



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

March 23, 2011

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$17,074,364 for the year ended June 30, 2010, which included \$765,715 in tax credits from the state. The County forwarded \$12,768,623 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,305,741 of the local tax revenue to finance County operations, a 13.2% increase over the prior year. Other revenues included charges for service of \$689,215, operating grants, contributions and restricted interest of \$5,453,823, capital grants, contributions and restricted interest of \$195,376, local option sales tax of \$315,515, unrestricted investment earnings of \$45,314 and other general revenues of \$120,682.

Expenses for County operations totaled \$10,151,817, a 13.6% increase over the prior year. Expenses included \$4,992,401 for roads and transportation, \$1,709,522 for public safety and legal services and \$1,016,092 for mental health. The significant increase in expenses is primarily due to increased road work to repair flood damage, including bank stabilization.

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/1010-0069-B00F.pdf>.

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MONTGOMERY COUNTY

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

JUNE 30, 2010

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	G	25
Notes to Financial Statements		26-38
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		40
Budget to GAAP Reconciliation		41
Notes to Required Supplementary Information – Budgetary Reporting		42
Schedule of Funding Progress for the Retiree Health Plan		43
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	46-47
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	48-49
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	50-51
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	52-53
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	54-55
Schedule of Expenditures of Federal Awards	6	56-57
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 <u>Government Auditing Standards</u>		59-60
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		63-64
Schedule of Findings and Questioned Costs		65-72
Staff		73

Montgomery County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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 2016

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, 2010, 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.

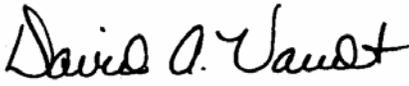
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2010, 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 March 14, 2011 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 40 through 43 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 six years ended June 30, 2009 (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

March 14, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 27.2%, or approximately \$2,376,000, from fiscal year 2009 to fiscal year 2010. Property tax increased approximately \$494,000, charges for service increased approximately \$154,000, operating grants, contributions and restricted interest increased approximately \$1,621,000, capital grants, contributions and restricted interest increased approximately \$122,000, unrestricted investment earnings decreased approximately \$15,000 and local option sales and services tax decreased approximately \$36,000 from the prior fiscal year.
- The County's current fiscal year program expenses increased 13.6%, or approximately \$1,217,000, over the prior fiscal year. Public safety and legal services expenses increased approximately \$112,000, county environment and education expenses increased approximately \$190,000 and roads and transportation expenses increased approximately \$930,000.
- The County's net assets increased 9.7%, or approximately \$974,000, from June 30, 2009 to June 30, 2010.

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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- 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,	
	2010	2009
Current and other assets	\$ 9,030	8,704
Capital assets	7,297	7,073
Total assets	16,327	15,777
Long-term liabilities	262	282
Other liabilities	5,042	5,446
Total liabilities	5,304	5,728
Net assets:		
Invested in capital assets, net of related debt	7,297	7,073
Restricted	3,151	2,604
Unrestricted	575	372
Total net assets	\$ 11,023	10,049

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 increased approximately \$224,000, or 3.2%, over the prior year.

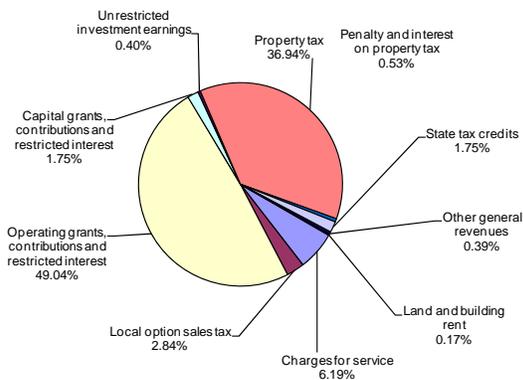
Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net asset component increased approximately \$547,000, or 21.0%, from the prior year. This increase is due primarily to an increase in the Mental Health Fund balance.

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, increased approximately \$203,000, or 54.57%, over the prior year. This increase is due primarily to an increase in the General Fund balance.

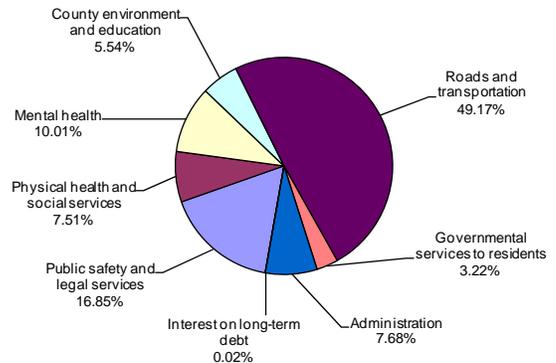
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2010	2009
Revenues:		
Program revenues:		
Charges for service	\$ 689	535
Operating grants, contributions and restricted interest	5,454	3,833
Capital grants, contributions and restricted interest	195	73
General revenues:		
Property tax	4,110	3,616
Penalty and interest on property tax	59	48
State tax credits	195	188
Local option sales tax	316	352
Unrestricted investment earnings	45	60
Land and building rent	19	17
Other general revenues	43	27
Total revenues	11,125	8,749
Program expenses:		
Public safety and legal services	1,710	1,598
Physical health and social services	762	769
Mental health	1,016	1,051
County environment and education	562	372
Roads and transportation	4,992	4,062
Governmental services to residents	327	373
Administration	780	707
Interest on long-term debt	2	2
Total expenses	10,151	8,934
Change in net assets	974	(185)
Net assets beginning of year	10,049	10,234
Net assets end of year	\$ 11,023	10,049

Revenues by Source



Expenses by Program



The County increased property tax rates \$.63 per \$1,000 of taxable valuation for the countywide levy and \$.24 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 increased \$.52 per \$1,000 of taxable valuation and the mental health levy increased \$.11 per \$1,000 of taxable valuation. The rural assessed property taxable valuation increased approximately \$11,000,000. The countywide assessed property taxable valuation increased approximately \$18,000,000. Based on the valuation increases and the changes in property tax rates, property tax revenue increased approximately \$494,000.

