgomery
		Montgomery County ⁽¹⁾	County
Cities:(Continued)			
Splendora	2,295,000	100.00	2,295,000
Willis	4,650,000	100.00	4,650,000
Woodbranch Village	454,000	100.00	454,000
Woodloch	113,723	100.00	113,723
Houston (County Line City)	1,871,015,562	0.01	187,102
Total Cities	<u>1,957,131,078</u>		<u>86,302,618</u>
School Districts			
Cleveland I.S.D.	45,905,904	1.77	812,535
Conroe I.S.D.	709,807,645	100.00	709,807,645
Magnolia I.S.D.	172,499,959	100.00	172,499,959
Montgomery I.S.D.	79,151,604	100.00	79,151,604
New Caney I.S.D.	112,237,283	100.00	112,237,283
Richards I.S.D.	200,000	25.90	51,800
Splendora I.S.D.	23,015,000	100.00	23,015,000
Tomball I.S.D.	129,850,000	10.40	13,504,400
Willis I.S.D.	56,147,825	97.36	54,665,522
Total School Districts	<u>1,328,815,220</u>		<u>1,165,745,748</u>
 TOTAL DIRECT AND OVERLAPPING DEBT	 <u>\$ 4,324,048,879</u>		 <u>\$2,144,710,203</u>

⁽¹⁾ The percentage of overlapping debt applicable is computed by dividing the other entity's net taxable assessed property value by the net taxable assessed property value in all of Montgomery County

⁽²⁾ Amounts shown for the Emergency Service Districts represent total Debt Levy, not overlapping debt.

MONTGOMERY COUNTY, TEXAS
Demographic and Economic Statistics
Last Ten Fiscal Years

TABLE XIII

<u>Year</u>	<u>Population ⁽¹⁾</u>	<u>Personal Income ⁽²⁾⁽³⁾</u>	<u>Per Capita Personal Income ⁽³⁾</u>	<u>School Enrollment ⁽⁴⁾</u>	<u>School Average Daily Attendance ⁽⁴⁾</u>	<u>Unemployment Rate ⁽⁵⁾</u>
1997	235,700	\$ 6,915,429	\$ 27,060	59,073	54,051	3.4 %
1998	235,700	7,922,471	29,447	61,933	56,608	3.5
1999	263,100	8,460,358	29,762	64,589	60,591	3.6
2000	290,426	9,815,483	32,989	67,430	61,575	3.3
2001	293,768	10,459,126	33,446	70,201	64,461	3.4
2002	314,866	10,637,961	32,383	75,091	68,723	4.6
2003	343,856	11,052,146	32,068	77,693	71,479	5.4
2004	360,419	12,055,024	33,284	80,364	74,120	4.7
2005	375,519	N/A	N/A	84,924	78,259	4.5
2006	376,104	N/A	N/A	87,881	80,143	3.8

⁽¹⁾ Source: Greater Conroe Economic Development Council, U.S. Census Bureau

⁽²⁾ Amounts expressed in thousands.

⁽³⁾ Source: Texas Workforce Commission website
<http://www.tracer2.com/cga/dataAnalysis/incomeReport.asp>
 Personal income information for 2005 and 2006 is not available.

⁽⁴⁾ Source: Superintendent's Annual Report: Includes the nine independent school districts located in the County.

⁽⁵⁾ Source: The Work Source website
<http://www.theworksource.org/employer/lmio/unemploymentrates/2006>
 Information for fiscal years 1997 through 2005 was obtained from the financial reports of the appropriate year.

MONTGOMERY COUNTY, TEXAS**Principal Employers****Current Year and Nine Years Ago****TABLE XIV**

<u>2006 Employer ⁽¹⁾</u>	<u>Employees</u>	<u>Percentage of Total County Employment ⁽²⁾</u>
Conroe Independent School District	5,440	2.93 %
Hewitt Associates	2,600	1.40
Anadarko Petroleum	1,850	1.00
Montgomery County, Texas	1,546	0.83
Conroe Regional Medical Center	1,200	0.65
Memorial Hermann The Woodlands Hospital	1,050	0.56
Woodlands Resort & Conference Center	861	0.46
Montgomery College	751	0.40
Hughes Christensen	750	0.40
Lexicon Genetics, Inc.	710	0.38
	<u>16,758</u>	<u>9.01 %</u>
<u>1997 Employer ⁽³⁾</u>	<u>Employees</u>	
Hughes Christensen	250-499	
Huntsman Corporation	250-499	
Ball Metal Container Corporation	100-249	
Capro Inc.	100-249	
Drexel Oilfield Services	100-249	
Maverick Tube Company	100-249	
OIC Tanks	100-249	
Sparkler Filters	100-249	
Surgimedics/TMP	100-249	
Texas Oil Tools Inc.	100-249	

