

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 29, 2013

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$18,827,054 for the year ended June 30, 2012, which included \$772,038 in tax credits from the state. The County forwarded \$13,675,624 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,151,430 of the local tax revenue to finance County operations, a 14.1% increase over the prior year. Other revenues included charges for service of \$675,155, operating grants, contributions and restricted interest of \$3,261,214, capital grants, contributions and restricted interest of \$3,048,693, local option sales and services tax of \$361,968, gain on disposition of capital assets of \$38,489, unrestricted investment earnings of \$11,562 and other general revenues of \$91,662.

Expenses for County operations totaled \$9,127,820, a 5.6% increase over the prior year. Expenses included \$3,829,505 for roads and transportation, \$1,828,313 for public safety and legal services and \$1,169,423 for mental health.

The significant increase in revenues is primarily due to an increase in capital assets contributed to the County by the Iowa Department of Transportation and an increase in property tax. The significant increase in expenses is due primarily to an increase in law enforcement center costs, including interest on the general obligation law enforcement center bonds, and an increase in mental health costs.

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/1210-0069-B00F.pdf>.

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MONTGOMERY COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2012

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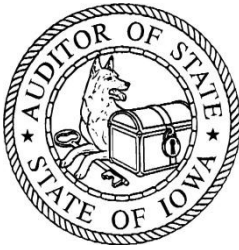
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Montgomery County

Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
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	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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David A. Vaudt, CPA
Auditor of State

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, 2012, 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, 2012, 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 February 28, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 42 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to

our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the year ended June 30, 2003 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information 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

February 28, 2013

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, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 18.0%, or approximately \$1,932,000, from fiscal year 2011 to fiscal year 2012. Property tax increased approximately \$621,000, capital grants, contributions and restricted interest increased approximately \$1,977,000, charges for service decreased approximately \$19,000 and operating grants, contributions and restricted interest decreased approximately \$690,000.
- The County's current fiscal year program expenses increased 5.6%, or approximately \$483,000, from the prior fiscal year. Mental health expenses increased approximately \$130,000, interest on long-term debt expenses increased approximately \$125,000 and public safety and legal services expenses increased approximately \$94,000.
- The County's net assets increased 26.8%, or approximately \$3,512,000, from June 30, 2011 to June 30, 2012.

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.
- Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which 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,	
	2012	2011
Current and other assets	\$ 12,312	13,518
Capital assets	15,780	8,981
Total assets	<u>28,092</u>	<u>22,499</u>
Long-term liabilities	5,709	3,830
Other liabilities	5,784	5,583
Total liabilities	<u>11,493</u>	<u>9,413</u>
Net assets:		
Invested in capital assets, net of related debt	11,109	8,526
Restricted	4,467	3,762
Unrestricted	1,023	798
Total net assets	<u>\$ 16,599</u>	<u>13,086</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 \$2,583,000, or 30.3%, over the prior year, primarily due to an increase in road infrastructure during the year.

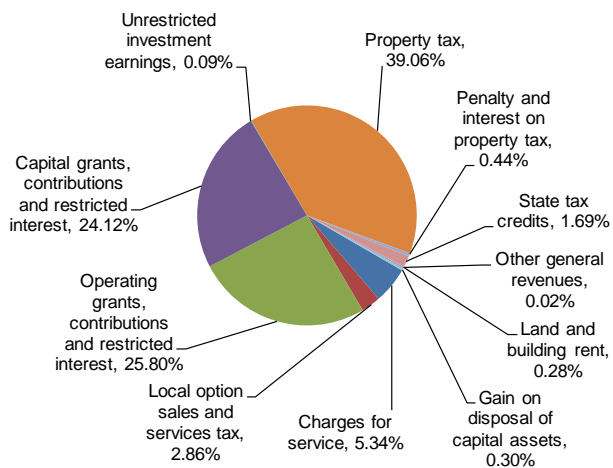
Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net asset component increased approximately \$705,000, or 18.7%, over the prior year. This increase is due primarily to an increase in the Special Revenue, Secondary Roads Fund balance.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased approximately \$225,000, or 28.2%, over the prior year. This increase is due primarily to an increase in the General Fund balance.

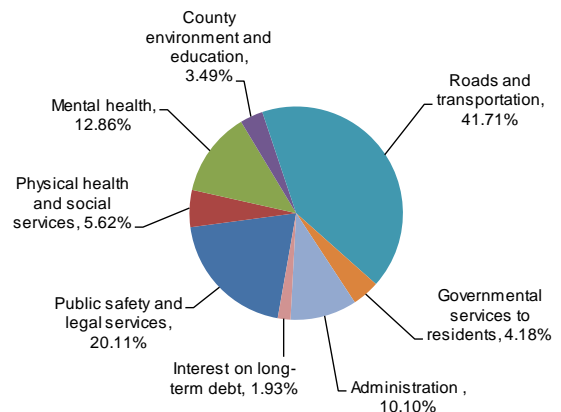
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2012	2011
Revenues:		
Program revenues:		
Charges for service	\$ 675	694
Operating grants, contributions and restricted interest	3,261	3,951
Capital grants, contributions and restricted interest	3,049	1,072
General revenues:		
Property tax	4,937	4,316
Penalty and interest on property tax	55	53
State tax credits	214	197
Local option sales and services tax	362	368
Unrestricted investment earnings	12	43
Land and building rent	35	13
Gain on disposal of capital assets	38	-
Other general revenues	2	1
Total revenues	12,640	10,708
Program expenses:		
Public safety and legal services	1,828	1,734
Physical health and social services	511	634
Mental health	1,169	1,039
County environment and education	317	266
Roads and transportation	3,829	3,718
Governmental services to residents	380	372
Administration	918	832
Interest on long-term debt	175	50
Total expenses	9,127	8,645
Change in net assets	3,513	2,063
Net assets beginning of year	13,086	11,023
Net assets end of year	\$ 16,599	13,086

