OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

Contact: Marlys Gaston
515/281-5834

FOR RELEASE June 25, 2019

Auditor of State Rob Sand today released an audit report on Montgomery County, Iowa.

The County had local tax revenue of $21,754,722 for the year ended June 30, 2018, which included $1,789,566 in tax credits from the state. The County forwarded $15,670,761 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained $6,083,961 of the local tax revenue to finance County operations, a 2.2% increase over the prior year. Other revenues included charges for service of $418,638, operating grants, contributions and restricted interest of $3,245,433, capital grants, contributions and restricted interest of $5,501,121, local option sales and services tax of $348,157, unrestricted investment earnings of $57,042, gain on disposition of capital assets of $12,488 and other general revenues of $204,844.

Expenses for County operations for the year ended June 30, 2018 totaled $11,179,749, a 6.7% increase over the prior year. Expenses included $5,256,623 for roads and transportation, $2,716,560 for public safety and legal services and $1,453,143 for administration.

A copy of the audit report is available for review on the Auditor of State's web site at https://auditor.iowa.gov/reports/audit-reports/.

# # #

MONTGOMERY COUNTY

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

JUNE 30, 2018

1810-0069-B00F

Montgomery County

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STATE OF IOWA

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Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

June 7, 2019

Officials of Montgomery County
Montgomery, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Montgomery County, Iowa, for the year ended June 30, 2018. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of Montgomery County throughout the audit. If I or this office can be of any further assistance, please contact me or Marlys Gaston of my staff at 515-281-5834.

Sincerely,

Rob Sand
Auditor of State

Table of Contents

Montgomery County

Officials

Name	Title	Term Expires
Michael Olson	Board of Supervisors	Nov 2018
Mark Peterson	Board of Supervisors	Jan 2019
Steve Ratcliff	Board of Supervisors	Jan 2019
Bryant Amos	Board of Supervisors	Jan 2021
Donna Robinson	Board of Supervisors	Jan 2021
Stephanie Burke	County Auditor	Jan 2021
Carol Strovers	County Treasurer	Jan 2019
Carleen Bruning	County Recorder	Jan 2019
Joseph Sampson	County Sheriff	Jan 2021
Bruce Swanson	County Attorney	Jan 2019
Stacey Von Dielingen	County Assessor	Jan 2022

Montgomery County

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Rob Sand
Auditor of State

Independent Auditor's Report

To the Officials of Montgomery County:

Report on the Financial Statements

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, 2018, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of June 30, 2018 and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 12 to the financial statements, Montgomery County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 9 through 15 and 48 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 third paragraph of this report, the financial statements for the nine years ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 7, 2019 on our consideration of Montgomery County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Montgomery County's internal control over financial reporting and compliance.

Marlys Gaston

Marlys K. Gaston, CPA
Deputy Auditor of State

June 7, 2019

Montgomery County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Montgomery County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities was restated by $60,368 to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.

- Revenues of the County's governmental activities increased 53.3%, or approximately $5,518,000, from fiscal year 2017 to fiscal year 2018. Property tax increased approximately $139,000, capital grants, contributions and restricted interest increased approximately $5,476,000, charges for service increased approximately $22,000 and operating grants, contributions and restricted interest decreased approximately $218,000.

- Program expenses of the County's governmental activities were 6.8%, or approximately $707,000, more in fiscal year 2018 than in fiscal year 2017. Roads and transportation expenses increased approximately $320,000, public safety and legal services expenses increased approximately $243,000 and mental health expenses decreased approximately $160,000.

- The County's net position increased 19.5%, or approximately $4,692,000, over the restated June 30, 2017 balance.

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 Position and a Statement of Activities. These provide information about the activities of Montgomery County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Montgomery County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide 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, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position 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 position changed during the fiscal year. All changes in net position are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The County's governmental activities are presented in the Statement of Net Position 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 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

   The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which 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 governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position of governmental activities, before restatement.

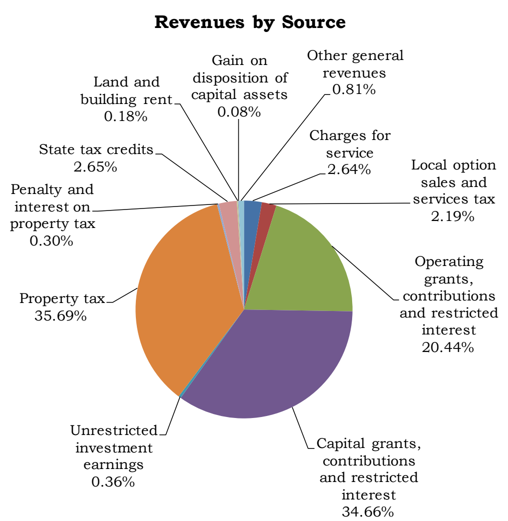
Net Position of Governmental Activities
(Expressed in Thousands)

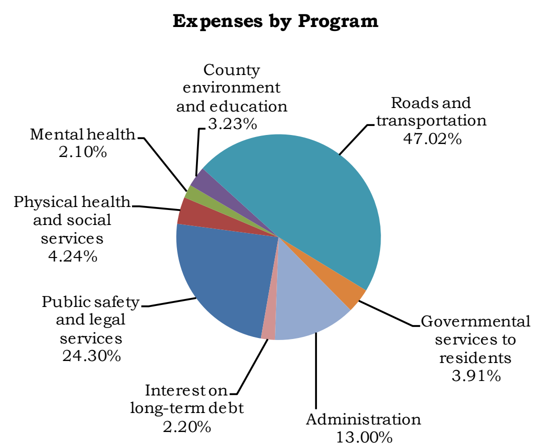
	June 30,		
		2018	2017 (Not Restated)
Current and other assets	$	15,162	14,951
Capital assets		32,072	24,141
Total assets		47,234	39,092
Deferred outflows of resources		956	859
Long-term liabilities		12,731	9,244
Other liabilities		428	792
Total liabilities		13,159	10,036
Deferred inflows of resources		6,232	5,748
Net position:			
Net investment in capital assets		25,191	19,804
Restricted		3,455	3,889
Unrestricted		153	474
Total net position	$	28,799	24,167

Prior to restatement, net position of Montgomery County's governmental activities increased 19.2% (approximately $28.8 million compared to approximately $24.2 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position-the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements-decreased from approximately $474,000 at June 30, 2017 to approximately $153,000 at the end of this year. This decrease is primarily due to the increase in the net pension and total OPEB liabilities.

