



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE

June 15, 2009

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on Montgomery County, Iowa.

The County had local tax revenue of \$14,547,348 for the year ended June 30, 2008, which included \$769,336 in tax credits from the state. The County forwarded \$10,904,692 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,642,656 of the local tax revenue to finance County operations, a 4.3% decrease from the prior year. Other revenues included charges for service of \$521,861, operating grants, contributions and restricted interest of \$3,028,078, capital grants, contributions and restricted interest of \$1,650,400, local option sales tax of \$315,178, unrestricted investment earnings of \$134,608 and other general revenues of \$109,515.

Expenses for County operations totaled \$8,054,867, a 15.2% increase over the prior year. Expenses included \$3,365,299 for roads and transportation, \$1,607,552 for public safety and legal services and \$1,103,135 for mental health. The significant increase in expenses is primarily due to increased road work for FEMA repairs and other local road and bridge repairs and the purchase of two new command consoles and furniture for the E911 communication upgrade.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**MONTGOMERY COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2008**

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Montgomery County

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bryant Amos	Board of Supervisors	Jan 2009
James Parker	Board of Supervisors	Jan 2009
Glen Benskin	Board of Supervisors	Jan 2011
Karen Blue	Board of Supervisors	Jan 2011
Steve Ratcliff	Board of Supervisors	Jan 2011
Joni Ernst	County Auditor	Jan 2009
Anita Walker	County Treasurer	(Deceased Oct 2007)
Carol Stovers (Appointed)	County Treasurer	Nov 2010
Carleen Bruning	County Recorder	Jan 2011
Anthony Updegrove	County Sheriff	Jan 2009
Bruce Swanson	County Attorney	Jan 2011
Stacey Vondielingen	County Assessor	Jan 2010

**Montgomery County**



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Independent Auditor's Report

To the Officials of Montgomery County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Montgomery County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Montgomery County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Montgomery County at June 30, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 4, 2009 on our consideration of Montgomery County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. 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. 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 Montgomery County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the three years ended June 30, 2003 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 4, 2009

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Montgomery County provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2008 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased .40%, or approximately \$38,000, from fiscal 2007 to fiscal 2008. Property tax decreased approximately \$166,000, charges for service decreased approximately \$122,000, operating grants, contributions and restricted interest decreased approximately \$113,000, capital grants, contributions and restricted interest increased approximately \$431,000, unrestricted investment earnings decreased approximately \$16,000 and local option sales and services tax decreased approximately \$49,000 from the prior fiscal year.
- The County's current fiscal year program expenses increased 15.3%, or approximately \$1,066,000, over the prior fiscal year. Mental health expenses increased approximately \$107,000, county environment and education expenses increased approximately \$143,000 and roads and transportation expenses increased approximately \$733,000.
- The County's net assets increased 15.2%, or approximately \$1.3 million, from June 30, 2007 to June 30, 2008.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.
- The *Government-wide Financial Statements* consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Montgomery County as a whole and present an overall view of the County's finances.
- The *Fund Financial Statements* tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Montgomery County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Montgomery County acts solely as an agent or custodian for the benefit of those outside of county government (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds and the individual Agency Funds.

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus. This is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's 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 information showing how the County's net assets changed during the fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and other non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, and 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others and cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis below shows the changes in the net assets of governmental activities from a year ago.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2008	2007
Current and other assets	\$ 7,444	7,455
Capital assets	7,212	5,548
Total assets	<u>14,656</u>	<u>13,003</u>
Long-term liabilities	318	337
Other liabilities	4,104	3,779
Total liabilities	<u>4,422</u>	<u>4,116</u>
Net assets:		
Invested in capital assets, net of related debt	7,179	5,483
Restricted	2,629	2,672
Unrestricted	426	732
Total net assets	<u>\$ 10,234</u>	<u>8,887</u>

The largest portion of the County's net assets is invested in capital assets (i.e. land, buildings, infrastructure, equipment and construction in progress), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. This net asset component increased approximately \$1.7 million, or 30.9%, over the prior year, primarily due to infrastructure contributed by the Iowa Department of Transportation and the acquisition of two motor graders, a backhoe and completion of various road projects.

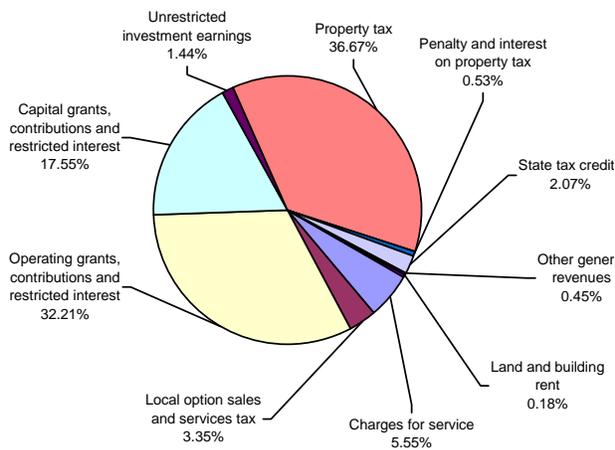
Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net asset component decreased 1.6% from the prior year.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased approximately \$306,000, or 41.8%, from the prior year. This decrease is due primarily to a decreased balance in the General Fund, a deficit balance in the Mental Health Fund and debt for E911 assets not capitalized by the County.

