



**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 23, 2006 _____

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 \$13,728,572 for the year ended June 30, 2005, which included \$809,999 in tax credits from the state. The County forwarded \$9,992,927 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,735,645 of the local tax revenue to finance County operations, a 6 percent increase over the prior year. Other revenues included charges for service of \$640,722, operating grants, contributions and restricted interest of \$2,801,185, capital grants, contributions and restricted interest of \$512,272, local option sales and services tax of \$274,967, unrestricted investment earnings of \$54,863 and other general revenues of \$79,303.

Expenses for County operations totaled \$6,951,925, a 2% decrease from the prior year. Expenses included \$2,479,955 for roads and transportation, \$1,561,101 for public safety and legal services and \$821,043 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, 2005

Table of Contents

		Page
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	G	25
Notes to Financial Statements		26-35
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		38-39
Budget to GAAP Reconciliation		40
Notes to Required Supplementary Information – Budgetary Reporting		41
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	44-45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	46-47
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	48-49
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	50-51
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	52
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		53-54
Schedule of Findings		55-64
Staff		65

Montgomery County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2005)		
Leland Carmichael	Board of Supervisors	Jan 2005
Margaret Stoldorf	Board of Supervisors	Jan 2005
Glen Benskin	Board of Supervisors	Jan 2007
Dale Carlson	Board of Supervisors	Jan 2007
Harry Vannausdle	Board of Supervisors	Deceased
Connie Magneson	County Auditor	Jan 2005
Anita Walker	County Treasurer	Jan 2007
JoAnn Butler	County Recorder	Jan 2007
Anthony Updegrove	County Sheriff	Jan 2005
Bruce Swanson	County Attorney	Jan 2007
Stacey Vondielingen	County Assessor	Jan 2010
(After January 2005)		
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	Jan 2007
Anthony Updegrove	County Sheriff	Jan 2009
Bruce Swanson	County Attorney	Jan 2007
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, 2005, 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.

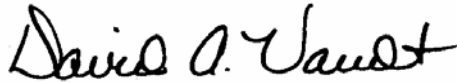
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2005, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.


In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2006 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 38 through 41 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 year ended June 30, 2004 (which is not presented herein) and expressed unqualified opinions on those financial statements. Also, 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

March 2, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Montgomery County provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Montgomery County implemented new reporting standards for last year with significant changes in content and structure. Now much of the information is easily comparable to the prior year.

2005 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 6%, or \$469,554, from fiscal 2004 to fiscal 2005. Property tax increased approximately \$217,000 over FY04, primarily to balance the loss of revenue in operating grants and charges for service. Operating grants, contributions and restricted interest decreased approximately \$74,000, capital grants, contributions and restricted interest increased approximately \$406,000 and local option sales and services tax decreased approximately \$15,000.
- The County's governmental activities program expenses decreased 2.4%, or approximately \$168,000. Roads and transportation expenses decreased approximately \$82,000, county environment and education expenses decreased approximately \$102,000 and governmental services to residents expenses decreased approximately \$86,000.
- The County's net assets increased 25%, or approximately \$1,147,000, from June 30, 2004 to June 30, 2005.

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 most recent 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 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. Montgomery County's combined net assets increased by 25% from a year ago, increasing from \$4.6 million to \$5.7 million. The analysis below shows the changes in the net assets of governmental activities from a year ago.

Net Assets of Governmental Activities		
	June 30,	
	2005	2004
Current and other assets	\$ 6,795,718	6,690,047
Capital assets	3,057,466	2,560,697
Total assets	<u>9,853,184</u>	<u>9,250,744</u>
Long-term liabilities	357,994	458,918
Other liabilities	3,755,478	4,199,146
Total liabilities	<u>4,113,472</u>	<u>4,658,064</u>
Net assets:		
Invested in capital assets, net of related debt	3,045,491	2,537,264
Restricted	2,319,294	1,844,789
Unrestricted	<u>374,927</u>	<u>210,627</u>
Total net assets	<u>\$ 5,739,712</u>	<u>4,592,680</u>

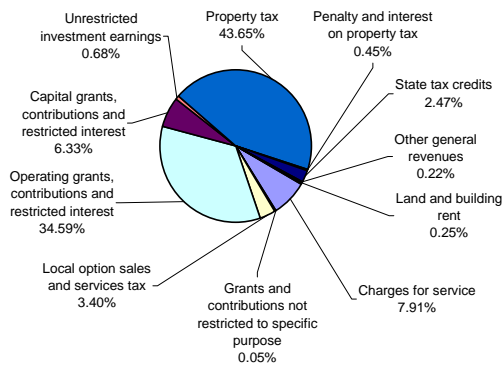
The largest portion of the County's net assets is invested in capital assets (i.e. land, buildings, infrastructure and equipment). Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The significant increase in net assets invested in capital assets is the result of capital contributions from the Iowa Department of Transportation for 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 \$211,000 at June 30, 2004 to approximately \$375,000 at the end of this year, an increase of 78%.

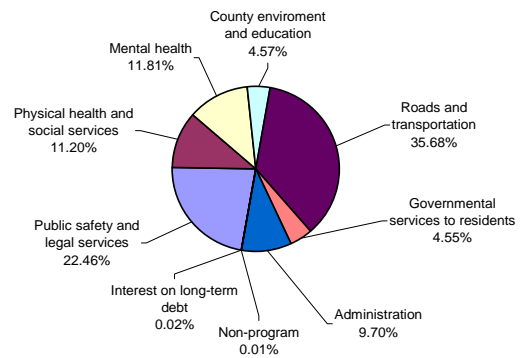
Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2005	2004
Revenues:		
Program revenues:		
Charges for service	\$ 640,722	719,827
Operating grants, contributions and restricted interest	2,801,185	2,874,720
Capital grants, contributions and restricted interest	512,272	105,887
General revenues:		
Property tax	3,535,577	3,318,833
Penalty and interest on property tax	36,370	41,053
State tax credits	200,068	196,157
Local option sales and services tax	274,967	289,557
Grants and contributions not restricted to specific purpose	4,433	18,625
Unrestricted investment earnings	54,863	31,766
Land and building rent	20,420	12,056
Other general revenues	18,080	20,922
Total revenues	<u>8,098,957</u>	<u>7,629,403</u>
Program expenses:		
Public safety and legal services	1,561,101	1,523,907
Physical health and social services	778,672	751,411
Mental health	821,043	821,818
County environment and education	317,475	419,756
Roads and transportation	2,479,955	2,562,128
Governmental services to residents	316,620	402,324
Administration	674,560	634,674
Non-program	815	172
Interest on long-term debt	1,684	3,731
Total expenses	<u>6,951,925</u>	<u>7,119,921</u>
Increase in net assets	1,147,032	509,482
Net assets beginning of year	4,592,680	4,083,198
Net assets end of year	<u>\$ 5,739,712</u>	<u>4,592,680</u>