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

	Year ended June 30, 2018	2017 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	$ 419	397
Operating grants, contributions and restricted interest	3,245	3,463
Capital grants, contributions and restricted interest	5,501	25
General revenues:		
Property tax	5,663	5,524
Penalty and interest on property tax	47	36
State tax credits	421	430
Local option sales and services tax	348	370
Unrestricted investment earnings	57	26
Land and building rent	29	27
Gain on disposition of capital assets	13	56
Other general revenues	129	-
Total revenues	15,872	10,354
Program expenses:		
Public safety and legal services	2,717	2,474
Physical health and social services	474	544
Mental health	235	395
County environment and education	361	354
Roads and transportation	5,257	4,937
Governmental services to residents	437	430
Administration	1,453	1,073
Interest on long-term debt	246	266
Total expenses	11,180	10,473
Change in net position	4,692	(119)
Net position beginning of year, as restated	24,107	24,286
Net position end of year	$ 28,799	24,167





The County increased the countywide property tax levy $0.08 per $1,000 of taxable valuation and decreased the rural services property tax levy by $0.20 per $1,000 of taxable valuation. The general basic levy remained at $3.50 per $1,000 of taxable valuation and the general supplemental levy remained the same. The debt service levy decreased from $0.68 per $1,000 of taxable valuation to $0.65 per $1,000 of taxable valuation, and the County MHDS levy decreased from $0.41 per $1,000 of taxable valuation to $0.39 per $1,000 of taxable valuation. The rural assessed property taxable valuation increased approximately $13,537,000. The countywide assessed property taxable valuation increased approximately $18,256,000. Based on the valuation increases and the changes in property tax rates, property tax revenue increased approximately $139,000.

The cost of all governmental activities this year was approximately $11.2 million compared to approximately $10.5 million last year. Overall, the County's governmental activities revenues increased in fiscal year 2018 from approximately $10.4 million to approximately $15.9 million. Capital grants, contributions and restricted interest increased approximately $5.5 million due to an increase in farm to market projects contributed by the Iowa Department of Transportation.

INDIVIDUAL MAJOR FUND ANALYSIS

As Montgomery County completed the year, its governmental funds reported a combined fund balance of approximately $8.7 million, an increase of approximately $361,000 from last year's total of approximately $8.3 million. The following are the major reasons for the changes in fund balance of the major funds from the prior year:

- The General Fund balance decreased approximately $341,000 during the fiscal year to approximately $3,330,000. Revenues increased approximately $210,000, or 4.7%, over the prior year and expenditures decreased approximately $291,000, or 5.6%. Expenditures exceeded revenues due in part to ongoing courthouse improvement projects and related debt payments.

- The County has continued to look for ways to effectively manage the cost of mental health services in the Special Revenue, Mental Health Fund. For fiscal year 2018, expenditures totaled approximately $235,000, a 40% decrease from the prior year. The decrease is due to a decrease in the amount distributed to the mental health region. The Special Revenue, Mental Health Fund balance at year end increased approximately $3,000 from the prior year.

- The Special Revenue, Rural Services Fund ending fund balance decreased approximately $229,000 from the prior year to approximately $770,000. Property tax revenue for the Rural Services Fund decreased approximately $41,000 in fiscal year 2018 due to a decrease in rural services levy rate. Expenditures increased approximately $89,000.

- Special Revenue, Secondary Roads Fund revenues increased approximately $36,000. Expenditures increased approximately $293,000 over the prior year, principally due to an increase in bridges and culverts and road repair projects. However, offsetting the increase in expenditures was an increase of $213,000 in transfers in from other funds. This resulted in an increase in the Secondary Roads ending fund balance of approximately $35,000.

- Debt Service Fund revenues decreased approximately $21,000 from the prior year. Expenditures decreased approximately $45,000 from the prior year. The decrease in the Debt Service Fund ending balance of approximately $2,105,000 is due to redeeming general obligation bonds on the call date of June 1, 2018.

- The County issued $5,755,000 of General Obligation Emergency Service Communication Bonds in fiscal year 2018. The proceeds and related premium on bonds issued were deposited in the County's Capital Projects Fund, where the emergency services communication equipment project revenues and expenditures will be tracked.

BUDGETARY HIGHLIGHTS

Montgomery County amended its budget two times during fiscal year 2018. The first amendment was made in December 2017. This amendment increased budgeted receipts approximately $122,000 and budgeted disbursements approximately $850,000. These changes were made to the budget for the courthouse heating and cooling projects, veteran's affairs allocation, additional sheriff's office personnel and equipment, a Red Oak school special GO bond election, and rock haul purchases. The second budget amendment was made in May 2018, to account for general long-term debt proceeds and related budgeted disbursements for emergency communications tower upgrade projects.

The County's receipts were $50,616 more than budgeted. Total disbursements were $1,819,896 less than the amended budget. Actual administration function disbursements were $662,277 less than budgeted due to the timing of courthouse improvement projects. Capital projects function disbursements were $483,926 less than budgeted due the timing of the emergency communications tower upgrade project. Public safety and legal services disbursements were $252,074 less than budgeted due to less than expected disbursements for adult correction services, uniformed patrol service and administration.

Disbursements during the year ended June 30, 2018 exceeded the amount budgeted in the debt service function.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, Montgomery County had approximately $32.1 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 $7,931,000 or 32.9%, over last year.

Capital Assets of Governmental Activities at Year End
(Expressed in Thousands)

	June 30, 2018	June 30, 2017
Land	$ 642	642
Intangibles, road network	213	213
Construction in progress	27	423
Buildings and improvements	6,659	5,921
Equipment and vehicles	5,251	2,590
Intangibles	66	77
Infrastructure	19,214	14,275
Total	$ 32,072	24,141

This year's major additions included:

Infrastructure contributed by the Iowa Department of Transportation	$ 5,501
Infrastructure, locally funded	92
E911 communications project upgrade	2,853
Courthouse and Highland annex HVAC systems	303
Equipment, including an excavator and dump truck	511
Total	$ 3,667

The County had depreciation expense of $1,551,904 in fiscal year 2018 and total accumulated depreciation of $9,216,657 at June 30, 2018. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2018, Montgomery County had $9,863,000 of general obligation bonds outstanding, compared to $6,595,000 of general obligation bonds outstanding at June 30, 2017.

Debt increased as a result of issuing $5,755,000 in general obligation emergency service communication bonds for the purpose of financing the acquisition of emergency services communication equipment.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Montgomery County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately $55.1 million. Additional information about the County's long-term debt is presented in 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 fiscal year 2019 budget, tax rates and fees for the various County services. One of the factors considered was the County's taxable valuations, which decreased approximately $11,873,000, or 1.9%, from the fiscal year 2018 valuations. The County decided to leave the general basic levy at the maximum of $3.50 per $1,000 of taxable valuation and the rural services basic levy at the maximum of $3.95 per $1,000 of taxable valuation for fiscal year 2019, the same rates levied for fiscal year 2018.

