



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE

May 22, 2008

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$14,119,500 for the year ended June 30, 2007, which included \$765,544 in tax credits from the state. The County forwarded \$10,311,441 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,808,059 of the local tax revenue to finance County operations, a 3.5% increase over the prior year. Other revenues included charges for service of \$644,104, operating grants, contributions and restricted interest of \$3,141,756, capital grants, contributions and restricted interest of \$1,219,266, local option sales and services tax of \$364,072, unrestricted investment earnings of \$150,995 and other general revenues of \$112,138.

Expenses for County operations totaled \$6,989,139, a 7.6% decrease from the prior year. Expenses included \$2,632,071 for roads and transportation, \$1,540,258 for public safety and legal services and \$996,251 for mental health.

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

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

**JUNE 30, 2007**

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Montgomery County

**Officials**

**(Before January 2007)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Glen Benskin	Board of Supervisors	Jan 2007
Karen Blue	Board of Supervisors	Jan 2007
Dale Carlson	Board of Supervisors	Jan 2007
Bryant Amos	Board of Supervisors	Jan 2009
James Parker	Board of Supervisors	Jan 2009
Joni Ernst	County Auditor	Jan 2009
Anita Walker	County Treasurer	Jan 2007
JoAnn Butler	County Recorder	(Retired Aug 2006)
Carleen Bruning (Appointed)	County Recorder	Nov 2008
Anthony Updegrove	County Sheriff	Jan 2009
Bruce Swanson	County Attorney	Jan 2007
Stacey Vondielingen	County Assessor	Jan 2010

**(After January 2007)**

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

**Montgomery County**



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Independent Auditor's Report

To the Officials of Montgomery County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Montgomery County, Iowa, as of and for the year ended June 30, 2007, 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.

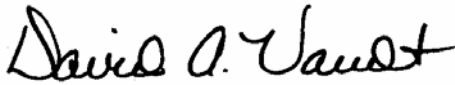
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 1, 2008 on our consideration of Montgomery County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 40 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montgomery County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the three years ended June 30, 2003 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 1, 2008

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Montgomery County provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2007 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 14.3%, or approximately \$1,180,000, from fiscal 2006 to fiscal 2007. Property tax increased approximately \$137,000 from fiscal 2006 to fiscal 2007. Charges for service decreased approximately \$95,000, operating grants, contributions and restricted interest increased approximately \$331,000, capital grants, contributions and restricted interest increased approximately \$653,000, unrestricted investment earnings increased approximately \$27,000 and local option sales and services tax increased approximately \$111,000 over the prior fiscal year.
- The County's current fiscal year program expenses decreased 7.6%, or approximately \$575,000, from the prior fiscal year. County environment and education expenses decreased approximately \$368,000, governmental services to residents expenses decreased approximately \$121,000, physical health and social services expenses decreased approximately \$106,000 and mental health expenses increased approximately \$96,000.
- The County's net assets increased 38.1%, or approximately \$2.5 million, from June 30, 2006 to June 30, 2007.

### USING THIS ANNUAL REPORT

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

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



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

### *Government-wide Financial Statements*

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

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

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

### *Fund Financial Statements*

The County has two kinds of funds:

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2007	2006
Current and other assets	\$ 7,455	7,097
Capital assets	5,548	3,632
Total assets	<u>13,003</u>	<u>10,729</u>
Long-term liabilities	337	292
Other liabilities	3,779	4,001
Total liabilities	<u>4,116</u>	<u>4,293</u>
Net assets:		
Invested in capital assets, net of related debt	5,483	3,632
Restricted	2,672	2,180
Unrestricted	732	624
Total net assets	<u>\$ 8,887</u>	<u>6,436</u>

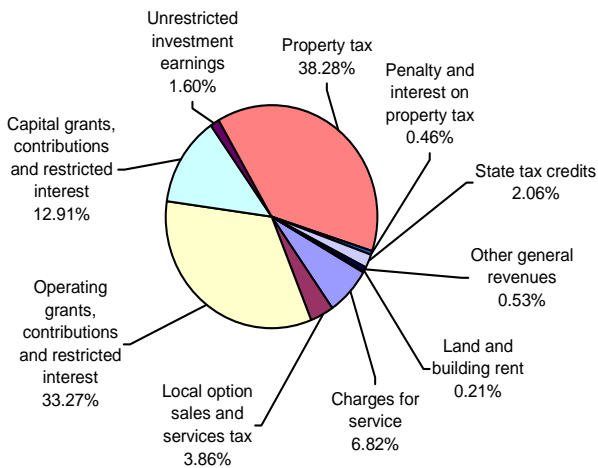
The largest portion of the County's net assets is invested in capital assets (i.e. land, buildings, infrastructure, equipment and construction in progress), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The significant increase in net assets invested in capital assets is the result of the acquisition of land, two motor graders and other equipment and various road projects.

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 from approximately \$624,000 at June 30, 2006 to approximately \$732,000 at the end of this year, an increase of 17.3%.

