



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

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**NEWS RELEASE**

FOR RELEASE April 27, 2010

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

The County had local tax revenue of \$15,561,641 for the year ended June 30, 2009, which included \$759,514 in tax credits from the state. The County forwarded \$11,758,110 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,803,531 of the local tax revenue to finance County operations, a 4.4% increase over the prior year. Other revenues included charges for service of \$535,550, operating grants, contributions and restricted interest of \$3,832,956, capital grants, contributions and restricted interest of \$73,099, local option sales tax of \$352,231, unrestricted investment earnings of \$59,925 and other general revenues of \$92,960.

Expenses for County operations totaled \$8,935,304, a 10.9% increase over the prior year. Expenses included \$4,061,603 for roads and transportation, \$1,598,441 for public safety and legal services and \$1,051,181 for mental health. The significant increase in expenses is primarily due to increased road work financed by FEMA grants to repair flood damage.

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/index.html>.

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**MONTGOMERY COUNTY**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2009**

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**Montgomery County**

**Officials**

**(Before January 2009)**

<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 Strovers (Appointed)	County Treasurer	Nov 2008
Carleen Bruning	County Recorder	Jan 2011
Anthony Updegrave	County Sheriff	(Resigned)
Joseph Sampson (Appointed)	County Sheriff	Nov 2008
Bruce Swanson	County Attorney	Jan 2011
Stacey Vondielingen	County Assessor	Jan 2010

**(After January 2009)**

Glen Benskin	Board of Supervisors	Jan 2011
Karen Blue	Board of Supervisors	Jan 2011
Steve Ratcliff	Board of Supervisors	Jan 2011
Bryant Amos	Board of Supervisors	Jan 2013
Donna Robinson	Board of Supervisors	Jan 2013
Joni Ernst	County Auditor	Jan 2013
Carol Strovers	County Treasurer	Jan 2011
Carleen Bruning	County Recorder	Jan 2011
Joseph Sampson	County Sheriff	Jan 2013
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, 2009, 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, 2009, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

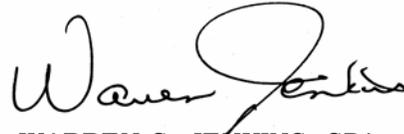
In accordance with Government Auditing Standards, we have also issued our report dated April 8, 2010 on our consideration of Montgomery County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other 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 five years ended June 30, 2008 (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 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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

April 8, 2010

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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, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2009 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 6.9%, or approximately \$653,000, from fiscal year 2008 to fiscal year 2009. Property tax increased approximately \$168,000, charges for service increased approximately \$13,000, operating grants, contributions and restricted interest increased approximately \$805,000, capital grants, contributions and restricted interest decreased approximately \$1,577,000, unrestricted investment earnings decreased approximately \$75,000 and local option sales and services tax increased approximately \$37,000 over the prior fiscal year.
- The County's current fiscal year program expenses increased 10.9%, or approximately \$879,000, over the prior fiscal year. Physical health and social services expenses increased approximately \$100,000, county environment and education expenses increased approximately \$67,000 and roads and transportation expenses increased approximately \$697,000.
- The County's net assets decreased 1.8%, or approximately \$185,000, from June 30, 2008 to June 30, 2009.

### 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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

## **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,	
	2009	2008
Current and other assets	\$ 8,704	7,444
Capital assets	7,073	7,212
Total assets	15,777	14,656
Long-term liabilities	282	318
Other liabilities	5,446	4,104
Total liabilities	5,728	4,422
Net assets:		
Invested in capital assets, net of related debt	7,073	7,179
Restricted	2,604	2,629
Unrestricted	372	426
Total net assets	\$ 10,049	10,234

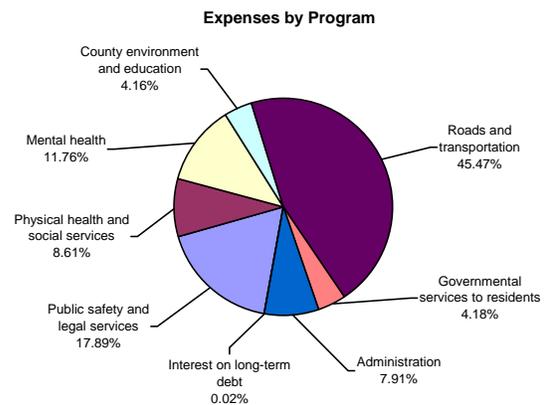
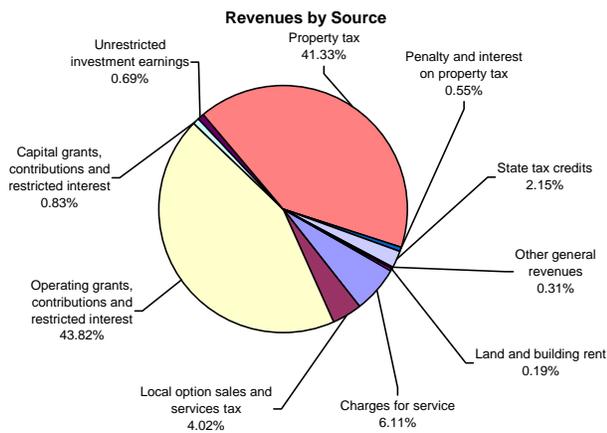
The largest portion of the County’s net assets is invested in capital assets (i.e. land, buildings, infrastructure, equipment and construction in progress). This net asset component decreased approximately \$106,000, or 1.5%, from the prior year.

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 less than 1.0% 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 \$54,000, or 12.7%, from the prior year. This decrease is due primarily to a decreased General Fund balance.