The Montgomery County Board of Supervisors dedicates 80% of the local option sales and services tax received for property tax relief to the Secondary Roads Fund, 10% for public safety, 5% for County Courthouse repairs and 5% for the County Fair. In fiscal year 2018, these amounts were $285,786, $35,723, $17,862 and $17,862, respectively.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Montgomery County

Basic Financial Statements

Montgomery County

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Cash and pooled investments	$ 8,278,425
Receivables:	
Property tax:	
Delinquent	16,205
Succeeding year	6,098,000
Interest and penalty on property tax	24,836
Accounts	256
Accrued interest	22,909
Due from other governments	251,451
Inventories	365,158
Prepaid items	104,418
Capital assets, net of accumulated depreciation	32,072,018
Total assets	47,233,676
Deferred Outflows of Resources	
Pension related deferred outflows	954,571
OPEB related deferred outflows	1,330
Total deferred outflows of resources	955,901
Liabilities	
Current liabilities:	
Accounts payable	189,898
Accrued interest payable	71,227
Salaries and benefits payable	160,037
Due to other governments	6,641
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	930,000
Compensated absences	184,551
Portion due or payable after one year:	
General obligation bonds	8,933,000
Compensated absences	76,711
Net pension liability	2,520,803
Total OPEB liability	85,927
Total liabilities	13,158,795
Deferred inflows of resources:	
Unavailable property tax revenue	6,098,000
Pension related deferred inflows	131,054
OPEB related deferred inflows	3,051
Total deferred inflows of resources	6,232,105
Net Position	
Net investment in capital assets	25,190,931
Restricted for:	
Supplemental levy purposes	1,179,607
Mental health purposes	17,418
Rural services purposes	650,715
Secondary roads purposes	1,291,334
Public safety purposes	59,450
Courthouse repair	86,149
County fair	24,463
Debt service	50,092
Other purposes	95,125
Unrestricted	153,393
Total net position	$ 28,798,677

See notes to financial statements.

Montgomery County

Statement of Activities

Year ended June 30, 2018

	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
Functions/Programs:					
Governmental activities:					
Public safety and legal services	$ 2,716,560	105,337	136,058	-	(2,475,165)
Physical health and social services	474,440	30,708	126,285	-	(317,447)
Mental health	235,382	-	-	-	(235,382)
County environment and education	361,154	24,666	13,684	-	(322,804)
Roads and transportation	5,256,623	25,008	2,836,559	5,501,121	3,106,065
Governmental services to residents	436,445	212,575	-	-	(223,870)
Administration	1,453,143	20,344	132,847	-	(1,299,952)
Interest on long-term debt	246,002	-	-	-	(246,002)
Total	$ 11,179,749	418,638	3,245,433	5,501,121	(2,014,557)
General Revenues:					
Property and other county tax levied for:					
General purposes					5,283,060
Debt service					380,213
Penalty and interest on property tax					46,849
State tax credits					420,688
Local option sales and services tax					348,157
Unrestricted investment earnings					57,042
Land and building rent					28,680
Gain on disposition of capital assets					12,488
Miscellaneous					129,315
Total general revenues					6,706,492
Change in net position					4,691,935
Net position beginning of year, as restated					24,106,742
Net position end of year					$ 28,798,677

See notes to financial statements.

Montgomery County

Balance Sheet
Governmental Funds

June 30, 2018

	General	Special: Mental Health	Special: Rural Services
Assets			
Cash and pooled investments:			
County Treasurer	$ 3,335,203	16,708	798,124
Conservation Foundation	-	-	-
Receivables:			
Property tax:			
Delinquent	11,893	710	21
Succeeding year	3,310,000	200,000	1,565,000
Interest and penalty on property tax	24,836	-	-
Accounts	237	-	-
Accrued interest	22,909	-	-
Due from other governments	32,196	-	-
Inventories	-	-	-
Prepaid items	64,436	-	-
Total assets	$ 6,801,710	217,418	2,363,145
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$ 29,315	-	2,407
Salaries and benefits payable	89,941	-	26,217
Due to other governments	5,854	-	-
Total liabilities	125,110	-	28,624
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	3,310,000	200,000	1,565,000
Other	36,487	703	21
Total deferred inflows of resources	3,346,487	200,703	1,565,021
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid items	64,436	-	-
Restricted for:			
Supplemental levy purposes	1,024,393	-	85,980
Mental health purposes	-	16,715	-
Rural services purposes	-	-	683,520
Secondary roads purposes	-	-	-
Conservation land acquisition	532	-	-
Public safety purposes	59,450	-	-
Courthouse repair	86,149	-	-
County fair	24,463	-	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	22,909	-	-
Committed for shooting range	21,766	-	-
Unassigned	2,026,015	-	-
Total fund balances	3,330,113	16,715	769,500
Total liabilities, deferred inflows of resources and fund balances	$ 6,801,710	217,418	2,363,145

See notes to financial statements.

Revenue				
Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
957,055	117,738	2,981,913	66,814	8,273,555
-	-	-	4,870	4,870
-	3,581	-	-	16,205
-	1,023,000	-	-	6,098,000
-	-	-	-	24,836
19	-	-	-	256
-	-	-	-	22,909
219,255	-	-	-	251,451
365,158	-	-	-	365,158
39,982	-	-	-	104,418
1,581,469	1,144,319	2,981,913	71,684	15,161,658
158,176	-	-	-	189,898
43,879	-	-	-	160,037
787	-	-	-	6,641
202,842	-	-	-	356,576
-	1,023,000	-	-	6,098,000
-	3,546	-	-	40,757
-	1,026,546	-	-	6,138,757
365,158	-	-	-	365,158
39,982	-	-	-	104,418
-	-	-	-	1,110,373
-	-	-	-	16,715
-	-	-	-	683,520
973,487	-	-		973,487
-	-	-	-	532
-	-	-	-	59,450
-	-	-	-	86,149
-	-	-	-	24,463
-	117,773	-	-	117,773
-	-	2,981,913	-	2,981,913
-	-	-	71,684	94,593
-	-	-	-	21,766
-	-	-	-	2,026,015
1,378,627	117,773	2,981,913	71,684	8,666,325
1,581,469	1,144,319	2,981,913	71,684	15,161,658

Montgomery County

Montgomery County

Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Position

June 30, 2018

Total governmental fund balances (page 21)		$ 8,666,325
Amounts reported for governmental activities in the Statement of Net Position 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 capital assets is $41,288,675 and the accumulated depreciation is $9,216,657.		32,072,018
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		40,757
Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	$ 955,901	
Deferred inflows of resources	(134,105)	821,796
Long-term liabilities, including bonds payable, compensated absences payable, net pension liability, total OPEB liability and accrued interest payable are not due and payable in the current year and, therefore, are not reported in the governmental funds.		(12,802,219)
Net position of governmental activities (page 18)		$ 28,798,677

See notes to financial statements.

