



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

May 18, 2015

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Montgomery County, Iowa.

The County had local tax revenue of \$19,893,200 for the year ended June 30, 2014, which included \$1,061,021 in tax credits from the state. The County forwarded \$14,389,485 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,503,715 of the local tax revenue to finance County operations, a 3.2% increase over the prior year. Other revenues included charges for service of \$449,610, operating grants, contributions and restricted interest of \$3,137,231, capital grants, contributions and restricted interest of \$1,133,370, local option sales and services tax of \$350,974, gain on disposition of capital assets of \$141,765, unrestricted investment earnings of \$16,139 and other general revenues of \$144,816.

Expenses for County operations for the year ended June 30, 2014 totaled \$8,975,350, a 5.2% increase over the prior year. Expenses included \$4,049,209 for roads and transportation, \$2,296,833 for public safety and legal services and \$980,886 for administration.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1410-0069-B00F.pdf>.

###

MONTGOMERY COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2014

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Management’s Discussion and Analysis		9-15
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20-21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24-25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	26
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	G	27
Notes to Financial Statements		28-41
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		44
Budget to GAAP Reconciliation		45
Notes to Required Supplementary Information – Budgetary Reporting		46
Schedule of Funding Progress for the Retiree Health Plan		47
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	50-51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	52-53
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	54-55
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	56-57
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	58-59
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		61-62
Schedule of Findings		63-66
Staff		67

Montgomery County

Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Karen Blue	Board of Supervisors	Jan 2015
Steve Ratcliff	Board of Supervisors	Jan 2015
Randy Tye	Board of Supervisors	Jan 2015
Bryant Amos	Board of Supervisors	Jan 2017
Donna Robinson	Board of Supervisors	Jan 2017
Stephanie Burke	County Auditor	Jan 2017
Carol Strovers	County Treasurer	Jan 2015
Carleen Bruning	County Recorder	Jan 2015
Joseph Sampson	County Sheriff	Jan 2017
Bruce Swanson	County Attorney	Jan 2015
Stacey Von Dielingen	County Assessor	Jan 2016

Montgomery County



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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

Mary Mosiman, CPA
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, 2014, 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, 2014, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 44 through 47 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, 2013 (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 April 28, 2015 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Montgomery County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 28, 2015

Montgomery County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Montgomery County provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 12.2%, or approximately \$1,186,000, from fiscal year 2013 to fiscal year 2014. Property tax increased approximately \$127,000, capital grants, contributions and restricted interest increased approximately \$697,000, charges for service decreased approximately \$70,000 and operating grants, contributions and restricted interest increased approximately \$253,000.
- The County's current fiscal year program expenses increased 5.2%, or approximately \$441,000, over the prior fiscal year. Mental health expenses decreased approximately \$134,000, public safety and legal services expenses increased approximately \$354,000 and roads and transportation expenses increased approximately \$318,000.
- The County's net position increased 10.7%, or approximately \$1,903,000, from June 30, 2013 to June 30, 2014.

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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about activities in a way that helps answer this question. These statements include all assets, 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 all of the County's assets, 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. Therefore, 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 other non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

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

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

Reconciliations between the government-wide financial statements and the 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 below compares the net position of governmental activities to a year ago.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2014	2013
Current and other assets	\$ 13,074	12,069
Capital assets	17,544	16,729
Total assets	<u>30,618</u>	<u>28,798</u>
Long-term liabilities	5,257	5,488
Other liabilities	283	337
Total liabilities	<u>5,540</u>	<u>5,825</u>
Deferred inflows of resources	<u>5,418</u>	<u>5,216</u>
Net position:		
Net investment in capital assets	13,032	12,073
Restricted	4,953	4,308
Unrestricted	1,675	1,376
Total net position	<u>\$ 19,660</u>	<u>17,757</u>

The largest portion of the County's net position is invested in capital assets (i.e. land, buildings, infrastructure, equipment and construction in progress), less the related debt. This net position component increased approximately \$959,000, or 7.9%, over the prior year, primarily due to the capitalization of costs related to a bridge project contributed by Iowa Department of Transportation and equipment purchases for the Secondary Roads Department.