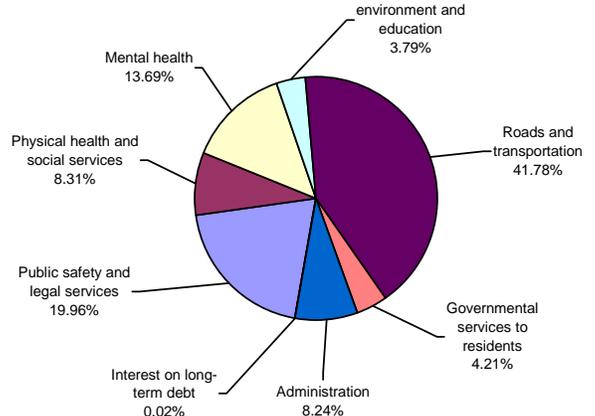
Changes in Net Assets of Governmental Activities  
(Expressed in Thousands)

	Year ended June 30,	
	2008	2007
Revenues:		
Program revenues:		
Charges for service	\$ 522	644
Operating grants, contributions and restricted interest	3,028	3,141
Capital grants, contributions and restricted interest	1,650	1,219
General revenues:		
Property tax	3,448	3,614
Penalty and interest on property tax	50	43
State tax credits	195	194
Local option sales and services tax	315	364
Unrestricted investment earnings	135	151
Land and building rent	17	20
Other general revenues	42	50
Total revenues	<u>9,402</u>	<u>9,440</u>
Program expenses:		
Public safety and legal services	1,608	1,540
Physical health and social services	669	654
Mental health	1,103	996
County environment and education	305	162
Roads and transportation	3,365	2,632
Governmental services to residents	339	315
Administration	664	690
Interest on long-term debt	2	-
Total expenses	<u>8,055</u>	<u>6,989</u>
Increase in net assets	1,347	2,451
Net assets beginning of year	8,887	6,436
Net assets end of year	<u>\$ 10,234</u>	<u>8,887</u>

**Revenues by Source**



**Expenses by Program**



The County decreased property tax rates \$.43 per \$1,000 of taxable valuation for the countywide levy and \$.43 per \$1,000 of taxable valuation for the rural levy. The general basic levy remained at \$3.50 per \$1,000 of taxable valuation while the general supplemental levy decreased approximately \$.40 per \$1,000 of taxable valuation and the mental health levy decreased \$.02 per \$1,000 of taxable valuation. The rural assessed property taxable valuation increased approximately \$177,000. The countywide assessed property taxable valuation increased approximately \$841,000. Based on the slight valuation increases and the changes in property tax rates, property tax revenue decreased approximately \$166,000.

The cost of all governmental activities this year was approximately \$8.0 million compared to approximately \$7.0 million last year. The increase in expenses is primarily due to increased mental health costs, costs related to additional deputy and communication salaries and benefits to achieve greater rural coverage for the Sheriff and for all E911 communications and costs associated with FEMA repairs from the 2007 flood. Overall, the County's governmental activities revenues, including intergovernmental aid and fees for services, decreased in 2008 from approximately \$9,440,000 to approximately \$9,402,000.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Montgomery County completed the year, its governmental funds reported a combined fund balance of approximately \$3.0 million, a decrease of approximately \$620,000 from last year's total of approximately \$3.6 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund balance remained constant, decreasing only \$4,502 during the fiscal year to approximately \$1,047,000 at the end of the fiscal year.

The County has continued to look for ways to effectively manage the cost of mental health services. The Mental Health Fund balance at year end decreased approximately \$191,000 from the prior year to a deficit of approximately \$39,000. Revenues from property tax and state aid decreased approximately \$31,000 while expenditures increased approximately \$106,000. The increase in expenditures is due primarily to an increase in state mandated services that led to an additional seventeen clients receiving services in FY 2008.

The Rural Services Fund ending fund balance increased approximately \$36,000 over the prior year to approximately \$358,000. Property tax revenue for the Rural Services Fund decreased slightly, approximately \$9,000, in fiscal 2008 due to a nominal increase in the overall property taxable valuation and a decrease in the rural levy rate. Intergovernmental revenues (primarily state tax credits) decreased approximately \$3,000 in fiscal 2008 from fiscal 2007.

Secondary Roads Fund revenues decreased approximately \$293,000 while expenditures increased approximately \$709,000 over the prior year, principally due to an increase in road projects and costs related to the 2007 flood. This resulted in a decrease in the Secondary Roads Fund ending fund balance of approximately \$401,000, or 19.9%. Montgomery County maintained approximately 727 miles of gravel, dirt and paved roads with the resources of this fund.

## BUDGETARY HIGHLIGHTS

Montgomery County amended its budget twice during fiscal 2008. The first amendment was made in January 2008 and resulted in a reduction of anticipated receipts from public health grants and state mental health funding and an increase in anticipated receipts and disbursements for FEMA flood costs. The amendment also increased budgeted disbursements for juvenile shelter costs, conservation equipment and Sheriff vehicle repairs and fuel.

The second amendment was made in May 2008 and resulted in an increase in receipts and disbursements for the Sheriff's office for ADA updates, deputy salaries, jail improvements and care of female prisoners, as well as FEMA projects and additional mental health costs.

The County's receipts were approximately \$533,000 less than budgeted. The most significant variances resulted from the County receiving less intergovernmental receipts than anticipated. Specifically, medicaid and medicare reimbursements, stream channel erosion improvement project reimbursements and local option sales and services tax (LOSST) receipts were less than anticipated.

Total disbursements were approximately \$1,931,000 less than the amended budget. Actual disbursements for the capital projects and roads and transportation functions were approximately \$806,000 and \$748,000, respectively, less than budgeted. This was primarily due to planned road and building projects that were not completed in the fiscal year, largely because of flooding during prime construction time.

Even with the budget amendments, the County exceeded the budgeted amounts in the public safety and legal services and debt service functions for the year ended June 30, 2008.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2008, Montgomery County had approximately \$7.2 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1.7 million, or 30%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2008	2007
Land	\$ 494	494
Construction in progress	13	-
Buildings and improvements	356	349
Equipment and vehicles	2,217	2,120
Infrastructure	4,132	2,585
Total	\$ 7,212	5,548
This year's major additions included:		
Capital assets contributed by the Iowa Department of Transportation	\$ 1,529	
Two motor graders and a backhoe	624	
Total	\$ 2,153	

Montgomery County had depreciation expense of \$539,523 in fiscal 2008 and total accumulated depreciation of \$2,681,288 at June 30, 2008. Additional information about the County's capital assets is presented in Note 5 to the financial statements.

