



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 30, 2012

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

The County had local tax revenue of \$17,928,247 for the year ended June 30, 2011, which included \$770,093 in tax credits from the state. The County forwarded \$13,414,495 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,513,752 of the local tax revenue to finance County operations, a 4.8% increase over the prior year. Other revenues included charges for service of \$693,490, operating grants, contributions and restricted interest of \$3,950,683, capital grants, contributions and restricted interest of \$1,072,437, local option sales and services tax of \$368,358, unrestricted investment earnings of \$42,805 and other general revenues of \$66,427.

Expenses for County operations totaled \$8,644,863, a 14.8% decrease from the prior year. Expenses included \$3,718,159 for roads and transportation, \$1,733,528 for public safety and legal services and \$1,038,487 for mental health. The significant decrease in expenses is primarily due to decreased road work to repair flood damage, including bank stabilization, in the prior year.

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/1110-0069-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, 2011

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Montgomery County

Officials

(Before January 2011)

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Glen Baskin	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	(Resigned)
Ted Schoonover (Appointed)	County Auditor	Nov 2012
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 Von Dielingen	County Assessor	Jan 2016

(After January 2011)

Bryant Amos	Board of Supervisors	Jan 2013
Donna Robinson	Board of Supervisors	Jan 2013
Karen Blue	Board of Supervisors	Jan 2015
Steve Ratcliff	Board of Supervisors	Jan 2015
Randy Tye	Board of Supervisors	Jan 2015
Ted Schoonover (Elected April 2011)	County Auditor	Jan 2013
Carol Strovers	County Treasurer	Jan 2015
Carleen Bruning	County Recorder	Jan 2015
Joseph Sampson	County Sheriff	Jan 2013
Bruce Swanson	County Attorney	Jan 2015
Stacey Von Dielingen	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, 2011, 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, 2011, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

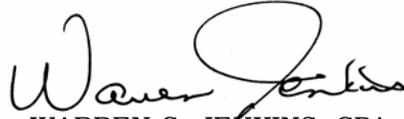
In accordance with Government Auditing Standards, we have also issued our report dated March 1, 2012 on our consideration of Montgomery County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other 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 42 through 45 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 seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the two 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 1, 2012

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, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 3.7%, or approximately \$417,000, from fiscal year 2010 to fiscal year 2011. Property tax increased approximately \$206,000, charges for service increased approximately \$5,000, capital grants, contributions and restricted interest increased approximately \$877,000, local option sales and services tax increased approximately \$52,000, operating grants, contributions and restricted interest decreased approximately \$1,503,000 and unrestricted investment earnings decreased approximately \$2,000 from the prior fiscal year.
- The County's current fiscal year program expenses decreased 14.8%, or approximately \$1,506,000, from the prior fiscal year. Physical health and social services expenses decreased approximately \$128,000, county environment and education expenses decreased approximately \$296,000 and roads and transportation expenses decreased approximately \$1,274,000.
- The County's net assets increased 18.7%, or approximately \$2,063,000, from June 30, 2010 to June 30, 2011.

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 financial 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, 3) the Debt Service Fund and 4) the Capital Projects 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,	
	2011	2010
Current and other assets	\$ 13,518	9,030
Capital assets	8,981	7,297
Total assets	<u>22,499</u>	<u>16,327</u>
Long-term liabilities	3,830	262
Other liabilities	5,583	5,042
Total liabilities	<u>9,413</u>	<u>5,304</u>
Net assets:		
Invested in capital assets, net of related debt	8,526	7,297
Restricted	3,762	3,151
Unrestricted	798	575
Total net assets	<u>\$ 13,086</u>	<u>11,023</u>

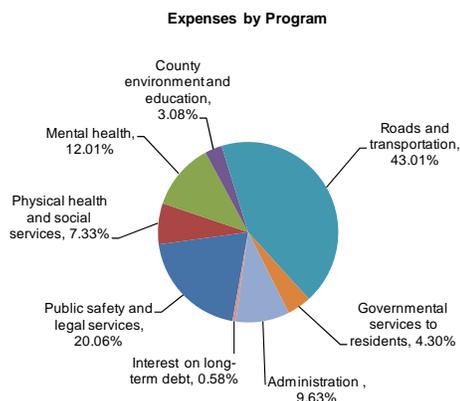
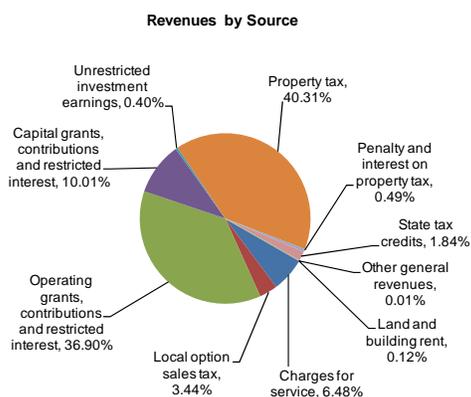
The largest portion of the County's net assets is invested in capital assets (i.e. land, buildings, infrastructure, equipment and construction in progress). This net asset component increased approximately \$1,229,000, or 16.8%, over the prior year, primarily due to an increase in road infrastructure during the 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 \$611,000, or 19.4%, over the prior year. This increase is due primarily to an increase in the Secondary Roads Fund balance and bond proceeds restricted for construction of a law enforcement center still held at June 30, 2011.