The cost of all governmental activities this year was approximately \$10.2 million compared to approximately \$8.9 million last year. The increase in expenses is primarily due to increased costs associated with a watershed protection and bank stabilization project and to repair damage caused by the 2008 floods. Overall, the County's governmental activities revenues, including intergovernmental aid and fees for services, increased in fiscal year 2010 from approximately \$8.7 million to approximately \$11.1 million. Capital grants, contributions and restricted interest increased approximately \$122,000 due to an increase in farm to market projects contributed by the Iowa Department of Transportation in fiscal year 2010. Also, operating grants, contributions and restricted interest increased approximately \$1,621,000, primarily due to emergency watershed protection and FEMA grant revenues received for the watershed protection and bank stabilization project and to repair damage caused by the 2008 floods.

INDIVIDUAL MAJOR FUND ANALYSIS

As Montgomery County completed the year, its governmental funds reported a combined fund balance of approximately \$3.2 million, an increase of approximately \$44,000 over last year's total of approximately \$3.1 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 increased approximately \$278,000 during the fiscal year to approximately \$1,176,000. This increase was due mainly to increased property tax revenues resulting from the general supplemental levy increase of approximately \$.52 per \$1,000 of taxable valuation. Expenditures in the General Fund remained fairly constant, decreasing approximately \$42,000, or 1.2%.

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 \$347,000 over the prior year deficit to a current year balance of \$344,720. Revenues from property tax and state aid increased approximately \$240,000 due to an increase in the property tax levy and growth allocation funding from the Iowa Department of Human Services. This increase was supplemented by a decrease in expenditures of approximately \$78,000.

The Rural Services Fund ending fund balance decreased approximately \$35,000 from the prior year to approximately \$320,000. Property tax revenue for the Rural Services Fund increased approximately \$117,000, or 9.8%, in fiscal year 2010 due to a levy increase and nominal increase in the overall property taxable valuation. Expenditures increased approximately \$162,000, or 28%, primarily because the Rural Services Fund funded a larger portion of Sheriff's Department salaries.

Secondary Roads Fund revenues increased approximately \$700,000 while expenditures increased approximately \$1,465,000 over the prior year, principally due to costs associated with an emergency watershed protection and bank stabilization project and to repair damage caused by the 2008 floods. This resulted in a decrease in the Secondary Roads Fund ending fund balance of approximately \$548,000. 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 once during fiscal year 2010. The amendment was made in February 2010 and resulted in an increase in anticipated receipts and disbursements for the emergency watershed protection and bank stabilization project. The amendment also increased budgeted disbursements for the Villisca law enforcement agreement, conservation projects, public health grant disbursements and proposed disaster repairs to roads, bridges and culverts.

The County's receipts were approximately \$1,083,000 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 collected by June 30, 2010.

Total disbursements were approximately \$1,304,000 less than the amended budget. Actual disbursements for the capital projects and mental health functions were \$526,509 and \$280,793, respectively, less than budgeted. This was primarily due to planned road and building projects not completed in the fiscal year and the County working to better manage mental health costs.

Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, Montgomery County had approximately \$7.297 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 \$224,000, or 3.2%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2010	2009
Land	\$ 523	523
Intangibles, road network	48	48
Construction in progress	43	26
Buildings and improvements	315	338
Equipment and vehicles	2,094	2,173
Infrastructure	4,274	3,965
Total	\$ 7,297	7,073
This year's major additions included:		
County Sheriff's vehicles	\$ 54	
Secondary Roads Department equipment and vehicles	281	
Infrastructure	479	
Total	\$ 814	

Montgomery County had depreciation expense of \$611,349 in fiscal year 2010 and total accumulated depreciation of \$3,691,064 at June 30, 2010. Additional information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2010, Montgomery County had approximately \$38,000 in debt related to an E911 equipment loan outstanding at June 30, 2010, compared to approximately \$52,000 at June 30, 2009.

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 \$25,000,000 over fiscal year 2010 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 2010. These rates remain the same for fiscal year 2011.

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 2010, these amounts were \$252,413, \$31,551, \$15,776 and \$15,775, respectively. Fiscal year 2011 local option and sales tax services tax collections are projected to increase approximately \$46,000 over fiscal year 2010.

Budgeted disbursements are expected to decrease approximately \$2,100,000. The largest decreases are in the secondary roads and capital projects functions. The emergency watershed and FEMA projects were substantially completed during fiscal year 2010. The County has added no major new programs or initiatives to the fiscal year 2011 budget.

Looking to the future in fiscal year 2012, the County will be constructing a new law enforcement center, the cost of which will be paid through the issuance of general obligation bonds.

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 Ted Schoonover 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, 2010

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 2,668,032
Receivables:	
Property tax:	
Delinquent	9,178
Succeeding year	4,312,000
Penalty and interest on property tax	8,947
Accounts	136,740
Accrued interest	8,577
E911 loan	38,173
Due from other governments	1,432,818
Inventories	319,765
Prepaid items	96,279
Capital assets (net of accumulated depreciation)	<u>7,296,722</u>
Total assets	<u>16,327,231</u>
Liabilities	
Accounts payable	447,961
Salaries and benefits payable	162,112
Due to other governments	119,459
Deferred revenue:	
Succeeding year property tax	4,312,000
Long-term liabilities:	
Portion due or payable within one year:	
E911 loan	14,314
Compensated absences	169,785
Portion due or payable after one year:	
E911 loan	23,859
Compensated absences	50,375
Net OPEB liability	<u>4,000</u>
Total liabilities	<u>5,303,865</u>
Net Assets	
Invested in capital assets	7,296,722
Restricted for:	
Supplemental levy purposes	568,280
Secondary roads purposes	1,995,745
Debt service	1,980
Other purposes	585,750
Unrestricted	<u>574,889</u>
Total net assets	<u>\$ 11,023,366</u>

See notes to financial statements.