Revenue by Source



Expenses by Program



The County increased property tax rates by \$.10601 per \$1,000 of taxable valuation for the rural levy and \$1.19409 per \$1,000 of taxable valuation for the countywide levy. The general basic levy increased \$.98 per \$1,000 of taxable valuation, the general supplemental levy increased \$.17036 per \$1,000 of valuation and the mental health levy increased \$.04373 per \$1,000 of taxable valuation. The rural assessed property taxable valuation decreased by approximately \$17,771,000. The countywide assessed property taxable valuation decreased by approximately \$23,104,000. Based on the property tax rate increases, property tax revenue increased approximately \$217,000.

The cost of all governmental activities this year was approximately \$6.9 million compared to approximately \$7.1 million last year. Overall, the County's governmental activities revenues, including intergovernmental aid and fees for services, increased in 2005 from approximately \$3,700,000 to \$3,954,000, principally due to receiving capital contributions of \$512,272 from the Iowa Department of Transportation for road projects. The County paid for the remaining "public benefit" portion of government activities with approximately \$4,145,000 in taxes and with other revenues, such as interest and general entitlements.

INDIVIDUAL MAJOR FUND ANALYSIS

As Montgomery County completed the year, its governmental funds reported a combined fund balance of \$3 million, an increase of approximately \$600,000 over last year's total of \$2.4 million. The primary reasons for the increase in fund balance is because of the increase in the general basic and rural services basic levies. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

General Fund revenues increased and expenditures decreased compared to the prior year. The ending fund balance increased approximately \$217,000 from the prior year to approximately \$781,000. The taxable property valuation decreased from \$397,568,259 in fiscal 2004 to \$374,464,258 in fiscal 2005. The general basic levy increased from \$3.50 per \$1,000 of taxable valuation in fiscal 2004 to \$4.48 per \$1,000 of taxable valuation in fiscal 2005.

The County has continued to look for ways to effectively manage the cost of mental health services. The Mental Health Fund balance at year end increased by approximately \$84,000 from the prior year to approximately \$249,000. For the year, expenditures totaled approximately \$845,000, an increase of approximately \$24,000, or 2.9%, from the prior year. An increase in intergovernmental revenues resulted in the fund balance increase.

The Rural Services Fund ending fund balance decreased a minimal \$228 from the prior year to approximately \$112,000. Property tax revenue for the Rural Services Fund decreased by approximately \$63,000 in fiscal 2005 and intergovernmental revenues increased by approximately \$5,000 in fiscal 2005 from fiscal 2004. Other revenues within the Rural Services Fund remained virtually unchanged.

The Secondary Roads Fund expenditures decreased by approximately \$132,000 from the prior year, principally due to the cost saving measures taken during fiscal 2004. This decrease in expenditures resulted in an increase in the Secondary Roads Fund ending balance of approximately \$280,000, or 20%. Montgomery County maintained approximately 727 miles of gravel, dirt and paved roads with the resources of this fund.

BUDGETARY HIGHLIGHTS

Over the course of the year, Montgomery County amended its budget three times. The first amendment was made in December 2004 and resulted in an increase in budgeted disbursements related to pass-thru revenues and expenditures for the Recorder's Electronic Transaction Fund and increased expenditures for public safety, economic development and bin repairs for the County farm. The second and third amendments were made on May 27 and June 16, 2005, respectively. The amendments were made to provide for additional expenditures, including wages, insurance and additional building maintenance costs for certain County departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, Montgomery County had approximately \$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 \$497,000, or 19%, over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2005	2004
Land	\$ 371,673	326,673
Buildings and improvements	185,399	196,987
Equipment and vehicles	1,935,689	1,980,541
Infrastructure	564,705	56,496
Total	<u>\$ 3,057,466</u>	<u>2,560,697</u>

This year's major additions included:

Land	\$ 45,000
Capital assets contributed by the Iowa Department of Transportation	512,272
Replacement of a loader, 2 truck bodies, 1 truck, 1 pickup and other secondary roads equipment	160,750
Additional patrol cars	44,251
Total	<u>\$ 762,273</u>

Montgomery County had depreciation expense of \$265,504 in fiscal 2005 and total accumulated depreciation of \$2,096,514 at June 30, 2005. Additional information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2005, Montgomery County had a capital lease purchase balance of \$11,975 and a disaster aid loan payable of \$163,545. For additional information about the County's long-term debt, see Note 6 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 decreased approximately \$23 million from the previous year. Faced with exceeding the general basic levy cap for the second year in a row, the decision was made to decrease departmental expenditures and drop the general basic levy from \$4.48 per \$1,000 of taxable valuation to \$4.10 per \$1,000 of taxable valuation for the fiscal year 2006.

The County will need to purchase new voting technology with part or all of the expenses to be reimbursed with State and Federal Help America Vote Act funding.