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 \$223,000, or 38.8%, 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,	
	2011	2010
Revenues:		
Program revenues:		
Charges for service	\$ 694	689
Operating grants, contributions and restricted interest	3,951	5,454
Capital grants, contributions and restricted interest	1,072	195
General revenues:		
Property tax	4,316	4,110
Penalty and interest on property tax	53	59
State tax credits	197	195
Local option sales and services tax	368	316
Unrestricted investment earnings	43	45
Land and building rent	13	19
Other general revenues	1	43
Total revenues	<u>10,708</u>	<u>11,125</u>
Program expenses:		
Public safety and legal services	1,734	1,710
Physical health and social services	634	762
Mental health	1,039	1,016
County environment and education	266	562
Roads and transportation	3,718	4,992
Governmental services to residents	372	327
Administration	832	780
Interest on long-term debt	50	2
Total expenses	<u>8,645</u>	<u>10,151</u>
Change in net assets	2,063	974
Net assets beginning of year	11,023	10,049
Net assets end of year	<u>\$ 13,086</u>	<u>11,023</u>



The County increased property tax rates \$.09 per \$1,000 of taxable valuation for the countywide levy and \$.14 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 \$.04 per \$1,000 of taxable valuation and the mental health levy increased \$.05 per \$1,000 of taxable valuation. The rural assessed property taxable valuation increased approximately

\$22,000,000. The countywide assessed property taxable valuation increased approximately \$25,000,000. Based on the valuation increases and the changes in property tax rates, property tax revenue increased approximately \$206,000.

The cost of all governmental activities this year was approximately \$8.6 million compared to approximately \$10.2 million last year. The decrease in expenses is primarily due to prior year 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, decreased in fiscal year 2011 from approximately \$11.1 million in fiscal year 2010 to approximately \$10.7 million. Capital grants, contributions and restricted interest increased approximately \$877,000 due to an increase in farm to market projects contributed by the Iowa Department of Transportation in fiscal year 2011. Operating grants, contributions and restricted interest decreased approximately \$1,503,000, primarily due to prior year 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 \$7.9 million, an increase of approximately \$4,706,000 over last year's total of approximately \$3.2 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 \$504,000 during the fiscal year to approximately \$1,701,000. This increase was due to increased property tax revenues resulting from increased property valuations and the general supplemental levy increase of approximately \$.04 per \$1,000 of taxable valuation. In addition, expenditures in the General Fund decreased approximately \$168,000, or 4.9%. Public safety and legal services expenditures decreased approximately \$31,000 due to the purchase of two vehicles in the prior year, physical health and social services expenditures decreased approximately \$142,000, due primarily to an employee retiring, and county environment and education expenditures decreased approximately \$57,000 due to flood damage repair in the prior year.

The County has continued to look for ways to effectively manage the cost of mental health services. The Special Revenue, Mental Health Fund balance at year end increased approximately \$380,000 over the prior year balance of \$344,720. Revenues from state aid increased approximately \$98,000 due to growth allocation funding from the Iowa Department of Human Services. This increase was offset by an increase in expenditures of approximately \$65,000.

The Special Revenue, Rural Services Fund ending fund balance decreased approximately \$18,000, or 5.6%, from the prior year to approximately \$302,000. Property tax revenue for the Rural Services Fund increased approximately \$71,000, or 5.4%, in fiscal year 2011 due to a levy increase and a nominal increase in the overall property tax valuation. Expenditures increased approximately \$65,000, or 8.8%, primarily because the Rural Services Fund funded the purchase of a Sheriff's Department vehicle during fiscal year 2011.

Special Revenue, Secondary Roads Fund revenues decreased approximately \$226,000 while expenditures decreased approximately \$1,443,000 from the prior year, principally due to prior year costs associated with an emergency watershed protection and bank stabilization project and to repair damage caused by the 2008 floods. This resulted in an increase in the Secondary Roads Fund ending fund balance of approximately \$698,000.

The County created a Capital Projects Fund in fiscal year 2011 for construction of a law enforcement center. Construction of the law enforcement center was funded through \$3,595,000 of general obligation bonds issued during the fiscal year. Expenditures of approximately \$414,000 for design and engineering are reported as construction in progress at June 30, 2011. The Capital Projects Fund fund balance was approximately \$3,139,000 at year end.

BUDGETARY HIGHLIGHTS

Montgomery County amended its budget once during fiscal year 2011. The amendment was made in November 2010 and resulted in an increase in anticipated receipts and disbursements for public health and FEMA grants and anticipated disbursements for road projects and construction of a law enforcement center. The County's receipts were approximately \$573,000 greater than budgeted. The most significant variance resulted from the County receiving more intergovernmental receipts than anticipated, specifically for reimbursement of emergency watershed project disbursements made in the prior year. Total disbursements were approximately \$1,437,000 less than the amended budget. Actual disbursements for the capital projects and mental health functions were \$520,640 and \$282,688, respectively, less than budgeted. This was primarily due to a planned law enforcement project not completed in the fiscal year and the County working to better manage mental health costs.

Disbursements during the year ended June 30, 2011 exceeded the amount budgeted in the debt service function and disbursements in certain departments exceeded the amounts appropriated. During the year, the County paid off the balance of the E911 loan agreement ahead of the scheduled loan completion in fiscal year 2013.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, Montgomery County had approximately \$8.981 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1,684,000, or 23.1%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2011	2010
Land	\$ 523	523
Intangibles, road network	48	48
Construction in progress	414	43
Buildings and improvements	349	315
Equipment and vehicles	2,025	2,094
Infrastructure	5,622	4,274
Total	\$ 8,981	7,297
This year's major additions included:		
Two motor graders for the Secondary Roads Department	\$ 441,722	
Law enforcement center construction in progress	413,823	
Infrastructure	1,546,424	
Total	\$ 2,401,969	

Montgomery County had depreciation expense of \$694,267 in fiscal year 2011 and total accumulated depreciation of \$4,119,150 at June 30, 2011. Additional information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2011, Montgomery County had \$3,595,000 in general obligation bonds outstanding, compared to approximately \$38,000 in debt related to an E911 equipment loan at June 30, 2010.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2011	2010
General obligation bonds	\$ 3,595	-
E911 equipment loan	-	38
Total	\$ 3,595	38

Debt increased as a result of issuing general obligation bonds for a new law enforcement center.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Montgomery County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$36 million. Additional information about the County's long-term debt is presented in 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 fiscal year 2012 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 2011 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 2012, the same rates levied 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 2011, these amounts were \$291,695, \$36,462, \$18,231 and \$18,231, respectively. Fiscal year 2012 local option and sales tax services tax collections are projected to increase approximately \$46,000 over fiscal year 2011.