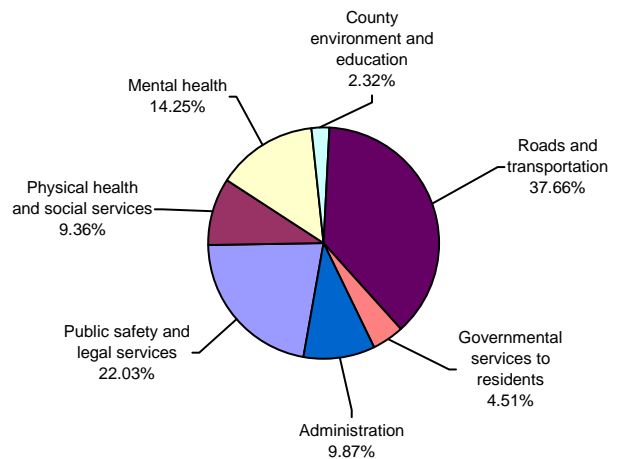
**Changes in Net Assets of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2007	2006
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 644	739
Operating grants, contributions and restricted interest	3,141	2,810
Capital grants, contributions and restricted interest	1,219	566
<b>General revenues:</b>		
Property tax	3,614	3,477
Penalty and interest on property tax	43	41
State tax credits	194	202
Local option sales and services tax	364	253
Unrestricted investment earnings	151	124
Land and building rent	20	19
Other general revenues	50	29
Total revenues	<u>9,440</u>	<u>8,260</u>
<b>Program expenses:</b>		
Public safety and legal services	1,540	1,568
Physical health and social services	654	760
Mental health	996	900
County environment and education	162	530
Roads and transportation	2,632	2,652
Governmental services to residents	315	436
Administration	690	718
Total expenses	<u>6,989</u>	<u>7,564</u>
Increase in net assets	2,451	696
Net assets beginning of year	6,436	5,740
Net assets end of year	<u>\$ 8,887</u>	<u>6,436</u>

**Revenue by Source**



**Expenses by Program**



The County decreased property tax rates \$.24 per \$1,000 of taxable valuation for the urban levy and \$.24 per \$1,000 of taxable valuation for the countywide levy. The general basic levy decreased \$.60 per \$1,000 of taxable valuation, the general supplemental levy increased approximately \$.40 per \$1,000 of taxable valuation and the mental health levy decreased \$.07 per \$1,000 of taxable valuation. The rural assessed property taxable valuation increased approximately \$19 million. The countywide assessed property taxable valuation increased approximately \$19.3 million. Based on the valuation increases and the changes in property tax rates, property tax increased approximately \$137,000.

The cost of all governmental activities this year was \$7.0 million compared to \$7.6 million last year. Overall, the County's governmental activities revenues, including intergovernmental aid and fees for services, increased in 2007 from approximately \$4,115,000 to approximately \$5,004,000, principally due to receiving capital contributions of \$1,127,916 from federal and state sources for road projects and \$91,350 for a Wildlife Habitat Stamp grant from the Iowa Department of Natural Resources for the purchase of the Ericksen Wildlife Area adjacent to Viking Lake State Park.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Montgomery County completed the year, its governmental funds reported a combined fund balance of approximately \$3.6 million, an increase of approximately \$860,000 over last year's total of approximately \$2.8 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The primary reason for the increase in General Fund property tax revenue is the increase in the countywide property tax valuation. The countywide taxable property valuation increased from \$372,327,696 in fiscal 2006 to \$391,594,648 in fiscal 2007. The general basic levy rate decreased from \$4.10 per \$1,000 of taxable valuation in fiscal 2006 to \$3.50 per \$1,000 of taxable valuation in fiscal 2007. The fund balance increased approximately \$137,000 during the fiscal year to approximately \$1,052,000 at the end of the fiscal year.

The County has continued to look for ways to effectively manage the cost of mental health services. The Mental Health Fund balance at year end decreased approximately \$54,000 from the prior year to approximately \$152,000. For the year, expenditures totaled approximately \$996,000, an increase of approximately \$96,000, or 10.7%, over the prior year. The increase in expenditures was offset by an increase in intergovernmental revenues of approximately \$100,000.

The Rural Services Fund ending fund balance increased approximately \$175,000 over the prior year to approximately \$322,000. Property tax revenue for the Rural Services Fund increased approximately \$92,000 in fiscal 2007 due to an increase in the overall property taxable valuation and intergovernmental revenues increased approximately \$8,000 in fiscal 2007 over fiscal 2006.

Secondary Roads Fund expenditures decreased approximately \$490,000 from the prior year, principally due to the decrease in road projects during fiscal 2007 compared to fiscal 2006. This decrease in expenditures resulted in an increase in the Secondary Roads Fund ending fund balance of approximately \$594,000, or 41.8%. Montgomery County maintained approximately 727 miles of gravel, dirt and paved roads with the resources of this fund.

## BUDGETARY HIGHLIGHTS

Montgomery County amended its budget once during fiscal 2007. The amendment was made in April 2007 and resulted in an increase in budgeted receipts and disbursements related to grant funds received from the State of Iowa for parenting and bio-terrorism. The amendment was also due to the movement of engineering services expenses from the capital projects function to the roads and transportation function.

The County's receipts were approximately \$70,000 more than budgeted, a variance of less than one percent. The most significant variances resulted from the County receiving less intergovernmental receipts than anticipated and more receipts for property and other county tax.

Total disbursements were approximately \$1,058,000 less than the amended budget. Actual disbursements for the capital projects, roads and transportation and physical health and social services function were approximately \$420,000, \$308,000 and \$96,000, respectively, less than budgeted. This was primarily due to several large capital projects being finished up in fiscal 2007, with the majority of work being done in fiscal 2006, several public health nurse positions being eliminated and slower than anticipated progress on secondary roads projects.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2007, Montgomery County had approximately \$5.5 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1.9 million, or 53%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2007	2006
Land	\$ 494	372
Construction in progress	-	165
Buildings and improvements	349	333
Equipment and vehicles	2,120	1,924
Infrastructure	2,585	838
Total	\$ 5,548	3,632

Montgomery County had depreciation expense of \$381,338 in fiscal 2007 and total accumulated depreciation of \$2,413,609 at June 30, 2007. Additional information about the County's capital assets is presented in Note 5 to the financial statements.