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

Budgeted disbursements are expected to rise by approximately \$1.2 million. The largest increase is in the capital projects and roads and transportation functions. The County has added no major new programs or initiatives to the 2006 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, 2005

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 2,741,980
Receivables:	
Property tax:	
Delinquent	11,034
Succeeding year	3,458,000
Interest and penalty on property tax	5,317
Accounts	8,236
Accrued interest	2,919
Due from other governments	249,494
Inventories	252,844
Prepaid items	65,894
Capital assets (net of accumulated depreciation)	<u>3,057,466</u>
Total assets	<u>9,853,184</u>
Liabilities	
Accounts payable	76,515
Salaries and benefits payable	98,846
Due to other governments	122,117
Deferred revenue:	
Succeeding year property tax	3,458,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	11,974
Disaster aid loan	54,515
Compensated absences	113,352
Portion due or payable after one year:	
Capital lease purchase agreement	1
Disaster aid loan	109,030
Compensated absences	<u>69,122</u>
Total liabilities	<u>4,113,472</u>
Net Assets	
Invested in capital assets, net of related debt	3,045,491
Restricted for:	
Supplemental levy purposes	300,724
Mental health purposes	250,396
Secondary roads purposes	1,487,509
Debt service	61
Other purposes	280,604
Unrestricted	<u>374,927</u>
Total net assets	<u>\$ 5,739,712</u>

See notes to financial statements.

Montgomery County
 Statement of Activities
 Year ended June 30, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,561,101	120,997	109,395	-	(1,330,709)
Physical health and social services	778,672	198,745	267,126	-	(312,801)
Mental health	821,043	101,373	540,231	-	(179,439)
County environment and education	317,475	6,188	102,412	-	(208,875)
Roads and transportation	2,479,955	9,816	1,761,004	512,272	(196,863)
Governmental services to residents	316,620	173,370	16,169	-	(127,081)
Administration	674,560	30,233	432	-	(643,895)
Non-program	815	-	1,125	-	310
Interest on long-term debt	1,684	-	3,291	-	1,607
Total	\$ 6,951,925	640,722	2,801,185	512,272	(2,997,746)
General Revenues:					
Property and other county tax levied for general purposes					3,535,577
Penalty and interest on property tax					36,370
State tax credits					200,068
Local option sales and services tax					274,967
Grants and contributions not restricted to specific purpose					4,433
Unrestricted investment earnings					54,863
Land and building rent					20,420
Miscellaneous					18,080
Total general revenues					4,144,778
Change in net assets					1,147,032
Net assets beginning of year					4,592,680
Net assets end of year					\$ 5,739,712

See notes to financial statements.

Montgomery County

Balance Sheet
Governmental Funds

June 30, 2005

	General	Special Revenue	
		Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 802,200	353,253	130,434
Receivables:			
Property tax:			
Delinquent	9,480	1,147	407
Succeeding year	2,168,000	262,000	1,028,000
Interest and penalty on property tax	5,317	-	-
Accounts	7,996	-	-
Accrued interest	2,919	-	-
Due from other governments	44,886	10,608	-
Inventories	-	-	-
Prepaid items	50,840	-	-
Total assets	\$ 3,091,638	627,008	1,158,841
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 30,451	21,222	1,375
Salaries and benefits payable	56,527	-	16,269
Due to other governments	26,602	93,391	654
Deferred revenue:			
Succeeding year property tax	2,168,000	262,000	1,028,000
Other	28,746	1,070	407
Total liabilities	2,310,326	377,683	1,046,705
Fund balances:			
Reserved for:			
Supplemental levy purposes	268,929	-	42,722
Debt service	-	-	-
Resource enhancement and protection	76,689	-	-
Unreserved, reported in:			
General fund	435,694	-	-
Special revenue funds	-	249,325	69,414
Total fund balances	781,312	249,325	112,136
Total liabilities and fund balances	\$ 3,091,638	627,008	1,158,841

See notes to financial statements.

<hr/>		
Secondary		
Roads	Nonmajor	Total
<hr/>		
1,358,048	98,045	2,741,980
-	-	11,034
-	-	3,458,000
-	-	5,317
240	-	8,236
-	-	2,919
151,690	42,310	249,494
252,844	-	252,844
6,209	8,845	65,894
<hr/>		
1,769,031	149,200	6,795,718
<hr/>		
23,467	-	76,515
26,050	-	98,846
1,470	-	122,117
-	-	3,458,000
-	-	30,223
<hr/>		
50,987	-	3,785,701
<hr/>		
-	-	311,651
-	61	61
-	-	76,689
-	-	435,694
1,718,044	149,139	2,185,922
<hr/>		
1,718,044	149,200	3,010,017
<hr/>		
1,769,031	149,200	6,795,718
<hr/>		

Montgomery County

Montgomery County

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

June 30, 2005

Total governmental fund balances (page 19) \$ 3,010,017

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 \$5,153,980 and the accumulated depreciation is \$2,096,514. 3,057,466

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 30,223

Long-term liabilities, including a capital lease purchase agreement payable, disaster aid loan payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (357,994)

Net assets of governmental activities (page 16) \$ 5,739,712

See notes to financial statements.

Montgomery County

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

Year ended June 30, 2005

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,258,137	262,555	1,008,374
Interest and penalty on property tax	36,153	-	-
Intergovernmental	665,767	666,523	59,098
Licenses and permits	3,052	-	-
Charges for service	253,960	-	3,515
Use of money and property	75,953	-	-
Miscellaneous	41,325	-	760
Total revenues	3,334,347	929,078	1,071,747
Expenditures:			
Operating:			
Public safety and legal services	1,255,436	-	251,182
Physical health and social services	748,024	-	-
Mental health	-	845,478	-
County environment and education	215,061	-	34,555
Roads and transportation	-	-	170,605
Governmental services to residents	299,370	-	1,898
Administration	648,543	-	-
Non-program	815	-	-
Debt service	-	-	-
Capital projects	1,528	-	-
Total expenditures	3,168,777	845,478	458,240
Excess (deficiency) of revenues over (under) expenditures	165,570	83,600	613,507
Other financing sources (uses):			
Operating transfers in	56,836	-	-
Operating transfers out	(5,322)	-	(613,735)
Total other financing sources (uses)	51,514	-	(613,735)
Net change in fund balances	217,084	83,600	(228)
Fund balances beginning of year	564,228	165,725	112,364
Fund balances end of year	\$ 781,312	249,325	112,136

See notes to financial statements.