Budgeted disbursements are expected to increase approximately \$2,500,000. The primary reason for this large increase is due to construction of a law enforcement center. The County has added no other major new programs or initiatives to the fiscal year 2012 budget.

Looking to the future in fiscal year 2012, the County will be continuing construction of the new law enforcement center, the cost of which is being 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, 2011

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 7,669,691
Receivables:	
Property tax:	
Delinquent	12,009
Succeeding year	4,933,000
Interest and penalty on property tax	9,020
Accounts	2,949
Accrued interest	16,345
Due from other governments	476,445
Inventories	301,950
Prepaid items	96,036
Capital assets (net of accumulated depreciation)	8,981,424
Total assets	<u>22,498,869</u>
Liabilities	
Accounts payable	206,178
Accrued interest payable	49,535
Salaries and benefits payable	178,950
Due to other governments	214,720
Deferred revenue:	
Succeeding year property tax	4,933,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	185,000
Compensated absences	169,951
Portion due or payable after one year:	
General obligation bonds	3,410,000
Compensated absences	57,080
Net OPEB liability	8,000
Total liabilities	<u>9,412,414</u>
Net Assets	
Invested in capital assets, net of related debt	8,525,783
Restricted for:	
Supplemental levy purposes	784,612
Rural services purposes	117,667
Mental health purposes	726,114
Secondary roads purposes	1,979,485
Conservation land acquisition	21,199
Public safety	45,160
Courthouse repairs	54,983
Other purposes	33,196
Unrestricted	798,256
Total net assets	<u>\$ 13,086,455</u>

See notes to financial statements.

Montgomery County

Statement of Activities

Year ended June 30, 2011

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,733,528	152,971	167,799	8,567	(1,404,191)
Physical health and social services	634,356	78,645	271,104	-	(284,607)
Mental health	1,038,487	225,014	829,534	-	16,061
County environment and education	265,650	12,841	23,689	-	(229,120)
Roads and transportation	3,718,159	27,276	2,632,357	1,063,870	5,344
Governmental services to residents	372,030	178,903	-	-	(193,127)
Administration	832,436	17,840	26,200	-	(788,396)
Interest on long-term debt	50,217	-	-	-	(50,217)
Total	\$ 8,644,863	693,490	3,950,683	1,072,437	(2,928,253)
General Revenues:					
Property and other county tax levied for:					
General purposes					4,306,571
Debt service					9,730
Penalty and interest on property tax					52,587
State tax credits					197,451
Local option sales and services tax					368,358
Unrestricted investment earnings					42,805
Land and building rent					13,020
Miscellaneous					820
Total general revenues					4,991,342
Change in net assets					2,063,089
Net assets beginning of year					11,023,366
Net assets end of year					\$ 13,086,455

See notes to financial statements.

Montgomery County

Balance Sheet
Governmental Funds

June 30, 2011

	General	Special Revenue	
		Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 1,641,779	900,063	345,810
Receivables:			
Property tax:			
Delinquent	9,333	1,207	148
Succeeding year	2,708,000	350,000	1,486,000
Interest and penalty on property tax	9,020	-	-
Accounts	2,296	-	-
Accrued interest	16,345	-	-
Due from other funds	17,428	-	-
Due from other governments	129,132	68,190	-
Inventories	-	-	-
Prepaid items	77,315	-	-
Total assets	\$ 4,610,648	1,319,460	1,831,958
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 80,545	34,042	2,284
Salaries and benefits payable	98,203	-	30,916
Due to other funds	-	-	10,323
Due to other governments	5,064	209,304	88
Deferred revenue:			
Succeeding year property tax	2,708,000	350,000	1,486,000
Other	17,590	1,162	148
Total liabilities	2,909,402	594,508	1,529,759
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid items	77,315	-	-
Restricted for:			
Supplemental levy purposes	599,847	-	149,311
Mental health purposes	-	724,952	-
Rural services purposes	-	-	152,888
Secondary roads purposes	-	-	-
Public safety	45,160	-	-
Courthouse repairs	54,983	-	-
Conservation land acquisition	21,199	-	-
Capital projects	-	-	-
Debt service	-	-	-
Other purposes	4,624	-	-
Unassigned	898,118	-	-
Total fund balances	1,701,246	724,952	302,199
Total liabilities and fund balances	\$ 4,610,648	1,319,460	1,831,958

See notes to financial statements.

Secondary Roads	Capital Projects	Nonmajor	Total
1,580,057	3,141,041	60,941	7,669,691
-	-	1,321	12,009
-	-	389,000	4,933,000
-	-	-	9,020
653	-	-	2,949
-	-	-	16,345
80,039	-	-	97,467
221,027	-	58,096	476,445
301,950	-	-	301,950
18,721	-	-	96,036
2,202,447	3,141,041	509,358	13,614,912
86,370	1,682	1,255	206,178
49,831	-	-	178,950
-	-	87,144	97,467
264	-	-	214,720
-	-	389,000	4,933,000
64,841	-	1,271	85,012
201,306	1,682	478,670	5,715,327
301,950	-	-	301,950
18,721	-	-	96,036
-	-	-	749,158
-	-	-	724,952
-	-	-	152,888
1,680,470	-	-	1,680,470
-	-	-	45,160
-	-	-	54,983
-	-	-	21,199
-	3,139,359	-	3,139,359
-	-	2,116	2,116
-	-	28,572	33,196
-	-	-	898,118
2,001,141	3,139,359	30,688	7,899,585
2,202,447	3,141,041	509,358	13,614,912

Montgomery County

Montgomery County

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

June 30, 2011

Total governmental fund balances (page 19)**Amounts reported for governmental activities in the Statement of Net Assets
are different because:**

\$ 7,899,585

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$13,100,574 and the accumulated depreciation is \$4,119,150.