## Long-Term Debt

At June 30, 2008, Montgomery County had approximately \$98,000 in debt outstanding compared to approximately \$64,000 at June 30, 2007.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2008	2007
Capital lease purchase agreement	\$ 33	64
Disaster aid loan	-	55
E911 equipment loan	65	-
Total	\$ 98	64

For additional information about the County's long-term debt, see Note 7 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Montgomery County's elected and appointed officials and citizens considered many factors when setting the county budget, tax rates and fees for the various County services. One of the factors considered was the County's valuations, which increased approximately \$20,829,000 over the previous year, with 94% of this increase in the rural areas. The County decided to leave the general basic levy at the maximum cap of \$3.95 per \$1,000 of taxable valuation for the fiscal year 2009.

The Montgomery County Board of Supervisors dedicates 80% of the local option sales and services tax received for property tax relief to the Secondary Roads Fund, 10% for public safety, 5% for County Courthouse repairs and 5% for the County Fair.

Budgeted disbursements are expected to decrease approximately \$286,000. The largest decreases are in the capital projects, roads and transportation and governmental services to residents functions. The County has added no major new programs or initiatives to the 2009 budget.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Montgomery County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joni Ernst at the Montgomery County Auditor's Office, by mail at 105 E. Coolbaugh Street, PO Box 469, Red Oak, Iowa 51566, or by telephone at (712) 623-5127.

**Montgomery County**

## **Basic Financial Statements**

**Exhibit A**

Montgomery County  
Statement of Net Assets  
June 30, 2008

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 2,957,147
Receivables:	
Property tax:	
Delinquent	8,620
Succeeding year	3,607,000
Interest and penalty on property tax	8,266
Accounts	135,815
Accrued interest	8,024
E911 loan	64,818
Due from other governments	321,762
Inventories	307,160
Prepaid items	26,072
Capital assets (net of accumulated depreciation)	<u>7,211,695</u>
<b>Total assets</b>	<u>14,656,379</u>
<b>Liabilities</b>	
Accounts payable	212,775
Salaries and benefits payable	115,453
Due to other governments	168,764
Deferred revenue:	
Succeeding year property tax	3,607,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	32,929
E911 loan	13,002
Compensated absences	147,163
Portion due or payable after one year:	
E911 loan	51,816
Compensated absences	<u>72,908</u>
<b>Total liabilities</b>	<u>4,421,810</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	7,178,766
Restricted for:	
Supplemental levy purposes	616,449
Secondary roads purposes	1,817,818
Debt service	3,140
Other purposes	192,224
Unrestricted	<u>426,172</u>
<b>Total net assets</b>	<u>\$ 10,234,569</u>

See notes to financial statements.

Montgomery County  
Statement of Activities  
Year ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest		
Expenses					
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,607,552	76,508	19,742	-	(1,511,302)
Physical health and social services	668,601	44,668	295,665	-	(328,268)
Mental health	1,103,135	159,383	494,602	-	(449,150)
County environment and education	305,185	10,448	35,767	-	(258,970)
Roads and transportation	3,365,299	15,701	2,182,302	1,650,400	483,104
Governmental services to residents	339,263	185,441	-	-	(153,822)
Administration	664,226	29,712	-	-	(634,514)
Non-program	188	-	-	-	(188)
Interest on long-term debt	1,418	-	-	-	(1,418)
<b>Total</b>	<b>\$ 8,054,867</b>	<b>521,861</b>	<b>3,028,078</b>	<b>1,650,400</b>	<b>(2,854,528)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					3,438,548
Debt service					9,385
Penalty and interest on property tax					50,475
State tax credits					194,723
Local option sales and services tax					315,178
Unrestricted investment earnings					134,608
Land and building rent					16,845
Miscellaneous					42,195
<b>Total general revenues</b>					<b>4,201,957</b>
Change in net assets					1,347,429
Net assets beginning of year					8,887,140
Net assets end of year					<b>\$ 10,234,569</b>

See notes to financial statements.

Montgomery County

Balance Sheet  
Governmental Funds

June 30, 2008

	Special Revenue		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash and pooled investments	\$ 977,940	139,096	386,856
Receivables:			
Property tax:			
Delinquent	7,480	1,021	96
Succeeding year	2,115,000	289,000	1,196,000
Interest and penalty on property tax	8,266	-	-
Accounts	14,546	-	-
Accrued interest	8,024	-	-
E911 loan	64,818	-	-
Due from other funds	19,185	-	-
Due from other governments	83,028	27,356	-
Inventories	-	-	-
Prepaid items	23,772	-	-
<b>Total assets</b>	<b>\$ 3,322,059</b>	<b>456,473</b>	<b>1,582,952</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 48,369	47,910	2,756
Salaries and benefits payable	75,715	-	11,189
Due to other funds	-	-	14,486
Due to other governments	11,985	154,738	692
Deferred revenue:			
Succeeding year property tax	2,115,000	289,000	1,196,000
Other	23,847	3,830	96
Total liabilities	2,274,916	495,478	1,225,219
Fund balances:			
Reserved for:			
Supplemental levy purposes	443,263	-	188,430
Debt service	-	-	-
Resource enhancement and protection	70,974	-	-
Public safety and courthouse repair	71,049	-	-
E911 loan receivable	64,818	-	-
Unreserved, reported in:			
General fund	397,039	-	-
Special revenue funds	-	(39,005)	169,303
Total fund balances	1,047,143	(39,005)	357,733
<b>Total liabilities and fund balances</b>	<b>\$ 3,322,059</b>	<b>456,473</b>	<b>1,582,952</b>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
1,367,279	85,976	2,957,147
-	23	8,620
-	7,000	3,607,000
-	-	8,266
121,269	-	135,815
-	-	8,024
-	-	64,818
91,223	-	110,408
147,430	63,948	321,762
307,160	-	307,160
2,300	-	26,072
<u>2,036,661</u>	<u>156,947</u>	<u>7,555,092</u>
113,521	219	212,775
28,549	-	115,453
-	95,922	110,408
884	465	168,764
-	7,000	3,607,000
282,621	21	310,415
<u>425,575</u>	<u>103,627</u>	<u>4,524,815</u>
-	-	631,693
-	3,119	3,119
-	-	70,974
-	-	71,049
-	-	64,818
-	-	397,039
<u>1,611,086</u>	<u>50,201</u>	<u>1,791,585</u>
<u>1,611,086</u>	<u>53,320</u>	<u>3,030,277</u>
<u>2,036,661</u>	<u>156,947</u>	<u>7,555,092</u>

**Montgomery County**

Montgomery County

Reconciliation of the Balance Sheet -  
Governmental Funds to the Statement of Net Assets

June 30, 2008

**Total governmental fund balances (page 19)** \$ 3,030,277

***Amounts reported for governmental activities in the Statement of Net Assets are different because:***

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$9,892,983 and the accumulated depreciation is \$2,681,288. 7,211,695

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 310,415

Long-term liabilities, including a capital lease purchase agreement, E911 loan and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (317,818)

**Net assets of governmental activities (page 16)** \$ 10,234,569

See notes to financial statements.