## Long-Term Debt

At June 30, 2007, Montgomery County had approximately \$119,000 in debt outstanding compared to approximately \$109,000 at June 30, 2006.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2007	2006
Disaster aid loan	\$ 55	109
Capital lease purchase agreement	64	-
Total	\$ 119	109

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

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

Montgomery County's elected and appointed officials and citizens considered many factors when setting the county budget, tax rates and fees for the various County services. One of the factors considered was the County's valuations, which increased approximately \$841,000 over the previous year. The County decided to leave the general basic levy at the maximum cap of \$3.50 per \$1,000 of taxable valuation for fiscal year 2008.

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

Budgeted disbursements are expected to increase approximately \$100,000. The largest increases are in the public safety and legal services, mental health and governmental services to residents functions. The County has added no major new programs or initiatives to the 2008 budget.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

**Montgomery County**

## **Basic Financial Statements**



**Exhibit A**

Montgomery County  
Statement of Net Assets  
June 30, 2007

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 3,331,372
Receivables:	
Property tax:	
Delinquent	6,638
Succeeding year	3,446,000
Interest and penalty on property tax	5,751
Accounts	32,719
Accrued interest	10,017
Due from other governments	265,025
Inventories	330,878
Prepaid items	26,759
Capital assets (net of accumulated depreciation)	5,547,856
<b>Total assets</b>	<u>13,003,015</u>
<b>Liabilities</b>	
Accounts payable	125,839
Salaries and benefits payable	113,229
Due to other governments	93,602
Deferred revenue:	
Succeeding year property tax	3,446,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	31,271
Disaster aid loan	54,515
Compensated absences	146,320
Portion due or payable after one year:	
Capital lease purchase agreement	32,929
Compensated absences	72,170
<b>Total liabilities</b>	<u>4,115,875</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	5,483,656
Restricted for:	
Supplemental levy purposes	538,344
Mental health purposes	155,097
Secondary roads purposes	1,866,299
Debt service	3,305
Other purposes	108,662
Unrestricted	731,777
Unreserved	
<b>Total net assets</b>	<u>\$ 8,887,140</u>

See notes to financial statements.

Montgomery County  
Statement of Activities  
Year ended June 30, 2007

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Service	Operating Grants, Contributions and Restricted Interest		Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,540,258	178,200	15,595	-	(1,346,463)
Physical health and social services	653,898	99,538	257,845	-	(296,515)
Mental health	996,251	144,641	535,147	-	(316,463)
County environment and education	162,200	10,602	18,284	91,350	(41,964)
Roads and transportation	2,632,071	14,576	2,314,243	1,127,916	824,664
Governmental services to residents	314,534	175,786	642	-	(138,106)
Administration	689,927	20,761	-	-	(669,166)
<b>Total</b>	<b>\$ 6,989,139</b>	<b>644,104</b>	<b>3,141,756</b>	<b>1,219,266</b>	<b>(1,984,013)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					3,602,306
Debt service					11,385
Penalty and interest on property tax					43,372
State tax credits					194,368
Local option sales and services tax					364,072
Unrestricted investment earnings					150,995
Land and building rent					19,440
Miscellaneous					49,326
<b>Total general revenues</b>					<b>4,435,264</b>
Change in net assets					2,451,251
Net assets beginning of year					6,435,889
Net assets end of year					<b>\$ 8,887,140</b>

See notes to financial statements.

Montgomery County

Balance Sheet  
Governmental Funds

June 30, 2007

	Special Revenue		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash and pooled investments	\$ 1,065,304	287,199	346,182
Receivables:			
Property tax:			
Delinquent	5,466	643	505
Succeeding year	2,072,000	244,000	1,121,000
Interest and penalty on property tax	5,751	-	-
Accounts	23,885	-	-
Accrued interest	10,017	-	-
Due from other funds	4,063	-	-
Due from other governments	41,976	25,817	-
Inventories	-	-	-
Prepaid items	24,459	-	-
<b>Total assets</b>	<b>\$ 3,252,921</b>	<b>557,659</b>	<b>1,467,687</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 20,263	78,811	2,397
Salaries and benefits payable	72,254	-	10,903
Due to other funds	-	-	10,787
Due to other governments	13,667	79,751	39
Deferred revenue:			
Succeeding year property tax	2,072,000	244,000	1,121,000
Other	23,092	2,925	505
Total liabilities	<u>2,201,276</u>	<u>405,487</u>	<u>1,145,631</u>
Fund balances:			
Reserved for:			
Supplemental levy purposes	369,303	-	169,788
Debt service	-	-	-
Resource enhancement and protection	83,302	-	-
Unreserved:			
Designated	68,972	-	-
Undesignated, reported in:			
General fund	530,068	-	-
Special revenue funds	-	152,172	152,268
Total fund balances	<u>1,051,645</u>	<u>152,172</u>	<u>322,056</u>
<b>Total liabilities and fund balances</b>	<b>\$ 3,252,921</b>	<b>557,659</b>	<b>1,467,687</b>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
1,540,281	92,406	3,331,372
-	24	6,638
-	9,000	3,446,000
-	-	5,751
8,834	-	32,719
-	-	10,017
27,039	-	31,102
156,602	40,630	265,025
330,878	-	330,878
2,300	-	26,759
<u>2,065,934</u>	<u>142,060</u>	<u>7,486,261</u>
23,590	778	125,839
30,072	-	113,229
-	20,315	31,102
145	-	93,602
-	9,000	3,446,000
-	24	26,546
<u>53,807</u>	<u>30,117</u>	<u>3,836,318</u>
-	-	539,091
-	3,281	3,281
-	-	83,302
-	-	68,972
-	-	530,068
<u>2,012,127</u>	<u>108,662</u>	<u>2,425,229</u>
<u>2,012,127</u>	<u>111,943</u>	<u>3,649,943</u>
<u>2,065,934</u>	<u>142,060</u>	<u>7,486,261</u>

**Montgomery County**

Montgomery County

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

June 30, 2007

**Total governmental fund balances (page 19)** \$ 3,649,943

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$7,961,465 and the accumulated depreciation is \$2,413,609. 5,547,856

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 26,546

Long-term liabilities, including a capital lease purchase agreement, a disaster aid loan and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (337,205)

**Net assets of governmental activities (page 16)** \$ 8,887,140

See notes to financial statements.