Revenues by Source



Expenses by Program



The County increased property tax rates \$.67 per \$1,000 of taxable valuation for the countywide levy and the rural levy remained at \$4.90 per \$1,000. The general basic levy remained at \$3.50 per \$1,000 of taxable valuation, while the general supplemental levy decreased \$.08 per \$1,000 of taxable valuation and the mental health levy decreased \$.05 per \$1,000 of taxable valuation. The debt service levy increased \$.80 per \$1,000 of taxable valuation. The rural assessed property taxable valuation increased approximately \$19,000,000. The countywide assessed property taxable valuation increased approximately \$30,000,000. Based on the valuation increases and the changes in property tax rates, property tax revenue increased approximately \$621,000.

The cost of all governmental activities this year was approximately \$9.1 million compared to approximately \$8.6 million last year. The increase in expenses is primarily due to an increase in law enforcement center costs, including interest on the general obligation law enforcement center bonds, and an increase in mental health costs. Overall, the County's governmental activities revenues, including intergovernmental aid and fees for services, increased in fiscal year 2012 from approximately \$10.7 million in fiscal year 2011 to approximately \$12.6 million. Capital grants, contributions and restricted interest increased approximately \$1,977,000 due to an increase in farm to market projects contributed by the Iowa Department of Transportation in fiscal year 2012. Operating grants, contributions and restricted interest decreased approximately \$690,000, primarily due to emergency watershed protection and FEMA grant revenues received in the prior year 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 \$6.5 million, a decrease of approximately \$1,384,000 from last year's total of approximately \$7.9 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 \$442,000 during the fiscal year to approximately \$2,143,000. This increase was due to increased property tax revenues resulting from increased property valuations.

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 decreased approximately \$135,000 from the prior year balance of \$724,952. Revenues from state aid decreased approximately \$389,000 due to reduced growth allocation funding from the Iowa Department of Human Services and mental health expenditures increased approximately \$131,000. Expenditures exceeded revenues by \$135,000 for the year.

The Special Revenue, Rural Services Fund ending fund balance increased approximately \$88,000, from the prior year to approximately \$391,000. Property tax revenues for the Rural Services Fund increased approximately \$95,000 in fiscal year 2012 due to an increase in the overall property valuation. Expenditures decreased approximately \$23,000, primarily because the Rural Services Fund funded the purchase of a Sheriff's Department vehicle during fiscal year 2011, but did not have a similar expenditure in fiscal year 2012.

Special Revenue, Secondary Roads Fund revenues decreased approximately \$899,000 while expenditures decreased approximately \$648,000 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 \$441,000.

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 fiscal year 2011 and \$2,080,000 of general obligation bonds issued during the current fiscal year. Expenditures of approximately \$4,750,000 are reported as construction in progress at June 30, 2012. The Capital Projects Fund fund balance was approximately \$819,000 at year end. This is a decrease of approximately \$2,320,000 from fiscal year 2011, as the project was closer to completion at June 30, 2012.

BUDGETARY HIGHLIGHTS

Montgomery County amended its budget once during fiscal year 2012. The amendment was made in May 2012 and resulted in an increase in anticipated disbursements for road projects and construction of the law enforcement center. The County's receipts were approximately \$278,000 less than budgeted. The most significant variance resulted from the County budgeting for an increase in Ag Extension appraisals which did not actually take effect until fiscal year 2013, and the County expected more intergovernmental receipts for the Golden Hills RC&D Project. However, since the project was not completed by the end of the year, a budgeted reimbursement for the project was not received. Total disbursements were approximately \$1,935,000 less than the amended budget. Actual disbursements for the capital projects function was \$1,500,100 less than budgeted. This was primarily due to a planned law enforcement project not completed in the fiscal year.

Disbursements during the year ended June 30, 2012 exceeded the amount budgeted in the roads and transportation function and disbursements in certain departments exceeded the amounts appropriated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, Montgomery County had approximately \$15.780 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 \$6,799,000, or 75.7%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2012	2011
Land	\$ 523	523
Intangibles, road network	48	48
Construction in progress	4,750	414
Buildings and improvements	329	349
Equipment and vehicles	1,787	2,025
Infrastructure	8,343	5,622
Total	\$ 15,780	8,981
This year's major additions included:		
Law enforcement center construction in progress	\$ 4,336,042	
Infrastructure	3,030,063	
Total	\$ 7,366,105	

Montgomery County had depreciation expense of \$749,853 in fiscal year 2012 and total accumulated depreciation of \$4,769,515 at June 30, 2012. Additional information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2012, Montgomery County had \$5,490,000 of general obligation bonds outstanding, compared to \$3,595,000 of general obligation bonds outstanding at June 30, 2011.

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

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 \$38 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 2013 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 2012 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 2013, the same rates levied for fiscal year 2012.

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 2012, these amounts were \$289,264, \$36,158, \$18,079 and \$18,079, respectively.