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

	Year ended June 30,	
	2009	2008
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 535	522
Operating grants, contributions and restricted interest	3,833	3,028
Capital grants, contributions and restricted interest	73	1,650
<b>General revenues:</b>		
Property tax	3,616	3,448
Penalty and interest on property tax	48	50
State tax credits	188	195
Local option sales and services tax	352	315
Unrestricted investment earnings	60	135
Land and building rent	17	17
Other general revenues	27	42
<b>Total revenues</b>	<b>8,749</b>	<b>9,402</b>
<b>Program expenses:</b>		
Public safety and legal services	1,598	1,608
Physical health and social services	769	669
Mental health	1,051	1,103
County environment and education	372	305
Roads and transportation	4,062	3,365
Governmental services to residents	373	339
Administration	707	664
Interest on long-term debt	2	2
<b>Total expenses</b>	<b>8,934</b>	<b>8,055</b>
Change in net assets	(185)	1,347
Net assets beginning of year	10,234	8,887
Net assets end of year	<b>\$ 10,049</b>	<b>10,234</b>



The County decreased property tax rates \$.13084 per \$1,000 of taxable valuation for the countywide levy and \$.10 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 \$.20 per \$1,000 of taxable valuation and the mental health levy increased \$.07764 per \$1,000 of taxable valuation. The rural assessed property taxable valuation increased approximately \$20,000,000. The countywide assessed property taxable valuation increased approximately \$21,000,000. Based on the valuation increases and the changes in property tax rates, property tax revenue increased approximately \$168,000.

The cost of all governmental activities this year was approximately \$8.9 million compared to approximately \$8.0 million last year. The increase in expenses is primarily due to increased costs financed with FEMA grants to repair damage caused by the 2007 and 2008 floods. Overall, the County's governmental activities revenues, including intergovernmental aid and fees for services, decreased in 2009 from approximately \$9.4 million to approximately \$8.7 million. Capital grants, contributions and restricted interest revenues decreased approximately \$1,577,000 due to a decrease in farm to market projects contributed by the Iowa Department of Transportation in fiscal 2009. This decrease was offset by an increase in operating grants, contributions and restricted interest of approximately \$805,000, primarily due to increased FEMA grant revenues received to repair damage caused by the 2007 and 2008 floods.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Montgomery County completed the year, its governmental funds reported a combined fund balance of approximately \$3.1 million, an increase of approximately \$119,000 from last year's total of approximately \$3.0 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 decreased slightly, decreasing approximately \$149,000 during the fiscal year to approximately \$898,000 at the end of the fiscal year. This decrease was due mainly to increased expenditures for county environment and education for various conservation projects and for physical health and social services, mainly due to increased juvenile care costs.

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 increased approximately \$37,000 from the prior year deficit to a current year deficit of \$2,075. Revenues from property tax and state aid increased approximately \$169,000 while expenditures decreased approximately \$51,000.

The Rural Services Fund ending fund balance decreased approximately \$2,700 from the prior year to approximately \$355,000. Property tax revenue for the Rural Services Fund increased slightly, approximately \$76,000, in fiscal year 2009 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 \$11,000 in fiscal year 2009 from fiscal year 2008. Expenditures increased approximately \$35,000, primarily because the Rural Services Fund made the final payment on the tractor/mower lease in fiscal year 2009. In prior years, the Secondary Roads Fund made these payments.

Secondary Roads Fund revenues increased approximately \$849,000 while expenditures increased approximately \$272,000 over the prior year, principally due to the large amount of FEMA grant revenue received and the costs incurred to repair damage caused by the 2007 and 2008 floods. This resulted in an increase in the Secondary Roads Fund ending fund balance of approximately \$241,000, or 14.9%. 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 year 2009. The first amendment was made in January 2009 and resulted in an increase in anticipated receipts from state mental health funding and an increase in anticipated receipts and disbursements for FEMA grants and flood damage repair costs. The amendment also increased budgeted disbursements for conservation projects and proposed secondary roads capital projects.

The second amendment was made in May 2009 and resulted in an increase in receipts and disbursements for the Sheriff's office for city law enforcement along with increased physical health and social services costs for juvenile care and additional mental health costs.

The County's receipts were approximately \$714,000 less than budgeted. The most significant variance resulted from the County receiving less intergovernmental receipts than anticipated, specifically for secondary road project reimbursements which were not yet started.

Total disbursements were approximately \$1,953,000 less than the amended budget. Actual disbursements for the capital projects and public safety and legal services functions were approximately \$1,593,000 and \$173,000, respectively, less than budgeted. This was primarily due to planned road and building projects not completed in the fiscal year, largely because of flood repair work during prime construction time, anticipated costs which were not incurred because no vehicle purchases or jail repairs were made in the current year and lower fuel costs.

Even with the budget amendments, the County exceeded the amount budgeted in the roads and transportation function for the year ended June 30, 2009.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, Montgomery County had approximately \$7,073,000 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$139,000, or 1.9%, from last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2009	2008
Land	\$ 571	494
Construction in progress	26	13
Buildings and improvements	338	356
Equipment and vehicles	2,173	2,217
Infrastructure	3,965	4,132
Total	\$ 7,073	7,212
This year's major additions included:		
Land contributed by the Iowa Department of Natural Resources	\$ 52,164	
Vehicle contributed by the City of Villisca	20,935	
Two trucks	293,912	
Total	\$ 367,011	

Montgomery County had depreciation expense of \$568,716 in fiscal year 2009 and total accumulated depreciation of \$3,250,004 at June 30, 2009. Additional information about the County's capital assets is presented in Note 5 to the financial statements.

## Long-Term Debt

At June 30, 2009, Montgomery County had approximately \$52,000 in debt outstanding compared to approximately \$98,000 at June 30, 2008.