Montgomery County

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

Year ended June 30, 2007

	Special Revenue		
	General	Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 2,213,603	250,809	1,135,121
Interest and penalty on property tax	43,021	-	-
Intergovernmental	587,303	691,596	72,571
Licenses and permits	5,300	-	2,035
Charges for service	264,415	-	-
Use of money and property	170,735	-	-
Miscellaneous	51,451	-	300
Total revenues	<u>3,335,828</u>	<u>942,405</u>	<u>1,210,027</u>
<b>Expenditures:</b>			
Operating:			
Public safety and legal services	1,360,854	-	155,107
Physical health and social services	648,183	-	-
Mental health	-	996,251	-
County environment and education	237,202	-	36,515
Roads and transportation	-	-	288,041
Governmental services to residents	307,735	-	1,435
Administration	713,278	-	-
Debt service	-	-	-
Capital projects	934	-	-
Total expenditures	<u>3,268,186</u>	<u>996,251</u>	<u>481,098</u>
Excess (deficiency) of revenues over (under) expenditures	<u>67,642</u>	<u>(53,846)</u>	<u>728,929</u>
<b>Other financing sources (uses):</b>			
Capital lease purchase agreement	-	-	64,200
Operating transfers in	69,632	-	-
Operating transfers out	-	-	(618,230)
Total other financing sources (uses)	<u>69,632</u>	<u>-</u>	<u>(554,030)</u>
Net change in fund balances	137,274	(53,846)	174,899
Fund balances beginning of year	914,371	206,018	147,157
Fund balances end of year	<u>\$ 1,051,645</u>	<u>152,172</u>	<u>322,056</u>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	375,457	3,974,990
-	-	43,021
2,312,053	3,203	3,666,726
905	-	8,240
-	2,372	266,787
-	642	171,377
18,090	2,836	72,677
<u>2,331,048</u>	<u>384,510</u>	<u>8,203,818</u>
-	6,197	1,522,158
-	-	648,183
-	-	996,251
-	-	273,717
2,367,658	-	2,655,699
-	2,264	311,434
-	-	713,278
54,515	8,874	63,389
212,090	12,356	225,380
<u>2,634,263</u>	<u>29,691</u>	<u>7,409,489</u>
(303,215)	354,819	794,329
-	-	64,200
896,754	-	966,386
-	(348,156)	(966,386)
<u>896,754</u>	<u>(348,156)</u>	<u>64,200</u>
593,539	6,663	858,529
<u>1,418,588</u>	<u>105,280</u>	<u>2,791,414</u>
<u>2,012,127</u>	<u>111,943</u>	<u>3,649,943</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, 2007

**Net change in fund balances - Total governmental funds (page 23)** \$ 858,529

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

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

Expenditures for capital assets	\$ 1,087,730	
Capital assets contributed by the Iowa Department of Transportation	1,127,916	
Capital assets contributed by the Iowa Department of Natural Resources	91,350	
Depreciation expense	<u>(381,338)</u>	1,925,658

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (9,795)

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	2,773	
Other	<u>(280,907)</u>	(278,134)

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	(64,200)	
Repaid	<u>54,515</u>	(9,685)

Compensated absences in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (35,322)

**Change in net assets of governmental activities (page 17)** \$ 2,451,251

See notes to financial statements.

Montgomery County  
 Statement of Fiduciary Assets and Liabilities  
 Agency Funds  
 June 30, 2007

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 743,880
Other County officials	24,463
Receivables:	
Property tax:	
Delinquent	34,690
Succeeding year	9,731,000
Accounts	14,425
Special assessments	14,548
Due from other governments	9,883
Prepaid items	8,743
<b>Total assets</b>	<b>10,581,632</b>

**Liabilities**

Accounts payable	4,048
Salaries and benefits payable	3,048
Due to other governments	10,548,958
Trusts payable	18,803
Compensated absences	6,775
<b>Total liabilities</b>	<b>10,581,632</b>

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

Montgomery County

Notes to Financial Statements

June 30, 2007

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

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

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2007, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted by function. However, disbursements in certain departments exceeded the amounts appropriated.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2007 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, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Local Option Sales and Services Tax	<u>\$ 4,063</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	10,787
	Local Option Sales and Services Tax	<u>16,252</u>
		<u>27,039</u>
Total		<u>\$ 31,102</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, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option Sales and Services Tax	<u>\$ 69,632</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	618,230
	Local Option Sales and Services Tax	<u>278,524</u>
		<u>896,754</u>
Total		<u>\$ 966,386</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, 2007 was as follows:

	Balance Beginning of Year	Adjustments	Balance Beginning of Year as restated	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>						
Capital assets not being depreciated:						
Land	\$ 371,673	-	371,673	121,812	-	493,485
Construction in progress	164,718	-	164,718	1,635,446	(1,800,164)	-
Total capital assets not being depreciated	536,391	-	536,391	1,757,258	(1,800,164)	493,485
Capital assets being depreciated:						
Buildings	517,469	187,106	704,575	33,707	-	738,282
Equipment and vehicles	3,940,441	(187,106)	3,753,335	736,031	(412,475)	4,076,891
Infrastructure, road network	852,643	-	852,643	1,800,164	-	2,652,807
Total capital assets being depreciated	5,310,553	-	5,310,553	2,569,902	(412,475)	7,467,980
Less accumulated depreciation for:						
Buildings	318,456	52,796	371,252	17,757	-	389,009
Equipment and vehicles	1,881,834	(52,796)	1,829,038	310,532	(182,680)	1,956,890
Infrastructure, road network	14,661	-	14,661	53,049	-	67,710
Total accumulated depreciation	2,214,951	-	2,214,951	381,338	(182,680)	2,413,609
Total capital assets being depreciated, net	3,095,602	-	3,095,602	2,188,564	(229,795)	5,054,371
Governmental activities capital assets, net	\$ 3,631,993	-	3,631,993	3,945,822	(2,029,959)	5,547,856

The beginning balances for the cost and accumulated depreciation for buildings and equipment and vehicles were adjusted to properly classify two buildings previously reported as equipment and vehicles.

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 27,388
Physical health and social services	2,734
County environment and education	22,112
Roads and transportation	306,943
Administration	22,161
Total depreciation expense - governmental activities	<u>\$ 381,338</u>

**(6) Due to Other Governments**

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	<u>\$ 13,667</u>
Special Revenue:		
Mental Health	Services	79,751
Rural Services	Services	39
Secondary Roads	Services	145
		<u>79,935</u>
Total for governmental funds		<u>\$ 93,602</u>
Agency:		
County Assessor	Collections	\$ 300,351
Schools		5,466,458
Community Colleges		252,316
Corporations		2,661,232
Auto License and Use Tax		215,043
County Hospital		1,181,638
All other		471,920
Total for agency funds		<u>\$ 10,548,958</u>

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

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	<u>Capital</u>			
	<u>Lease</u>	<u>Disaster</u>	<u>Compen-</u>	
	<u>Purchase</u>	<u>Aid</u>	<u>sated</u>	
	<u>Agreement</u>	<u>Loan</u>	<u>Absences</u>	<u>Total</u>
Balance beginning of year	\$ -	109,030	183,168	292,198
Increases	64,200	-	203,168	267,368
Decreases	-	54,515	167,846	222,361
Balance end of year	<u>\$ 64,200</u>	<u>54,515</u>	<u>218,490</u>	<u>337,205</u>
Due within one year	<u>\$ 31,271</u>	<u>54,515</u>	<u>146,320</u>	<u>232,106</u>

### Capital Lease Purchase Agreement

In 2007, the County entered into a capital lease purchase agreement to lease a tractor, two mowers and a boom mower with a total historical cost of \$94,200. The following is a schedule of the future minimum lease payments, including interest at 5.299% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2007:

<u>Year ending June 30,</u>	<u>Tractor/Mowers</u>
2008	\$ 34,673
2009	34,674
Total minimum lease payments	<u>69,347</u>
Less amount representing interest	<u>(5,147)</u>
Present value of net minimum lease payments	<u>\$ 64,200</u>

No payments under the capital lease purchase agreement were made during the year ended June 30, 2007 other than the down payment of \$30,000 at the time of entering into the agreement.

### Disaster Aid Loan

The County has entered into a loan for disaster aid. The loan is interest free and will mature in July 2008.

A summary of the County's June 30, 2007 loan indebtedness is as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2008	<u>\$ 54,515</u>

During the year ended June 30, 2007, \$54,515 of the outstanding loan was retired.

### **(8) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% 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, 2007, 2006 and 2005 were \$161,857, \$167,239 and \$159,019, respectively, equal to the required contributions for each year.

**(9) Risk Management**

Montgomery County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 556 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. 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 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2007 were \$71,062.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within

the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

**(10) Designated Fund Balance**

The County has designated \$14,780 and \$54,192 of local option sales and services tax in the General Fund for Courthouse repairs and public safety, respectively.

**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, 2007

	Actual	Budgeted Amounts	
		Original	Final
<b>Receipts:</b>			
Property and other county tax	\$ 3,959,294	3,881,075	3,881,075
Interest and penalty on property tax	43,193	36,200	36,200
Intergovernmental	3,862,723	3,845,406	3,930,742
Licenses and permits	8,630	6,300	6,300
Charges for service	267,485	289,070	295,056
Use of money and property	174,185	123,075	123,075
Miscellaneous	55,623	22,010	28,335
Total receipts	<u>8,371,133</u>	<u>8,203,136</u>	<u>8,300,783</u>
<b>Disbursements:</b>			
Public safety and legal services	1,496,669	1,545,280	1,576,730
Physical health and social services	654,851	706,398	750,474
Mental health	970,020	937,111	1,025,475
County environment and education	279,574	279,741	279,741
Roads and transportation	2,665,969	2,854,426	2,974,426
Governmental services to residents	311,937	372,090	372,090
Administration	719,926	754,025	756,025
Non-program	-	200	200
Debt service	63,389	64,916	64,916
Capital projects	242,299	782,584	662,584
Total disbursements	<u>7,404,634</u>	<u>8,296,771</u>	<u>8,462,661</u>
Excess (deficiency) of receipts over (under) disbursements	966,499	(93,635)	(161,878)
Other financing sources, net	-	2,000	2,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	966,499	(91,635)	(159,878)
Balance beginning of year	<u>2,364,873</u>	<u>1,529,478</u>	<u>1,529,478</u>
Balance end of year	<u>\$ 3,331,372</u>	<u>1,437,843</u>	<u>1,369,600</u>

See accompanying independent auditor's report.