8,981,424

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

85,012

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

(3,879,566)**Net assets of governmental activities (page 16)**\$ 13,086,455

See notes to financial statements.

Montgomery County

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

Year ended June 30, 2011

	General	Special Revenue	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,564,526	348,413	1,391,027
Local option sales and services tax	-	-	-
Interest and penalty on property tax	52,631	-	-
Intergovernmental	717,208	1,069,786	69,606
Licenses and permits	5,000	-	-
Charges for service	284,209	-	2,710
Use of money and property	56,066	-	-
Miscellaneous	35,856	520	4,504
Total revenues	3,715,496	1,418,719	1,467,847
Expenditures:			
Operating:			
Public safety and legal services	1,254,445	-	470,697
Physical health and social services	623,764	-	-
Mental health	-	1,038,487	-
County environment and education	249,597	-	43,007
Roads and transportation	-	-	290,693
Governmental services to residents	367,780	-	1,245
Administration	752,815	-	-
Debt service	38,855	-	-
Capital projects	-	-	-
Total expenditures	3,287,256	1,038,487	805,642
Excess (deficiency) of revenues over (under) expenditures	428,240	380,232	662,205
Other financing sources (uses):			
Sale of capital assets	2,118	-	-
Operating transfers in	73,672	-	-
Operating transfers out	-	-	(679,990)
General obligation bonds issued	-	-	-
Discount on bonds issued	-	-	-
Total other financing sources (uses)	75,790	-	(679,990)
Net change in fund balances	504,030	380,232	(17,785)
Fund balances beginning of year, as restated	1,197,216	344,720	319,984
Fund balances end of year	\$ 1,701,246	724,952	302,199

See notes to financial statements.

Secondary Roads	Capital Projects	Nonmajor	Total
-	-	9,730	4,313,696
-	-	368,358	368,358
-	-	-	52,631
3,312,368	-	449	5,169,417
1,130	-	-	6,130
-	-	2,160	289,079
14,181	8,567	19	78,833
33,225	-	2,595	76,700
3,360,904	8,567	383,311	10,354,844
-	3,000	1,135	1,729,277
-	-	-	623,764
-	-	-	1,038,487
-	-	-	292,604
2,995,789	-	-	3,286,482
-	-	1,058	370,083
-	-	-	752,815
-	-	10,013	48,868
641,992	406,384	-	1,048,376
3,637,781	409,384	12,206	9,190,756
(276,877)	(400,817)	371,105	1,164,088
-	-	-	2,118
974,676	-	-	1,048,348
-	-	(368,358)	(1,048,348)
-	3,595,000	-	3,595,000
-	(54,824)	-	(54,824)
974,676	3,540,176	(368,358)	3,542,294
697,799	3,139,359	2,747	4,706,382
1,303,342	-	27,941	3,193,203
2,001,141	3,139,359	30,688	7,899,585

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, 2011

Net change in fund balances - Total governmental funds (page 23) \$ 4,706,382

**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	\$ 1,338,099	
Capital assets contributed by the Iowa Department of Transportation	1,063,870	
Depreciation expense	<u>(694,267)</u>	1,707,702

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (23,000)

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

Property tax	2,606	
Other	<u>(713,368)</u>	(710,762)

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

Issued	(3,595,000)	
Repaid	<u>38,173</u>	(3,556,827)

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	(6,871)	
Other postemployment benefits	(4,000)	
Interest on long-term debt	<u>(49,535)</u>	(60,406)

Change in net assets of governmental activities (page 17) \$ 2,063,089

See notes to financial statements.

Montgomery County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

Assets

Cash and pooled investments:	
County Treasurer	\$ 818,931
Other County officials	28,372
Receivables:	
Property tax:	
Delinquent	60,712
Succeeding year	12,843,000
Accounts	11,451
Special assessments	4,185
Due from other governments	9,974
Prepaid items	10,992
Total assets	13,787,617

Liabilities

Accounts payable	121
Salaries and benefits payable	6,248
Due to other governments	13,742,636
Trusts payable	33,478
Compensated absences	5,134
Total liabilities	13,787,617

Net assets	\$ -
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See notes to financial statements.

Montgomery County

Notes to Financial Statements

June 30, 2011

(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, net of related debt consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

Interest and Penalty 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, 2011, 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 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, 2011. 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

- E. Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

- F. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements during the year ended June 30, 2011 exceeded the amount budgeted in the debt service function and disbursements in certain departments exceeded the amounts appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2011 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, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Local Option Sales and Services Tax	\$ 17,428
Special Revenue: Secondary Roads	Special Revenue: Rural Services Local Option Sales and Services Tax	10,323 69,716
Total		\$ 97,467

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, 2011 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales and Services Tax	\$ 73,672
Special Revenue: Secondary Roads	Special Revenue: Rural Services Local Option Sales and Services Tax	679,990 294,686
Total		\$ 1,048,348