Looking to the future in fiscal year 2013, the County will be continuing construction of the 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 Stephanie Burke 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, 2012

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 6,407,299
Receivables:	
Property tax:	
Delinquent	14,463
Succeeding year	5,090,000
Interest and penalty on property tax	11,896
Accounts	693
Accrued interest	1,299
Due from other governments	383,965
Inventories	294,917
Prepaid items	107,173
Capital assets (net of accumulated depreciation)	15,780,149
Total assets	<u>28,091,854</u>
Liabilities	
Accounts payable	440,634
Accrued interest payable	13,931
Salaries and benefits payable	66,594
Due to other governments	173,025
Deferred revenue:	
Succeeding year property tax	5,090,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	235,000
Compensated absences	159,905
Portion due or payable after one year:	
General obligation bonds	5,255,000
Compensated absences	46,957
Net OPEB liability	12,000
Total liabilities	<u>11,493,046</u>
Net Assets	
Invested in capital assets, net of related debt	11,109,467
Restricted for:	
Supplemental levy purposes	982,474
Mental health purposes	591,586
Rural services purposes	240,782
Secondary roads purposes	2,360,429
Public safety	45,325
Courthouse repairs	67,708
Conservation land acquisition	21,199
Debt service	87,623
Other purposes	69,623
Unrestricted	1,022,592
Total net assets	<u>\$ 16,598,808</u>

See notes to financial statements.

Montgomery County

Statement of Activities

Year ended June 30, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Contributions and Restricted Interest	Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,828,313	170,170	157,013	18,630	(1,482,500)
Physical health and social services	510,850	36,166	231,967	-	(242,717)
Mental health	1,169,423	230,310	438,380	-	(500,733)
County environment and education	316,886	17,904	16,786	-	(282,196)
Roads and transportation	3,829,505	27,216	2,381,570	3,030,063	1,609,344
Governmental services to residents	379,696	180,349	-	-	(199,347)
Administration	917,916	13,040	35,498	-	(869,378)
Interest on long-term debt	175,231	-	-	-	(175,231)
Total	\$ 9,127,820	675,155	3,261,214	3,048,693	(2,142,758)
General Revenues:					
Property and other county tax levied for:					
General purposes					4,933,225
Debt service					3,954
Penalty and interest on property tax					54,763
State tax credits					214,251
Local option sales and services tax					361,968
Unrestricted investment earnings					11,562
Land and building rent					34,740
Gain on disposition of capital assets					38,489
Miscellaneous					2,159
Total general revenues					5,655,111
Change in net assets					3,512,353
Net assets beginning of year					13,086,455
Net assets end of year					\$ 16,598,808

See notes to financial statements.

Montgomery County

Balance Sheet
Governmental Funds

June 30, 2012

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 2,063,604	725,801	405,316
Receivables:			
Property tax:			
Delinquent	11,298	1,434	88
Succeeding year	2,775,000	352,000	1,571,000
Interest and penalty on property tax	11,896	-	-
Accounts	693	-	-
Accrued interest	1,299	-	-
Due from other funds	17,506	-	-
Due from other governments	41,220	56,137	-
Inventories	-	-	-
Prepaid items	84,506	-	-
Total assets	\$ 5,007,022	1,135,372	1,976,404
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 19,144	33,917	2,001
Salaries and benefits payable	35,977	-	11,694
Due to other funds	-	-	-
Due to other governments	11,093	157,869	1,097
Deferred revenue:			
Succeeding year property tax	2,775,000	352,000	1,571,000
Other	22,639	1,407	78
Total liabilities	<u>2,863,853</u>	<u>545,193</u>	<u>1,585,870</u>
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid items	84,506	-	-
Restricted for:			
Supplemental levy purposes	804,296	-	133,270
Mental health purposes	-	590,179	-
Rural services purposes	-	-	257,264
Secondary roads purposes	-	-	-
Public safety	45,325	-	-
Courthouse repairs	67,708	-	-
Conservation land acquisition	21,199	-	-
Capital projects	-	-	-
Debt service	-	-	-
Other purposes	39,134	-	-
Unassigned	1,081,001	-	-
Total fund balances	<u>2,143,169</u>	<u>590,179</u>	<u>390,534</u>
Total liabilities and fund balances	\$ 5,007,022	1,135,372	1,976,404

See notes to financial statements.

Secondary Roads	Capital Projects	Nonmajor	Total
2,090,747	962,254	159,577	6,407,299
-	-	1,643	14,463
-	-	392,000	5,090,000
-	-	-	11,896
-	-	-	693
-	-	-	1,299
70,027	-	-	87,533
228,252	-	58,356	383,965
294,917	-	-	294,917
22,667	-	-	107,173
2,706,610	962,254	611,576	12,399,238
242,636	142,936	-	440,634
18,923	-	-	66,594
-	-	87,533	87,533
2,966	-	-	173,025
-	-	392,000	5,090,000
-	-	1,613	25,737
264,525	142,936	481,146	5,883,523
294,917	-	-	294,917
22,667	-	-	107,173
-	-	-	937,566
-	-	-	590,179
-	-	-	257,264
2,124,501	-	-	2,124,501
-	-	-	45,325
-	-	-	67,708
-	-	-	21,199
-	819,318	-	819,318
-	-	99,941	99,941
-	-	30,489	69,623
-	-	-	1,081,001
2,442,085	819,318	130,430	6,515,715
2,706,610	962,254	611,576	12,399,238

Montgomery County

Montgomery County

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

June 30, 2012

Total governmental fund balances (page 19)

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

	\$ 6,515,715
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$20,549,664 and the accumulated depreciation is \$4,769,515.	15,780,149
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the funds.	25,737
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.	<u>(5,722,793)</u>
Net assets of governmental activities (page 16)	<u><u>\$ 16,598,808</u></u>

See notes to financial statements.