Montgomery County

Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2008

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,067,309	243,480	1,126,234
Interest and penalty on property tax	48,889	-	-
Intergovernmental	508,944	667,495	69,106
Licenses and permits	6,050	-	-
Charges for service	256,460	-	3,213
Use of money and property	151,235	-	-
Miscellaneous	69,282	5	-
Total revenues	<u>3,108,169</u>	<u>910,980</u>	<u>1,198,553</u>
Expenditures:			
Operating:			
Public safety and legal services	1,331,323	-	283,470
Physical health and social services	685,763	-	-
Mental health	-	1,102,157	-
County environment and education	267,610	-	36,712
Roads and transportation	-	-	219,846
Governmental services to residents	309,749	-	1,869
Administration	652,599	-	-
Non-program	188	-	-
Debt service	6,600	-	-
Capital projects	-	-	978
Total expenditures	<u>3,253,832</u>	<u>1,102,157</u>	<u>542,875</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(145,663)</u>	<u>(191,177)</u>	<u>655,678</u>
Other financing sources (uses):			
E911 loan proceeds	70,000	-	-
Operating transfers in	71,161	-	-
Operating transfers out	-	-	(620,001)
Total other financing sources (uses)	<u>141,161</u>	<u>-</u>	<u>(620,001)</u>
Net change in fund balances	(4,502)	(191,177)	35,677
Fund balances beginning of year	<u>1,051,645</u>	<u>152,172</u>	<u>322,056</u>
Fund balances end of year	<u>\$ 1,047,143</u>	<u>(39,005)</u>	<u>357,733</u>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	324,563	3,761,586
-	-	48,889
2,022,611	541	3,268,697
1,385	-	7,435
-	2,139	261,812
-	498	151,733
14,029	5,828	89,144
2,038,025	333,569	7,589,296
-	2,773	1,617,566
-	-	685,763
-	-	1,102,157
-	-	304,322
3,128,108	-	3,347,954
-	21,198	332,816
-	-	652,599
-	-	188
54,515	10,088	71,203
161,091	2,325	164,394
3,343,714	36,384	8,278,962
(1,305,689)	297,185	(689,666)
-	-	70,000
904,648	-	975,809
-	(355,808)	(975,809)
904,648	(355,808)	70,000
(401,041)	(58,623)	(619,666)
2,012,127	111,943	3,649,943
1,611,086	53,320	3,030,277

Montgomery County

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances -  
Governmental Funds to the Statement  
of Activities

Year ended June 30, 2008

**Net change in fund balances - Total governmental funds (page 23)** \$ (619,666)

**Amounts reported for governmental activities in the Statement of  
Activities are different because:**

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 718,639	
Capital assets contributed by the Iowa Department of Transportation	1,529,131	
Depreciation expense	<u>(539,523)</u>	1,708,247

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (44,408)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	1,525	
Other	<u>282,344</u>	283,869

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(70,000)	
Repaid	<u>90,968</u>	20,968

Compensated absences in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (1,581)

**Change in net assets of governmental activities (page 17)** \$ 1,347,429

See notes to financial statements.

Montgomery County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2008

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 606,298
Other County officials	19,568
Receivables:	
Property tax:	
Delinquent	51,987
Succeeding year	10,360,000
Accounts	15,349
Special assessments	11,639
Due from other governments	7,217
Prepaid items	3,100
<b>Total assets</b>	<b>11,075,158</b>

**Liabilities**

Accounts payable	3,469
Salaries and benefits payable	5,323
Due to other governments	11,046,398
Trusts payable	14,928
Compensated absences	5,040
<b>Total liabilities</b>	<b>11,075,158</b>

<b>Net assets</b>	<b>\$ -</b>
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See notes to financial statements.

Montgomery County

Notes to Financial Statements

June 30, 2008

**(1) Summary of Significant Accounting Policies**

Montgomery County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Montgomery County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Montgomery County Assessor's Conference Board, Montgomery County Emergency Management Agency and County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

In addition, the County is involved in the following jointly governed organizations: Alcohol and Drug Assistance Agency, Fourth Judicial District, Southwest Iowa Planning Council, Red Oak Industrial Foundation, West Central Development Corporation, Sanitary Landfill, Waubonsie Mental Health Center, Nishna Productions, Golden Hills – Resource Conservation and Development, Southwest Iowa Juvenile Detention Center. Financial transactions of these organizations are not included in the County's financial statements.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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 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, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate 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 as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund 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 tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the 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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments in non-negotiable certificates of deposit are stated at cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2008, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Equipment	2 - 20
Vehicles	3 - 10

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities column of the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety and legal services and debt service functions.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(3) Due From and Due To Other Funds**

The detail of interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 19,185
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	14,486
	Local Option Sales and Services Tax	76,737
		<u>91,223</u>
Total		<u>\$ 110,408</u>

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 71,161
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	620,001
	Local Option Sales and Services Tax	284,647
		<u>904,648</u>
Total		<u>\$ 975,809</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 493,485	-	-	493,485
Construction in progress	-	1,693,603	(1,680,717)	12,886
Total capital assets not being depreciated	493,485	1,693,603	(1,680,717)	506,371
Capital assets being depreciated:				
Buildings	738,282	26,326	-	764,608
Equipment and vehicles	4,076,891	717,417	(505,828)	4,288,480
Infrastructure, road network	2,652,807	1,680,717	-	4,333,524
Total capital assets being depreciated	7,467,980	2,424,460	(505,828)	9,386,612
Less accumulated depreciation for:				
Buildings	389,009	19,073	-	408,082
Equipment and vehicles	1,956,890	386,336	(271,844)	2,071,382
Infrastructure, road network	67,710	134,114	-	201,824
Total accumulated depreciation	2,413,609	539,523	(271,844)	2,681,288
Total capital assets being depreciated, net	5,054,371	1,884,937	(233,984)	6,705,324
Governmental activities capital assets, net	\$ 5,547,856	3,578,540	(1,914,701)	7,211,695

Equipment costing \$104,200 was purchased under a capital lease purchase agreement. Accumulated depreciation on these assets totaled \$11,420 at June 30, 2008.