Montgomery County

Statement of Activities

Year ended June 30, 2010

	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	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,709,522	213,842	116,153	-	(1,379,527)
Physical health and social services	762,332	50,815	297,615	-	(413,902)
Mental health	1,016,092	191,010	763,537	-	(61,545)
County environment and education	562,890	10,723	76,283	2,375	(473,509)
Roads and transportation	4,992,401	34,680	4,172,497	193,001	(592,223)
Governmental services to residents	326,760	171,653	-	-	(155,107)
Administration	779,623	16,492	27,738	-	(735,393)
Interest on long-term debt	2,197	-	-	-	(2,197)
Total	\$ 10,151,817	689,215	5,453,823	195,376	(3,813,403)
General Revenues:					
Property and other county tax levied for:					
General purposes					4,101,228
Debt service					9,723
Penalty and interest on property tax					59,170
State tax credits					194,790
Local option sales tax					315,515
Unrestricted investment earnings					45,314
Gain on disposition of capital assets					30,990
Land and building rent					18,900
Miscellaneous					11,622
Total general revenues					4,787,252
Change in net assets					973,849
Net assets beginning of year					10,049,517
Net assets end of year					\$ 11,023,366

See notes to financial statements.

Montgomery County

Balance Sheet
Governmental Funds

June 30, 2010

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 1,097,052	448,411	356,157
Receivables:			
Property tax:			
Delinquent	7,948	1,083	118
Succeeding year	2,565,000	349,000	1,388,000
Penalty and interest on property tax	8,947	-	-
Accounts	570	-	5,070
Accrued interest	8,577	-	-
E911 loan	38,173	-	-
Due from other funds	16,681	-	-
Due from other governments	142,899	38,398	-
Inventories	-	-	-
Prepaid items	70,198	-	-
Total assets	\$ 3,956,045	836,892	1,749,345
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 93,559	39,450	3,275
Salaries and benefits payable	89,569	435	26,550
Due to other funds	-	-	11,222
Due to other governments	15,491	102,233	197
Deferred revenue:			
Succeeding year property tax	2,565,000	349,000	1,388,000
Other	16,409	1,054	117
Total liabilities	2,780,028	492,172	1,429,361
Fund balances:			
Reserved for:			
Supplemental levy purposes	397,219	-	184,681
Debt service	-	-	-
Resource enhancement and protection	101,411	-	-
Public safety and courthouse repair	53,202	-	-
E911 loan receivable	38,173	-	-
Unreserved, reported in:			
General fund	586,012	-	-
Special revenue funds	-	344,720	135,303
Total fund balances	1,176,017	344,720	319,984
Total liabilities and fund balances	\$ 3,956,045	836,892	1,749,345

See notes to financial statements.

Secondary Roads	Nonmajor	Total
689,180	77,232	2,668,032
-	29	9,178
-	10,000	4,312,000
-	-	8,947
131,100	-	136,740
-	-	8,577
-	-	38,173
77,947	-	94,628
1,195,917	55,604	1,432,818
319,765	-	319,765
26,081	-	96,279
<u>2,439,990</u>	<u>142,865</u>	<u>9,125,137</u>
311,387	290	447,961
45,558	-	162,112
-	83,406	94,628
1,538	-	119,459
-	10,000	4,312,000
778,165	29	795,774
<u>1,136,648</u>	<u>93,725</u>	<u>5,931,934</u>
-	-	581,900
-	1,950	1,950
-	-	101,411
-	-	53,202
-	-	38,173
-	-	586,012
1,303,342	47,190	1,830,555
<u>1,303,342</u>	<u>49,140</u>	<u>3,193,203</u>
<u>2,439,990</u>	<u>142,865</u>	<u>9,125,137</u>

Montgomery County

Montgomery County

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

June 30, 2010

Total governmental fund balances (page 19)

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

\$ 3,193,203

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$10,987,786 and the accumulated depreciation is \$3,691,064.

7,296,722

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

795,774

Long-term liabilities, including E911 loan, compensated absences payable and other postemployment benefits payable are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(262,333)

Net assets of governmental activities (page 16)

\$ 11,023,366

See notes to financial statements.

Montgomery County

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

Year ended June 30, 2010

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,433,951	348,442	1,320,124
Local option sales tax	-	-	-
Interest and penalty on property tax	60,910	-	-
Intergovernmental	727,592	971,410	57,684
Licenses and permits	6,400	-	2,535
Charges for service	264,025	-	-
Use of money and property	64,527	-	-
Miscellaneous	110,939	248	5,006
Total revenues	3,668,344	1,320,100	1,385,349
Expenditures:			
Operating:			
Public safety and legal services	1,285,576	-	432,697
Physical health and social services	765,526	-	-
Mental health	-	973,305	42,787
County environment and education	306,167	-	262,561
Roads and transportation	-	-	2,383
Governmental services to residents	323,060	-	-
Administration	758,976	-	-
Debt service	15,840	-	-
Capital projects	114	-	-
Total expenditures	3,455,259	973,305	740,428
Excess (deficiency) of revenues over (under) expenditures	213,085	346,795	644,921
Other financing sources (uses):			
Sale of capital assets	1,500	-	-
Operating transfers in	63,102	-	-
Operating transfers out	-	-	(680,000)
Total other financing sources (uses)	64,602	-	(680,000)
Net change in fund balances	277,687	346,795	(35,079)
Fund balances beginning of year	898,330	(2,075)	355,063
Fund balances end of year	\$ 1,176,017	344,720	319,984