Montgomery County

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

Year ended June 30, 2012

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,710,321	350,558	1,485,899
Local option sales and services tax	-	-	-
Interest and penalty on property tax	51,815	-	-
Intergovernmental	653,844	681,077	62,908
Licenses and permits	6,103	-	-
Charges for service	284,318	-	2,040
Use of money and property	46,469	-	-
Miscellaneous	43,622	3,015	-
Total revenues	<u>3,796,492</u>	<u>1,034,650</u>	<u>1,550,847</u>
Expenditures:			
Operating:			
Public safety and legal services	1,330,135	-	459,152
Physical health and social services	510,306	-	-
Mental health	-	1,169,423	-
County environment and education	250,709	-	42,213
Roads and transportation	-	-	278,916
Governmental services to residents	371,734	-	2,231
Administration	873,031	-	-
Debt service	93,644	-	-
Capital projects	-	-	-
Total expenditures	<u>3,429,559</u>	<u>1,169,423</u>	<u>782,512</u>
Excess (deficiency) of revenues over (under) expenditures	<u>366,933</u>	<u>(134,773)</u>	<u>768,335</u>
Other financing sources (uses):			
Sale of capital assets	2,596	-	-
Operating transfers in	72,394	-	-
Operating transfers out	-	-	(680,000)
General obligation bonds issued	-	-	-
Discount on general obligation bonds issued	-	-	-
Total other financing sources (uses)	<u>74,990</u>	<u>-</u>	<u>(680,000)</u>
Change in fund balances	441,923	(134,773)	88,335
Fund balances beginning of year	1,701,246	724,952	302,199
Fund balances end of year	<u>\$ 2,143,169</u>	<u>590,179</u>	<u>390,534</u>

See notes to financial statements.

Secondary Roads	Capital Projects	Nonmajor	Total
-	-	387,783	4,934,561
-	-	361,968	361,968
-	-	-	51,815
2,419,558	-	16,860	3,834,247
835	-	-	6,938
-	-	1,994	288,352
2,849	18,630	23	67,971
38,407	-	-	85,044
<u>2,461,649</u>	<u>18,630</u>	<u>768,628</u>	<u>9,630,896</u>
-	-	100	1,789,387
-	-	-	510,306
-	-	-	1,169,423
-	-	-	292,922
2,929,304	-	-	3,208,220
-	-	-	373,965
-	-	-	873,031
-	-	306,818	400,462
60,975	4,385,391	-	4,446,366
<u>2,990,279</u>	<u>4,385,391</u>	<u>306,918</u>	<u>13,064,082</u>
(528,630)	(4,366,761)	461,710	(3,433,186)
-	-	-	2,596
969,574	-	-	1,041,968
-	-	(361,968)	(1,041,968)
-	2,080,000	-	2,080,000
-	(33,280)	-	(33,280)
<u>969,574</u>	<u>2,046,720</u>	<u>(361,968)</u>	<u>2,049,316</u>
440,944	(2,320,041)	99,742	(1,383,870)
2,001,141	3,139,359	30,688	7,899,585
<u>2,442,085</u>	<u>819,318</u>	<u>130,430</u>	<u>6,515,715</u>

Montgomery County

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

Year ended June 30, 2012

Change in fund balances - Total governmental funds (page 23) \$ (1,383,870)

**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	\$ 4,482,622	
Capital assets contributed by the Iowa Department of Transportation	3,030,063	
Depreciation expense	<u>(749,853)</u>	6,762,832

In the Statement of Activities, the gain on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 35,893

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	2,618	
Other	<u>(61,893)</u>	(59,275)

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	(2,080,000)	
Repaid	<u>185,000</u>	(1,895,000)

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	20,169	
Other postemployment benefits	(4,000)	
Interest on long-term debt	<u>35,604</u>	51,773

Change in net assets of governmental activities (page 17) \$ 3,512,353

See notes to financial statements.

Montgomery County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,002,973
Other County officials	28,648
Receivables:	
Property tax:	
Delinquent	78,624
Succeeding year	13,134,000
Accounts	8,591
Special assessments	1,106
Due from other governments	21,078
Prepaid items	3,100
Total assets	14,278,120

Liabilities

Accounts payable	4,324
Salaries and benefits payable	2,394
Due to other governments	14,222,777
Trusts payable	44,845
Compensated absences	3,780
Total liabilities	14,278,120

Net assets	\$ -
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See notes to financial statements.

Montgomery County

Notes to Financial Statements

June 30, 2012

(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 and 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 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

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, 2012, 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, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, 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.

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, 2012 exceeded the amount budgeted in the roads and transportation function and disbursements in certain departments exceeded the amounts appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2012 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, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Local Option Sales and Services Tax	\$ 17,506
Special Revenue: Secondary Roads	Special Revenue: Local Option Sales and Services Tax	70,027
Total		<u>\$ 87,533</u>

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales and Services Tax	\$ 72,394
Special Revenue: Secondary Roads	Special Revenue: Rural Services Local Option Sales and Services Tax	680,000 289,574 969,574
Total		<u>\$ 1,041,968</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 522,788	-	-	522,788
Intangibles, road network	48,495	-	-	48,495
Construction in progress	413,823	4,336,042	-	4,749,865
Total capital assets not being depreciated	985,106	4,336,042	-	5,321,148
Capital assets being depreciated:				
Buildings	818,885	-	-	818,885
Equipment and vehicles	4,937,278	190,360	(107,375)	5,020,263
Infrastructure, road network	6,359,305	3,030,063	-	9,389,368
Total capital assets being depreciated	12,115,468	3,220,423	(107,375)	15,228,516
Less accumulated depreciation for:				
Buildings	470,130	20,159	-	490,289
Equipment and vehicles	2,912,372	420,478	(99,488)	3,233,362
Infrastructure, road network	736,648	309,216	-	1,045,864
Total accumulated depreciation	4,119,150	749,853	(99,488)	4,769,515
Total capital assets being depreciated, net	7,996,318	2,470,570	(7,887)	10,459,001
Governmental activities capital assets, net	\$ 8,981,424	6,806,612	(7,887)	15,780,149