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 29,012
Physical health and social services	4,051
County environment and education	22,719
Roads and transportation	466,561
Administration	17,180
Total depreciation expense - governmental activities	<u>\$ 539,523</u>

**(6) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 11,985
Special Revenue:		
Mental Health	Services	154,738
Rural Services	Services	692
Secondary Roads	Services	884
Debt Service	Services	465
		<u>156,779</u>
Total for governmental funds		<u>\$ 168,764</u>
Agency:		
County Assessor	Collections	\$ 365,816
Schools		5,837,808
Community Colleges		287,644
Corporations		2,719,635
Auto License and Use Tax		213,767
County Hospital		1,249,790
All other		<u>371,938</u>
Total for agency funds		<u>\$ 11,046,398</u>

**(7) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Capital Lease Purchase Agreement	Disaster Aid Loan	E911 Equipment Loan	Compen- sated Absences	Total
Balance beginning of year	\$ 64,200	54,515	-	218,490	337,205
Increases	-	-	70,000	208,912	278,912
Decreases	31,271	54,515	5,182	207,331	298,299
Balance end of year	<u>\$ 32,929</u>	<u>-</u>	<u>64,818</u>	<u>220,071</u>	<u>317,818</u>
Due within one year	<u>\$ 32,929</u>	<u>-</u>	<u>13,002</u>	<u>147,163</u>	<u>193,094</u>

### Capital Lease Purchase Agreement

In 2007, the County entered into a capital lease purchase agreement to lease a tractor, two mowers and a boom mower with a total historical cost of \$104,200. The following is a schedule of the future minimum lease payments, including interest at 5.299% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2008:

<u>Year ending June 30,</u>	<u>Tractor/Mowers</u>
2009	\$ 34,674
Less amount representing interest	<u>(1,745)</u>
Present value of net minimum lease payments	<u>\$ 32,929</u>

Payments under the capital lease purchase agreement totaled \$34,673 for the year ended June 30, 2008.

### Disaster Aid Loan

The County entered into an interest free loan for disaster aid. During the year ended June 30, 2008, the remaining balance of \$54,515 of the loan was retired.

### E911 Loan

On January 18, 2008, the County entered into a \$70,000 loan agreement for the E911 Service Board to purchase equipment upgrades. Under the agreement, the E911 Service Board is to make monthly payments of \$1,320, with a final payment of \$1,062 due on January 24, 2013. The monthly principal and interest payments from the E911 Service Board are credited to the General Fund. The balance of the loan is reflected as an E911 loan receivable in the County's financial statements. The following is a schedule of the loan payments, including interest of 4.75% per annum, under the agreement in effect at June 30, 2008.

<u>Year ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	4.75%	\$ 13,002	2,838	15,840
2010	4.75	13,643	2,197	15,840
2011	4.75	14,314	1,526	15,840
2012	4.75	15,017	823	15,840
2013	4.75	8,842	140	8,982
Total		<u>\$ 64,818</u>	<u>7,524</u>	<u>72,342</u>

**(8) Pension and Retirement Benefits**

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the County is required to contribute 6.05% of covered salary for the current year. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$165,222, \$161,857 and \$167,239, respectively, equal to the required contributions for each year.

**(9) Risk Management**

Montgomery County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 563 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2008 were \$70,032.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2008, no liability has been recorded in the County's financial statements. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$150,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Deficit Balance**

The Special Revenue, Mental Health Fund had a deficit fund balance of \$39,005 at June 30, 2008. The deficit will be eliminated through an increase in the Mental Health Fund levy effective July 1, 2009.

**Montgomery County**

**Required Supplementary Information**

Montgomery County

Budgetary Comparison Schedule of  
Receipts, Disbursements and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2008

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>Receipts:</b>				
Property and other county tax	\$ 3,737,811	3,836,079	3,836,079	(98,268)
Interest and penalty on property tax	47,960	16,200	16,200	31,760
Intergovernmental	3,405,204	3,601,499	3,949,717	(544,513)
Licenses and permits	7,435	7,950	7,950	(515)
Charges for service	265,205	266,850	266,850	(1,645)
Use of money and property	153,750	142,275	142,275	11,475
Miscellaneous	98,171	26,360	29,810	68,361
Total receipts	7,715,536	7,897,213	8,248,881	(533,345)
<b>Disbursements:</b>				
Public safety and legal services	1,665,712	1,587,836	1,657,681	(8,031)
Physical health and social services	682,454	731,817	746,378	63,924
Mental health	1,058,066	993,425	1,236,480	178,414
County environment and education	299,653	291,029	319,816	20,163
Roads and transportation	3,234,026	2,835,746	3,981,646	747,620
Governmental services to residents	331,692	401,860	401,860	70,168
Administration	652,902	711,717	711,717	58,815
Non-program	188	220	220	32
Debt service	70,519	64,496	64,496	(6,023)
Capital projects	164,549	778,534	970,534	805,985
Total disbursements	8,159,761	8,396,680	10,090,828	1,931,067
Excess (deficiency) of receipts over (under) disbursements	(444,225)	(499,467)	(1,841,947)	1,397,722
Other financing sources, net	70,000	1,000	1,000	69,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(374,225)	(498,467)	(1,840,947)	1,466,722
Balance beginning of year	3,331,372	2,237,485	3,300,215	31,157
Balance end of year	\$ 2,957,147	1,739,018	1,459,268	1,497,879

See accompanying independent auditor's report.