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	9,723	4,112,240
-	315,515	315,515
-	-	60,910
3,554,496	-	5,311,182
1,473	-	10,408
-	2,560	266,585
1,250	12	65,789
29,839	926	146,958
<u>3,587,058</u>	<u>328,736</u>	<u>10,289,587</u>
-	1,560	1,719,833
-	-	765,526
-	-	1,016,092
-	-	568,728
3,486,217	-	3,488,600
-	-	323,060
-	-	758,976
-	8,441	24,281
1,594,559	-	1,594,673
<u>5,080,776</u>	<u>10,001</u>	<u>10,259,769</u>
<u>(1,493,718)</u>	<u>318,735</u>	<u>29,818</u>
12,950	-	14,450
932,413	-	995,515
-	(315,515)	(995,515)
<u>945,363</u>	<u>(315,515)</u>	<u>14,450</u>
(548,355)	3,220	44,268
<u>1,851,697</u>	<u>45,920</u>	<u>3,148,935</u>
<u>1,303,342</u>	<u>49,140</u>	<u>3,193,203</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, 2010

Net change in fund balances - Total governmental funds (page 23) \$ 44,268

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

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

Expenditures for capital assets	\$ 699,621	
Capital assets contributed by the Iowa Department of Transportation and others	118,900	
Depreciation expense	(611,349)	207,172

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 16,540

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

Property tax	(1,289)	
Other	687,478	686,189

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. 13,643

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	10,037	
Other postemployment benefits	(4,000)	6,037

Change in net assets of governmental activities (page 17) \$ 973,849

See notes to financial statements.

Montgomery County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2010

Assets

Cash and pooled investments:	
County Treasurer	\$ 655,971
Other County officials	31,383
Receivables:	
Property tax:	
Delinquent	53,887
Succeeding year	12,207,000
Accounts	12,919
Special assessments	7,393
Due from other governments	9,196
Prepaid items	9,700
Total assets	<u>12,987,449</u>

Liabilities

Accounts payable	742
Salaries and benefits payable	5,755
Due to other governments	12,957,713
Trusts payable	15,149
Compensated absences	8,090
Total liabilities	<u>12,987,449</u>

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

Montgomery County

Notes to Financial Statements

June 30, 2010

(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 the following 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 year or soon enough thereafter to pay liabilities of the current year. 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, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2009.

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, 2010, 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, intangibles 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
Intangibles	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
Intangibles	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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. 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, 2010, disbursements did not exceed the amounts budgeted

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2010 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, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Local Option Sales and Services Tax	\$ 16,681
Special Revenue: Secondary Roads	Special Revenue: Rural Services Local Option Sales and Services Tax	11,222 66,725
Total		<u>\$ 94,628</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, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option Sales and Services Tax	\$ 63,102
Special Revenue: Secondary Roads	Special Revenue: Rural Services Local Option Sales and Services Tax	680,000 252,413
Total		<u>932,413</u> <u>\$ 995,515</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, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 522,788	-	-	522,788
Intangibles, road network	48,495	-	-	48,495
Construction in progress	26,022	16,860	-	42,882
Total capital assets not being depreciated	597,305	16,860	-	614,165
Capital assets being depreciated:				
Buildings	764,608	-	-	764,608
Equipment and vehicles	4,627,577	342,304	(173,749)	4,796,132
Infrastructure, road network	4,333,524	479,357	-	4,812,881
Total capital assets being depreciated	9,725,709	821,661	(173,749)	10,373,621
Less accumulated depreciation for:				
Buildings	427,155	22,816	-	449,971
Equipment and vehicles	2,454,132	417,884	(170,289)	2,701,727
Infrastructure, road network	368,717	170,649	-	539,366
Total accumulated depreciation	3,250,004	611,349	(170,289)	3,691,064
Total capital assets being depreciated, net	6,475,705	210,312	(3,460)	6,682,557
Governmental activities capital assets, net	\$ 7,073,010	227,172	(3,460)	7,296,722

Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets, was implemented during fiscal year 2010. Right of way totaling \$48,495, which was previously reported as land, was reclassified as intangibles. Restatement of the beginning net assets and capital assets for governmental activities was not necessary because the right of way has an indefinite useful life and, therefore, is not subject to amortization.

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 39,962
Physical health and social services	4,051
County environment and education	21,535
Roads and transportation	528,606
Administration	17,195
Total depreciation expense - governmental activities	<u>\$ 611,349</u>

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 15,491
Special Revenue:		
Mental Health	Services	102,233
Rural Services	Services	197
Secondary Roads	Services	1,538
		<u>103,968</u>
Total for governmental funds		<u>\$ 119,459</u>
Agency:		
County Assessor	Collections	\$ 394,303
Schools		7,485,809
Community Colleges		318,428
Corporations		2,732,818
Auto License and Use Tax		215,090
County Hospital		1,328,346
All other		482,919
Total for agency funds		<u>\$ 12,957,713</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	E911 Equipment Loan	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 51,816	230,197	-	282,013
Increases	-	228,185	4,000	232,185
Decreases	13,643	238,222	-	251,865
Balance end of year	<u>\$ 38,173</u>	<u>220,160</u>	<u>4,000</u>	<u>262,333</u>
Due within one year	<u>\$ 14,314</u>	<u>169,785</u>	<u>-</u>	<u>184,099</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, 2010.