Outstanding Debt of Governmental Activities at Year-End		
(Expressed in Thousands)		
	June 30,	
	2009	2008
Capital lease purchase agreement	\$ -	33
E911 equipment loan	52	65
Total	\$ 52	98

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 taxable valuations, which increased approximately \$18,471,000 over fiscal year 2009 valuations. The County decided to leave the general basic levy at the maximum cap of \$3.50 per \$1,000 of taxable valuation and the rural services basic levy at the maximum cap of \$3.95 per \$1,000 of taxable valuation for fiscal year 2009. These rates remain the same for fiscal year 2010.

The local economy factored heavily in the fiscal year 2010 budget preparations. Multiple local businesses closed or down-sized, laying off approximately 250 workers. The Montgomery County Board of Supervisors took this into account as they set non-union salary increases. The Board and department heads voluntarily took no salary increase for fiscal year 2010, recognizing the difficulties many Montgomery County taxpayers would have in the upcoming year.

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. In fiscal year 2009, these amounts were \$295,711, \$36,964, \$18,481 and \$18,482, respectively. Fiscal year 2010 local option and sales services tax collections are projected to decrease approximately \$15,000 from fiscal year 2009.

Budgeted disbursements are expected to decrease approximately \$1,040,000. The largest decreases are in the capital projects and roads and transportation functions. The County has added no major new programs or initiatives to the fiscal year 2010 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, 2009

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 3,540,454
Receivables:	
Property tax:	
Delinquent	11,187
Succeeding year	4,102,000
Penalty and interest on property tax	11,451
Accounts	50,381
Accrued interest	10,075
E911 loan	51,816
Due from other governments	546,143
Inventories	319,533
Prepaid items	61,170
Capital assets (net of accumulated depreciation)	<u>7,073,010</u>
<b>Total assets</b>	<u>15,777,220</u>
<b>Liabilities</b>	
Accounts payable	298,524
Salaries and benefits payable	150,762
Due to other governments	151,162
Deferred revenue:	
Succeeding year property tax	4,102,000
Unearned revenue	743,242
Long-term liabilities:	
Portion due or payable within one year:	
E911 loan	13,643
Compensated absences	177,618
Portion due or payable after one year:	
E911 loan	38,173
Compensated absences	<u>52,579</u>
<b>Total liabilities</b>	<u>5,727,703</u>
<b>Net Assets</b>	
Invested in capital assets	7,073,010
Restricted for:	
Supplemental levy purposes	468,120
Secondary roads purposes	1,858,368
Debt service	228
Other purposes	278,209
Unrestricted	<u>371,582</u>
<b>Total net assets</b>	<u>\$ 10,049,517</u>

See notes to financial statements.

Montgomery County  
Statement of Activities  
Year ended June 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,598,441	102,221	199,396	20,935	(1,275,889)
Physical health and social services	769,271	57,898	226,273	-	(485,100)
Mental health	1,051,181	164,900	618,960	-	(267,321)
County environment and education	372,218	11,049	94,503	52,164	(214,502)
Roads and transportation	4,061,603	9,183	2,683,876	-	(1,368,544)
Governmental services to residents	372,738	176,975	-	-	(195,763)
Administration	706,826	13,324	9,948	-	(683,554)
Non-program	188	-	-	-	(188)
Interest on long-term debt	2,838	-	-	-	(2,838)
<b>Total</b>	<b>\$ 8,935,304</b>	<b>535,550</b>	<b>3,832,956</b>	<b>73,099</b>	<b>(4,493,699)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					3,609,249
Debt service					6,631
Penalty and interest on property tax					48,155
State tax credits					187,651
Local option sales and services tax					352,231
Unrestricted investment earnings					59,925
Land and building rent					17,400
Miscellaneous					27,405
<b>Total general revenues</b>					<b>4,308,647</b>
Change in net assets					(185,052)
Net assets beginning of year					10,234,569
Net assets end of year					<b>\$ 10,049,517</b>

See notes to financial statements.

Montgomery County

Balance Sheet  
Governmental Funds

June 30, 2009

	Special Revenue		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash and pooled investments	\$ 647,342	123,627	395,613
Receivables:			
Property tax:			
Delinquent	9,480	1,358	312
Succeeding year	2,431,000	348,000	1,313,000
Penalty and interest on property tax	11,451	-	-
Accounts	50,259	-	-
Accrued interest	10,075	-	-
E911 loan	51,816	-	-
Due from other funds	15,359	-	-
Due from other governments	188,444	43,900	-
Inventories	-	-	-
Prepaid items	58,870	-	-
<b>Total assets</b>	<b>\$ 3,474,096</b>	<b>516,885</b>	<b>1,708,925</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 19,228	41,624	3,682
Salaries and benefits payable	85,511	-	23,907
Due to other funds	-	-	12,665
Due to other governments	20,784	128,068	516
Deferred revenue:			
Succeeding year property tax	2,431,000	348,000	1,313,000
Other	19,243	1,268	92
Total liabilities	<u>2,575,766</u>	<u>518,960</u>	<u>1,353,862</u>
Fund balances:			
Reserved for:			
Supplemental levy purposes	301,109	-	181,324
Debt service	-	-	-
Resource enhancement and protection	81,979	-	-
Public safety and courthouse repair	98,687	-	-
E911 loan receivable	51,816	-	-
Unreserved, reported in:			
General fund	364,739	-	-
Special revenue funds	-	(2,075)	173,739
Total fund balances	<u>898,330</u>	<u>(2,075)</u>	<u>355,063</u>
<b>Total liabilities and fund balances</b>	<b>\$ 3,474,096</b>	<b>516,885</b>	<b>1,708,925</b>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
2,301,986	71,886	3,540,454
-	37	11,187
-	10,000	4,102,000
-	-	11,451
122	-	50,381
-	-	10,075
-	-	51,816
74,099	-	89,458
262,603	51,196	546,143
319,533	-	319,533
2,300	-	61,170
<u>2,960,643</u>	<u>133,119</u>	<u>8,793,668</u>
233,619	371	298,524
41,344	-	150,762
-	76,793	89,458
1,794	-	151,162
-	10,000	4,102,000
832,189	35	852,827
<u>1,108,946</u>	<u>87,199</u>	<u>5,644,733</u>
-	-	482,433
-	193	193
-	-	81,979
-	-	98,687
-	-	51,816
-	-	364,739
1,851,697	45,727	2,069,088
<u>1,851,697</u>	<u>45,920</u>	<u>3,148,935</u>
<u>2,960,643</u>	<u>133,119</u>	<u>8,793,668</u>