Montgomery County

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

Year ended June 30, 2018

	General	Special Mental Health	Special Rural Services
Revenues:			
Property and other county tax	$ 3,398,860	220,508	1,662,486
Local option sales and services tax	72,486	-	-
Interest and penalty on property tax	47,337	-	-
Intergovernmental	662,466	18,174	101,082
Licenses and permits	5,175	-	-
Charges for service	312,458	-	970
Use of money and property	80,163	-	-
Miscellaneous	66,325	-	-
Total revenues	4,645,270	238,682	1,764,538
Expenditures:			
Operating:			
Public safety and legal services	1,923,685	-	590,288
Physical health and social services	469,046	-	-
Mental health	-	235,382	-
County environment and education	374,456	-	47,807
Roads and transportation	-	-	352,304
Governmental services to residents	425,482	-	2,523
Administration	1,293,229	-	-
Debt service	139,250	-	-
Capital projects	281,567	-	513
Total expenditures	4,906,715	235,382	993,435
Excess (deficiency) of revenues over (under) expenditures	(261,445)	3,300	771,103
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(80,000)	-	(1,000,000)
General obligation bonds issued	-	-	-
Premium on bonds issued	-	-	-
Crossover debt repaid by escrow agent	-	-	-
Total other financing sources (uses)	(80,000)	-	(1,000,000)
Change in fund balances	(341,445)	3,300	(228,897)
Fund balances beginning of year	3,671,558	13,415	998,397
Fund balances end of year	$ 3,330,113	16,715	769,500

See notes to financial statements.

Special Revenue Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
-	377,815	-	-	5,659,669
289,943	-	-	-	362,429
-	-	-	-	47,337
3,040,570	31,414	-	-	3,853,706
3,480	-	-	-	8,655
-	-	-	1,974	315,402
4,401	23,953	5,769	13	114,299
28,152	-	-	18,978	113,455
3,366,546	433,182	5,769	20,965	10,474,952
-	-	-	2,076	2,516,049
-	-	-	-	469,046
-	-	-	-	235,382
-	-	-	229	422,492
4,313,250	-	-	-	4,665,554
-	-	-	2,841	430,846
-	-	-	-	1,293,229
-	457,772	-	-	597,022
98,346	-	2,889,571	-	3,269,997
4,411,596	457,772	2,889,571	5,146	13,899,617
(1,045,050)	(24,590)	(2,883,802)	15,819	(3,424,665)
1,080,000	-	-	-	1,080,000
-	-	-	-	(1,080,000)
-	-	5,755,000	-	5,755,000
-	-	110,715	-	110,715
-	(2,080,000)	-	-	(2,080,000)
1,080,000	(2,080,000)	5,865,715	-	3,785,715
34,950	(2,104,590)	2,981,913	15,819	361,050
1,343,677	2,222,363	-	55,865	8,305,275
1,378,627	117,773	2,981,913	71,684	8,666,325

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, 2018

Change in fund balances - Total governmental funds (page 25)		$ 361,050
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 exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	$ 3,973,922	
Capital assets contributed by the Iowa Department of Transportation	5,501,121	
Depreciation expense	(1,551,904)	7,923,139
In the Statement of Activities, the gain on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.		8,000
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:		
Property tax	3,604	
Other	(226,514)	(222,910)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Issued	(5,755,000)	
Repaid	2,487,000	(3,268,000)
The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position.		343,865
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Compensated absences	(10,196)	
OPEB	(780)	
Pension expense	(386,253)	
Interest on long-term debt	(55,980)	(453,209)
Change in net position of governmental activities (page 19)		$ 4,691,935

See notes to financial statements.

Montgomery County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

Assets		
Cash and pooled investments:		
County Treasurer	$	1,278,645
Other County officials		28,428
Receivables:		
Property tax:		
Delinquent		72,892
Succeeding year		14,249,000
Accounts		6,361
Accrued interest		59
Due from other governments		87,730
Prepaid items		6,975
Total assets		15,730,090
Liabilities		
Accounts payable		136
Salaries and benefits payable		4,510
Due to other governments		15,658,571
Trusts payable		57,670
Compensated absences		9,203
Total liabilities		15,730,090
Net position	$	-

See notes to financial statements.

Montgomery County

(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.

Blended Component Unit – The following component unit is an entity which is legally separate from the County, but is so intertwined with the County it is, in substance, the same as the County. It is reported as part of the County and blended into the appropriate fund.

The Montgomery County Conservation Foundation was incorporated under Chapter 504A of the Code of Iowa to enhance the delivery of services related to informing and educating the public on natural resources, conservation and recreation. Donations received are to be used to purchase items which are not included in the County's budget. The financial activity of the component unit has been blended as a Special Revenue Fund of the County.

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 911 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 and Southwest Iowa MHDS. 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 Position and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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, intellectual disabilities and developmental disabilities services.

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

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

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

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

Additionally, the County reports the following funds:

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

C. <u>Measurement Focus and Basis of Accounting</u>

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

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

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

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

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

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 amortized 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 reported as a deferred inflow of resources 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 1.5% per month penalty for delinquent payments; is based on January 1, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2017.

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

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 2003 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the County after the measurement date but before the end of the employer's reporting period.

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.