<hr/>		
<hr/>		
Secondary		
Roads	Nonmajor	Total
<hr/>		
-	304,266	3,833,332
-	-	36,153
1,759,565	103,537	3,254,490
750	-	3,802
-	16,869	274,344
-	577	76,530
12,247	99,807	154,139
<hr/>	<hr/>	<hr/>
1,772,562	525,056	7,632,790
<hr/>		
-	54,661	1,561,279
-	-	748,024
-	-	845,478
-	102,412	352,028
2,264,834	-	2,435,439
-	28,903	330,171
-	-	648,543
-	-	815
68,443	45,598	114,041
-	-	1,528
<hr/>	<hr/>	<hr/>
2,333,277	231,574	7,037,346
<hr/>		
(560,715)	293,482	595,444
<hr/>		
841,076	5,322	903,234
-	(284,177)	(903,234)
<hr/>	<hr/>	<hr/>
841,076	(278,855)	-
<hr/>		
280,361	14,627	595,444
<hr/>	<hr/>	<hr/>
1,437,683	134,573	2,414,573
<hr/>		
1,718,044	149,200	3,010,017
<hr/>		

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, 2005

Net change in fund balances - Total governmental funds (page 23) \$ 595,444***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	\$ 250,001	
Capital assets contributed by the Iowa Department of Transportation	512,272	
Depreciation expense	<u>(265,504)</u>	496,769

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	6,511	
Other	<u>(52,616)</u>	(46,105)

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.

101,713

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

(789)**Change in net assets of governmental activities (page 17)**\$1,147,032

See notes to financial statements.

Montgomery County
 Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2005

Assets

Cash and pooled investments:	
County Treasurer	\$ 611,052
Other County officials	27,319
Receivables:	
Property tax:	
Delinquent	56,272
Succeeding year	9,398,000
Accounts	13,359
Special assessments	17,458
Due from other governments	1,248
Prepaid items	4,608
Total assets	<u>10,129,316</u>

Liabilities

Accounts payable	2,807
Salaries and benefits payable	3,270
Due to other governments	10,098,372
Trusts payable	20,828
Compensated absences	4,039
Total liabilities	<u>10,129,316</u>

Net assets	<u><u>\$ -</u></u>
-------------------	--------------------

See notes to financial statements.

Montgomery County
Notes to Financial Statements
June 30, 2005

(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 not 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 and its component units. 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 the outstanding balance for capital lease purchase agreement attributable to the acquisition 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 roads 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

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 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 (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 not adding 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	\$ 65,000
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, 2005. 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, 2005, disbursements exceeded the amount budgeted in the public safety and legal services function and disbursements in one department exceeded the amount appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2005 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) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales and Services Tax	\$ 56,836
Special Revenue: Secondary Roads	Special Revenue: Rural Services Local Option Sales and Services Tax	613,735 227,341 <u>841,076</u>
Debt Service	General	<u>5,322</u>
Total		<u>\$ 903,234</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 326,673	45,000	-	371,673
Construction in progress	-	512,272	(512,272)	-
	<u>326,673</u>	<u>557,272</u>	<u>(512,272)</u>	<u>371,673</u>
Capital assets being depreciated:				
Buildings	491,525	-	-	491,525
Equipment and vehicles	3,516,117	205,001	-	3,721,118
Infrastructure, road network	57,392	512,272	-	569,664
Total capital assets being depreciated	<u>4,065,034</u>	<u>717,273</u>	<u>-</u>	<u>4,782,307</u>
Less accumulated depreciation for:				
Buildings	294,538	11,588	-	306,126
Equipment and vehicles	1,535,576	249,853	-	1,785,429
Infrastructure, road network	896	4,063	-	4,959
Total accumulated depreciation	<u>1,831,010</u>	<u>265,504</u>	<u>-</u>	<u>2,096,514</u>
Total capital assets being depreciated, net	<u>2,234,024</u>	<u>451,769</u>	<u>-</u>	<u>2,685,793</u>
Governmental activities capital assets, net	<u>\$ 2,560,697</u>	<u>1,009,041</u>	<u>(512,272)</u>	<u>3,057,466</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 35,913
Physical health and social services	1,822
County environment and education	11,430
Roads and transportation	197,055
Administration	<u>19,284</u>
Total depreciation expense - governmental activities	<u>\$ 265,504</u>

(5) Due to Other Governments

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

Fund	Description	Amount
General	Services	<u>\$ 26,602</u>
Special Revenue:		
Mental Health	Services	93,391
Rural Services	Services	654
Secondary Roads	Services	<u>1,470</u>
		<u>95,515</u>
Total for governmental funds		<u>\$ 122,117</u>
Agency:		
County Assessor	Collections	\$ 298,103
Schools		5,260,513
Community Colleges		234,124
Corporations		2,560,842
Auto License and Use Tax		212,753
County Hospital		1,172,729
All other		<u>359,308</u>
Total for agency funds		<u>\$ 10,098,372</u>

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Capital Lease Purchase Agreement	Disaster Aid Loan	Compen- sated Absences	Total
Balance beginning of year	\$ 23,433	253,800	181,685	458,918
Increases	-	-	158,030	158,030
Decreases	<u>11,458</u>	<u>90,255</u>	<u>157,241</u>	<u>258,954</u>
Balance end of year	<u>\$ 11,975</u>	<u>163,545</u>	<u>182,474</u>	<u>357,994</u>
Due within one year	<u>\$ 11,974</u>	<u>54,515</u>	<u>113,352</u>	<u>179,841</u>

Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement to lease Secondary Roads equipment with historical cost of \$53,763. The following is a schedule of the future minimum lease payments, including interest at 4.50% per annum, and the present value of the net minimum lease payments under the agreement in effect at June 30, 2005:

<u>Year ending June 30,</u>	<u>Amount</u>
2006	\$ 12,489
2007	<u>1</u>
Total minimum lease payments	12,490
Less amount representing interest	<u>(515)</u>
Present value of net minimum lease payments	<u>\$ 11,975</u>

Payments under the capital lease purchase agreement totaled \$12,488 for the year ended June 30, 2005, including interest expense of \$1,030.