**Montgomery County**

Montgomery County

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

June 30, 2009

<b>Total governmental fund balances (page 19)</b>	\$ 3,148,935
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
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 \$10,323,014 and the accumulated depreciation is \$3,250,004.	7,073,010
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	109,585
Long-term liabilities, including an E911 loan payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(282,013)</u>
<b>Net assets of governmental activities (page 16)</b>	<u><u>\$ 10,049,517</u></u>

See notes to financial statements.

Montgomery County

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

Year ended June 30, 2009

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,115,481	288,791	1,202,673
Interest and penalty on property tax	44,606	-	-
Intergovernmental	750,329	791,037	58,588
Licenses and permits	5,100	-	-
Charges for service	253,499	-	2,030
Use of money and property	77,522	-	-
Miscellaneous	31,855	8,283	4
Total revenues	<u>3,278,392</u>	<u>1,088,111</u>	<u>1,263,295</u>
Expenditures:			
Operating:			
Public safety and legal services	1,317,110	-	257,055
Physical health and social services	764,003	-	-
Mental health	-	1,051,181	-
County environment and education	336,307	-	49,905
Roads and transportation	-	-	267,713
Governmental services to residents	354,162	-	3,293
Administration	709,973	-	-
Non-program	188	-	-
Debt service	15,840	-	-
Capital projects	68	-	-
Total expenditures	<u>3,497,651</u>	<u>1,051,181</u>	<u>577,966</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(219,259)</u>	<u>36,930</u>	<u>685,329</u>
Other financing sources (uses):			
Operating transfers in	70,446	-	-
Operating transfers out	-	-	(687,999)
Total other financing sources (uses)	<u>70,446</u>	<u>-</u>	<u>(687,999)</u>
Net change in fund balances	(148,813)	36,930	(2,670)
Fund balances beginning of year	<u>1,047,143</u>	<u>(39,005)</u>	<u>357,733</u>
Fund balances end of year	<u>\$ 898,330</u>	<u>(2,075)</u>	<u>355,063</u>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	358,862	3,965,807
-	-	44,606
2,874,939	-	4,474,893
1,598	-	6,698
-	2,417	257,946
-	103	77,625
10,194	72	50,408
<u>2,886,731</u>	<u>361,454</u>	<u>8,877,983</u>
-	800	1,574,965
-	-	764,003
-	-	1,051,181
-	-	386,212
3,615,476	-	3,883,189
-	5,912	363,367
-	-	709,973
-	-	188
-	9,911	25,751
428	-	496
<u>3,615,904</u>	<u>16,623</u>	<u>8,759,325</u>
<u>(729,173)</u>	<u>344,831</u>	<u>118,658</u>
969,784	-	1,040,230
-	(352,231)	(1,040,230)
<u>969,784</u>	<u>(352,231)</u>	<u>-</u>
240,611	(7,400)	118,658
<u>1,611,086</u>	<u>53,320</u>	<u>3,030,277</u>
<u>1,851,697</u>	<u>45,920</u>	<u>3,148,935</u>

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, 2009

**Net change in fund balances - Total governmental funds (page 23)** \$ 118,658

***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. Depreciation expense exceeded capital outlay expenditures and contributed capital assets in the current year, as follows:

Expenditures for capital assets	\$ 356,932	
Capital assets contributed by the City of Villisca	20,935	
Capital assets contributed by the Iowa Department of Natural Resources	52,164	
Depreciation expense	<u>(568,716)</u>	(138,685)

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	2,304	
Other	<u>(203,134)</u>	(200,830)

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.

45,931

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.

(10,126)

**Change in net assets of governmental activities (page 17)**

\$ (185,052)

See notes to financial statements.

Montgomery County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2009

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 746,671
Other County officials	39,306
Receivables:	
Property tax:	
Delinquent	61,675
Succeeding year	11,193,000
Accounts	11,948
Special assessments	8,729
Due from other governments	2,194
Prepaid items	3,100
<b>Total assets</b>	12,066,623

**Liabilities**

Accounts payable	2,619
Salaries and benefits payable	4,981
Due to other governments	12,020,525
Trusts payable	32,640
Compensated absences	5,858
<b>Total liabilities</b>	12,066,623

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

Montgomery County

Notes to Financial Statements

June 30, 2009

**(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* consists of capital assets, net of accumulated depreciation.

*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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

Penalty and Interest on Property Tax Receivable – Penalty and interest on property tax receivable represents the amount of penalty and interest 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 unspent grant proceeds as well as 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 and unspent grant proceeds.