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 57,605
Physical health and social services	2,660
County environment and education	23,473
Roads and transportation	649,546
Administration	16,569
Total depreciation expense - governmental activities	<u>\$ 749,853</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 at June 30, 2012 is as follows:

Fund	Description	Amount
General	Services	\$ 11,093
Special Revenue:		
Mental Health	Services	157,869
Rural Services	Services	1,097
Secondary Roads	Services	2,966
		<u>161,932</u>
Total for governmental funds		<u>\$ 173,025</u>
Agency:		
County Assessor	Collections	\$ 680,514
Schools		7,982,815
Community Colleges		409,940
Corporations		2,910,838
Auto License and Use Tax		251,937
County Hospital		1,489,750
All other		496,983
Total for agency funds		<u>\$ 14,222,777</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	General Obligation Bonds	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 3,595,000	227,031	8,000	3,830,031
Increases	2,080,000	221,308	12,000	2,313,308
Decreases	185,000	241,477	8,000	434,477
Balance end of year	<u>\$ 5,490,000</u>	<u>206,862</u>	<u>12,000</u>	<u>5,708,862</u>
Due within one year	\$ 235,000	159,905	-	394,905

General Obligation Bonds

A summary of the County's June 30, 2012 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Law Enforcement Center Bonds Issued Dec. 10, 2010			Law Enforcement Center Bonds Issued July 11, 2011		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2013	1.10%	\$ 235,000	93,760	0.00%	\$ -	82,063
2014	1.40	235,000	91,175	0.00	-	82,063
2015	1.65	240,000	87,885	0.00	-	82,063
2016	1.95	245,000	83,925	0.00	-	82,063
2017	2.25	245,000	79,147	0.00	-	82,063
2018-2022	2.55-3.45	1,325,000	295,105	0.00	-	410,310
2023-2027	3.60-3.85	885,000	67,613	3.65-3.80	640,000	398,815
2028-2031		-	-	3.85-4.20	1,440,000	150,225
Total		<u>\$ 3,410,000</u>	<u>798,610</u>		<u>\$ 2,080,000</u>	<u>1,369,665</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2013	\$ 235,000	175,823	410,823
2014	235,000	173,238	408,238
2015	240,000	169,948	409,948
2016	245,000	165,988	410,988
2017	245,000	161,210	406,210
2018-2022	1,325,000	705,415	2,030,415
2023-2027	1,525,000	466,428	1,991,428
2028-2031	1,440,000	150,225	1,590,225
Total	<u>\$ 5,490,000</u>	<u>2,168,275</u>	<u>7,658,275</u>

During the year ended June 30, 2012, the County issued \$2,080,000 of general obligation law enforcement center bonds and retired \$185,000 of 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 5.38% of their annual covered salary and the County is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$267,835, \$215,741 and \$207,928, 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 employees, retirees and their spouses. There are 78 active and 2 retired members in the plan. 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, 2012, 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	12,000
Contributions made	(8,000)
Increase in net OPEB obligation	4,000
Net OPEB obligation beginning of year	8,000
Net OPEB obligation end of year	\$ 12,000

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, 2012.

For the year ended June 30, 2012, the County contributed \$8,000 to the medical plan. Plan members eligible for benefits contributed \$12,000, or 60% 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 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
2012	12,000	66.7	12,000

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, 2012, 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 \$3,233,000 and the ratio of the UAAL to covered payroll was 3.1%. As of June 30, 2012, 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 8%. 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 663 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% 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, 2012 were \$81,428.

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, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, 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) Construction Commitment

The County has entered into a contract totaling \$4,414,800 for construction of a law enforcement center. As of June 30, 2012, the balance of the contract was \$448,749.

(12) 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, 2012, a settlement amount has not 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, 2012

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
Property and other county tax	\$ 5,313,292	5,278,361	5,278,361	34,931
Penalty and interest on property tax	51,887	15,800	15,800	36,087
Intergovernmental	3,800,753	4,139,952	4,149,952	(349,199)
Licenses and permits	6,948	8,600	8,600	(1,652)
Charges for service	288,157	387,780	387,780	(99,623)
Use of money and property	83,204	68,330	68,330	14,874
Miscellaneous	131,827	44,800	44,800	87,027
Total receipts	9,676,068	9,943,623	9,953,623	(277,555)
Disbursements:				
Public safety and legal services	1,845,683	2,028,170	2,028,170	182,487
Physical health and social services	538,579	682,198	682,198	143,619
Mental health	1,220,982	1,255,218	1,255,218	34,236
County environment and education	322,684	377,430	377,430	54,746
Roads and transportation	3,140,957	3,048,900	3,104,200	(36,757)
Governmental services to residents	385,690	421,136	421,136	35,446
Administration	888,920	891,681	901,681	12,761
Non-program	-	200	200	200
Debt service	397,098	404,988	404,988	7,890
Capital projects	4,244,434	5,744,534	5,744,534	1,500,100
Total disbursements	12,985,027	14,854,455	14,919,755	1,934,728
Excess (deficiency) of receipts over (under) disbursements	(3,308,959)	(4,910,832)	(4,966,132)	1,657,173
Other financing sources, net	2,046,567	-	-	2,046,567
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,262,392)	(4,910,832)	(4,966,132)	3,703,740
Balance beginning of year	7,669,691	7,763,302	7,763,302	(93,611)
Balance end of year	\$ 6,407,299	2,852,470	2,797,170	3,610,129

See accompanying independent auditor's report.