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, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 522,788	-	-	522,788
Intangibles, road network	48,495	-	-	48,495
Construction in progress	42,882	413,823	(42,882)	413,823
Total capital assets not being depreciated	614,165	413,823	(42,882)	985,106
Capital assets being depreciated:				
Buildings	764,608	54,277	-	818,885
Equipment and vehicles	4,796,132	653,327	(512,181)	4,937,278
Infrastructure, road network	4,812,881	1,546,424	-	6,359,305
Total capital assets being depreciated	10,373,621	2,254,028	(512,181)	12,115,468
Less accumulated depreciation for:				
Buildings	449,971	20,159	-	470,130
Equipment and vehicles	2,701,727	476,826	(266,181)	2,912,372
Infrastructure, road network	539,366	197,282	-	736,648
Total accumulated depreciation	3,691,064	694,267	(266,181)	4,119,150
Total capital assets being depreciated, net	6,682,557	1,559,761	(246,000)	7,996,318
Governmental activities capital assets, net	\$ 7,296,722	1,973,584	(288,882)	8,981,424

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 49,172
Physical health and social services	3,401
County environment and education	26,078
Roads and transportation	598,421
Administration	17,195
Total depreciation expense - governmental activities	<u>\$ 694,267</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	\$ 5,064
Special Revenue:		
Mental Health	Services	209,304
Rural Services	Services	88
Secondary Roads	Services	264
		<u>209,656</u>
Total for governmental funds		<u>\$ 214,720</u>
Agency:		
County Assessor	Collections	\$ 548,525
Schools		7,673,255
Community Colleges		378,444
Corporations		3,024,159
Auto License and Use Tax		213,909
County Hospital		1,423,204
All other		481,140
Total for agency funds		<u>\$ 13,742,636</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	General Obligation Bonds	E911 Equipment Loan	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ -	38,173	220,160	4,000	262,333
Increases	3,595,000	-	206,527	12,000	3,813,527
Decreases	-	38,173	199,656	8,000	245,829
Balance end of year	<u>\$ 3,595,000</u>	<u>-</u>	<u>227,031</u>	<u>8,000</u>	<u>3,830,031</u>
Due within one year	<u>\$ 185,000</u>	<u>-</u>	<u>169,951</u>	<u>-</u>	<u>354,951</u>

E911 Equipment Loan

On January 18, 2008, the County entered into a \$70,000 loan agreement for the E911 Service Board to purchase equipment upgrades. The E911 Board paid off the loan during the fiscal year and no outstanding balance remained at June 30, 2011.

General Obligation Bonds

A summary of the County's June 30, 2011 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	0.80%	\$ 185,000	137,304	322,304
2013	1.10	235,000	93,760	328,760
2014	1.40	235,000	91,175	326,175
2015	1.65	240,000	87,885	327,885
2016	1.95	245,000	83,925	328,925
2017-2021	2.25-3.30	1,290,000	331,528	1,621,528
2022-2025	3.45-3.85	1,165,000	110,337	1,275,337
Total		\$ 3,595,000	935,914	4,530,914

During the year ended June 30, 2011, the County issued \$3,595,000 of general obligation law enforcement center bonds.

(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 4.50% of their annual covered salary and the County is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$215,741, \$207,928 and \$186,615, 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, 2011, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 13,000
Adjustment to annual required contribution	(1,000)
Annual OPEB cost	<u>12,000</u>
Contributions made	(8,000)
Increase in net OPEB obligation	<u>4,000</u>
Net OPEB obligation beginning of year	<u>4,000</u>
Net OPEB obligation end of year	<u><u>\$ 8,000</u></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, 2011.

For the year ended June 30, 2011, the County contributed \$8,000 to the medical plan. Plan members eligible for benefits contributed \$13,000, or 61.9% 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, 2011 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
2011	12,000	66.7	8,000

Funded Status and Funding Progress – As of January 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, 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 \$2,989,000 and the ratio of the UAAL to covered payroll was 3.3%. As of June 30, 2011, 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 for the Retiree Health Plan, 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 9%. 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 of 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 645 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 150 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, 2011 were \$75,325.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, 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, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, 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% 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 July 2011, the County authorized the issuance of \$2,080,000 of general obligation bonds to construct, furnish and equip a law enforcement center. This issuance is in addition to the \$3,595,000 of general obligation bonds issued in December 2010 for the same purpose.

(12) Construction Commitment

The County has entered into a contract totaling \$4,414,800 for the construction of a law enforcement center. As of June 30, 2011, no costs under this contract have been incurred. The balance of the contract will be paid as work on the project progresses.

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	General	Special Revenue - Conservation Land Acquisition
Balances June 30, 2010, as previously reported	\$ 1,176,017	21,199
Change in fund type classification per implementation of GASB Statement No. 54	21,199	(21,199)
Balances July 1, 2010, as restated	\$ 1,197,216	-

(14) Railroad Damages

A train collision damaged a County bridge on April 17, 2011. A consultant estimates the County's cost to replace the bridge at \$1.2 million, with a repair estimate of \$600,000. The County is seeking damages from the railroad. However, at June 30, 2011, no settlement amount has been determined.