⁽¹⁾ Source: <http://socrates.cdr.state.tx.us/iSocrates/Employers/EmployerContacts2.asp>

Information has been derived from the South Montgomery County Economic Development Partnership and the SOCRATES database listed above since county-wide information is not available.

⁽²⁾ County Employment for 2006: 185,877

Source: The Work Source

⁽³⁾ 1997 Information is limited to manufacturers in the County and available in the form of ranges of employees.

Information has been derived from 1997 Directory of Texas Manufacturers and the Conroe Chamber of Commerce. No information regarding County employment in prior years is available.

MONTGOMERY COUNTY, TEXAS**County Employees by Function** ⁽¹⁾**Last Ten Fiscal Years****TABLE XV**

<u>Function</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u> ⁽²⁾	<u>2006</u>
General Administration	74	70	69	80	85	90	94	100	101	104
Judicial	117	133	139	141	151	168	190	190	201	205
Legal Services	31	31	30	32	33	23	23	25	26	25
Elections	5	5	5	5	5	6	5	6	6	8
Financial Administration	72	71	74	79	80	82	83	85	87	88
Public Facilities	32	36	39	45	50	57	65	69	238	261
Public Safety	483	497	529	554	671	666	647	670	498	502
Health and Welfare	14	18	24	21	28	40	43	48	49	52
Culture and Recreation	76	78	82	85	82	86	90	87	89	124
Conservation	10	10	10	10	10	9	11	12	14	13
Public Transportation	156	165	160	159	167	159	156	162	162	164
Total ⁽³⁾	<u>1,070</u>	<u>1,114</u>	<u>1,161</u>	<u>1,211</u>	<u>1,362</u>	<u>1,386</u>	<u>1,407</u>	<u>1,454</u>	<u>1,471</u>	<u>1,546</u>

⁽¹⁾ Information derived from the annual salary schedules adopted by Montgomery County Commissioners' Court.

⁽²⁾ In FY 2005, the Jail moved from the Public Safety function to the Public Facilities function.

⁽³⁾ Comprehensive Annual Financial Reports prior to FY 2005 accounted for total employees, including staff that was temporary in nature. Beginning in FY 2005, the County has only accounted for those employees with permanent status.

MONTGOMERY COUNTY, TEXAS**Operating Indicators by Function****Last Ten Fiscal Years**

<u>Function</u>	Fiscal Year			
	1997	1998	1999	2000
General Government				
Construction permits issued ⁽¹⁾	4,018	5,393	4,301	3,604
Estimated value of construction ^{(1) (2)}	497,484	740,439	507,108	1,404,168
Health inspections performed ⁽³⁾	3,706	4,242	5,204	6,219
Birth certificates filed ⁽⁴⁾	3,682	3,956	4,265	4,699
Death certificates filed ⁽⁴⁾	1,363	1,359	1,589	1,644
Marriage license applications ⁽⁴⁾	2,427	2,638	2,637	2,611
Registered voters ⁽⁵⁾	149,651	159,571	166,449	184,170
Number of voting precincts ⁽⁵⁾	70	70	72	72
Public Safety - Sheriff				
Total arrests ⁽⁶⁾	13,124	14,228	15,040	14,448
Average number of inmates ⁽⁶⁾	680	667	699	550
Calls for service ⁽⁶⁾	223,532	249,905	266,369	277,185
Number of accidents investigated ⁽⁶⁾	1,300	1,719	2,076	2,205
Miles patrolled ⁽⁶⁾	2,411,464	2,520,767	2,715,095	2,523,192
Gallons of gas used ⁽⁶⁾	227,509	261,663	257,920	249,967
Culture and Recreation - Libraries				
Number of items checked out ⁽⁷⁾	919,707	978,157	1,021,234	1,057,882
Number of libraries ⁽⁷⁾	6	6	6	6
Volumes in collection ⁽⁷⁾	323,354	352,293	352,530	428,355
Number of library visits ⁽⁷⁾	686,616	793,181	880,415	788,730
Library programs attendance ⁽⁷⁾	62,187	58,661	63,713	64,138

⁽¹⁾ Source: Montgomery County Engineer. Years 1997 through 2004 include the City of Conroe.