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, 2018. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the Montgomery County's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) while will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

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

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

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisions through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2018, disbursements exceeded the amount budgeted in the debt service function.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2018 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 ensure 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. 72.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	$ 1,000,000
	General	80,000
		$ 1,080,000

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, 2018 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 641,859	-	-	641,859
Intangibles, road network	212,998	-	-	212,998
Construction in progress	422,626	5,895,147	6,290,410	27,363
Total capital assets not being depreciated	1,277,483	5,895,147	6,290,410	882,220
Capital assets being depreciated:				
Buildings	6,905,036	24,415	-	6,929,451
Improvements other than buildings	109,852	897,399	-	1,007,251
Equipment and vehicles	6,039,964	3,363,874	253,347	9,150,491
Intangibles	87,556	-	-	87,556
Infrastructure, road network	17,639,088	5,592,618	-	23,231,706
Total capital assets being depreciated	30,781,496	9,878,306	253,347	40,406,455
Less accumulated depreciation for:				
Buildings	1,080,795	135,842	-	1,216,637
Improvements other than buildings	12,535	48,433	-	60,968
Equipment and vehicles	3,449,265	703,618	253,347	3,899,536
Intangibles	10,945	10,945	-	21,890
Infrastructure, road network	3,364,560	653,066	-	4,017,626
Total accumulated depreciation	7,918,100	1,551,904	253,347	9,216,657
Total capital assets being depreciated, net	22,863,396	8,326,402	-	31,189,798
Governmental activities capital assets, net	$ 24,140,879	14,221,549	6,290,410	32,072,018

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	$ 202,933
Physical health and social services	2,933
County environment and education	19,102
Roads and transportation	1,002,341
Administration	324,595
Total depreciation expense - governmental activities	$ 1,551,904

(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 at June 30, 2018 is as follows:

Fund	Description		Amount
General	Services	$	17,509
Special Revenue:			
Rural Services	Services		5,322
Secondary Roads	Services		787
Total for governmental funds		$	23,618
Agency:			
County Assessor	Collections	$	491,002
Schools			8,154,236
Community Colleges			528,123
Corporations			3,521,231
Townships			177,953
Auto License and Use Tax			287,646
County Hospital			1,668,766
All other			829,614
Total for agency funds		$	15,658,571

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

		General Obligation Bonds	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year, as restated	$	6,595,000	251,066	2,371,245	86,868	9,304,179
Increases		5,755,000	318,959	149,558	-	6,223,517
Decreases		2,487,000	308,763	-	941	2,796,704
Balance end of year	$	9,863,000	261,262	2,520,803	85,927	12,730,992
Due within one year	$	930,000	184,551	-	-	1,114,551

General Obligation Bonds

A summary of the County's June 30, 2018 general obligation bonded indebtedness is as follows:

Year Ending June 30,	General Obligation Refunding Bonds Issued March 31, 2015 Interest Rates		Principal	Interest	County Courthouse Improvement Bonds Issued May 16, 2017 Interest Rates		Principal	Interest
2019	2.00%	$	320,000	89,112	1.80%	$	155,000	8,514
2020	2.00		325,000	82,713	1.80		158,000	5,724
2021	2.00		325,000	76,212	1.80		160,000	2,880
2022	2.00		335,000	69,713			-	-
2023	2.25		335,000	63,013			-	-
2024-2028	2.25-3.00		1,785,000	185,875			-	-
2029	3.00		210,000	6,300			-	-
Total		$	3,635,000	572,938		$	473,000	17,118

Year Ending June 30,	General Obligation Emergency Services Communication Bonds Issued February 22, 2018 Interest Rates		Principal	Interest	Total Principal	Total Interest	Total
2019	2.00%	$	455,000	231,094	930,000	328,720	1,258,720
2020	2.08		515,000	172,150	998,000	260,587	1,258,587
2021	3.00		535,000	151,550	1,020,000	230,642	1,250,642
2022	3.00		555,000	130,150	890,000	199,863	1,089,863
2023	3.00		570,000	115,800	905,000	178,813	1,083,813
2024-2028	3.00-3.75		3,125,000	311,400	4,910,000	497,275	5,407,275
2029			-	-	210,000	6,300	216,300
Total		$	5,755,000	1,112,144	9,863,000	1,702,200	11,565,200

During the year ended June 30, 2018, the County issued $5,755,000 of general obligation emergency services communication bonds and retired $2,487,000 of general obligation bonds.

(7) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally at age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff's, deputy's and protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93%, for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.38% of covered payroll, for a total rate of 18.76%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2018 totaled $343,865.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the County reported a liability of $2,520,803 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the County's proportion was 0.037843%, which was an increase of 0.000164% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of $386,253. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 34,402	37,975
Changes of assumptions	559,105	5,873
Net difference between projected and actual earnings on IPERS' investments	-	36,164
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	17,199	51,042
County contributions subsequent to the measurement date	343,865	-
Total	$ 954,571	131,054

$343,865 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2019	$ 40,435
2020	242,095
2021	145,123
2022	12,484
2023	39,515
Total	$ 479,652

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience study dated March 24, 2017.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	100.0%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	$ 4,672,092	2,520,803	715,216

IPERS Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2018.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The County administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Montgomery County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	80
Total	82

Total OPEB Liability – The County's total OPEB liability of $85,927 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2018)	3.00% per annum.
Rates of salary increase (effective June 30, 2018)	2.50% per annum, including inflation.
Discount rate (effective June 30, 2018)	3.44% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	8.00% initial rate decreasing by .5% annually to an ultimate rate of 5.00%.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.44% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2017 generational projection of future mortality improvement. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year, as restated	$ 86,868
Changes for the year:	
Service cost	5,874
Interest	2,988
Differences between expected and actual experiences	(3,442)
Changes in assumptions	1,501
Benefit payments	(7,862)
Net changes	(941)
Total OPEB liability end of year	$ 85,927

Changes of assumptions reflect a change in the discount rate from 4.50% in fiscal year 2017 to 3.44% in fiscal year 2018.

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.44%) or 1% higher (4.44%) than the current discount rate.

	1% Decrease (2.44%)	Discount Rate (3.44%)	1% Increase (4.44%)
Total OPEB liability	$ 91,078	85,927	81,169

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be it were calculated using healthcare cost trend rates that are 1% lower (7.00%) or 1% higher (9.00%) than the current healthcare cost trend rates.

	1% Decrease (7.00%)	Healthcare Cost Trend Rate (8.00%)	1% Increase (9.00%)
Total OPEB liability	$ 79,368	85,927	93,514

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the County recognized OPEB expense of $8,849. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	(3,051)
Changes in assumptions	1,330	-
Total	$ 1,330	(3,051)

The amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30,	Amount
2019	$ (220)
2020	(220)
2021	(220)
2022	(220)
2023	(220)
Thereafter	(621)
	$ (1,721)

(9) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 775 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

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

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2018 were $86,539.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to $500,000 per claim. Claims exceeding $500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $250,000 each occurrence, each location. Property risks exceeding $250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claims, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it its deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2018, no liability has been recorded in the County's financial statements. As of June 30, 2018, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of $1,000,000 and $100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2018 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Red Oak	Urban renewal and economic development projects	$ 53,932

(11) County Financial Information Included in Southwest Iowa MHDS

Southwest Iowa MHDS, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 28, 2014, includes the following member counties: Cass County, Fremont County, Harrison County, Mills County, Monona County, Montgomery County, Page County, Pottawattamie County and Shelby County. The financial activity of the County's Special Revenue, Mental Health Fund is included in Southwest Iowa MHDS for the year ended June 30, 2018, as follows:

Revenues:	
Property and other county tax	$ 220,508
Intergovernmental revenues:	
State tax credits	18,174
Total revenues	238,682
Expenditures:	
General administration:	
Distribution to regional fiscal agent	235,382
Excess of expenditures over revenues	3,300
Fund balance beginning of year	13,415
Fund balance end of year	$ 16,715

(12) Prospective Change/Restatement

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	Governmental Activities
Net position June 30, 2017, as previously reported	$ 24,167,110
Net OPEB obligation measured under previous standards	26,500
Total OPEB liability at June 30, 2017	(86,868)
Net position July 1, 2017, as restated	$ 24,106,742

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, 2018

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	$ 6,019,746	-	6,019,746
Penalty and interest on property tax	47,739	-	47,739
Intergovernmental	4,662,650	-	4,662,650
Licenses and permits	8,655	-	8,655
Charges for service	319,136	-	319,136
Use of money and property	97,551	-	97,551
Miscellaneous	114,325	5,099	109,226
Total receipts	11,269,802	5,099	11,264,703
Disbursements:			
Public safety and legal services	3,029,425	-	3,029,425
Physical health and social services	465,673	-	465,673
Mental health	235,382	-	235,382
County environment and education	424,755	229	424,526
Roads and transportation	4,769,920	-	4,769,920
Governmental services to residents	427,702	-	427,702
Administration	1,285,419	-	1,285,419
Non-program	-	-	-
Debt service	603,629	-	603,629
Capital projects	3,649,159	-	3,649,159
Total disbursements	14,891,064	229	14,890,835
Excess (deficiency) of receipts over (under) disbursements	(3,621,262)	4,870	(3,626,132)
Other financing sources, net	3,785,715	-	3,785,715
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	164,453	4,870	159,583
Balance beginning of year	8,113,972	-	8,113,972
Balance end of year	$ 8,278,425	4,870	8,273,555

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual
Original	Final	Variance
6,078,447	6,078,448	(58,702)
43,100	43,100	4,639
4,588,392	4,701,109	(38,459)
10,900	10,900	(2,245)
266,500	266,500	52,636
45,811	45,811	51,740
68,644	68,219	41,007
11,101,794	11,214,087	50,616
3,069,632	3,281,499	252,074
608,064	617,639	151,966
235,382	235,382	-
471,863	471,863	47,337
4,559,036	4,946,140	176,220
512,884	520,564	92,862
1,946,696	1,947,696	662,277
200	200	200
556,663	556,663	(46,966)
685,880	4,133,085	483,926
12,646,300	16,710,731	1,819,896
(1,544,506)	(5,496,644)	1,870,512
21,918	5,887,632	(2,101,917)
(1,522,588)	390,988	(231,405)
5,596,439	5,596,439	2,517,533
4,073,851	5,987,427	2,286,128

Montgomery County

Montgomery County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2018

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 11,269,802	(794,850)	10,474,952
Expenditures	14,891,064	(991,447)	13,899,617
Net	(3,621,262)	196,597	(3,424,665)
Other financing sources (uses), net	3,785,715	-	3,785,715
Beginning fund balances	8,113,972	191,303	8,305,275
Ending fund balances	$ 8,278,425	387,900	8,666,325

See accompanying independent auditor's report.

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 blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by $4,064,431. 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 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2018, disbursements exceeded the amount budgeted in the debt service function.

Montgomery County

Schedule of the County's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Four Years*
(In Thousands)

Required Supplementary Information

	2018	2017	2016	2015
County's proportion of the net pension liability	0.037843%	0.037679%	0.035904%	0.033257%
County's proportionate share of the net pension liability	$ 2,521	2,371	1,774	1,319
County's covered payroll	$ 3,527	3,405	3,321	3,191
County's proportionate share of the net pension liability as a percentage of its covered payroll	71.48%	69.63%	53.42%	41.34%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

Montgomery County

Schedule of County Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Required Supplementary Information

		2018	2017	2016	2015
Statutorily required contribution	$	344	322	312	306
Contributions in relation to the statutorily required contribution		(344)	(322)	(312)	(306)
Contribution deficiency (excess)	$	-	-	-	-
County's covered payroll	$	3,768	3,527	3,405	3,321
Contributions as a percentage of covered payroll		9.13%	9.13%	9.16%	9.21%

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
294	280	266	216	207	192
(294)	(280)	(266)	(216)	(207)	(192)
-	-	-	-	-	-
3,191	3,118	3,181	2,932	2,991	2,898
9.21%	8.98%	8.36%	7.37%	6.92%	6.63%

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

Montgomery County

Schedule of Changes in the County's
Total OPEB Liability, Related Ratios and Notes

For the Current Year
Required Supplementary Information

		2018
Service cost	$	5,874
Interest cost		2,988
Difference between expected and actual experiences		(3,442)
Changes in assumptions		1,501
Benefit payments		(7,862)
Net change in total OPEB liability		(941)
Total OPEB liability beginning of year, as restated		86,868
Total OPEB liability end of year	$	85,927
Covered-employee payroll	$	3,480,551
Total OPEB liability as a percentage of covered-employee payroll		2.5%

Notes to Schedule of Changes in the County's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2018	3.44%
Year ended June 30, 2017	4.50%

Montgomery County

Supplementary Information

Montgomery County

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2018

		County Recorder's Records Management	Flood and Erosion
Assets			
Cash and pooled investments:			
County Treasurer	$	23,934	811
Conservation Foundation		-	-
		23,934	811
Fund Balances			
Fund balances:			
Restricted for other purposes	$	23,934	811

See accompanying independent auditor's report.

Special Revenue			
Seized and Forfeited Property - County Sheriff	K-9	Conservation Foundation	Total
4,525	37,544	-	66,814
-	-	4,870	4,870
4,525	37,544	4,870	71,684
4,525	37,544	4,870	71,684

Montgomery County

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

Year ended June 30, 2018

	County Recorder's Records Management	Flood and Erosion
Revenues:		
Charges for service	$ 1,974	-
Use of money and property	13	-
Miscellaneous	-	-
Total revenues	1,987	-
Expenditures:		
Operating:		
Public safety and legal services	-	-
County environment and education	-	-
Governmental services to residents	2,841	-
Total expenditures	2,841	-
Change in fund balances	(854)	-
Fund balances beginning of year	24,788	811
Fund balances end of year	$ 23,934	811

See accompanying independent auditor's report.