Montgomery County

Required Supplementary Information

Montgomery County

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

Required Supplementary Information

Year ended June 30, 2011

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts:				
Property and other county tax	\$ 4,679,360	4,627,546	4,627,546	51,814
Penalty and interest on property tax	52,077	15,800	15,800	36,277
Intergovernmental	5,477,511	4,269,105	4,988,076	489,435
Licenses and permits	6,703	8,200	8,200	(1,497)
Charges for service	289,396	395,181	395,181	(105,785)
Use of money and property	70,983	62,765	62,765	8,218
Miscellaneous	146,864	47,350	52,350	94,514
Total receipts	10,722,894	9,425,947	10,149,918	572,976
Disbursements:				
Public safety and legal services	1,696,776	1,974,919	1,974,919	278,143
Physical health and social services	686,464	700,484	833,146	146,682
Mental health	937,260	1,219,948	1,219,948	282,688
County environment and education	271,477	294,007	294,007	22,530
Roads and transportation	3,476,497	3,349,887	3,572,537	96,040
Governmental services to residents	367,615	426,437	426,437	58,822
Administration	761,589	789,127	816,079	54,490
Non-program	-	200	200	200
Debt service	48,810	25,928	25,928	(22,882)
Capital projects	1,052,896	579,734	1,573,536	520,640
Total disbursements	9,299,384	9,360,671	10,736,737	1,437,353
Excess (deficiency) of receipts over (under) disbursements	1,423,510	65,276	(586,819)	2,010,329
Other financing sources, net	3,578,149	15,840	5,690,840	(2,112,691)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	5,001,659	81,116	5,104,021	(102,362)
Balance beginning of year	2,668,032	2,429,042	2,429,042	238,990
Balance end of year	\$ 7,669,691	2,510,158	7,533,063	136,628

See accompanying independent auditor's report.

Montgomery County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,722,894	(368,050)	10,354,844
Expenditures	9,299,384	(108,628)	9,190,756
Net	1,423,510	(259,422)	1,164,088
Other financing sources, net	3,578,149	(35,855)	3,542,294
Beginning fund balances	2,668,032	525,171	3,193,203
Ending fund balances	<u>\$ 7,669,691</u>	<u>229,894</u>	<u>7,899,585</u>

See accompanying independent auditor's report.

Montgomery County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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, the Debt Service Fund and the Capital Projects 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 \$1,376,066. 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, 2011 exceeded the amount budgeted in the debt service function and disbursements in certain departments exceeded the amounts appropriated.

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)
2011	Jan 1, 2010	-	\$ 99	99	0.00%	\$ 2,797	3.5%
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, 2011

	County Recorder's Records Management	Flood and Erosion	Local Option Sales and Services Tax
Assets			
Cash and pooled investments	\$ 16,818	811	29,048
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Due from other governments	-	-	58,096
Total assets	\$ 16,818	811	87,144
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 907	-	-
Due to other funds	-	-	87,144
Deferred revenue:			
Succeeding year property tax	-	-	-
Other	-	-	-
Total liabilities	907	-	87,144
Fund balances:			
Restricted for:			
Debt service	-	-	-
Other purposes	15,911	811	-
Total fund balances	15,911	811	-
Total liabilities and fund balances	\$ 16,818	811	87,144

See accompanying independent auditor's report.

Special Revenue				
Seized and Forfeited Property - County Attorney	Seized and Forfeited Property - County Sheriff	Debt Service	Total	
2,076	9,774	2,414	60,941	
-	-	1,321	1,321	
-	-	389,000	389,000	
-	-	-	58,096	
2,076	9,774	392,735	509,358	
-	-	348	1,255	
-	-	-	87,144	
-	-	389,000	389,000	
-	-	1,271	1,271	
-	-	390,619	478,670	
-	-	2,116	2,116	
2,076	9,774	-	28,572	
2,076	9,774	2,116	30,688	
2,076	9,774	392,735	509,358	

Montgomery County

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

Year ended June 30, 2011

	County Recorder's Records Management	Flood and Erosion	Special Local Option Sales and Services Tax
Revenues:			
Property and other county tax	\$ -	-	-
Local option sales and services tax	-	-	368,358
Intergovernmental	-	-	-
Charges for service	2,160	-	-
Use of money and property	19	-	-
Miscellaneous	-	-	-
Total revenues	<u>2,179</u>	<u>-</u>	<u>368,358</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Governmental services to residents	1,058	-	-
Debt service	-	-	-
Total expenditures	<u>1,058</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	1,121	-	368,358
Other financing uses:			
Operating transfers out	-	-	(368,358)
Excess of revenues over expenditures and other financing uses	1,121	-	-
Fund balances beginning of year, as restated	14,790	811	-
Fund balances end of year	<u>\$ 15,911</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	Debt Service	Total	
-	-	9,730	9,730	
-	-	-	368,358	
-	-	449	449	
-	-	-	2,160	
-	-	-	19	
-	2,595	-	2,595	
-	2,595	10,179	383,311	
-	1,135	-	1,135	
-	-	-	1,058	
-	-	10,013	10,013	
-	1,135	10,013	12,206	
-	1,460	166	371,105	
-	-	-	(368,358)	
-	1,460	166	2,747	
2,076	8,314	1,950	27,941	
2,076	9,774	2,116	30,688	

Montgomery County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,144	248,641	119,728	5,164
Other County officials	28,372	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	483	1,052	26,527	1,280
Succeeding year	-	140,000	306,000	7,527,000	372,000
Accounts	-	-	10	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	-	3,100	-	-
Total assets	\$ 28,372	142,627	558,803	7,673,255	378,444
Liabilities					
Accounts payable	\$ -	-	-	-	-
Salaries and benefits payable	-	-	5,144	-	-
Due to other governments	12,476	142,627	548,525	7,673,255	378,444
Trusts payable	15,896	-	-	-	-
Compensated absences	-	-	5,134	-	-
Total liabilities	\$ 28,372	142,627	558,803	7,673,255	378,444

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	County Hospital	E911 Service	Other	Total
50,628	2,252	213,909	21,389	119,986	35,090	818,931
-	-	-	-	-	-	28,372
26,531	18	-	4,815	-	6	60,712
2,947,000	153,000	-	1,397,000	-	1,000	12,843,000
-	-	-	-	11,441	-	11,451
-	-	-	-	-	4,185	4,185
-	-	-	-	-	9,974	9,974
-	-	-	-	6,930	962	10,992
3,024,159	155,270	213,909	1,423,204	138,357	51,217	13,787,617
-	-	-	-	81	40	121
-	-	-	-	306	798	6,248
3,024,159	155,270	213,909	1,423,204	137,970	32,797	13,742,636
-	-	-	-	-	17,582	33,478
-	-	-	-	-	-	5,134
3,024,159	155,270	213,909	1,423,204	138,357	51,217	13,787,617