Year Ending June 30,	Interest Rate	Principal	Interest	Total
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		\$ 38,173	2,489	40,662

(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 4.30% of their annual covered salary and the County is required to contribute 6.65% of covered salary. 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, 2010, 2009 and 2008 were \$207,928, \$186,615 and \$170,235, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description. The County operates a single-employer retiree benefit plan which provides medical, prescription drug and dental benefits for retirees and their spouses. There are 78 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical, prescription drug and dental benefits are provided through a medical and dental plan administered by United Health Care, Inc. and Delta Dental, respectively. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 12,000
Contributions made	<u>(8,000)</u>
Increase in net OPEB obligation	4,000
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>\$ 4,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the County contributed \$8,000 to the medical plan. Plan members eligible for benefits contributed \$28,000, or 77.8% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 12,000	66.7%	\$ 4,000

Funded Status and Funding Progress. As of January 1, 2010, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was approximately \$99,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$99,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,797,000 and the ratio of the UAAL to covered payroll was 3.5%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan and assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of January 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the Actuary's Pension Handbook and applying the termination factors using the Scale T-6 table.

Projected claim costs of the medical plan range from \$697 to \$814 per month for retirees less than age 65. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

(10) 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 whose 634 members include 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, 2010 were \$72,894.

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 \$150,000 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, 2010, no liability has been recorded in the County's financial statements. As of June 30, 2010, 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.

(11) Subsequent Event

In December 2010, the County authorized the issuance of \$3,595,000 of general obligation bonds to construct, furnish and equip a County law enforcement center. The bonds are to be repaid through an ad valorem tax on all taxable property in the 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, 2010

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
Property and other county tax	\$ 4,424,042	4,429,854	4,429,854	(5,812)
Penalty and interest on property tax	61,698	15,800	15,800	45,898
Intergovernmental	4,350,596	4,437,176	5,500,135	(1,149,539)
Licenses and permits	7,873	7,850	7,850	23
Charges for service	268,155	260,175	260,175	7,980
Use of money and property	67,303	100,750	100,750	(33,447)
Miscellaneous	86,095	34,285	34,285	51,810
Total receipts	9,265,762	9,285,890	10,348,849	(1,083,087)
Disbursements:				
Public safety and legal services	1,722,376	1,847,379	1,918,894	196,518
Physical health and social services	705,839	740,082	801,538	95,699
Mental health	1,000,879	1,281,672	1,281,672	280,793
County environment and education	344,725	315,989	374,489	29,764
Roads and transportation	3,696,559	3,051,675	3,724,335	27,776
Governmental services to residents	320,659	397,023	397,023	76,364
Administration	762,100	829,181	831,181	69,081
Non-program	-	200	200	200
Debt service	24,362	10,088	25,928	1,566
Capital projects	1,588,525	893,034	2,115,034	526,509
Total disbursements	10,166,024	9,366,323	11,470,294	1,304,270
Excess (deficiency) of receipts over (under) disbursements	(900,262)	(80,433)	(1,121,445)	221,183
Other financing sources, net	27,840	-	-	27,840
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(872,422)	(80,433)	(1,121,445)	249,023
Balance beginning of year	3,540,454	2,370,804	2,370,804	1,169,650
Balance end of year	\$ 2,668,032	2,290,371	1,249,359	1,418,673

See accompanying independent auditor's report.

Montgomery County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 9,265,762	1,023,825	10,289,587
Expenditures	10,166,024	93,745	10,259,769
Net	(900,262)	930,080	29,818
Other financing sources, net	27,840	(13,390)	14,450
Beginning fund balances	3,540,454	(391,519)	3,148,935
Ending fund balances	\$ 2,668,032	525,171	3,193,203

See accompanying independent auditor's report.

Montgomery County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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, one budget amendment increased budgeted disbursements by \$2,103,971. The budget amendment is 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.

Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.

Montgomery County

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jan 1, 2010	-	\$ 99	99	0.00%	\$ 2,797	3.5%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Montgomery County

Other Supplementary Information

Montgomery County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2010

	County Recorder's Records Management	Flood and Erosion	Local Option Sales and Services Tax
Assets			
Cash and pooled investments	\$ 14,790	811	27,802
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Due from other governments	-	-	55,604
Total assets	\$ 14,790	811	83,406
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	-	-
Due to other funds	-	-	83,406
Deferred revenue:			
Succeeding year property tax	-	-	-
Other	-	-	-
Total liabilities	-	-	83,406
Fund equity:			
Fund balances:			
Reserved for debt service	-	-	-
Unreserved	14,790	811	-
Total fund equity	14,790	811	-
Total liabilities and fund equity	\$ 14,790	811	83,406

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	8,314	21,199	2,240		77,232
-	-	-	29		29
-	-	-	10,000		10,000
-	-	-	-		55,604
2,076	8,314	21,199	12,269		142,865
-	-	-	290		290
-	-	-	-		83,406
-	-	-	10,000		10,000
-	-	-	29		29
-	-	-	10,319		93,725
-	-	-	1,950		1,950
2,076	8,314	21,199	-		47,190
2,076	8,314	21,199	1,950		49,140
2,076	8,314	21,199	12,269		142,865

Montgomery County

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

Year ended June 30, 2010

	County Recorder's Records Management	Flood and Erosion	Special Local Option Sales and Services Tax
Revenues:			
Property and other county tax	\$ -	-	315,515
Charges for service	2,085	-	-
Use of money and property	12	-	-
Miscellaneous	-	-	-
Total revenues	<u>2,097</u>	<u>-</u>	<u>315,515</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Debt service	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	2,097	-	315,515
Other financing uses:			
Operating transfers out	-	-	<u>(315,515)</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	2,097	-	-
Fund balances beginning of year	<u>12,693</u>	<u>811</u>	<u>-</u>
Fund balances end of year	<u>\$ 14,790</u>	<u>811</u>	<u>-</u>