Montgomery County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 9,676,068	(45,172)	9,630,896
Expenditures	12,985,027	79,055	13,064,082
Net	(3,308,959)	(124,227)	(3,433,186)
Other financing sources, net	2,046,567	2,749	2,049,316
Beginning fund balances	7,669,691	229,894	7,899,585
Ending fund balances	\$ 6,407,299	108,416	6,515,715

See accompanying independent auditor's report.

Montgomery County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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 \$65,300. 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, 2012 exceeded the amount budgeted in the roads and transportation 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)
2010	Jan 1, 2010	-	\$ 99	99	0.00%	\$ 2,797	3.50%
2011	Jan 1, 2010	-	99	99	0.00	2,989	3.30
2012	Jan 1, 2010	-	99	99	0.00	3,233	3.10

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

Supplementary Information

Montgomery County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2012

	County Recorder's Records Management	Flood and Erosion	Special Local Option Sales and Services Tax
Assets			
Cash and pooled investments	\$ 17,928	811	29,177
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Due from other governments	-	-	58,356
Total assets	\$ 17,928	811	87,533
Liabilities and Fund Balances			
Liabilities:			
Due to other funds	\$ -	-	87,533
Deferred revenue:			
Succeeding year property tax	-	-	-
Other	-	-	-
Total liabilities	-	-	87,533
Fund balances:			
Restricted for:			
Debt service	-	-	-
Other purposes	17,928	811	-
Total fund balances	17,928	811	-
Total liabilities and fund balances	\$ 17,928	811	87,533

See accompanying independent auditor's report.

Revenue				
	Seized and Forfeited Property - County Attorney	Seized and Forfeited Property - County Sheriff	Debt Service	Total
	2,076	9,674	99,911	159,577
	-	-	1,643	1,643
	-	-	392,000	392,000
	-	-	-	58,356
	2,076	9,674	493,554	611,576
	-	-	-	87,533
	-	-	392,000	392,000
	-	-	1,613	1,613
	-	-	393,613	481,146
	-	-	99,941	99,941
	2,076	9,674	-	30,489
	2,076	9,674	99,941	130,430
	2,076	9,674	493,554	611,576

Montgomery County

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

Year ended June 30, 2012

	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	-	-	361,968
Intergovernmental	-	-	-
Charges for service	1,994	-	-
Use of money and property	23	-	-
Total revenues	<u>2,017</u>	<u>-</u>	<u>361,968</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Debt service	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	2,017	-	361,968
Other financing uses:			
Operating transfers out	-	-	(361,968)
Excess of revenues over expenditures and other financing uses	2,017	-	-
Fund balances beginning of year	<u>15,911</u>	<u>811</u>	<u>-</u>
Fund balances end of year	<u>\$ 17,928</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	
-	-	387,783	387,783	
-	-	-	361,968	
-	-	16,860	16,860	
-	-	-	1,994	
-	-	-	23	
-	-	404,643	768,628	
-	100	-	100	
-	-	306,818	306,818	
-	100	306,818	306,918	
-	(100)	97,825	461,710	
-	-	-	(361,968)	
-	(100)	97,825	99,742	
2,076	9,774	2,116	30,688	
2,076	9,674	99,941	130,430	

Montgomery County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,387	369,571	128,017	6,338
Other County officials	28,648	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	595	1,277	32,798	1,602
Succeeding year	-	146,000	313,000	7,822,000	402,000
Accounts	-	-	44	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	-	3,100	-	-
Total assets	\$ 28,648	148,982	686,992	7,982,815	409,940
Liabilities					
Accounts payable	\$ -	-	720	-	-
Salaries and benefits payable	-	-	1,978	-	-
Due to other governments	14,035	148,982	680,514	7,982,815	409,940
Trusts payable	14,613	-	-	-	-
Compensated absences	-	-	3,780	-	-
Total liabilities	\$ 28,648	148,982	686,992	7,982,815	409,940

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	County Hospital	E911 Service	Other	Total
52,442	2,439	251,937	23,809	130,812	35,221	1,002,973
-	-	-	-	-	-	28,648
36,396	8	-	5,941	-	7	78,624
2,822,000	167,000	-	1,460,000	-	2,000	13,134,000
-	-	-	-	8,547	-	8,591
-	-	-	-	-	1,106	1,106
-	-	-	-	7,118	13,960	21,078
-	-	-	-	-	-	3,100
2,910,838	169,447	251,937	1,489,750	146,477	52,294	14,278,120
-	-	-	-	373	3,231	4,324
-	-	-	-	129	287	2,394
2,910,838	169,447	251,937	1,489,750	145,975	18,544	14,222,777
-	-	-	-	-	30,232	44,845
-	-	-	-	-	-	3,780
2,910,838	169,447	251,937	1,489,750	146,477	52,294	14,278,120