Disaster Aid Loan

The County has entered into a loan for disaster aid. The loan does not bear interest and will mature in July 2008.

A summary of the County's June 30, 2005 loan indebtedness is as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2006	\$ 54,515
2007	54,515
2008	<u>54,515</u>
Total	<u>\$ 163,545</u>

During the year ended June 30, 2005, loans of \$90,255 were retired, including \$35,740 to retire the communication equipment loan early.

(7) 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, 2005, 2004 and 2003 were \$159,019, \$154,565 and \$165,894, respectively, equal to the required contributions for each year.

(8) Risk Management

Montgomery County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

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, 2005

	<u>Actual</u>
Receipts:	
Property and other county tax	\$ 3,528,476
Interest and penalty on property tax	35,723
Intergovernmental	3,822,333
Licenses and permits	6,747
Charges for service	293,850
Use of money and property	75,280
Miscellaneous	99,487
Total receipts	<u>7,861,896</u>
Disbursements:	
Public safety and legal services	1,583,281
Physical health and social services	749,108
Mental health	868,994
County environment and education	530,908
Roads and transportation	2,592,060
Governmental services to residents	347,935
Administration	681,501
Non-program	815
Debt service	114,569
Capital projects	1,625
Total disbursements	<u>7,470,796</u>
Excess (deficiency) of receipts over (under) disbursements	391,100
Other financing sources, net	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	391,100
Balance beginning of year	<u>2,350,880</u>
Balance end of year	<u>\$ 2,741,980</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual Variance
3,857,741	3,857,741	(329,265)
37,480	37,480	(1,757)
3,490,486	3,617,951	204,382
4,350	4,350	2,397
262,375	270,570	23,280
96,615	96,615	(21,335)
14,898	82,964	16,523
<u>7,763,945</u>	<u>7,967,671</u>	<u>(105,775)</u>
1,454,250	1,533,527	(49,754)
773,509	802,384	53,276
894,701	943,534	74,540
481,879	557,587	26,679
2,983,920	2,983,920	391,860
370,694	387,829	39,894
697,922	747,444	65,943
93	1,093	278
113,204	114,665	96
288,570	288,570	286,945
<u>8,058,742</u>	<u>8,360,553</u>	<u>889,757</u>
(294,797)	(392,882)	783,982
<u>35,980</u>	<u>35,980</u>	<u>(35,980)</u>
(258,817)	(356,902)	748,002
<u>1,605,932</u>	<u>2,327,987</u>	<u>22,893</u>
<u>1,347,115</u>	<u>1,971,085</u>	<u>770,895</u>

Montgomery County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,861,896	(229,106)	7,632,790
Expenditures	7,470,796	(433,450)	7,037,346
Net	391,100	204,344	595,444
Beginning fund balances	2,350,880	63,693	2,414,573
Ending fund balances	\$ 2,741,980	268,037	3,010,017

See accompanying independent auditor's report.

Montgomery County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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, 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, three budget amendments increased budgeted disbursements by \$301,811. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the public safety and legal services function and disbursements in one department exceeded the amount appropriated.

Montgomery County

Other Supplementary Information

Montgomery County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2005

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Flood and Erosion	Local Option Sales and Services Tax
Assets				
Cash and pooled investments	\$ 30,617	2,008	811	21,155
Due from other governments	-	-	-	42,310
Prepaid items	2,545	6,300	-	-
Total assets	\$ 33,162	8,308	811	63,465
Liabilities and Fund Equity				
Liabilities:				
None	\$ -	-	-	-
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved	33,162	8,308	811	63,465
Total fund equity	33,162	8,308	811	63,465
Total liabilities and fund equity	\$ 33,162	8,308	811	63,465

See accompanying independent auditor's report.

Seized and Forfeited Property - County Attorney	Seized and Forfeited Property - County Sheriff	Conservation Land Acquisition	Debt Service	Total
2,070	20,789	20,534	61	98,045
-	-	-	-	42,310
-	-	-	-	8,845
2,070	20,789	20,534	61	149,200
-	-	-	-	-
-	-	-	61	61
2,070	20,789	20,534	-	149,139
2,070	20,789	20,534	61	149,200
2,070	20,789	20,534	61	149,200

Montgomery County

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

Year ended June 30, 2005

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Community Development Block Grant
Revenues:			
Property and other county tax	\$ -	-	-
Intergovernmental	-	-	102,412
Charges for service	2,673	14,196	-
Use of money and property	325	252	-
Miscellaneous	-	-	-
Total revenues	2,998	14,448	102,412
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	-	102,412
Governmental services to residents	-	28,903	-
Debt service	-	-	-
Total expenditures	-	28,903	102,412
Excess (deficiency) of revenues over (under) expenditures	2,998	(14,455)	-
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	2,998	(14,455)	-
Fund balances beginning of year	30,164	22,763	-
Fund balances end of year	\$ 33,162	8,308	-

See accompanying independent auditor's report.

Special Revenue							
Flood and Erosion	Local Option Sales and Services Tax	Seized and Forfeited Property - County Attorney	Seized and Forfeited Property - County Sheriff	Conservation Land Acquisition	Debt Service	Total	
-	304,266	-	-	-	-	304,266	
-	-	-	-	1,125	-	103,537	
-	-	-	-	-	-	16,869	
-	-	-	-	-	-	577	
-	-	6,484	55,113	-	38,210	99,807	
-	304,266	6,484	55,113	1,125	38,210	525,056	
-	-	5,329	49,332	-	-	54,661	
-	-	-	-	-	-	102,412	
-	-	-	-	-	-	28,903	
-	-	-	-	-	45,598	45,598	
-	-	5,329	49,332	-	45,598	231,574	
-	304,266	1,155	5,781	1,125	(7,388)	293,482	
-	-	-	-	-	5,322	5,322	
-	(284,177)	-	-	-	-	(284,177)	
-	(284,177)	-	-	-	5,322	(278,855)	
-	20,089	1,155	5,781	1,125	(2,066)	14,627	
811	43,376	915	15,008	19,409	2,127	134,573	
811	63,465	2,070	20,789	20,534	61	149,200	