⁽²⁾ Dollar values are in thousands.

⁽³⁾ Source: Montgomery County Health Department.

⁽⁴⁾ Source: Montgomery County Clerk.

⁽⁵⁾ Source: Montgomery County Elections Administrator.

⁽⁶⁾ Source: Montgomery County Sheriff's Department. Beginning in Fiscal Year 2005, the Sheriff's Department system tracked the number of calls for service and number of accidents investigated for all law enforcement agencies in the County. Due to the rising cost of fuel, the Sheriff's Department instituted a "no idle" policy, reducing the gallons of gasoline used.

⁽⁷⁾ Source: Montgomery County Memorial Library System Annual Report.

TABLE XVI

Fiscal Year					
2001	2002	2003	2004	2005	2006
3,792	4,747	5,569	6,569	5,565	6,592
696,631	818,130	1,284,674	1,145,750	1,088,171	1,276,959
5,847	5,805	5,774	7,616	7,882	11,077
4,720	4,440	5,044	5,544	4,453	4,809
1,781	1,755	1,898	1,859	1,520	1,849
2,742	2,830	2,755	2,892	2,122	2,282
186,295	192,951	197,626	214,098	213,414	225,184
85	85	85	85	85	85
15,104	16,503	16,335	18,960	19,036	19,222
558	593	640	726	815	977
276,576	273,439	225,576	212,919	240,844	292,929
2,139	2,159	1,965	1,898	6,438	12,242
2,860,529	2,847,347	2,932,365	2,812,515	2,795,393	2,726,988
254,863	248,517	272,922	263,816	229,864	192,750
1,062,826	1,094,744	1,193,392	1,196,770	1,210,339	1,451,208
6	6	6	6	6	7
389,716	418,369	446,221	478,205	586,668	477,681
878,619	993,045	990,066	1,011,056	1,026,802	1,089,855
66,937	83,527	90,591	85,220	84,228	99,788

MONTGOMERY COUNTY, TEXAS
Capital Asset and Infrastructure Statistics by Function
Last Ten Fiscal Years

<u>Function</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
General Government				
Office Buildings/Courthouses ⁽¹⁾	18	20	22	22
Public Safety - Sheriff				
Sheriff's Vehicles ⁽²⁾	202	207	231	242
Academy Square Footage ⁽¹⁾	9,600	9,600	9,600	9,600
Public Transportation				
County Roads (miles) ⁽³⁾	2,004	2,026	2,059	2,120
Bridges ⁽³⁾	113	112	117	124
Public Facilities				
Park Acreage ⁽⁴⁾	196	196	196	196
Convention Center Square Footage ⁽⁵⁾	N/A	N/A	N/A	N/A
Community Centers ⁽²⁾	11	12	13	13
Culture and Recreation				
Total Library Square Footage ⁽⁶⁾	N/A	N/A	108,400	108,400

¹⁾ Montgomery County Risk Management Department.

²⁾ Montgomery County Auditor's Office Capital Assets Listing.

³⁾ Montgomery County Engineer.

⁴⁾ Montgomery County Parks Department.

⁵⁾ Montgomery County Civic Center Complex; The convention center was completed and put into service in 2000.

⁶⁾ Montgomery County Memorial Library System Annual Report. Information for 1997 and 1998 was not kept. Information for 2006 will not be available until April 2007.

TABLE XVII

2001	2002	2003	2004	2005	2006
23	24	24	24	25	25
247	257	271	256	269	273
13,800	13,800	13,800	13,800	13,800	13,800
2,127	2,219	2,283	2,319	2,342	2,391
124	126	126	144	140	157
208	228	228	228	228	228
56,000	56,000	56,000	56,000	56,000	56,000
13	16	16	17	17	17
108,400	108,400	108,400	108,400	138,516	145,395