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, 2009. 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, 2009, disbursements exceeded the amount budgeted in the roads and transportation function.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2009 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, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 15,359
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	12,665
	Local Option Sales and Services Tax	61,434
		<u>74,099</u>
Total		<u>\$ 89,458</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, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 70,446
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	687,999
	Local Option Sales and Services Tax	281,785
		<u>969,784</u>
Total		<u>\$ 1,040,230</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, 2009 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	77,798	-	571,283
Construction in progress	12,886	90,934	(77,798)	26,022
Total capital assets not being depreciated	506,371	168,732	(77,798)	597,305
Capital assets being depreciated:				
Buildings	764,608	-	-	764,608
Equipment and vehicles	4,288,480	339,097	-	4,627,577
Infrastructure, road network	4,333,524	-	-	4,333,524
Total capital assets being depreciated	9,386,612	339,097	-	9,725,709
Less accumulated depreciation for:				
Buildings	408,082	19,073	-	427,155
Equipment and vehicles	2,071,382	382,750	-	2,454,132
Infrastructure, road network	201,824	166,893	-	368,717
Total accumulated depreciation	2,681,288	568,716	-	3,250,004
Total capital assets being depreciated, net	6,705,324	(229,619)	-	6,475,705
Governmental activities capital assets, net	\$ 7,211,695	(60,887)	(77,798)	7,073,010

Equipment costing \$104,200 was purchased under a capital lease purchase agreement. Accumulated depreciation on these assets totaled \$34,260 at June 30, 2009.

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 29,163
Physical health and social services	4,051
County environment and education	20,735
Roads and transportation	497,572
Administration	17,195
Total depreciation expense - governmental activities	<u>\$ 568,716</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:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 20,784
Special Revenue:		
Mental Health	Services	128,068
Rural Services	Services	516
Secondary Roads	Services	1,794
		<u>130,378</u>
Total for governmental funds		<u>\$ 151,162</u>
Agency:		
County Assessor	Collections	\$ 453,739
Schools		6,626,765
Community Colleges		305,728
Corporations		2,756,385
Auto License and Use Tax		213,494
County Hospital		1,258,117
All other		406,297
Total for agency funds		<u>\$ 12,020,525</u>

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

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	<u>Capital</u>			
	<u>Lease</u>	<u>E911</u>	<u>Compen-</u>	
	<u>Purchase</u>	<u>Equipment</u>	<u>sated</u>	
	<u>Agreement</u>	<u>Loan</u>	<u>Absences</u>	<u>Total</u>
Balance beginning of year	\$ 32,929	64,818	220,071	317,818
Increases	-	-	224,484	224,484
Decreases	32,929	13,002	214,358	260,289
Balance end of year	<u>\$ -</u>	<u>51,816</u>	<u>230,197</u>	<u>282,013</u>
Due within one year	<u>\$ -</u>	<u>13,643</u>	<u>177,618</u>	<u>191,261</u>

### 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 at 4.75% per annum, under the agreement in effect at June 30, 2009.

Year ending June 30,	Interest Rate	Principal	Interest	Total
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		\$ 51,816	4,686	56,502

### **(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 4.10% of their annual covered salary and the County is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$186,615, \$170,235 and \$161,857, respectively, equal to the required contributions for each year.

### **(9) Risk Management**

The 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 577 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, 2009 were \$68,993.

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 by The Travelers Insurance Company.

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, 2009, no liability has been recorded in the County's financial statements. As of June 30, 2009, 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 \$125,000, 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 \$2,075 at June 30, 2009. The deficit will be eliminated through an increase in the mental health 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, 2009

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts:				
Property and other county tax	\$ 3,978,295	3,913,348	3,917,018	61,277
Penalty and interest on property tax	44,970	15,800	15,800	29,170
Intergovernmental	4,847,875	3,486,767	5,594,014	(746,139)
Licenses and permits	6,115	7,950	7,950	(1,835)
Charges for service	268,904	263,530	267,530	1,374
Use of money and property	75,578	139,685	139,685	(64,107)
Miscellaneous	49,071	24,960	42,723	6,348
Total receipts	9,270,808	7,852,040	9,984,720	(713,912)
Disbursements:				
Public safety and legal services	1,596,923	1,634,749	1,769,767	172,844
Physical health and social services	748,052	712,711	790,586	42,534
Mental health	1,084,138	1,073,169	1,164,083	79,945
County environment and education	388,165	306,859	396,729	8,564
Roads and transportation	3,759,088	2,757,148	3,678,473	(80,615)
Governmental services to residents	360,458	388,374	388,374	27,916
Administration	739,822	765,511	794,516	54,694
Non-program	188	188	188	-
Debt service	12,865	64,496	67,236	54,371
Capital projects	442	412,534	1,593,534	1,593,092
Total disbursements	8,690,141	8,115,739	10,643,486	1,953,345
Excess (deficiency) of receipts over (under) disbursements	580,667	(263,699)	(658,766)	1,239,433
Other financing sources, net	2,640	1,000	1,000	1,640
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	583,307	(262,699)	(657,766)	1,241,073
Balance beginning of year	2,957,147	2,808,441	2,808,441	148,706
Balance end of year	\$ 3,540,454	2,545,742	2,150,675	1,389,779

See accompanying independent auditor's report.

Montgomery County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 9,270,808	(392,825)	8,877,983
Expenditures	8,690,141	69,184	8,759,325
Net	580,667	(462,009)	118,658
Other financing sources, net	2,640	(2,640)	-
Beginning fund balances	2,957,147	73,130	3,030,277
Ending fund balances	\$ 3,540,454	(391,519)	3,148,935

See accompanying independent auditor's report.

Montgomery County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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 \$2,527,747. 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, 2009, disbursements exceeded the amount budgeted in the roads and transportation function.

**Other Supplementary Information**

Montgomery County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2009

	County Recorder's Records Management	Flood and Erosion	Local Option Sales and Services Tax
<b>Assets</b>			
Cash and pooled investments	\$ 12,693	811	25,597
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Due from other governments	-	-	51,196
<b>Total assets</b>	<b>\$ 12,693</b>	<b>811</b>	<b>76,793</b>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Accounts payable	\$ -	-	-
Due to other funds	-	-	76,793
Deferred revenue:			
Succeeding year property tax	-	-	-
Other	-	-	-
Total liabilities	-	-	76,793
Fund equity:			
Fund balances:			
Reserved for debt service	-	-	-
Unreserved	12,693	811	-
Total fund equity	12,693	811	-
<b>Total liabilities and fund equity</b>	<b>\$ 12,693</b>	<b>811</b>	<b>76,793</b>

See accompanying independent auditor's report.