Montgomery County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,439	152,408	74,087
Other county officials	27,319	-	-	-
Receivables:				
Property tax:				
Delinquent	-	459	653	22,426
Succeeding year	-	105,000	149,000	5,164,000
Accounts	-	-	37	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Prepaid items	-	-	4,608	-
Total assets	\$ 27,319	106,898	306,706	5,260,513
Liabilities				
Accounts payable	\$ -	-	1,748	-
Salaries and benefits payable	-	-	2,816	-
Due to other governments	6,496	106,898	298,103	5,260,513
Trusts payable	20,823	-	-	-
Compensated absences	-	-	4,039	-
Total liabilities	\$ 27,319	106,898	306,706	5,260,513

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	County Hospital	E911 Service	Other	Total
3,134	39,181	1,393	212,753	15,690	63,616	47,351	611,052
-	-	-	-	-	-	-	27,319
990	26,661	38	-	5,039	-	6	56,272
230,000	2,495,000	102,000	-	1,152,000	-	1,000	9,398,000
-	-	-	-	-	13,322	-	13,359
-	-	-	-	-	-	17,458	17,458
-	-	-	-	-	1,248	-	1,248
-	-	-	-	-	-	-	4,608
234,124	2,560,842	103,431	212,753	1,172,729	78,186	65,815	10,129,316
-	-	-	-	-	85	974	2,807
-	-	-	-	-	-	454	3,270
234,124	2,560,842	103,431	212,753	1,172,729	78,101	64,382	10,098,372
-	-	-	-	-	-	5	20,828
-	-	-	-	-	-	-	4,039
234,124	2,560,842	103,431	212,753	1,172,729	78,186	65,815	10,129,316

Montgomery County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 17,592	106,207	337,115	5,459,772
Additions:				
Property and other county tax	-	105,423	148,812	5,172,859
E911 surcharges	-	-	-	-
State tax credits	-	6,304	14,305	323,534
Drivers license fees	-	-	-	-
Office fees and collections	239,650	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	484,705	-	-	-
Miscellaneous	1,938	-	5,145	-
Total additions	726,293	111,727	168,262	5,496,393
Deductions:				
Agency remittances:				
To other funds	137,137	-	-	-
To other governments	102,796	111,036	198,671	5,695,652
Trusts paid out	476,633	-	-	-
Total deductions	716,566	111,036	198,671	5,695,652
Balances end of year	\$ 27,319	106,898	306,706	5,260,513

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	County Hospital	E911 Service	Other	Total
232,577	2,538,770	104,421	186,734	1,164,036	80,898	27,508	10,255,630
230,108	2,466,805	103,154	-	1,154,435	-	1,400	9,382,996
-	-	-	-	-	77,970	-	77,970
13,725	177,876	5,367	-	68,736	-	84	609,931
-	-	-	88,266	-	-	-	88,266
-	-	-	-	-	-	-	239,650
-	-	-	-	-	-	2,699	2,699
-	-	-	2,380,422	-	-	60	2,380,482
-	-	-	-	-	-	45,140	45,140
-	-	-	-	-	-	33,120	517,825
-	-	-	-	-	715	10,110	17,908
243,833	2,644,681	108,521	2,468,688	1,223,171	78,685	92,613	13,362,867
-	-	-	125,118	-	-	-	262,255
242,286	2,622,609	109,511	2,317,551	1,214,478	81,397	54,306	12,750,293
-	-	-	-	-	-	-	476,633
242,286	2,622,609	109,511	2,442,669	1,214,478	81,397	54,306	13,489,181
234,124	2,560,842	103,431	212,753	1,172,729	78,186	65,815	10,129,316

Schedule 5

Montgomery County

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

For the Last Five Years

	Modified Accrual Basis				
	2005	2004	2003	2002	2,001
Revenues:					
Property and other county tax	\$ 3,833,332	3,585,446	3,574,165	3,111,868	2,846,791
Interest and penalty on property tax	36,153	36,484	53,932	37,515	41,017
Intergovernmental	3,254,490	3,370,910	3,963,034	3,334,778	3,669,037
Licenses and permits	3,802	5,051	5,165	4,580	3,657
Charges for service	274,344	324,964	230,626	211,918	196,648
Use of money and property	76,530	53,678	75,892	103,130	152,649
Miscellaneous	154,139	70,709	20,213	73,536	18,966
Total	\$ 7,632,790	7,447,242	7,923,027	6,877,325	6,928,765
Expenditures:					
Operating:					
Public safety and legal services	\$ 1,561,279	1,538,008	1,612,309	1,541,681	1,520,583
Physical health and social services	748,024	754,554	705,939	615,063	532,914
Mental health	845,478	821,818	922,694	918,130	547,500
County environment and education	352,028	412,139	550,533	386,154	265,338
Roads and transportation	2,435,439	2,559,409	2,440,342	2,437,700	2,269,604
Governmental services to residents	330,171	383,206	396,655	390,575	331,021
Administration	648,543	615,399	617,103	543,013	579,917
Non-program	815	172	92	4,345	2,587
Debt service	114,041	118,481	190,681	191,447	177,163
Capital projects	1,528	2,393	366,708	75,500	415,876
Total	\$ 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, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 2, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Montgomery County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness.

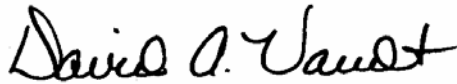
Compliance and Other Matters

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, 2005 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.

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

March 2, 2006

Montgomery County
Schedule of Findings
Year ended June 30, 2005

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (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:

	<u>Applicable Offices</u>
(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, Recorder, Auditor and Sheriff
(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 Auditor – The bank reconciliations will be initialed by an independent third person when they have been completed.

Montgomery County

Schedule of Findings

Year ended June 30, 2005

County Treasurer – We will try to comply with the recommendations.