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Final to Actual Variance
78,219
6,993
(68,019)
2,330
(27,571)
51,110
27,288
70,350

80,061
95,623
55,455
167
308,457
60,153
36,099
200
1,527
420,285
1,058,027

1,128,377
(2,000)

1,126,377
835,395
1,961,772

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Montgomery County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 8,371,133	(167,315)	8,203,818
Expenditures	7,404,634	4,855	7,409,489
Net	966,499	(172,170)	794,329
Other financing sources, net	-	64,200	64,200
Beginning fund balances	2,364,873	426,541	2,791,414
Ending fund balances	\$ 3,331,372	318,571	3,649,943

See accompanying independent auditor's report.

Montgomery County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$165,890. 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.

During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted by function. However, disbursements in certain departments exceeded the amounts appropriated.

**Montgomery County**

**Other Supplementary Information**

Montgomery County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2007

				Special
	County	Flood	Local	
	Recorder's	and	Option	
	Records	Erosion	Sales and	
	Management		Services Tax	
<b>Assets</b>				
Cash and pooled investments	\$ 35,000	811		20,315
Receivables:				
Property tax:				
Delinquent	-	-		-
Succeeding year	-	-		-
Due from other governments	-	-		40,630
	<u>\$ 35,000</u>	<u>811</u>		<u>60,945</u>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ -	-		-
Due to other funds	-	-		20,315
Deferred revenue:				
Succeeding year property tax	-	-		-
Other	-	-		-
Total liabilities	<u>-</u>	<u>-</u>		<u>20,315</u>
Fund equity:				
Fund balances:				
Reserved for debt service	-	-		-
Unreserved	35,000	811		40,630
Total fund equity	<u>35,000</u>	<u>811</u>		<u>40,630</u>
<b>Total liabilities and fund equity</b>	<u>\$ 35,000</u>	<u>811</u>		<u>60,945</u>

See accompanying independent auditor's report.

Revenue					
Seized and Forfeited Property - County Attorney	Seized and Forfeited Property - County Sheriff	Conservation Land Acquisition	Debt Service	Total	
2,076	7,244	23,679	3,281	92,406	
-	-	-	24	24	
-	-	-	9,000	9,000	
-	-	-	-	40,630	
2,076	7,244	23,679	12,305	142,060	
-	623	155	-	778	
-	-	-	-	20,315	
-	-	-	9,000	9,000	
-	-	-	24	24	
-	623	155	9,024	30,117	
-	-	-	3,281	3,281	
2,076	6,621	23,524	-	108,662	
2,076	6,621	23,524	3,281	111,943	
2,076	7,244	23,679	12,305	142,060	



Montgomery County

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

Year ended June 30, 2007

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Special Flood and Erosion
Revenues:			
Property and other county tax	\$ -	-	-
Intergovernmental	-	-	-
Charges for service	2,372	-	-
Use of money and property	642	-	-
Miscellaneous	-	-	-
Total revenues	<u>3,014</u>	-	-
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Governmental services to residents	2,207	57	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	<u>2,207</u>	<u>57</u>	-
Excess (deficiency) of revenues over (under) expenditures	807	(57)	-
Other financing uses:			
Operating transfers out	-	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	807	(57)	-
Fund balances beginning of year	<u>34,193</u>	<u>57</u>	<u>811</u>
Fund balances end of year	<u>\$ 35,000</u>	<u>-</u>	<u>811</u>

See accompanying independent auditor's report.

Revenue							
Local Option Sales and Services Tax	Seized and Forfeited Property - County Attorney	Seized and Forfeited Property - County Sheriff	Regional Jail	Conservation Land Acquisition	Debt Service	Total	
364,072	-	-	-	-	11,385	375,457	
-	-	-	681	1,887	635	3,203	
-	-	-	-	-	-	2,372	
-	-	-	-	-	-	642	
-	-	2,836	-	-	-	2,836	
364,072	-	2,836	681	1,887	12,020	384,510	
-	-	4,152	2,045	-	-	6,197	
-	-	-	-	-	-	2,264	
-	-	-	-	-	8,874	8,874	
-	-	-	-	12,356	-	12,356	
-	-	4,152	2,045	12,356	8,874	29,691	
364,072	-	(1,316)	(1,364)	(10,469)	3,146	354,819	
(348,156)	-	-	-	-	-	(348,156)	
15,916	-	(1,316)	(1,364)	(10,469)	3,146	6,663	
24,714	2,076	7,937	1,364	33,993	135	105,280	
40,630	2,076	6,621	-	23,524	3,281	111,943	

Montgomery County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	2,163	134,470	107,149	4,669
Other County officials	24,463	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	293	452	14,309	647
Succeeding year	-	111,000	171,000	5,345,000	247,000
Accounts	-	-	23	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	-	5,243	-	-
<b>Total assets</b>	<b>\$ 24,463</b>	<b>113,456</b>	<b>311,188</b>	<b>5,466,458</b>	<b>252,316</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	1,217	-	-
Salaries and benefits payable	-	-	2,845	-	-
Due to other governments	5,668	113,456	300,351	5,466,458	252,316
Trusts payable	18,795	-	-	-	-
Compensated absences	-	-	6,775	-	-
<b>Total liabilities</b>	<b>\$ 24,463</b>	<b>113,456</b>	<b>311,188</b>	<b>5,466,458</b>	<b>252,316</b>