Montgomery County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 31,383	133,241	406,476	7,485,809	318,428
Additions:					
Property and other county tax	-	139,911	306,152	7,530,016	372,386
E911 surcharges	-	-	-	-	-
Intergovernmental	-	-	-	-	-
State tax credits	-	6,115	12,946	340,877	14,689
Drivers license fees	-	-	-	-	-
Office fees and collections	285,300	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	208,220	-	-	-	-
Miscellaneous	6,747	-	3,300	-	-
Total additions	500,267	146,026	322,398	7,870,893	387,075
Deductions:					
Agency remittances:					
To other funds	154,825	-	-	-	-
To other governments	133,136	136,640	170,071	7,683,447	327,059
Trusts paid out	215,317	-	-	-	-
Total deductions	503,278	136,640	170,071	7,683,447	327,059
Balances end of year	\$ 28,372	142,627	558,803	7,673,255	378,444

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	County Hospital	E911 Service	Other	Total
2,732,818	146,780	215,090	1,328,346	139,881	49,197	12,987,449
2,941,889	153,171	-	1,396,848	-	1,480	12,841,853
-	-	-	-	57,591	-	57,591
-	-	-	-	27,047	35,046	62,093
130,712	6,234	-	61,000	-	69	572,642
-	-	43,013	-	-	-	43,013
-	-	-	-	-	-	285,300
-	-	-	-	-	6,418	6,418
-	-	2,905,102	-	-	-	2,905,102
-	-	-	-	-	2,865	2,865
-	-	-	-	-	368,851	577,071
-	-	-	-	328	2,738	13,113
3,072,601	159,405	2,948,115	1,457,848	84,966	417,467	17,367,061
-	-	93,476	-	-	-	248,301
2,781,260	150,915	2,855,820	1,362,990	86,490	40,786	15,728,614
-	-	-	-	-	374,661	589,978
2,781,260	150,915	2,949,296	1,362,990	86,490	415,447	16,566,893
3,024,159	155,270	213,909	1,423,204	138,357	51,217	13,787,617

Montgomery County

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

For the Last Ten Years

	2011	2010	2009	2008
Revenues:				
Property and other county tax	\$ 4,313,696	4,112,240	3,613,576	3,446,408
Local option sales tax	368,358	315,515	352,231	315,178
Penalty and interest on property tax	52,631	60,910	44,606	48,889
Intergovernmental	5,169,417	5,311,182	4,474,893	3,268,697
Licenses and permits	6,130	10,408	6,698	7,435
Charges for service	289,079	266,585	257,946	261,812
Use of money and property	78,833	65,789	77,625	151,733
Miscellaneous	76,700	146,958	50,408	89,144
Total	\$ 10,354,844	10,289,587	8,877,983	7,589,296
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,729,277	1,719,833	1,574,965	1,617,566
Physical health and social services	623,764	765,526	764,003	685,763
Mental health	1,038,487	1,016,092	1,051,181	1,102,157
County environment and education	292,604	568,728	386,212	304,322
Roads and transportation	3,286,482	3,488,600	3,883,189	3,347,954
Governmental services to residents	370,083	323,060	363,367	332,816
Administration	752,815	758,976	709,973	652,599
Non-program	-	-	188	188
Debt service	48,868	24,281	25,751	71,203
Capital projects	1,048,376	1,594,673	496	164,394
Total	\$ 9,190,756	10,259,769	8,759,325	8,278,962

See accompanying independent auditor's report.

Modified Accrual Basis					
2007	2006	2005	2004	2003	2002
3,610,918	3,483,248	3,558,365	3,295,899	3,299,002	2,828,492
364,072	253,099	274,967	289,557	275,163	283,376
43,021	40,657	36,153	36,484	53,932	37,515
3,666,726	3,717,722	3,254,490	3,370,910	3,963,034	3,334,778
8,240	6,395	3,802	5,051	5,165	4,580
266,787	276,669	274,344	324,964	230,626	211,918
171,377	143,711	76,530	53,678	75,892	103,130
72,677	63,807	154,139	70,709	20,213	73,536
8,203,818	7,985,308	7,632,790	7,447,252	7,923,027	6,877,325
1,522,158	1,562,204	1,561,279	1,538,008	1,612,309	1,541,681
648,183	767,606	748,024	754,554	705,939	615,063
996,251	899,688	845,478	821,818	922,694	918,130
273,717	536,622	352,028	412,139	550,533	386,154
2,655,699	2,611,352	2,435,439	2,559,409	2,440,342	2,437,700
311,434	426,736	330,171	383,206	396,655	390,575
713,278	683,123	648,543	615,399	617,103	543,013
-	180	815	172	92	4,345
63,389	63,503	114,041	118,481	190,681	191,447
225,380	652,897	1,528	2,393	366,708	75,500
7,409,489	8,203,911	7,037,346	7,205,579	7,803,056	7,103,608

Schedule 6

Montgomery County

Schedule of Expenditures of Federal Awards

June 30, 2011

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-69-6114-90-30	\$ 65,758
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		11,134
U.S. Department of Justice:			
Iowa Department of Public Safety:			
Federal Marijuana Eradication	16.000		1,385
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STATE ER IA-10-02	90,000
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 11-03, Task 0525	4,625
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		15,640
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5880BT69	9,706
Public Health Emergency Preparedness	93.069	5881BT69	13,817
Public Health Emergency Preparedness	93.069	5881BT369	19,627
			43,150
Centers for Disease Control and Prevention_ Investigations and Technical Assistance			
	93.283	5881OB29	4,447
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance_ State Administered Programs			
	93.566		7
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		2,699
Foster Care Title IV-E	93.658		4,405
Adoption Assistance	93.659		1,066
Children's Health Insurance Program	93.767		50
Medical Assistance Program	93.778		10,652
Social Services Block Grant	93.667		3,788
Social Services Block Grant	93.667		54,568
			58,356