Special Revenue					
Seized and Forfeited Property - County Attorney	Seized and Forfeited Property - County Sheriff	Conservation Land Acquisition	Debt Service		Total
2,076	8,948	21,199	562		71,886
-	-	-	37		37
-	-	-	10,000		10,000
-	-	-	-		51,196
2,076	8,948	21,199	10,599		133,119
-	-	-	371		371
-	-	-	-		76,793
-	-	-	10,000		10,000
-	-	-	35		35
-	-	-	10,406		87,199
-	-	-	193		193
2,076	8,948	21,199	-		45,727
2,076	8,948	21,199	193		45,920
2,076	8,948	21,199	10,599		133,119

Montgomery County

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

Year ended June 30, 2009

	County	Flood	Special
	Recorder's	and	Local
	Records	Erosion	Option
	Management		Sales and
			Services Tax
Revenues:			
Property and other county tax	\$ -	-	352,231
Charges for service	2,063	-	-
Use of money and property	103	-	-
Miscellaneous	-	-	-
Total revenues	2,166	-	352,231
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Governmental services to residents	5,912	-	-
Debt service	-	-	-
Total expenditures	5,912	-	-
Excess (deficiency) of revenues over (under) expenditures	(3,746)	-	352,231
Other financing uses:			
Operating transfers out	-	-	(352,231)
Deficiency of revenues under expenditures and other financing uses	(3,746)	-	-
Fund balances beginning of year	16,439	811	-
Fund balances end of year	\$ 12,693	811	-

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	
-	-	-	6,631	358,862	
-	-	-	354	2,417	
-	-	-	-	103	
-	72	-	-	72	
-	72	-	6,985	361,454	
-	800	-	-	800	
-	-	-	-	5,912	
-	-	-	9,911	9,911	
-	800	-	9,911	16,623	
-	(728)	-	(2,926)	344,831	
-	-	-	-	(352,231)	
-	(728)	-	(2,926)	(7,400)	
2,076	9,676	21,199	3,119	53,320	
2,076	8,948	21,199	193	45,920	

Montgomery County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	2,334	199,634	114,741	5,589
Other County officials	39,306	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	481	1,019	26,024	1,139
Succeeding year	-	123,000	262,000	6,486,000	299,000
Accounts	-	-	19	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	-	3,100	-	-
<b>Total assets</b>	<b>\$ 39,306</b>	<b>125,815</b>	<b>465,772</b>	<b>6,626,765</b>	<b>305,728</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	2,105	-	-
Salaries and benefits payable	-	-	4,070	-	-
Due to other governments	6,675	125,815	453,739	6,626,765	305,728
Trusts payable	32,631	-	-	-	-
Compensated absences	-	-	5,858	-	-
<b>Total liabilities</b>	<b>\$ 39,306</b>	<b>125,815</b>	<b>465,772</b>	<b>6,626,765</b>	<b>305,728</b>

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	County Hospital	E911 Service	Other	Total
59,191	2,591	213,494	24,324	89,148	35,625	746,671
-	-	-	-	-	-	39,306
28,194	20	-	4,793	-	5	61,675
2,669,000	124,000	-	1,229,000	-	1,000	11,193,000
-	-	-	-	11,929	-	11,948
-	-	-	-	-	8,729	8,729
-	-	-	-	-	2,194	2,194
-	-	-	-	-	-	3,100
<b>2,756,385</b>	<b>126,611</b>	<b>213,494</b>	<b>1,258,117</b>	<b>101,077</b>	<b>47,553</b>	<b>12,066,623</b>
-	-	-	-	265	249	2,619
-	-	-	-	295	616	4,981
2,756,385	126,611	213,494	1,258,117	100,517	46,679	12,020,525
-	-	-	-	-	9	32,640
-	-	-	-	-	-	5,858
<b>2,756,385</b>	<b>126,611</b>	<b>213,494</b>	<b>1,258,117</b>	<b>101,077</b>	<b>47,553</b>	<b>12,066,623</b>

Montgomery County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 19,568	119,475	377,052	5,837,808	287,644
Additions:					
Property and other county tax	-	123,590	261,964	6,493,292	299,144
E911 surcharges	-	-	-	-	-
Intergovernmental	-	-	-	-	-
State tax credits	-	6,292	12,944	306,547	15,108
Drivers license fees	-	-	-	-	-
Office fees and collections	243,630	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	421,182	-	-	-	-
Miscellaneous	3,708	-	1,921	-	-
Total additions	668,520	129,882	276,829	6,799,839	314,252
Deductions:					
Agency remittances:					
To other funds	121,935	-	-	-	-
To other governments	117,231	123,542	188,109	6,010,882	296,168
Trusts paid out	409,616	-	-	-	-
Total deductions	648,782	123,542	188,109	6,010,882	296,168
Balances end of year	\$ 39,306	125,815	465,772	6,626,765	305,728