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	County Hospital	E911 Service	Other	Total
64,341	1,954	215,043	22,587	168,237	23,267	743,880
-	-	-	-	-	-	24,463
15,891	44	-	3,051	-	3	34,690
2,581,000	119,000	-	1,156,000	-	1,000	9,731,000
-	-	-	-	14,402	-	14,425
-	-	-	-	-	14,548	14,548
-	-	-	-	-	9,883	9,883
-	-	-	-	3,500	-	8,743
<b>2,661,232</b>	<b>120,998</b>	<b>215,043</b>	<b>1,181,638</b>	<b>186,139</b>	<b>48,701</b>	<b>10,581,632</b>
-	-	-	-	448	2,383	4,048
-	-	-	-	203	-	3,048
2,661,232	120,998	215,043	1,181,638	185,488	46,310	10,548,958
-	-	-	-	-	8	18,803
-	-	-	-	-	-	6,775
<b>2,661,232</b>	<b>120,998</b>	<b>215,043</b>	<b>1,181,638</b>	<b>186,139</b>	<b>48,701</b>	<b>10,581,632</b>

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

Year ended June 30, 2007

<b>Assets and Liabilities</b>	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year	\$ 16,937	112,176	324,397	5,533,466	242,765
Additions:					
Property and other county tax	-	111,805	172,069	5,362,012	248,209
E911 surcharges	-	-	-	-	-
Intergovernmental	-	-	-	-	-
State tax credits	-	6,228	9,220	306,355	13,443
Drivers license fees	-	-	-	-	-
Office fees and collections	277,694	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	214,428	-	-	-	-
Miscellaneous	3,781	-	3,060	-	-
Total additions	495,903	118,033	184,349	5,668,367	261,652
Deductions:					
Agency remittances:					
To other funds	148,429	-	-	-	-
To other governments	130,676	116,753	197,558	5,735,375	252,101
Trusts paid out	209,272	-	-	-	-
Total deductions	488,377	116,753	197,558	5,735,375	252,101
Balances end of year	\$ 24,463	113,456	311,188	5,466,458	252,316

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	County Hospital	E911 Service	Other	Total
2,669,691	115,661	203,506	1,176,782	126,006	40,542	10,561,929
2,564,333	120,209	-	1,160,154	-	1,474	9,740,265
-	-	-	-	71,613	-	71,613
-	-	-	-	22,263	31,025	53,288
165,051	5,760	-	65,036	-	83	571,176
-	-	93,483	-	-	-	93,483
-	-	-	-	-	-	277,694
-	-	-	-	-	2,372	2,372
-	-	2,388,057	-	-	-	2,388,057
-	-	-	-	-	2,640	2,640
-	-	-	-	-	23,400	237,828
-	-	-	-	4,989	-	11,830
2,729,384	125,969	2,481,540	1,225,190	98,865	60,994	13,450,246
-	-	116,320	-	-	-	264,749
2,737,843	120,632	2,353,683	1,220,334	38,732	52,835	12,956,522
-	-	-	-	-	-	209,272
2,737,843	120,632	2,470,003	1,220,334	38,732	52,835	13,430,543
2,661,232	120,998	215,043	1,181,638	186,139	48,701	10,581,632

**Schedule 5**

## Montgomery County

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

For the Last Seven Years

	Modified Accrual Basis						
	2007	2006	2005	2004	2003	2002	2001
Revenues:							
Property and other county tax	\$ 3,974,990	3,736,347	3,833,332	3,585,446	3,574,165	3,111,868	2,846,791
Interest and penalty on property tax	43,021	40,657	36,153	36,484	53,932	37,515	41,017
Intergovernmental	3,666,726	3,717,722	3,254,490	3,370,910	3,963,034	3,334,778	3,669,037
Licenses and permits	8,240	6,395	3,802	5,051	5,165	4,580	3,657
Charges for service	266,787	276,669	274,344	324,964	230,626	211,918	196,648
Use of money and property	171,377	143,711	76,530	53,678	75,892	103,130	152,649
Miscellaneous	72,677	63,807	154,139	70,709	20,213	73,536	18,966
Total	\$ 8,203,818	7,985,308	7,632,790	7,447,242	7,923,027	6,877,325	6,928,765
Expenditures:							
Operating:							
Public safety and legal services	\$ 1,522,158	1,562,204	1,561,279	1,538,008	1,612,309	1,541,681	1,520,583
Physical health and social services	648,183	767,606	748,024	754,554	705,939	615,063	532,914
Mental health	996,251	899,688	845,478	821,818	922,694	918,130	547,500
County environment and education	273,717	536,622	352,028	412,139	550,533	386,154	265,338
Roads and transportation	2,655,699	2,611,352	2,435,439	2,559,409	2,440,342	2,437,700	2,269,604
Governmental services to residents	311,434	426,736	330,171	383,206	396,655	390,575	331,021
Administration	713,278	683,123	648,543	615,399	617,103	543,013	579,917
Non-program	-	180	815	172	92	4,345	2,587
Debt service	63,389	63,503	114,041	118,481	190,681	191,447	177,163
Capital projects	225,380	652,897	1,528	2,393	366,708	75,500	415,876
Total	\$ 7,409,489	8,203,911	7,037,346	7,205,579	7,803,056	7,103,608	6,642,503

See accompanying independent auditor's report.



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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, 2007, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated May 1, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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



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

#### Compliance and Other Matters

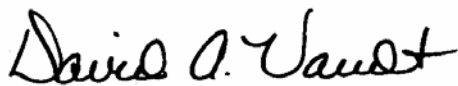
As part of obtaining reasonable assurance about whether Montgomery County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

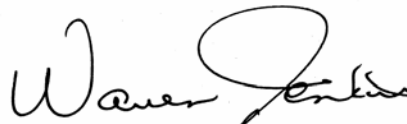
Montgomery County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Montgomery County's responses and, accordingly, we express no opinion on them.