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Montgomery County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,715,536	(126,240)	7,589,296
Expenditures	8,159,761	119,201	8,278,962
Net	(444,225)	(245,441)	(689,666)
Other financing sources, net	70,000	-	70,000
Beginning fund balances	3,331,372	318,571	3,649,943
Ending fund balances	\$ 2,957,147	73,130	3,030,277

See accompanying independent auditor's report.

Montgomery County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,694,148. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety and legal services and debt service functions.

**Other Supplementary Information**

Montgomery County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2008

	County Recorder's Records Management	Flood and Erosion	Special Local Option Sales and Services Tax
<b>Assets</b>			
Cash and pooled investments	\$ 16,439	811	31,974
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Due from other governments	-	-	63,948
<b>Total assets</b>	<b>\$ 16,439</b>	<b>811</b>	<b>95,922</b>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Accounts payable	\$ -	-	-
Due to other funds	-	-	95,922
Due to other governments	-	-	-
Deferred revenue:			
Succeeding year property tax	-	-	-
Other	-	-	-
Total liabilities	-	-	95,922
Fund equity:			
Fund balances:			
Reserved for debt service	-	-	-
Unreserved	16,439	811	-
Total fund equity	16,439	811	-
<b>Total liabilities and fund equity</b>	<b>\$ 16,439</b>	<b>811</b>	<b>95,922</b>

See accompanying independent auditor's report.

Revenue					
Seized and Forfeited Property - County Attorney	Seized and Forfeited Property - County Sheriff	Conservation Land Acquisition	Debt Service		Total
2,076	9,676	21,199	3,801		85,976
-	-	-	23		23
-	-	-	7,000		7,000
-	-	-	-		63,948
2,076	9,676	21,199	10,824		156,947
-	-	-	219		219
-	-	-	-		95,922
-	-	-	465		465
-	-	-	7,000		7,000
-	-	-	21		21
-	-	-	7,705		103,627
-	-	-	3,119		3,119
2,076	9,676	21,199	-		50,201
2,076	9,676	21,199	3,119		53,320
2,076	9,676	21,199	10,824		156,947

Montgomery County

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds

Year ended June 30, 2008

	County Recorder's Records Management	Flood and Erosion	Special Revenue Local Option Sales and Services Tax
Revenues:			
Property and other county tax	\$ -	-	315,178
Intergovernmental	-	-	-
Charges for service	2,139	-	-
Use of money and property	498	-	-
Miscellaneous	-	-	-
Total revenues	2,637	-	315,178
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Governmental services to residents	21,198	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	21,198	-	-
Excess (deficiency) of revenues over (under) expenditures	(18,561)	-	315,178
Other financing uses:			
Operating transfers out	-	-	(355,808)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	(18,561)	-	(40,630)
Fund balances beginning of year	35,000	811	40,630
Fund balances end of year	\$ 16,439	811	-

See accompanying independent auditor's report.

Seized and Forfeited Property - County Attorney	Seized and Forfeited Property - County Sheriff	Conservation Land Acquisition	Debt Service	Total
-	-	-	9,385	324,563
-	-	-	541	541
-	-	-	-	2,139
-	-	-	-	498
-	5,828	-	-	5,828
-	5,828	-	9,926	333,569
-	2,773	-	-	2,773
-	-	-	-	21,198
-	-	-	10,088	10,088
-	-	2,325	-	2,325
-	2,773	2,325	10,088	36,384
-	3,055	(2,325)	(162)	297,185
-	-	-	-	(355,808)
-	3,055	(2,325)	(162)	(58,623)
2,076	6,621	23,524	3,281	111,943
2,076	9,676	21,199	3,119	53,320

Montgomery County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	2,059	130,703	98,273	4,652
Other County officials	19,568	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	416	855	20,535	992
Succeeding year	-	117,000	242,000	5,719,000	282,000
Accounts	-	-	394	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	-	3,100	-	-
<b>Total assets</b>	<b>\$ 19,568</b>	<b>119,475</b>	<b>377,052</b>	<b>5,837,808</b>	<b>287,644</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	2,958	-	-
Salaries and benefits payable	-	-	3,238	-	-
Due to other governments	4,646	119,475	365,816	5,837,808	287,644
Trusts payable	14,922	-	-	-	-
Compensated absences	-	-	5,040	-	-
<b>Total liabilities</b>	<b>\$ 19,568</b>	<b>119,475</b>	<b>377,052</b>	<b>5,837,808</b>	<b>287,644</b>

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	County Hospital	E911 Service	Other	Total
44,792	2,359	213,767	21,459	55,407	32,827	606,298
-	-	-	-	-	-	19,568
24,843	10	-	4,331	-	5	51,987
2,650,000	125,000	-	1,224,000	-	1,000	10,360,000
-	-	-	-	14,955	-	15,349
-	-	-	-	-	11,639	11,639
-	-	-	-	7,217	-	7,217
-	-	-	-	-	-	3,100
<b>2,719,635</b>	<b>127,369</b>	<b>213,767</b>	<b>1,249,790</b>	<b>77,579</b>	<b>45,471</b>	<b>11,075,158</b>
-	-	-	-	408	103	3,469
-	-	-	-	209	1,876	5,323
2,719,635	127,369	213,767	1,249,790	76,962	43,486	11,046,398
-	-	-	-	-	6	14,928
-	-	-	-	-	-	5,040
<b>2,719,635</b>	<b>127,369</b>	<b>213,767</b>	<b>1,249,790</b>	<b>77,579</b>	<b>45,471</b>	<b>11,075,158</b>

Montgomery County  
Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 24,463	113,456	311,188	5,466,458	252,316
Additions:					
Property and other county tax	-	116,851	242,344	5,711,809	282,262
E911 surcharges	-	-	-	-	-
Intergovernmental	-	-	-	-	-
State tax credits	-	6,414	9,354	309,144	14,331
Drivers license fees	-	-	-	-	-
Office fees and collections	244,831	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	308,690	-	-	-	-
Miscellaneous	180	-	-	-	-
Total additions	553,701	123,265	251,698	6,020,953	296,593
Deductions:					
Agency remittances:					
To other funds	132,546	-	-	-	-
To other governments	112,407	117,246	185,834	5,649,603	261,265
Trusts paid out	313,643	-	-	-	-
Total deductions	558,596	117,246	185,834	5,649,603	261,265
Balances end of year	\$ 19,568	119,475	377,052	5,837,808	287,644