Special Revenue				
Seized and Forfeited Property - County Attorney	Seized and Forfeited Property - County Sheriff	K-9	Conservation Foundation	Total
-	-	-	-	1,974
-	-	-	-	13
-	-	13,879	5,099	18,978
-	-	13,879	5,099	20,965
2,076	-	-	-	2,076
-	-	-	229	229
-	-	-	-	2,841
2,076	-	-	-	4,917
(2,076)	-	13,879	5,099	16,048
2,076	4,525	23,665	-	55,865
-	4,525	37,544	5,099	71,913

Montgomery County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	$ -	1,422	264,859	66,665	4,342
Other County officials	28,428	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	608	813	29,571	1,781
Succeeding year	-	171,000	229,000	8,058,000	522,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	-	5,076	-	-
Total assets	$ 28,428	173,030	499,748	8,154,236	528,123
Liabilities					
Accounts payable	$ -	-	29	-	-
Salaries and benefits payable	-	-	4,210	-	-
Due to other governments	17,038	173,030	491,002	8,154,236	528,123
Trusts payable	11,390	-	-	-	-
Compensated absences	-	-	4,507	-	-
Total liabilities	$ 28,428	173,030	499,748	8,154,236	528,123

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	County Hospital	911 Service	Other	Total
45,982	950	287,646	13,905	464,573	128,301	1,278,645
-	-	-	-	-	-	28,428
34,249	3	-	5,861	-	6	72,892
3,441,000	177,000	-	1,649,000	-	2,000	14,249,000
-	-	-	-	6,361	-	6,361
-	-	-	-	59	-	59
-	-	-	-	87,730	-	87,730
-	-	-	-	-	1,899	6,975
3,521,231	177,953	287,646	1,668,766	558,723	132,206	15,730,090
-	-	-	-	107	-	136
-	-	-	-	300	-	4,510
3,521,231	177,953	287,646	1,668,766	558,316	81,230	15,658,571
-	-	-	-	-	46,280	57,670
-	-	-	-	-	4,696	9,203
3,521,231	177,953	287,646	1,668,766	558,723	132,206	15,730,090

Montgomery County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	$ 33,743	174,694	475,090	8,109,641	531,190
Additions:					
Property and other county tax	-	172,312	229,802	8,094,171	525,520
911 surcharges	-	-	-	-	-
Intergovernmental	-	-	-	-	-
State tax credits	-	14,278	17,526	670,564	42,880
Office fees and collections	267,687	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Trusts	301,869	-	-	-	-
Miscellaneous	3,052	-	1,466	-	-
Total additions	572,608	186,590	248,794	8,764,735	568,400
Deductions:					
Agency remittances:					
To other funds	144,172	-	-	-	-
To other governments	120,639	188,254	224,136	8,720,140	571,467
Trusts paid out	313,112	-	-	-	-
Total deductions	577,923	188,254	224,136	8,720,140	571,467
Balances end of year	$ 28,428	173,030	499,748	8,154,236	528,123

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	County Hospital	911 Service	Other	Total
3,485,421	186,120	278,995	1,711,326	430,077	150,409	15,566,706
3,314,430	181,362	-	1,658,068	72,946	53,272	14,301,883
-	-	-	-	153,476	-	153,476
-	-	-	-	-	726,078	726,078
473,646	10,269	-	139,569	-	146	1,368,878
-	-	-	-	-	-	267,687
-	-	-	-	-	1,986	1,986
-	-	3,417,285	-	-	-	3,417,285
-	-	-	-	-	194,384	496,253
232	-	77,108	-	559	828,037	910,454
3,788,308	191,631	3,494,393	1,797,637	226,981	1,803,903	21,643,980
-	-	130,906	-	-	-	275,078
3,752,498	199,798	3,354,836	1,840,197	98,335	1,300,977	20,371,277
-	-	-	-	-	521,129	834,241
3,752,498	199,798	3,485,742	1,840,197	98,335	1,822,106	21,480,596
3,521,231	177,953	287,646	1,668,766	558,723	132,206	15,730,090

Montgomery County

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

For the Last Ten Years

	2018	2017	2016	Modified 2015
Revenues:				
Property and other county tax	$ 5,659,669	5,526,013	5,489,833	5,448,722
Local option sales and services tax	362,429	356,194	398,799	398,227
Penalty and interest on property tax	47,337	40,578	46,332	49,498
Intergovernmental	3,853,706	3,841,739	3,623,075	3,420,388
Licenses and permits	8,655	11,246	8,447	6,630
Charges for service	315,402	300,400	317,137	305,331
Use of money and property	114,299	94,156	89,732	59,936
Miscellaneous	113,455	121,903	187,975	246,887
Total	$ 10,474,952	10,292,229	10,161,330	9,935,619
Expenditures:				
Operating:				
Public safety and legal services	$ 2,516,049	2,423,677	2,165,968	2,048,645
Physical health and social services	469,046	554,497	515,032	413,092
Mental health	235,382	395,215	321,464	1,201,470
County environment and education	422,492	424,322	404,359	421,962
Roads and transportation	4,665,554	4,229,299	4,565,097	4,272,031
Governmental services to residents	430,846	428,395	383,970	372,691
Administration	1,293,229	1,520,338	1,381,443	1,017,804
Non-program	-	-	-	-
Debt service	597,022	509,530	522,746	450,098
Capital projects	3,269,997	640,609	200,026	32,295
Total	$ 13,899,617	11,125,882	10,460,105	10,230,088

See accompanying independent auditor's report.

Accrual Basis					
2014	2013	2012	2011	2010	2009
5,220,237	5,091,743	4,934,561	4,313,696	4,112,240	3,613,576
350,974	381,865	361,968	368,358	315,515	352,231
48,454	48,050	51,815	52,631	60,910	44,606
3,450,069	3,534,022	3,834,247	5,169,417	5,311,182	4,474,893
5,530	5,505	6,938	6,130	10,408	6,698
295,058	320,017	288,352	289,079	266,585	257,946
75,023	62,341	67,971	78,833	65,789	77,625
156,710	102,018	85,044	76,700	146,958	50,408
9,602,055	9,545,561	9,630,896	10,354,844	10,289,587	8,877,983
2,001,202	1,856,005	1,789,387	1,729,277	1,719,833	1,574,965
427,954	508,186	510,306	623,764	765,526	764,003
334,111	467,865	1,169,423	1,038,487	1,016,092	1,051,181
306,317	312,438	292,922	292,604	568,728	386,212
3,736,927	3,510,586	3,208,220	3,286,482	3,488,600	3,883,189
383,574	459,003	373,965	370,083	323,060	363,367
944,416	961,623	873,031	752,815	758,976	709,973
-	-	-	-	-	188
409,240	412,053	400,462	48,868	24,281	25,751
203,706	1,076,541	4,446,366	1,048,376	1,594,673	496
8,747,447	9,564,300	13,064,082	9,190,756	10,259,769	8,759,325

Montgomery County

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

To the Officials of Montgomery County:

We have audited 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, the 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, 2018, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 7, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Montgomery County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montgomery County's internal control. Accordingly, we do not express an opinion on the effectiveness of Montgomery County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiency described in the accompanying Schedule of Findings as item (A) to be 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 which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Montgomery County's Responses to the Findings

Montgomery County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Montgomery County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

Marlys Gaston

Marlys K. Gaston, CPA
Deputy Auditor of State

June 7, 2019

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County's financial statements.