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	
-	-	-	9,723	325,238	
-	-	-	475	2,560	
-	-	-	-	12	
-	926	-	-	926	
-	926	-	10,198	328,736	
-	1,560	-	-	1,560	
-	-	-	8,441	8,441	
-	1,560	-	8,441	10,001	
-	(634)	-	1,757	318,735	
-	-	-	-	(315,515)	
-	(634)	-	1,757	3,220	
2,076	8,948	21,199	193	45,920	
2,076	8,314	21,199	1,950	49,140	

Montgomery County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,834	125,415	96,975	4,462
Other County officials	31,383	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	407	861	23,834	966
Succeeding year	-	131,000	277,000	7,365,000	313,000
Accounts	-	-	100	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	-	3,100	-	-
Total assets	\$ 31,383	133,241	406,476	7,485,809	318,428
Liabilities					
Accounts payable	\$ -	-	210	-	-
Salaries and benefits payable	-	-	4,697	-	-
Due to other governments	16,250	133,241	394,303	7,485,809	318,428
Trusts payable	15,133	-	-	-	-
Compensated absences	-	-	7,266	-	-
Total liabilities	\$ 31,383	133,241	406,476	7,485,809	318,428

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	County Hospital	E911 Service	Other	Total
40,074	1,767	215,090	18,289	120,462	31,603	655,971
-	-	-	-	-	-	31,383
23,744	13	-	4,057	-	5	53,887
2,669,000	145,000	-	1,306,000	-	1,000	12,207,000
-	-	-	-	12,819	-	12,919
-	-	-	-	-	7,393	7,393
-	-	-	-	-	9,196	9,196
-	-	-	-	6,600	-	9,700
2,732,818	146,780	215,090	1,328,346	139,881	49,197	12,987,449
-	-	-	-	483	49	742
-	-	-	-	321	737	5,755
2,732,818	146,780	215,090	1,328,346	139,077	47,571	12,957,713
-	-	-	-	-	16	15,149
-	-	-	-	-	824	8,090
2,732,818	146,780	215,090	1,328,346	139,881	49,197	12,987,449

Montgomery County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 39,306	125,815	465,772	6,626,765	305,728
Additions:					
Property and other county tax	-	131,288	276,615	7,374,247	313,160
E911 surcharges	-	-	-	-	-
Intergovernmental	-	-	-	-	-
State tax credits	-	6,057	12,852	317,679	14,783
Drivers license fees	-	-	-	-	-
Office fees and collections	279,683	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	273,060	-	-	-	-
Miscellaneous	6,415	-	1,263	-	-
Total additions	559,158	137,345	290,730	7,691,926	327,943
Deductions:					
Agency remittances:					
To other funds	150,549	-	-	-	-
To other governments	128,541	129,919	350,026	6,832,882	315,243
Trusts paid out	287,991	-	-	-	-
Total deductions	567,081	129,919	350,026	6,832,882	315,243
Balances end of year	\$ 31,383	133,241	406,476	7,485,809	318,428

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	County Hospital	E911 Service	Other	Total
2,756,385	126,611	213,494	1,258,117	101,077	47,553	12,066,623
2,638,791	155,537	-	1,306,831	-	1,229	12,197,698
-	-	-	-	63,378	-	63,378
-	-	-	-	26,511	32,384	58,895
153,258	5,818	-	60,417	-	61	570,925
-	-	62,222	-	-	-	62,222
-	-	-	-	-	-	279,683
-	-	-	-	-	6,139	6,139
-	-	2,726,001	-	-	-	2,726,001
-	-	-	-	-	4,759	4,759
-	-	-	-	-	285,467	558,527
-	-	-	-	6,863	100	14,641
2,792,049	161,355	2,788,223	1,367,248	96,752	330,139	16,542,868
-	-	131,271	-	-	-	281,820
2,815,616	141,186	2,655,356	1,297,019	57,948	50,409	14,774,145
-	-	-	-	-	278,086	566,077
2,815,616	141,186	2,786,627	1,297,019	57,948	328,495	15,622,042
2,732,818	146,780	215,090	1,328,346	139,881	49,197	12,987,449

Montgomery County

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

For the Last Ten Years

	2010	2009	2008	2007
Revenues:				
Property and other county tax	\$ 4,112,240	3,613,576	3,446,408	3,610,918
Local option sales tax	315,515	352,231	315,178	364,072
Penalty and interest on property tax	60,910	44,606	48,889	43,021
Intergovernmental	5,311,182	4,474,893	3,268,697	3,666,726
Licenses and permits	10,408	6,698	7,435	8,240
Charges for service	266,585	257,946	261,812	266,787
Use of money and property	65,789	77,625	151,733	171,377
Miscellaneous	146,958	50,408	89,144	72,677
Total	\$ 10,289,587	8,877,983	7,589,296	8,203,818
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,719,833	1,574,965	1,617,566	1,522,158
Physical health and social services	765,526	764,003	685,763	648,183
Mental health	1,016,092	1,051,181	1,102,157	996,251
County environment and education	568,728	386,212	304,322	273,717
Roads and transportation	3,488,600	3,883,189	3,347,954	2,655,699
Governmental services to residents	323,060	363,367	332,816	311,434
Administration	758,976	709,973	652,599	713,278
Non-program	-	188	188	-
Debt service	24,281	25,751	71,203	63,389
Capital projects	1,594,673	496	164,394	225,380
Total	\$ 10,259,769	8,759,325	8,278,962	7,409,489

See accompanying independent auditor's report.