Montgomery County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2012

	Agricultural		County Assessor	Schools	Community Colleges
	County Offices	Extension Education			
Assets and Liabilities					
Balances beginning of year	\$ 28,372	142,627	558,803	7,673,255	378,444
Additions:					
Property and other county tax	-	146,304	312,851	7,836,038	402,471
E911 surcharges	-	-	-	-	-
Intergovernmental	-	-	-	-	-
State tax credits	-	6,159	13,427	328,305	16,358
Drivers license fees	-	-	-	-	-
Office fees and collections	279,612	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	228,108	-	-	-	-
Miscellaneous	2,361	-	3,743	-	-
Total additions	510,081	152,463	330,021	8,164,343	418,829
Deductions:					
Agency remittances:					
To other funds	143,758	-	-	-	-
To other governments	135,163	146,108	201,832	7,854,783	387,333
Trusts paid out	230,884	-	-	-	-
Total deductions	509,805	146,108	201,832	7,854,783	387,333
Balances end of year	\$ 28,648	148,982	686,992	7,982,815	409,940

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	County Hospital	E911 Service	Other	Total
3,024,159	155,270	213,909	1,423,204	138,357	51,217	13,787,617
2,788,230	166,877	-	1,462,573	-	2,493	13,117,837
-	-	-	-	47,650	-	47,650
-	-	-	-	35,063	34,884	69,947
125,329	6,704	-	61,439	-	66	557,787
-	-	33,198	-	-	-	33,198
-	-	-	-	-	-	279,612
-	-	-	-	-	1,994	1,994
-	-	3,229,487	-	-	-	3,229,487
-	-	-	-	-	1,202	1,202
-	-	-	-	-	238,786	466,894
-	-	-	-	5,273	263,216	274,593
2,913,559	173,581	3,262,685	1,524,012	87,986	542,641	18,080,201
-	-	98,279	-	-	-	242,037
3,026,880	159,404	3,126,378	1,457,466	79,866	58,517	16,633,730
-	-	-	-	-	483,047	713,931
3,026,880	159,404	3,224,657	1,457,466	79,866	541,564	17,589,698
2,910,838	169,447	251,937	1,489,750	146,477	52,294	14,278,120

Montgomery County

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

For the Last Ten Years

	2012	2011	2010	2009
Revenues:				
Property and other county tax	\$ 4,934,561	4,313,696	4,112,240	3,613,576
Local option sales and services tax	361,968	368,358	315,515	352,231
Penalty and interest on property tax	51,815	52,631	60,910	44,606
Intergovernmental	3,834,247	5,169,417	5,311,182	4,474,893
Licenses and permits	6,938	6,130	10,408	6,698
Charges for service	288,352	289,079	266,585	257,946
Use of money and property	67,971	78,833	65,789	77,625
Miscellaneous	85,044	76,700	146,958	50,408
Total	\$ 9,630,896	10,354,844	10,289,587	8,877,983
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,789,387	1,729,277	1,719,833	1,574,965
Physical health and social services	510,306	623,764	765,526	764,003
Mental health	1,169,423	1,038,487	1,016,092	1,051,181
County environment and education	292,922	292,604	568,728	386,212
Roads and transportation	3,208,220	3,286,482	3,488,600	3,883,189
Governmental services to residents	373,965	370,083	323,060	363,367
Administration	873,031	752,815	758,976	709,973
Non-program	-	-	-	188
Debt service	400,462	48,868	24,281	25,751
Capital projects	4,446,366	1,048,376	1,594,673	496
Total	\$ 13,064,082	9,190,756	10,259,769	8,759,325

See accompanying independent auditor's report.

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
3,446,408	3,610,918	3,483,248	3,558,365	3,295,899	3,299,002
315,178	364,072	253,099	274,967	289,557	275,163
48,889	43,021	40,657	36,153	36,484	53,932
3,268,697	3,666,726	3,717,722	3,254,490	3,370,910	3,963,034
7,435	8,240	6,395	3,802	5,051	5,165
261,812	266,787	276,669	274,344	324,964	230,626
151,733	171,377	143,711	76,530	53,678	75,892
89,144	72,677	63,807	154,139	70,709	20,213
7,589,296	8,203,818	7,985,308	7,632,790	7,447,252	7,923,027
1,617,566	1,522,158	1,562,204	1,561,279	1,538,008	1,612,309
685,763	648,183	767,606	748,024	754,554	705,939
1,102,157	996,251	899,688	845,478	821,818	922,694
304,322	273,717	536,622	352,028	412,139	550,533
3,347,954	2,655,699	2,611,352	2,435,439	2,559,409	2,440,342
332,816	311,434	426,736	330,171	383,206	396,655
652,599	713,278	683,123	648,543	615,399	617,103
188	-	180	815	172	92
71,203	63,389	63,503	114,041	118,481	190,681
164,394	225,380	652,897	1,528	2,393	366,708
8,278,962	7,409,489	8,203,911	7,037,346	7,205,579	7,803,056

Montgomery County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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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, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 28, 2013. 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, 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 the accompanying Schedule of Findings as items (A) and (B) 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 the accompanying Schedule of Findings as items (C) and (D) 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 the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 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. 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, 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

February 28, 2013

Montgomery County

Schedule of Findings

Year ended June 30, 2012

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) 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:

	Applicable Offices
(1) Receipts – opening and listing mail receipts, collecting, depositing, posting and daily reconciling.	Treasurer, Recorder, Sheriff and Secondary Roads.
(2) The initial receipt listing is not compared to the receipt record by someone independent of recording receipts.	Sheriff
(3) Investments – investing, custody and accounting.	Treasurer
(4) Disbursements – check or warrant writing, signing, posting, reconciling and final approval.	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 utilizing currently available personnel, including elected officials. The official should utilize current personnel or other County employees to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible and should be evidenced by the signature or initials of the reviewer and the date of review.