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 1, 2008

Montgomery County  
 Schedule of Findings  
 Year ended June 30, 2007

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

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

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

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

Responses:

County Treasurer – The Treasurer's office will consider the recommendations and look at the procedures to try to segregate duties as much as possible.

County Recorder – Due to limited staff and unexpected transition of staff, we were not able to comply with (1) and (2) above. We will try to maintain the best segregation of duties possible.

Montgomery County

Schedule of Findings

Year ended June 30, 2007

County Sheriff – When possible the mail is processed by two people, sergeant and Sheriff, and monies counted before being given to accountant. Month end bank statements are reconciled by Sheriff. Due to staffing restrictions we are unable to follow specific procedures, however, we do follow some procedures on a general basis.

Conclusion – Responses accepted.

- (B) Financial Reporting – Material amounts of receivables and capital asset additions were 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 and capital asset additions are identified and included in the County's financial statements.

Response – The County Auditor's Office will work in conjunction with the departments to ensure all receivables and capital asset additions are captured in the financial statements.

Conclusion – Response accepted.

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

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

Response – We will try to make more timely deposits within 2-3 days of receipt of the monies brought in from various funding sources.

We will work on a reconciliation form and begin using it now to help keep track of our various money sources.

Conclusion – Response accepted.

- (D) County Sheriff - Certain expenditures were paid from the County Sheriff's commissary account and were not included in the County's accounting system, budget or annual financial reports.

Recommendation - All expenditures for the County Sheriff's office should be paid by claims approved by the Board of Supervisors and should be reflected in the County's accounting system, County budget and annual financial reports.

Response – The inmate commissary funds account was account closed due to lack of activity.

Montgomery County

Schedule of Findings

Year ended June 30, 2007

In the future, any commissary funds activity will be deposited with the County Treasurer and a line item developed and claims used to expend funds.

Conclusion – Response accepted.

- (E) Compensated Absences – The County is not following the provisions of the County’s personnel policy regarding the maximum allowable carryover of vacation time hours.

Recommendation – The County should limit carryover of employee’s vacation time hours as prescribed by County policy.

Response – The County will limit the vacation hours to the maximum allowed by policy by programming the payroll module of the computer software to eliminate excess hours. Spot checks will be done to ensure any excess hours have been deleted.

Conclusion – Response accepted.

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

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

Response – The Conservation Department will revise these two sections so they do not contradict each other.

Conclusion – Response accepted.

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

Montgomery County

Schedule of Findings

Year ended June 30, 2007

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted by function. Disbursements in certain departments for the year ended June 30, 2007 exceeded the appropriations.

Recommendation – 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 service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed appropriation.

Response – The County Auditor will reject any claims that would exceed a departments appropriation for the fiscal year until the appropriation is amended.

Conclusion – Response accepted.

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

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

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

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

- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not, except as follows:

- Board of Supervisors meeting minutes for the meeting held on July 27, 2006 were not included in the official minutes book and, accordingly, the minutes were not properly signed.
- The minutes of two Board of Supervisor meetings were not published as required by Chapter 349.18 of the Code of Iowa.

Recommendation – The County should ensure all minutes are included in the official minutes book and the minutes are published and signed as required by the Code of Iowa.

Response – The July 27, 2006 minutes have now been included in the official minutes book and minutes not published will be published. In the future, the County Auditor will publish all minutes timely.

Conclusion – Response accepted.

Montgomery County

Schedule of Findings

Year ended June 30, 2007

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

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

Response – Salaried employees will be identified as exempt and non-exempt and noted on future wage approvals for upcoming fiscal years.

Conclusion – Response accepted.

- (10) Payroll Calculation Method - Certain County employees were paid compensation less than the authorized amount due to the payroll calculation method.

Recommendation - The County Auditor should comply with Chapters 331.904, 331.905 and 331.907 of the Code of Iowa to ensure the amount of payroll compensation is correctly computed and the total salary paid to employees agrees with the authorized salary.

Response – The payroll calculation method will be corrected and any amount due to an employee will be paid.

Conclusion – Response accepted.

- (11) Conservation Board Minutes – One closed session held did not include the vote of each member on the question of holding the closed session or the reason for holding the closed session as required by Chapter 21.5 of the Code of Iowa.

Recommendation – The Conservation Board should ensure minutes document the vote of each member along with the reason for holding the closed session as required by Chapter 21.5 of the Code of Iowa.

Response – From now on the minutes will include a role call vote and will also state the reason for going into closed session to comply with Chapter 21.5 of the Code of Iowa.

Conclusion – Response accepted.

Montgomery County

Schedule of Findings

Year ended June 30, 2007

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

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

Response – The Director will note each Commissioner present or absent at each meeting and provide the information to the County Auditor with the appropriate payroll report.

Conclusion – Response accepted.

- (13) 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, 2007 for the County Extension Office did not exceed the amount budgeted.

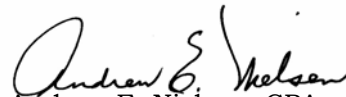
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Montgomery County

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager  
Nancy F. Curtis, CPA, Senior Auditor II  
Melissa M. Wellhausen, CPA, Senior Auditor  
Delyne M. Kroeger, Staff Auditor  
Aaron P. Wagner, CPA, Staff Auditor  
Michael L. Castagnoli, Assistant Auditor  
Lori M. Dinville, Assistant Auditor  
Gelu Sherpa, Assistant Auditor  
Sharon K. Stickrod, Assistant Auditor

  
Andrew E. Nielsen, CPA  
Deputy Auditor of State