Modified Accrual Basis					
2006	2005	2004	2003	2002	2001
3,483,248	3,558,365	3,295,899	3,299,002	2,828,492	2,566,627
253,099	274,967	289,557	275,163	283,376	280,164
40,657	36,153	36,484	53,932	37,515	41,017
3,717,722	3,254,490	3,370,910	3,963,034	3,334,778	3,669,037
6,395	3,802	5,051	5,165	4,580	3,657
276,669	274,344	324,964	230,626	211,918	196,648
143,711	76,530	53,678	75,892	103,130	152,649
63,807	154,139	70,709	20,213	73,536	18,966
7,985,308	7,632,790	7,447,252	7,923,027	6,877,325	6,928,765
1,562,204	1,561,279	1,538,008	1,612,309	1,541,681	1,520,583
767,606	748,024	754,554	705,939	615,063	532,914
899,688	845,478	821,818	922,694	918,130	547,500
536,622	352,028	412,139	550,533	386,154	265,338
2,611,352	2,435,439	2,559,409	2,440,342	2,437,700	2,269,604
426,736	330,171	383,206	396,655	390,575	331,021
683,123	648,543	615,399	617,103	543,013	579,917
180	815	172	92	4,345	2,587
63,503	114,041	118,481	190,681	191,447	177,163
652,897	1,528	2,393	366,708	75,500	415,876
8,203,911	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, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture:			
Natural Resources Conservation Service:			
Emergency Watershed Protection Program	10.923	EWP-69-6114-90-16	\$ 539,506
Emergency Watershed Protection Program	10.923	EWP-69-6114-90-17	134,921
Emergency Watershed Protection Program	10.923	EWP-69-6114-90-30	485,650
Emergency Watershed Protection Program	10.923	EWP-69-6114-10-09	84,149
Total direct			1,244,226
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Food Stamp Program	10.561		7,258
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 10-406, Task 119	4,310
Iowa Department of Transportation:			
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397		20,259
U.S. Department of Health and Human Services:			
Southwest 8 Senior Services:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		4,842
Iowa Department of Public Health:			
Public Health Emergency Preparedness Center for Disease Control and Prevention	93.069	5880BT69	41,900
Investigations and Technical Assistance	93.283	5880OB29	5,517
Social Services Block Grant	93.667	5880C069	9,333 **
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		3,453 *
Refugee and Entrant Assistance - State Administered Programs	93.566		21
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,909

Montgomery County
 Schedule of Expenditures of Federal Awards
 June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Foster Care - Title IV-E	93.658		3,851
Adoption Assistance	93.659		964
State Children's Insurance Fund	93.767		43
Medical Assistance Program	93.778		8,163
Social Services Block Grant	93.667		3,762
Social Services Block Grant	93.667		53,019
			<u>56,781</u> **
Loess Hills Area Education Agency:			
Promoting Safe and Stable Families	93.556		2,399
Temporary Assistance for Needy Families	93.558		399 *
Community-Based Child Abuse Prevention Grants	93.590		3,960
Taylor County:			
Maternal and Child Health Services Block Grant to the States	93.994	5889MH25	85
Maternal and Child Health Services Block Grant to the States	93.994	5880MH25	621
			<u>706</u>
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-1763-DR-IA	352,472
Emergency Management Performance Grants	97.042	2009EMPG	5,690
Emergency Management Performance Grants	97.042	2010EMPG	9,010
			<u>14,700</u>
Southwest Iowa Planning Council:			
Homeland Security Grant Program	97.067	2007-GE-T7-0032-004	4,731
Total indirect			547,971
Total			<u>\$ 1,792,197</u>

* Total for CFDA Number 93.558 is \$3,852

** Total for CFDA Number 93.667 is \$66,114

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 of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the 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

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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, 2010, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 14 2011. 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 and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-10 and II-D-10 to be significant deficiencies.

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, 2010 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, and 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

March 14, 2011

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133**

Montgomery County



OFFICE OF AUDITOR OF STATE
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Independent Auditor's Report on Compliance
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on 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 Montgomery County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on Montgomery County's major federal programs for the year ended June 30, 2010. Montgomery County's major federal programs are 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 each of its major federal programs 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance we consider to be significant deficiencies, which are described in the accompanying Schedule of Findings and Questioned Costs as items III-A-10 and III-B-10. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Montgomery County's responses to the 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 14, 2011

Montgomery County
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over the major programs were disclosed by the audit of the financial statements. No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 10.923 – Emergency Watershed Protection Program
 - 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, 2010

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Segregation of Duties – During our review of internal control, the existing procedures were evaluated in order to determine incompatible duties, from a control standpoint, are 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) The initial receipt listing is not compared to the receipt record by someone independent of recording receipts.	Public Health Nurses
(3) Bank reconciliations are not reviewed periodically for propriety by an independent person who does not sign checks, handle or record cash.	Treasurer
(4) Investments – investing, custody and accounting.	Treasurer
(5) 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.

Response – Each official will review office procedures and attempt to maximize the best internal control and whenever possible use other office personnel to add additional control measures.

Conclusion – Response accepted.

II-B-10 Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital assets 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.

Montgomery County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Recommendation – The County should implement procedures to ensure all receivables, payables, and capital assets are identified and included in the County’s financial statements.

Response – The Auditor’s office will ensure all receivables, payables and capital assets are processed in a timely manner and are properly recorded.

Conclusion – Response accepted.

II-C-10 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 reconciliation and monitor receivable balances.

Response – I understand the importance of timely deposits and billing of services. At the time of my employment, I implemented a minimum of two week deposit schedule. Deposits are made in a timely manner. All billing of services is done within the first week of the following month for the previous month. The Board of Health and the department head are provided with an accounts receivable worksheet on a monthly basis.