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	County Hospital	E911 Service	Other	Total
2,661,232	120,998	215,043	1,181,638	186,139	48,701	10,581,632
2,626,732	125,636	-	1,223,155	-	1,290	10,330,079
-	-	-	-	75,584	-	75,584
-	-	-	-	74,662	19,732	94,394
161,828	6,629	-	66,838	-	75	574,613
-	-	81,320	-	-	-	81,320
-	-	-	-	-	-	244,831
-	-	-	-	-	2,139	2,139
-	-	2,461,374	-	-	-	2,461,374
-	-	-	-	-	4,922	4,922
-	-	-	-	-	441,353	750,043
-	-	-	-	1,024	-	1,204
2,788,560	132,265	2,542,694	1,289,993	151,270	469,511	14,620,503
-	-	116,281	-	-	-	248,827
2,730,157	125,894	2,427,689	1,221,841	259,830	48,791	13,140,557
-	-	-	-	-	423,950	737,593
2,730,157	125,894	2,543,970	1,221,841	259,830	472,741	14,126,977
2,719,635	127,369	213,767	1,249,790	77,579	45,471	11,075,158

Montgomery County

Schedule of Revenues By Source and Expenditures By Function -  
All Governmental Funds

For the Last Eight Years

	Modified Accrual			
	2008	2007	2006	2005
<b>Revenues:</b>				
Property and other county tax	\$ 3,761,586	3,974,990	3,736,347	3,833,332
Interest and penalty on property tax	48,889	43,021	40,657	36,153
Intergovernmental	3,268,697	3,666,726	3,717,722	3,254,490
Licenses and permits	7,435	8,240	6,395	3,802
Charges for service	261,812	266,787	276,669	274,344
Use of money and property	151,733	171,377	143,711	76,530
Miscellaneous	89,144	72,677	63,807	154,139
<b>Total</b>	<b>\$ 7,589,296</b>	<b>8,203,818</b>	<b>7,985,308</b>	<b>7,632,790</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,617,566	1,522,158	1,562,204	1,561,279
Physical health and social services	685,763	648,183	767,606	748,024
Mental health	1,102,157	996,251	899,688	845,478
County environment and education	304,322	273,717	536,622	352,028
Roads and transportation	3,347,954	2,655,699	2,611,352	2,435,439
Governmental services to residents	332,816	311,434	426,736	330,171
Administration	652,599	713,278	683,123	648,543
Non-program	188	-	180	815
Debt service	71,203	63,389	63,503	114,041
Capital projects	164,394	225,380	652,897	1,528
<b>Total</b>	<b>\$ 8,278,962</b>	<b>7,409,489</b>	<b>8,203,911</b>	<b>7,037,346</b>

See accompanying independent auditor's report.

Basis			
2004	2003	2002	2001
3,585,446	3,574,165	3,111,868	2,846,791
36,484	53,932	37,515	41,017
3,370,910	3,963,034	3,334,778	3,669,037
5,051	5,165	4,580	3,657
324,964	230,626	211,918	196,648
53,678	75,892	103,130	152,649
70,709	20,213	73,536	18,966
<u>7,447,242</u>	<u>7,923,027</u>	<u>6,877,325</u>	<u>6,928,765</u>
1,538,008	1,612,309	1,541,681	1,520,583
754,554	705,939	615,063	532,914
821,818	922,694	918,130	547,500
412,139	550,533	386,154	265,338
2,559,409	2,440,342	2,437,700	2,269,604
383,206	396,655	390,575	331,021
615,399	617,103	543,013	579,917
172	92	4,345	2,587
118,481	190,681	191,447	177,163
2,393	366,708	75,500	415,876
<u>7,205,579</u>	<u>7,803,056</u>	<u>7,103,608</u>	<u>6,642,503</u>

**Montgomery County**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

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

To the Officials of Montgomery County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Montgomery County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated May 4, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including material weaknesses.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A) and (B) are material weaknesses.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Montgomery County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Montgomery County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Montgomery County and other parties to whom Montgomery County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Montgomery County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 4, 2009

Montgomery County  
 Schedule of Findings  
 Year ended June 30, 2008

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

(A) Segregation of Duties – During our review of internal control, the existing control activities were evaluated in order to determine incompatible duties, from a control standpoint, were not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Receipts – opening and listing mail receipts, collecting, depositing, posting and daily reconciling.	Treasurer, Recorder and Sheriff
(2) Bank reconciliations are not reviewed periodically for propriety by an independent person who does not sign checks, handle or record cash. Also, evidence of the review was not documented if an independent review was performed.	Treasurer
(3) Investments – investing, custody and accounting.	Treasurer
(4) Disbursements – check or warrant writing, signing, posting, reconciling and final approval.	Treasurer and Recorder
(5) Payroll – salary rate calculation and independent review of rates in the system.	Auditor

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel or other County employees to provide additional control through review of financial transactions, reconciliations and reports.

Responses:

Treasurer – When time allows, duties are spread out as to opening and listing mail, depositing and daily posting and recording. Steps will be taken to have an independent person review the bank reconciliations and the investments. Will train another staff member to write checks and I will sign them.

Recorder – Due to limited staff, we strive to maintain receipts and record-keeping to the best of our abilities.

Montgomery County

Schedule of Findings

Year ended June 30, 2008

Sheriff – Will take recommendation under advisement and periodically check receipt procedure with clerk.

Auditor – Two members of the office will review the payroll rate calculation to maximize accuracy.

Conclusions –

Treasurer, Sheriff and Auditor – Responses accepted.

Recorder – Response acknowledged. The County Recorder should also utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

- (B) Financial Reporting – During the audit, we identified material amounts of receivables not initially recorded in the County's financial statements. In addition, the County entered into a \$70,000 loan during the year on behalf of the Joint E911 Service Board for which the proceeds and subsequent disposition of the proceeds were not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables and debt proceeds, including subsequent disposition, are identified and included in the County's financial statements.