County Recorder – We have discussed a plan for segregation of duties for receipts and disbursements. We will start immediately to have a different person open the mail from the one who rings receipts in the register. We will have a different person write the checks from the one who prepares the reports. The bank reconciliations are being reviewed by a clerk who does not write checks.

County Sheriff – The Sheriff or designee shall open and review as well as document collections of payments to the Sheriff's Office prior to disbursing them to accounts payable personnel. The Sheriff or designee shall reconcile the monthly financial report to the Treasurer and document the reconciliation.

Conclusion – Responses accepted.

- (B) Information Systems – During our review of internal control, the existing control activities in the County's computer based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- ownership of in-house developed software and data.
- maintaining security upon termination of employment.
- security over the information systems.
- communication of policies and expectations to all employees.
- password privacy and confidentiality.
- requiring users to change their password every 60 to 90 days.
- minimizing the risks of power surges and failures.
- providing for an alternative power source.
- ensuring only software licensed to the County is installed on computers.

Also, the County does not have a written disaster recovery plan and employees are not trained for appropriate responses to emergency situations.

Montgomery County

Schedule of Findings

Year ended June 30, 2005

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over computer based systems. Also, a written disaster recovery plan should be developed which includes the computer system and equipment and employees should receive adequate training.

Response – The County is currently working with an Information Technology Specialist to develop a written policy and disaster recovery plan for computer based systems.

Conclusion – Response accepted.

- (C) Local Board of Health – Collections were not always remitted to the County Treasurer timely.

Recommendation – All collections should be remitted to the County Treasurer timely.

Response – Starting at the beginning of fiscal year ending June 30, 2007, collections will be remitted to the County Treasurer on a weekly basis.

Conclusion – Response accepted.

- (D) Accounting Procedures Manuals – We encourage the development of an office procedures and standardized accounting manual for the Sheriff’s office. This manual should provide the following benefits:

- (1) Aid in training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Recommendation – An office procedures and accounting manual should be prepared for the County Sheriff’s office.

Response – We have prepared a procedures manual for the accounting section in our office.

Conclusion – Response accepted.

- (E) Jail Commissary – A reconciliation of cash on hand with the ledger book and independent review of the reconciliation was not documented. Also, purchases were made with cash.

Recommendation – To improve financial accountability and control, a bank account should be established and all purchases should be made by check. A monthly reconciliation should be prepared to reconcile cash on hand to sales and purchases activity and independent review of the reconciliation should be documented. Any profits from the commissary should also be remitted to the County Treasurer.

Montgomery County

Schedule of Findings

Year ended June 30, 2005

Response – The jail commissary funds have an account for easier reconciliation and all purchases will be made by check. A monthly reconciliation shall be performed. Any profits from commissary proceeds shall be remitted to the County Treasurer.

Conclusion – Response accepted.

- (F) Prepayment of Goods/Services – Warrants were written during and at the end of the fiscal year for goods and services not received, performed or completed. This included \$19,250 and \$1,503, respectively, for a building and fencing for the County Conservation department and certain items in the Recorder's office (some of which appeared to be based on quotes). The prepayment of goods/services is not considered to be a best business practice.

Recommendation – Goods/services should only be paid when the goods have been received or the services have been rendered.

Response – Department heads have been instructed that we will not pay for goods and services that have not been physically received.

Conclusion – Response accepted.

- (G) Vacation Payouts – Numerous employees left County employment prior to December 31, 2004 and were paid for accumulated vacation time. Employees earn vacation on their anniversary date according to the number of years of employment. The payout calculation for some employees included vacation prorated for the time period between their last anniversary date and the date they left employment. However, the personnel policy does not address the allowability of prorating vacation time and the method was not consistently applied to all employees who left employment.

Recommendation – The County should establish a policy for vacation payout. The County should consult legal counsel to determine the disposition of this matter.

Response – The Board of Supervisors will adopt a policy effective July 1, 2006 that will use the already adopted Union Contract accrual system. This will replace the vacation section (page 24) in the personnel policy.

Conclusion – Response acknowledged. The County should also consult legal counsel to determine the disposition of this matter.

Montgomery County

Schedule of Findings

Year ended June 30, 2005

- (H) Vehicle Usage and Travel Expense – The County has a written “Fleet Safety – Vehicle Operations Policy” to promote safe driving by employees. This policy prohibits the personal use of County vehicles by employees. However, the Secondary Roads department and the County Sheriff’s office provide vehicles to certain employees with on call status who are expected to be available with their vehicle at all times. Due to the on call status, certain employees may drive a County vehicle to and from work, within certain guidelines.

According to Internal Revenue Service (IRS) regulations, when an employee uses a County-provided vehicle that does not qualify as a non-personal use vehicle for personal use, including commuting, a non-cash taxable fringe benefit must be imputed to the employee. However, the Sheriff’s vehicles are properly designated emergency vehicles, with markings, emergency lights, radio, etc., which qualify as a non-personal vehicle which would not be considered a taxable fringe benefit.

Social security taxes and IPERS are currently not being withheld and paid for personal vehicle usage by a Secondary Roads employee. Personal vehicle usage should be included in the determination of wages subject to social security taxes. In addition, IPERS regulations state wage equivalents provided for the convenience of the employee are covered wages. Therefore, IPERS should be calculated and paid for personal vehicle usage.

Recommendation – The Board of Supervisors should seek advice from the County Attorney and the IRS as to the proper disposition of payroll reporting for vehicle usage and whether the pickup truck driven by the Secondary Roads employee qualifies as a “nonpersonal use vehicle” under IRS guidelines.

Response – The Board of Supervisors will seek advice from the County Attorney and adopt a policy to reimburse the County at an established rate for personal use.

Conclusion – Response accepted.

- (I) General Relief Payee Accounts – The General Relief Director maintains nine payee accounts at her office where all accounting duties are performed. The ledger book transactions and reconciliation with the bank accounts are not reviewed by an independent person.

Recommendation – To improve financial accountability and control, the monthly transactions and reconciliations between the ledgers and the bank accounts should be reviewed by an independent person on a monthly basis.