Conclusion – Response acknowledged. A reconciliation of billings, collections and receivables should also be prepared monthly.

II-D-10 Tax Increment Financing – The County Auditor does not prepare a reconciliation to reconcile tax increment financing revenue (TIF) remitted with the amount of debt certified.

Recommendation – The County should prepare a reconciliation for each TIF District within each City to reconcile the yearly TIF tax remitted with the amount of debt certified.

Response – The County Auditor will prepare a TIF District reconciliation report for all the cities which have TIF tax remitted and show the amount of debt certified each year.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Montgomery County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 10.923: Emergency Watershed Protection Program
Pass-through Numbers: EWP-69-6114-90-16, EWP-69-6114-90-17, EWP-69-6114-90-30, EWP-69-6114-10-09
Federal Award Year: 2010
U.S. Department of Agriculture

III-A-10 Subcontract Provisions – In accordance with the grant agreement, the contractor is required to include an equal opportunity clause in every subcontract unless exempted by the rules, regulations or orders of the Secretary of Labor issued pursuant to section 204 of Executive Order No. 11246 of September 24, 1965. The County did not properly include this clause in subcontract agreements.

Recommendation – The County should implement procedures to ensure contracts and agreements include all required provisions.

Response and Corrective Action planned – The County will include this provision in all contracts which fall under the Secretary of Labor's Executive order No. 11246.

Conclusion – Response accepted.

CFDA Number 97.036: Disaster Grants – Public Assistance
(Presidentially Declared Disasters)
Pass-through Number: FEMA 1763 DR IA
Federal Award Year: 2010
U.S. Department of Homeland Security
Passed through the Iowa Department of Public Defense,
Iowa Homeland Security and Emergency Management Division

III-B-10 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 different rates rather than the rates approved on the PW for certain types of equipment used for the 2008 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.

Montgomery County
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

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

Response and Corrective Action Planned – The County will ensure a review process is included to verify the rates and charges are in accordance with program requirements and this is accomplished by a separate person than the one preparing the report.

Conclusion – Response accepted.

Montgomery County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.

IV-B-10 Questionable Expenditures – A Public Health Department purchase totaling \$45 for pizza provided at a staff meeting was noted. This expenditure may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Board of Supervisors and other applicable Boards should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper document.

Response – The County Board of Supervisors will ensure all departments understand that public benefits need to be clarified and verified before any funds are spent.

Conclusion – Response accepted.

IV-C-10 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-10 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-10 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-10 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-10 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-10 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).

Montgomery County

Schedule of Findings

Year ended June 30, 2010

IV-I-10 Questionable Road Work Expenditures – Montgomery County and Page County share the same County Engineer. In May 2010, the County Engineer's staff for Montgomery County and Page County performed a joint road work project on property located in both Montgomery County and Page County. The road work project involved improvements made, in part, on private property and included improvements to grade the road and remove trees inside and outside of the right-of-way at an approximate cost to Montgomery County of \$8,900.

In October 2010, subsequent to the May 2010 road work project, the owners of the private property submitted a rock petition to the Montgomery County Engineer for approval. The Engineer approved the petition on October 6, 2010, including the amount to be paid by the owners of the private property. However, in accordance with Board policy, the Board of Supervisors must approve all aggregate resurfacing agreements. The Board discussed the road work project and related rock petition at length at its October 7, 14 and 21, 2010 meetings. On October 21, 2010, the Board retroactively approved the aggregate resurfacing agreement, which resulted in no additional cost being paid by the owners of the property.

There was no specific Board of Supervisors approval for the road work project or 28E agreement between the two counties to identify the work to be performed and/or to determine the cost allocations. There was no apparent coordination or agreement between Montgomery County and Page County in regard to the related rock petition regarding the quantity of rock to be provided by each County or to address the variance in the number of tons per mile included in each County's policy.

Pursuant to Article III, Section 31 of the Constitution of the State of Iowa, public funds and property can only be used for the public benefit. The County did not document the public purpose and public benefit consistent with the Constitutional criteria and an Attorney General's opinion dated April 25, 1979. A similar situation involving Montgomery County's removal of trees from private property was addressed in the fiscal year 2006 audit report.

We reviewed, but were unable to determine, the propriety of the road work project which resulted, in part, in improvements to private property. As such, we defer to the County Attorney for his further review and determination of action, if any, on this matter.

In the future, the public purpose, including the public benefit, should be documented in the minutes prior to improvements to private property. The Board should review its policies and procedures regarding joint projects with other governmental entities for consistency and to ensure 28E agreements, including terms and conditions, are addressed and agreed upon by all parties in advance. In accordance with Board policy, the Board should approve the aggregate resurfacing agreements when presented, not retroactively.

Montgomery County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

II-J-10 GAAP Basis Financial Report - The County's GAAP basis financial report was completed and submitted to the Department of Management timely. However, material errors in the information were noted.

Recommendation - The County's GAAP basis financial report should be adjusted and resubmitted.

Response - The County Auditor will adjust the GAAP report and resubmit the corrected information to the Department of Management within 90 days of this report.

Conclusion - Response accepted.

IV-K-10 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.

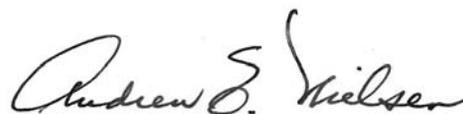
Disbursements during the year ended June 30, 2010 for the County Extension Office did not exceed the amount budgeted.

Montgomery County

Staff

This audit was performed by:

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Melissa M. Wellhausen, CPA, Senior Auditor
Brett M. Zeller, Staff Auditor
Jennifer M. Kopp, Staff Auditor
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