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	County Hospital	E911 Service	Other	Total
2,719,635	127,369	213,767	1,249,790	77,579	45,471	11,075,158
2,652,199	124,508	-	1,230,182	-	1,368	11,186,247
-	-	-	-	62,825	-	62,825
-	-	-	-	20,256	25,939	46,195
158,980	6,355	-	65,564	-	73	571,863
-	-	77,915	-	-	-	77,915
-	-	-	-	-	-	243,630
-	-	-	-	-	2,063	2,063
-	-	2,450,647	-	-	-	2,450,647
-	-	-	-	-	3,607	3,607
-	-	-	-	-	380,145	801,327
-	-	-	-	375	846	6,850
2,811,179	130,863	2,528,562	1,295,746	83,456	414,041	15,453,169
-	-	128,068	-	-	-	250,003
2,774,429	131,621	2,400,767	1,287,419	59,958	30,193	13,420,319
-	-	-	-	-	381,766	791,382
2,774,429	131,621	2,528,835	1,287,419	59,958	411,959	14,461,704
2,756,385	126,611	213,494	1,258,117	101,077	47,553	12,066,623

Montgomery County

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

For the Last Nine Years

	2009	2008	2007	2006
<b>Revenues:</b>				
Property and other county tax	\$ 3,965,807	3,761,586	3,974,990	3,736,347
Penalty and interest on property tax	44,606	48,889	43,021	40,657
Intergovernmental	4,474,893	3,268,697	3,666,726	3,717,722
Licenses and permits	6,698	7,435	8,240	6,395
Charges for service	257,946	261,812	266,787	276,669
Use of money and property	77,625	151,733	171,377	143,711
Miscellaneous	50,408	89,144	72,677	63,807
<b>Total</b>	<b>\$ 8,877,983</b>	<b>7,589,296</b>	<b>8,203,818</b>	<b>7,985,308</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 1,574,965	1,617,566	1,522,158	1,562,204
Physical health and social services	764,003	685,763	648,183	767,606
Mental health	1,051,181	1,102,157	996,251	899,688
County environment and education	386,212	304,322	273,717	536,622
Roads and transportation	3,883,189	3,347,954	2,655,699	2,611,352
Governmental services to residents	363,367	332,816	311,434	426,736
Administration	709,973	652,599	713,278	683,123
Non-program	188	188	-	180
Debt service	25,751	71,203	63,389	63,503
Capital projects	496	164,394	225,380	652,897
<b>Total</b>	<b>\$ 8,759,325</b>	<b>8,278,962</b>	<b>7,409,489</b>	<b>8,203,911</b>

See accompanying independent auditor's report.

Modified Accrual Basis				
2005	2004	2003	2002	2001
3,833,332	3,585,446	3,574,165	3,111,868	2,846,791
36,153	36,484	53,932	37,515	41,017
3,254,490	3,370,910	3,963,034	3,334,778	3,669,037
3,802	5,051	5,165	4,580	3,657
274,344	324,964	230,626	211,918	196,648
76,530	53,678	75,892	103,130	152,649
154,139	70,709	20,213	73,536	18,966
7,632,790	7,447,242	7,923,027	6,877,325	6,928,765
1,561,279	1,538,008	1,612,309	1,541,681	1,520,583
748,024	754,554	705,939	615,063	532,914
845,478	821,818	922,694	918,130	547,500
352,028	412,139	550,533	386,154	265,338
2,435,439	2,559,409	2,440,342	2,437,700	2,269,604
330,171	383,206	396,655	390,575	331,021
648,543	615,399	617,103	543,013	579,917
815	172	92	4,345	2,587
114,041	118,481	190,681	191,447	177,163
1,528	2,393	366,708	75,500	415,876
7,037,346	7,205,579	7,803,056	7,103,608	6,642,503

**Schedule 6**

Montgomery County

Schedule of Expenditures of Federal Awards

June 30, 2009

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 5,468
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 08-157, Task 122	200
State and Community Highway Safety	20.600	PAP 09-1406, Task 117	4,437
			4,637
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5888BT04-12	10,074
Public Health Emergency Preparedness	93.069	5889BT04-12	10,484
			20,558
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		5,120
Refugee and Entrant Assistance - State Administered Programs	93.566		11
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,454
Foster Care - Title IV-E	93.658		3,129
Adoption Assistance	93.659		746
State Children's Insurance Fund	93.767		43
Medical Assistance Program	93.778		6,747
Social Services Block Grant	93.667		3,356
Social Services Block Grant	93.667		49,414
			52,770
Taylor County:			
Maternal and Child Health Services Block Grant to the States	93.994	5888MH25	275
Maternal and Child Health Services Block Grant to the States	93.994	5889MH25	1,834
			2,109

Montgomery County  
 Schedule of Expenditures of Federal Awards  
 June 30, 2009

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1705-DR-IA	161,352
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1763-DR-IA	768,763
			<u>930,115</u>
Emergency Management Performance Grants	97.042	2009EMPG	<u>7,377</u>
Southwest Iowa Planning Council:			
Homeland Security Grant Program	97.067	2006-GE-T6-0065-004	<u>5,686</u>
Total			<u>\$ 1,045,970</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Montgomery County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**Montgomery County**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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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, 2009, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated April 8, 2010. 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 deficiencies we consider to be 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 Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood 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 II-A-09 and II-B-09 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2009 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 and Questioned Costs. 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, including federal awarding agencies and pass-through entities. 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

April 8, 2010

**Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

**Montgomery County**



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

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Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Officials of Montgomery County:

Compliance

We have audited the compliance of Montgomery County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2009. Montgomery County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Montgomery County's management. Our responsibility is to express an opinion on Montgomery County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Montgomery County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Montgomery County's compliance with those requirements.

In our opinion, Montgomery County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Montgomery County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Montgomery County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Montgomery County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a significant deficiency.

A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency in internal control over compliance described in Part III of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. However, we do not believe the significant deficiency described above is a material weakness.

Montgomery County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the County's response, we did not audit Montgomery County's response and, accordingly, we express no opinion on it.

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 8, 2010

Montgomery County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements, which was not considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters).
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Montgomery County did not qualify as a low-risk auditee.