Responses –

County Treasurer – We type a mail received listing and then the mail is given to the other employees to process. The person preparing the deposit is not the person who made the listing. The deposit listing is used to mark off the mail received listing. Several people process the receipts but may not be the one balancing or depositing.

The Treasurer reconciles the bank statements and the Auditor's office checks the work. The spreadsheet used lists the investments and we can have the Auditor periodically check the investments.

County Engineer – Secondary Roads will institute a listing of receipts which will be at least spot checked weekly and monthly by deposits and receipt book. Cash receipts, while highly discouraged, if received will be verified by a second office staff and deposited same day to the Treasurer.

Montgomery County

Schedule of Findings

Year ended June 30, 2012

County Recorder – Following the State Audit of fiscal year 2008-2009, in an attempt to prevent fraud and comply with recommendations, the Recorder's office implemented the policy of having two employees present while opening the daily mail. One employee opens the mail. The documents and fees submitted are verified by both employees. While the second employee enters the fees and payments into the cash register, the first employee enters the information into the computer program.

We will implement the recommendation of listing all the checks received in the daily mail on a sheet immediately. With a limited number of employees, we continue to work toward complying with the recommendations noted.

Currently the end of month reports are compiled by the Recorder and all checks are signed by the assistant recorder. There are monthly reports attached to each check to show the amount due to each entity. We will continue to search for additional avenues to prevent fraud.

County Sheriff – We will continue to randomly check all financial transactions, reconciliations and reports entering and leaving this office, utilizing the personnel we have available.

Conclusions – Responses acknowledged. County officials should continue to review their operating procedures to obtain the maximum internal control where possible. Controls implemented should be evidenced by signatures, initials or other support to document segregation of duties within the offices.

- (B) Financial Reporting – During the audit, we identified material amounts of receivables, payables, capital assets and intergovernmental revenues not initially recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

Response – Along with the County's Asset management system, the Auditor will develop a written procedure advising accuracy during accruals. We will be having regular department head meetings and this will be discussed and continue to educate accrual procedures. In addition, the Auditor's office has developed a form and will implement procedures to all County departments which will allow the County to accurately report their assets.

Conclusion – Response accepted.

- (C) Timesheets – The County Engineer is an employee of the County and provides services to Page County pursuant to a 28E agreement. The County Engineer only provides the Board of Supervisors a timesheet for approval of time related to Montgomery County.

Recommendation – The County Engineer should provide Montgomery County a time sheet supporting all hours worked and leave taken for Board approval.

Response – The Board of Supervisors will request a timesheet be submitted by the County Engineer supporting all hours worked and leave taken.

Conclusion – Response accepted.

Montgomery County

Schedule of Findings

Year ended June 30, 2012

- (D) Computer System – During our review of internal control, the existing control activities in the County’s computer system were evaluated to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weakness in the County’s computer system was noted:

The County does not have a written disaster recovery plan which addresses the following items:

- (1) Identification of critical applications.
- (2) Identification of staff responsibilities.
- (3) Identification of steps for recovery of any operating systems for County operations.
- (4) Identification of computer equipment needed for temporary processing.
- (5) Requirement to keep a copy of the disaster recovery plan off site.
- (6) Requirement to keep system backups current and off site.
- (7) An inventory of all hardware and components (e.g.: make, model numbers, serial numbers, etc.).
- (8) An inventory of all software applications (e.g.: operating system and software applications, release versions and vendor names).
- (9) A requirement copies of all user documentation and policy and procedures manuals be located off site.
- (10) A requirement extra stocks of paper supplies, such as checks, warrants, purchase orders, etc., be located off site.
- (11) Requirements outlining the frequency and guidelines for testing the disaster recovery plan to identify issues and document the results of testing.

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

Response – The County is in a membership services agreement with Agility Recovery Solutions. This company provides disaster recovery solutions. The Company will provide generators, computers, servers, tape drives, printers, fax machines, office space complete with desks and chairs, and a satellite for voice and internet connection.

The IT Director keeps close inventory on IT equipment and software used by the County in a database.

The IT Director, Emergency Management Coordinator and Department Heads will work together and be responsible for recovery of IT.

The Emergency Management Director keeps the County’s disaster recovery plan in his office which is located in a different building.

The County will place extra stocks of warrants in the County’s bank safety deposit box for emergency use.

Montgomery County

Schedule of Findings

Year ended June 30, 2012

The County will review and update as needed the Montgomery County Emergency Disaster Plan to make sure IT support recovery is identified.

With the membership services agreement with Agility Recovery Solutions and the IT Director and Emergency Management disaster procedures, we feel we are able to provide reasonable assurance regarding the achievement of objectives necessary. This coupled with on-going department head meetings and communication to review plans and procedures.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Montgomery County
Schedule of Findings
Year ended June 30, 2012

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amount budgeted in the roads and transportation 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 the budget and appropriations more closely.

Conclusion – Response accepted.

- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – No business transactions between the County and County officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) 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.

Montgomery County

Schedule of Findings

Year ended June 30, 2012

Response – The report will be corrected and resubmitted to the Department of Management.

Conclusion – Response accepted.

- (10) 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 – The Auditor’s office will develop and maintain a detail tracking system to monitor LOSST revenues, disbursements and unspent balances at year end.

Conclusion – Response accepted.

- (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, 2012 for the County Extension Office did not exceed the amount budgeted.

Montgomery County

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Kassi D. Adams, Staff Auditor
David C. McQuarry, CPA, Staff Auditor
Jamie T. Reuter, Staff Auditor
Brooke A. Robb, Staff Auditor
Matthew J. Erlbacher, Assistant Auditor
Ryan D. Baker, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State