Response – This has been corrected and the Joint E911 Service Board's loan through the County will be included in the County's financial statements.

Conclusion – Response accepted.

- (C) Local Board of Health – Collections were not always remitted to the County Treasurer timely. Also, billings for nursing services, collections and accounts receivable were not reconciled.

Recommendation – All collections should be remitted to the County Treasurer timely. Also, procedures should be established and followed to reconcile nursing services billings, collections and receivables. The Board of Health and the Department head should review the report and monitor receivable balances.

Response – We will remit moneys received on a timely basis to the County Treasurer and will begin reconciling billings, collections and receivables as recommended.

Conclusion – Response accepted.

- (D) County Assessor Warrants – The warrants for County Assessor disbursements are prepared and signed by the County Auditor. However, after signing, the warrants are returned to the County Assessor rather than being mailed by the County Auditor.

Montgomery County

Schedule of Findings

Year ended June 30, 2008

Recommendation – In order to strengthen internal controls, the warrants should be mailed without allowing them to return to the individuals who prepared or approved the claims for payment.

Response – I will take your recommendation under consideration and speak to my County Auditor.

Conclusion – Response accepted.

- (E) Conservation Compensatory Time and Timesheets – The Conservation Board Personnel Policy, sections 6.5 and 6.6, address compensatory time for department employees and the Director. There appears to be a conflict between these sections because section 6.5 identifies the position of Director as exempt from the requirements of the Fair Labor Standards Act, but section 6.6 states the Director is eligible to earn compensatory time.

Recommendation – The Conservation Board should review the Fair Labor Standards Act (Act) and any related updates to determine if the position of Director is exempt from the requirements of the Act and amend sections 6.5 and 6.6 of the Personnel Policy accordingly.

Response – The County Attorney will visit with the Conservation Director and the above recommendation will be addressed. The personnel policy will be reviewed and any action will then be taken to the Conservation Board for its approval.

Conclusion – Response accepted.

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

Montgomery County

Schedule of Findings

Year ended June 30, 2008

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the public safety and legal services and the debt service functions.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended before disbursements exceed budgeted amounts.

Conclusion – Response accepted.

- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- (4) Business Transactions – No business transactions between the County and County officials or employees were noted.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.

- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

- (9) Potential Conflict of Interest – For several months during the fiscal year ended June 30, 2008, the County Sheriff served as the Emergency Management Coordinator (EMC) in addition to his duties as County Sheriff. He received his regular Sheriff's salary plus \$1,622 for being the EMC. It appears the office of County Sheriff and EMC may be incompatible since it is unclear when the duties of one position ends and the duties of the other begin. In accordance with Chapter 331.907 of the Code of Iowa, the Sheriff may not be paid a salary in excess of that approved by the Board of Supervisors.

Montgomery County

Schedule of Findings

Year ended June 30, 2008

Documentation of County Board of Supervisors and/or Emergency Management Commission approval of the appointment of the County Sheriff as the EMC could not be located.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – After consulting with the County Attorney, it was determined that henceforth when a foreseen or unforeseen vacancy is experienced with the position of Emergency Management Coordinator, the parameters set forth in Iowa Administrative Code Section 605-7.4(29C) shall be followed. This will eliminate future appearance of conflicts in interest.

Conclusion – Response accepted.

- (10) Payroll Calculation – Certain County employees were paid more than the authorized amount compensation due to the use of an incorrect payroll calculation method. Overpayments for employees tested ranged from \$51 to \$207 per employee.

Recommendation – The County should consult legal counsel to determine the disposition of this matter. The County should establish procedures to ensure the amount of payroll compensation is correctly computed and the total salary paid to employees does not exceed the authorized salary.

Response – Payroll calculations will be tested to ensure payroll is accurate.

Conclusion – Response accepted.

- (11) Exempt and Non-exempt Employees – The Board of Supervisors and the County Sheriff did not identify the Sheriff's office employee status (exempt vs. non-exempt) in accordance with Chapter 331.904(2) of the Code of Iowa and the Fair Labor Standards Act.

Recommendation – The Board of Supervisors and the County Sheriff should identify the Sheriff's office employee status (exempt vs. non-exempt) in accordance with Chapter 331.904(2) of the Code of Iowa and the Fair Labor Standards Act.

Response – I will indicate who is exempt and non-exempt.

Conclusion – Response accepted.

- (12) Veterans Affairs Commission – Chapter 34B.5 of the Code of Iowa and the County Veterans Affairs Commission set compensation at \$25 for each month a member attends one or more Commission meetings. Certain members were compensated for months during which the member did not attend any Commission meetings.

Recommendation – The Veterans Affairs Commission should ensure Commission members are compensated only when meeting attendance requirements are met.

Response – This error was brought to our attention after the audit of year ended June 30, 2007. The following policy was adopted: “The Director will note each

Montgomery County

Schedule of Findings

Year ended June 30, 2008

Commissioner present or absent at each meeting and provide the information to the County Auditor with the appropriate payroll report.” Since the implementation of that policy in April 2008, no Commissioner has been paid for a meeting they failed to attend.

Conclusion – Response accepted.

- (13) Financial Condition – The Special Revenue, Mental Health Fund had a deficit unreserved fund balance of \$39,005 at June 30, 2008.

Recommendation – The County should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The County will be increasing the levy associated with mental health funding to 100% beginning July 1, 2009. This will allow the County to be eligible for more state assistance in funding persons with mental illness or developmental disabilities. While we anticipate this will help to eliminate the deficit, the County wishes to point out a number of issues over which the County has no control which could contribute to funding problems in the future. For instance, additional mandated services for clients with mental illness accounted for both an increase in the number of clients with mental illness and an increase in the costs associated with services for those individuals. New services for clients with developmental disabilities, for instance, Consumer Choice Option, also contributed to an increase in costs as new clients and new services were mandated. Clients who are receiving services under the MR Waiver also saw increases in the daily rates as these rates are determined by the Department of Human Services through Iowa Medicaid Enterprises without input from the County on the justification for the rates being charged.

Conclusion – Response accepted.

- (14) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2008 for the County Extension Office did not exceed the amount budgeted.

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Montgomery County

Staff

This audit was performed by:

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