Montgomery County  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2009

**Part II: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

II-A-09 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.	Treasurer
(3) Investments – investing, custody and accounting.	Treasurer
(4) Disbursements – check or warrant writing, signing, posting, reconciling and final approval.	Treasurer and Recorder

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 – (1) We are having one person mail and make a listing and another person processes the mail. A third person balances and prepares the deposit and another person enters receipts in computer. I take the deposit to the bank. (2) The motor vehicle deputy was reviewing the bank reconciliations, but since she also takes in money and balances, I will have someone in the County Auditor's office review the bank reconciliation. (3) I will have someone in the County Auditor's office periodically review the investments and verify the earnings. (4) Refund checks are prepared by one person and written in check register. The computer program automatically enters the transaction in the account register and prints signature on check. Another person records in banking journal.

Montgomery County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Recorder – Due to our small office staff, we have the following system for opening the mail. There are two staff members who stand at the counter and open the mail. One staff member opens the mail while the other observes. The documents are reviewed and the other staff member deposits the checks in the cash register. This is our way of separating responsibilities and holding staff accountable. We will include the office assistant on the checking account so she can sign checks in addition to the Recorder.

Sheriff – With staff size, we try to periodically review our work and check each others work.

Conclusions –

Treasurer and Sheriff – 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.

- II-B-09 Financial Reporting – During the audit, we identified material amounts of receivables not initially 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 are identified and included in the County’s financial statements.

Response – We will review receipts and work with the departments to identify and capture the receivables in the financial statements.

Conclusion – Response accepted.

- II-C-09 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 – Having started this job in December 2009, I was aware of the issues you mentioned. I have every reason to believe that this will all be running smoothly going forth. I am making deposits on a weekly basis and have installed Quickbooks to assist me with account balances and reconciliation. I intend to provide the Board of Health with financial reports going forth.

Conclusion – Response accepted.

Montgomery County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Montgomery County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

**CFDA Number 97.036: Disaster Grants – Public Assistance  
(Presidentially Declared Disasters)**

**Pass-through Number: FEMA 1705 DR IA**

**Federal Award Year: 2009**

**U.S. Department of Homeland Security**

**Passed through the Iowa Department of Public Defense,**

**Iowa Homeland Security and Emergency Management Division**

III-A-09 Equipment Rates – According to OMB Circular A-133 Compliance Supplement “The PA program restricts eligible direct costs for applicant-owned equipment used to perform eligible work to reasonable rates established under State guidelines, or when the hourly rate exceeds \$75, rates may be determined on a case-by-case basis by FEMA. When local guidelines are used to establish equipment rates, reimbursement is based on those rates or rates in a Schedule of Equipment Rates published by FEMA, whichever is lower.” The rates to be used are those in effect at the time of the disaster, rather than when the work is completed. These would have been the rates used when the project worksheet (PW) was approved. The County used current rates rather than the rates approved on the PW for certain types of equipment used for the 2007 projects, all small projects.

This error does not result in questioned costs with the small projects since the County receives the approved estimated amount regardless of the actual costs.

Recommendation – The County should implement procedures to ensure the proper rate is charged for equipment rates.

Response and Corrective Action planned – The Montgomery County Secondary Roads Department is now aware of the requirement to utilize rates in effect at the time of the disaster, regardless of the time repairs are completed, and will use appropriate rates for future FEMA procedures. All rates for previous FEMA reporting procedures have been adjusted accordingly.

Conclusion – Response accepted.

Montgomery County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

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

IV-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amount budgeted in the roads and transportation function.

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 disbursements by function will be reviewed monthly to ensure compliance with Chapter 331.435 of the Code of Iowa.

Conclusion – Response accepted.

IV-B-09 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.

IV-C-09 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-09 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-09 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 ensure the coverage is adequate for current operations.

IV-F-09 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-09 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.

IV-H-09 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).

IV-I-09 Financial Condition – The Special Revenue, Mental Health Fund had a deficit unreserved fund balance of \$2,075 at June 30, 2009.

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

Response – This is an issue that can only be addressed by the legislature. The County is mandated to provide services to eligible citizens, but is limited by the Code of Iowa in what can be collected in revenues.

Conclusion – Response accepted.

Montgomery County

Schedule of Findings

Year ended June 30, 2009

IV-J-09 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) and the Fair Labor Standards Act of 1938, as amended.

Recommendation – The County should approve and properly document the status of all Sheriff's office employees after evaluation of the exempt or non-exempt status of each deputy/employee based on Chapter 331.904(2) of the Code of Iowa and the Fair Labor Standards Act of 1938, as amended.

Response – Exempt status was filed on February 3, 2010.

Conclusion – Response accepted.

IV-K-09 Emergency Management Services Budget – The budget was not adopted, certified and submitted to the Board of Supervisors by February 28 as required by Chapter 29C.17(5) of the Code of Iowa.

Recommendation – The budget should be adopted, certified and submitted to the Board of Supervisors on or before February 28 as required by Chapter 29C.17(5) of the Code of Iowa.

Response – Budgets henceforth shall be submitted in a timely manner and shall meet the requirements of the Code of Iowa. This has been the case of subsequent budgets.

Conclusion – Response accepted.

IV-L-09 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, 2009 for the County Extension Office did not exceed the amount budgeted.

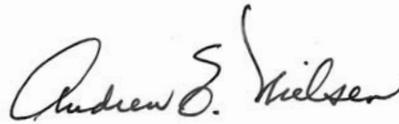
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Montgomery County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Nancy F. Curtis, CPA, Senior Auditor II  
Michael P. Piehl, Senior Auditor  
Brett C. Conner, Staff Auditor  
Tracey L. Gerrish, Staff Auditor  
Stephanie A. Sissel, Assistant Auditor  
Clinton J. Krapfl, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA  
Deputy Auditor of State