Montgomery County
 Schedule of Expenditures of Federal Awards
 June 30, 2011

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Loess Hills Area Education Agency: Community-Based Child Abuse Prevention Grants	93.590		<u>2,640</u>
Iowa Secretary of State: Voting Access for Individuals with Disabilities_ Grants to States	93.617	069-11-001	<u>1,218</u>
Taylor County: Maternal and Child Health Services Block Grant to the States	93.994	5881MH25	<u>2,801</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	165,720
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1930-DR-IA	<u>83,244</u>
			<u>248,964</u>
Emergency Management Performance Grants	97.042	2010EMPG	3,147
Emergency Management Performance Grants	97.042	2011EMPG	<u>9,724</u>
			<u>12,871</u>
Southwest Iowa Planning Council: Homeland Security Grant Program	97.067	2008-GE-T8-2008-004	135
Homeland Security Grant Program	97.067	2009-SS-T9-0034-04	<u>372</u>
			<u>507</u>
Total indirect			<u>516,617</u>
Total			<u>\$ 582,375</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Montgomery County and is presented on the modified accrual basis of accounting. The information in 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

State Capitol Building
Des Moines, Iowa 50319-0004

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

To the Officials of Montgomery County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Montgomery County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 1, 2012. 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

The management of Montgomery County is responsible for establishing and maintaining effective 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-11 and II-B-11 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-11 and II-D-11 to be significant deficiencies.

Compliance and Other Matters

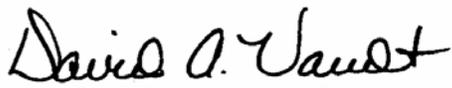
As part of obtaining reasonable assurance about whether Montgomery County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 which 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, 2011 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 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, 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 1, 2012

**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
STATE OF IOWA

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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

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 each of Montgomery County's major federal programs for the year ended June 30, 2011. 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, 2011.

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.

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 1, 2012

Montgomery County
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

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) No material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no 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, 2011

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-11 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 and Sheriff
(3) Investments – investing, custody and accounting.	Treasurer
(4) Disbursements – check or warrant writing, signing, posting, reconciling and final approval.	Treasurer, Recorder and Sheriff

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 department head will review their office procedures and attempt to gain the best possible internal control and when possible use other offices to add additional control measures.

Conclusion – Response accepted.

II-B-11 Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital assets not initially recorded in the County's financial statements. We also identified a material grant classified as "miscellaneous" revenue rather than "intergovernmental" revenue. 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, 2011

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

Response – The County will ensure all receivables, payables, capital assets and intergovernmental revenues are properly recorded.

Conclusion – Response accepted.

- II-C-11 Timesheets – The County Engineer, who is an employee of the County but whose services are shared with Page County, does not submit a timesheet to the Board of Supervisors for its review and approval.

Recommendation – The Board of Supervisors should receive and approve timesheets for the County Engineer which support all hours worked and leave taken.

Response – The Board requires timesheets to be submitted to each specific department manager to monitor hours worked and time taken away from work. However, the Board does not require a shared employee with Page County to submit timesheets to the Board. Page County requires this but we feel that this is a personal issue with the Page County Supervisors and we wish to remain neutral on the matter.

Conclusion – Response acknowledged. The Board of Supervisors should require approved timesheets for all employees, including the County Engineer whose services are shared with Page County, to support hours worked and leave taken.

- II-D-11 Information System – The County does not have an adequate written disaster recovery plan for its information system.

Recommendation – A comprehensive written disaster recovery plan should be developed for the information system, in addition to the County’s continuity of government contract with Agility.

Response – The County has a draft plan and will continue to update and implement that plan as it is developed.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Montgomery County
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Montgomery County
Schedule of Findings
Year ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amount budgeted in the debt service function and disbursements in certain departments exceeded the amounts appropriated.

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

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – The County will monitor its budget and appropriations more closely.

Conclusion - Response accepted.

IV-B-11 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-11 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-11 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-11 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-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-11 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-11 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 and Questioned Costs

Year ended June 30, 2010

IV-I-11 GAAP Basis Financial Report - The County's GAAP basis financial report was completed and submitted to the Department of Management timely. However, the report contained material errors.

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

Response - The County will amend the GAAP report and attempt to monitor this more closely in the future.

Conclusion - Response accepted.

IV-J-11 Local Option Sales and Services Tax - The County has imposed a local option sales and services tax (LOSST) of 1% effective through June 30, 2014. The LOSST revenues are to be expended for specific purposes allowed by the LOSST special election ballot. The County does not track disbursements of LOSST revenues or monitor unspent balances at year end.

Recommendation - The County should track LOSST revenues, expenditures and balances to document and ensure compliance with use of LOSST funds for allowable purposes.

Response - In the future all LOST funds will be allocated and spent within the fiscal year or appropriated into the next fiscal year and a tracking mechanism will be developed and enforced.

Conclusion - Response accepted.

IV-K-11 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, 2011 for the County Extension Office did not exceed the amount budgeted.

Montgomery County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Tammy A. Hollingsworth, Senior Auditor II
Jennifer M. Kopp, Staff Auditor
Tracey L. Gerrish, Staff Auditor
Kassi D. Adams, Assistant Auditor
Ann C. McMinimee, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State