Response – The reconciliations of the ledgers and bank accounts will be done by a person independent from the General Assistance office on a monthly basis.

Conclusion – Response accepted.

Montgomery County

Schedule of Findings

Year ended June 30, 2005

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded except for deposits at U.S. Bank. The maximum authorized amount of \$3,500,000 was exceeded for one month during the year ended June 30, 2005.

Recommendation – A new resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the Board.

Response – This will be complied with.

Conclusion – Response accepted.

- (2) Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amount budgeted in the public safety and legal services function.

Also, disbursements in one department for the year ended June 30, 2005 exceeded the amount appropriated.

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

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

Response – The County Auditor will notify department heads when the department's claims will exceed the budgeted and appropriated amounts and return those claims to the department without payment until the proper amendment can be made.

Conclusion – Response accepted.

Montgomery County

Schedule of Findings

Year ended June 30, 2005

- (3) Questionable Expenditures – An expenditure was noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Red Oak Floral	Flower arrangement for Nursing Director due to illness	\$ 38

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

Recommendation – The Board of Health should determine and document the public purpose served by this expenditure before authorizing any further payments. If these practices are continued, the Board should establish written policies and procedures, including the requirement for proper documentation.

Response – The \$38 expenditure has been paid back to the department and the practice of purchasing flower arrangements for funerals and major illnesses with County funds will cease immediately.

Conclusion – Response accepted.

- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – No business transactions between the County and County officials or employees were noted.
- (6) 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.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not, except as follows:
- The minutes of six Board of Supervisor meetings were not published as required by Chapter 349.18 of the Code of Iowa.
 - Certain minutes of the meetings of the Board of Supervisors were not properly signed. Meeting minutes for a meeting held on December 16, 2004 were not included in the official minutes book.
 - The motions and votes to adjourn numerous meetings were not always properly recorded.
 - The minutes did not always include identification of the amounts for the department appropriation amendments.

Montgomery County

Schedule of Findings

Year ended June 30, 2005

Recommendation – The County should ensure the minutes are published and signed as required.

Also, all minutes should be included in the official minute book, votes to adjourn should be properly documented and department appropriation amendments should be detailed and listed in the minutes documenting the Board action.

Response – The County Auditor will ensure that the minutes are complete, are sent to the media, published and signed as required.

Conclusion – Response accepted.

- (8) 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.
- (9) 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).

However, the County's REAP financial report was not completed and filed by October 1, 2005.

Recommendation – The County's REAP financial report should be completed and filed as required by Chapter 33 of the Iowa Administrative Rules.

Response – The County Auditor and Conservation Director will ensure that the County's REAP financial report is completed and filed as required.

Conclusion – Response accepted.

- (10) County Ordinances – The County Board of Supervisors has not completed a compilation of County ordinances.

Recommendation – A compilation of County ordinances should be prepared and published as required by Section 331.302(9) of the Code of Iowa.

Response – The compilation of County ordinances will be completed and published as required by Section 331.302(9) of the Code of Iowa.

Conclusion – Response accepted.

- (11) County Sheriff Room and Board – The Board of Supervisors adopted a policy to charge \$20 per day for prisoner room and board during the year ended June 30, 2002. The County Sheriff began charging convicted prisoners, collecting these fees and remitting amounts collected monthly to the County. However, the fees were not consistently charged.

Recommendation – The County Sheriff should follow the policy as directed by the Board of Supervisors in accordance with section 356.7 of the Code of Iowa for the charging and collection of room and board from all prisoners, whether convicted or not.

Montgomery County
Schedule of Findings
Year ended June 30, 2005

Response – As has been our policy since September 2001, we have and will charge room & board at \$20 dollars per inmate, both convicted and non-convicted inmates.

Conclusion – Response accepted.

- (12) Board of Health Minutes – Minutes of the meetings of the County Board of Health were not signed.

Recommendation – The Board of Health should ensure minutes are signed as required.

Response – Starting at the beginning of fiscal year ending June 30, 2007, the Board of Health minutes will be signed after approval.

Conclusion – Response accepted.

- (13) Veterans Affairs Commission – Minutes of the meetings of the County Veterans Affairs Commission were not available for review.

Recommendation – The Veterans Affairs Commission should ensure all minutes are available for public review at the office in the Courthouse.

Response – The Veterans Affairs (VA) Commission will ensure that minutes are available at the VA office for review. The Director will continue to attempt contact with the former commission secretary to obtain minutes from the previous commission's meetings.

Conclusion – Response accepted.

- (14) Emergency Management Budget Amendment – The notice of the hearing for the second budget amendment was not published as required by Chapters 24.9 and 29.C.9(4) of the Code of Iowa.

Recommendation – The notice of the hearing to amend the budget should be published in the time period required.

Response – The notice of hearing for budget amendments will be published not less than 10 or more than 20 days prior to the hearing date according to the Code of Iowa.

Conclusion – Response accepted.

- (15) 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 Internal Revenue Regulations and the Fair Labor Standards Act for the office.

Recommendation – The County should approve and properly document all Sheriff's department salaries after evaluation of the exempt and non-exempt status of each deputy/employee based on the Code of Iowa, Chapter 331.904, and the Fair Labor Standards Act.

Montgomery County

Schedule of Findings

Year ended June 30, 2005

Response – The Sheriff's Office will document exempt and non-exempt status of employees pursuant to Chapter 331.904 and the Fair Labor Standards Act.

Conclusion – Response accepted.

- (16) 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.

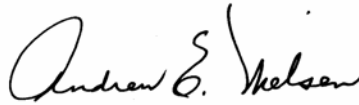
Disbursements during the year ended June 30, 2005 for the County Extension Office did not exceed the amount budgeted.

Montgomery County

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Nancy F. Curtis, CPA, Senior Auditor II
Paul F. Kearney, Senior Auditor
Cheryl R. Moya, CPA, Staff Auditor
Nicole B. Tenges, Staff Auditor
Trevor L. Theulen, Staff Auditor
Bradley A. Meisterling, Assistant Auditor
Janet M. Tiefenthaler, Assistant Auditor
Curtis E. Van Zee, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State