Condition – Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) Receipts – opening and listing mail receipts, collecting, depositing, posting and daily reconciling.	Treasurer, Recorder, Sheriff, Secondary Roads and Ag Extension
(2) Bank reconciliations are not prepared by someone who does not sign checks, handle or record cash.	Sheriff, Recorder and Ag Extension
(3) Bank reconciliations are not reviewed in a timely manner by an independent person for propriety.	Sheriff
(4) The initial receipt listing is not compared to the receipt record by someone independent of recording receipts.	Sheriff
(5) Investments – investing, custody and accounting.	Treasurer
(6) Disbursements – check or warrant writing, signing, posting, reconciling and final approval.	Sheriff

Cause – The County offices noted above have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect each County office's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – Each official should review the control activities of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

Responses –

County Treasurer – We try to segregate as much as possible and will continually look for ways to improve segregation of duties and watch for any inconsistencies. Investment records (CD's) and bank reconciliations are reviewed by another office. Currently, one person prepares deposits and another person takes the deposit to the bank. The person who opens the mail and creates an initial listing usually passes the mail to another person to process. The County Treasurer monitors as much as possible.

County Sheriff – The initial receipt listing is periodically reconciled unannounced to ensure all incoming funds are recorded. Checking account balances are randomly received to ensure all deposits and checks written are validated.

County Recorder – Segregation of duties is difficult with the small number of staff but we will continue to search for ways to improve our checks and balance process and continue to have an employee in the Treasurer's office reconcile our bank statements monthly.

County Engineer – All receipts taken at the Engineer's Office are to be made by check to the Montgomery County Treasurer. All receipts are to be deposited with the Treasurer as soon as practical (typically daily in mid-morning), usually within two working days. The Engineer spot checks receipts and reviews monthly reports for compliance and budget conformance for all receipts. The Engineer's Office will continue to do the best we can to segregate duties.

Ag Extension – Segregation of duties is difficult. Efforts are being made to rotate who opens the mail in the office. In addition, we have since started to use a form to record all money received into our office, indicating date, who received, what it was for, amount and cash or check. As deposits are made, an additional staff member verifies the receipt log and deposit slip if possible to ensure accountability on weekly deposits. Unfortunately, our Office Assistant is the only staff member trained to use our financial software, even though other staff members have access rights if needed.

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(1) Certified Budget – Disbursements during the year ended June 30, 2018 exceeded the amount budgeted in the debt service function.

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

Response – The Board will ensure the County's budget is amended in the future, as needed.

Conclusion – Response accepted.

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

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

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

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

(6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

(7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.

(8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

(9) 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, 2018 for the County Extension Office did not exceed the amount budgeted.

(10) Emergency Management Budget – The notice of the budget amendment hearing was not published at least 10 days prior to the hearings as required by Chapter 24.9 of the Code of Iowa.

Recommendation – The notice of budget amendment should have been published in accordance with Chapter 24.9 of the Code of Iowa.

Response – Emergency Management will work to ensure required publications are in compliance with Chapter 24.9 of the Code of Iowa.

Conclusion – Response accepted.

(11) County Emergency Management Commission – Construction Note – Montgomery County Emergency Management Agency is operated under the authority of Chapter 29C.9 of the Code of Iowa and serves as an agency of the State of Iowa. This agency is administered by the Montgomery County Emergency Management Commission separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

On September 21, 2017, the Montgomery County Emergency Management Commission authorized a $525,000 bank loan for 10 years at 3.85% interest to be used for the construction of an office and equipment storage facility. The Emergency Management Commission does not have the same Home Rule powers granted to cities and counties and, consequently, it's powers come expressly from Chapter 29C of the Code of Iowa.

An Attorney General's letter of advice dated December 11, 2017 addresses several questions pertaining to funding for emergency radio systems, including "Does the EMC have authority to issue bonds to purchase a radio as a "municipality" given its designation as such under Iowa Code section 29C.17(2)?". The letter of advice goes on to answer this question as follows: "Iowa Code section 29C.9(4) states that for the purposes of this chapter (Emergency Management) a county emergency management commission is a, "…municipality as defined in Section 670.1". Iowa Code section 670.1 is the definitions section for the Municipal Tort Claims Act. That code chapter provides immunity from tort liability for designated activities of municipalities but does not address bonding powers to conduct the statutory duties of the entities subject to these civil immunities. Determination of bonding authority is therefore not established through Iowa Code section 29C.9(4) (emphasis added)." The letter goes on to state, "It is clear bonds could be issued to finance the expenditures for an emergency response communications system by the county or city (emphasis added)…" and "We found no authority requiring the board of supervisors or city council to institute bonding procedures at the request of the EMC or a general power granted to the EMC to bond outside of the individual powers of its constituency agencies to incur debt (emphasis added). Such debt issued by a city or county would likely apply against a city or county's debt limitations under Iowa Constitution article XI, section 4 (limiting county and political or municipal corporation debt to less than 5% valuation of taxable property in the county/corporation). This would tend to support that a county or city has discretion whether to approve such bonding, as it will likely limit these entities' ability to incur other debts under constitutional debt limitations, thereby limiting discretion to implement other actions requiring debt."

While the letter of advice referred to above addresses bonding, the general principal would apply to the Commission's authority to enter into a bank loan. We are not aware of any statutory authority allowing the Commission to borrow money, except through its member county and/or cities.

Recommendation – Since the County Emergency Management Commission has not been granted Home Rule, bonding or other forms of debt authority would need to be expressly granted through the Code of Iowa. The Code of Iowa does not expressly grant this authority to Emergency Management Commissions. Accordingly, the Commission should work with the County or member cities for future borrowing needs.

Response – The Commission will take this information into account for any future purchases.

Conclusion – Response accepted.

Staff

This audit was performed by:

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Brandon J. Vogel, Senior Auditor II
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