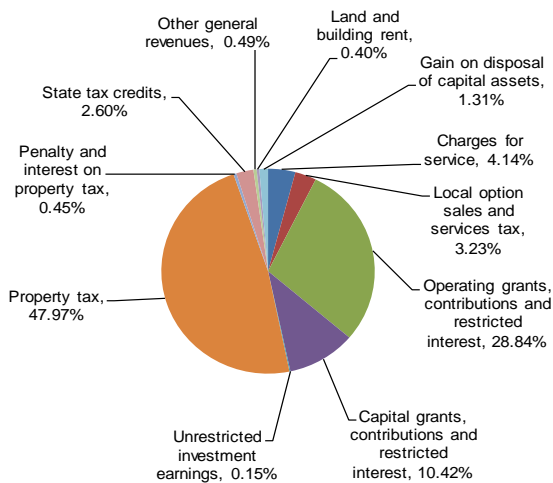
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position component increased approximately \$645,000, or 15.0%, over the prior year, primarily due to an increase in amounts held for mental health and supplemental levy purposes.

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, increased approximately \$299,000, or 21.7%, over the prior year. This increase is due primarily to an increase in the General Fund balance.

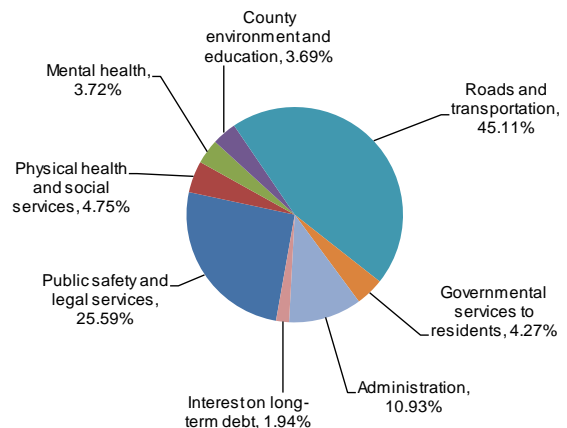
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2014	2013
Revenues:		
Program revenues:		
Charges for service	\$ 450	520
Operating grants, contributions and restricted interest	3,137	2,884
Capital grants, contributions and restricted interest	1,133	436
General revenues:		
Property tax	5,221	5,094
Penalty and interest on property tax	49	54
State tax credits	283	241
Local option sales and services tax	351	382
Unrestricted investment earnings	16	17
Land and building rent	43	43
Gain on disposition of capital assets	142	20
Other general revenues	53	1
Total revenues	10,878	9,692
Program expenses:		
Public safety and legal services	2,297	1,943
Physical health and social services	426	513
Mental health	334	468
County environment and education	331	343
Roads and transportation	4,049	3,731
Governmental services to residents	383	458
Administration	981	901
Interest on long-term debt	174	177
Total expenses	8,975	8,534
Change in net position	1,903	1,158
Net position beginning of year	17,757	16,599
Net position end of year	\$ 19,660	17,757

Revenues by Source



Expenses by Program



The County decreased the countywide levy \$.06 per \$1,000 of taxable valuation while the rural services levy remained the same. The general basic levy remained at \$3.50 per \$1,000 of taxable valuation and the general supplemental levy remained at \$2.19 per \$1,000 of taxable valuation. The mental health levy decreased \$.03 per \$1,000 of taxable valuation and the debt service levy decreased \$.03 per \$1,000 of taxable valuation. The rural assessed property taxable valuation increased approximately \$13,639,500. The countywide assessed property taxable valuation increased approximately \$18,769,000. Based on the valuation increases and the changes in property tax rates, property tax revenue increased approximately \$127,000.

The cost of all governmental activities this year was approximately \$9.0 million compared to approximately \$8.5 million last year, a 5.2% increase. Overall, the County's governmental activities revenues, including intergovernmental aid and fees for service, increased in fiscal year 2014 from approximately \$9.7 million in fiscal year 2013 to approximately \$10.9 million. Capital grants, contributions and restricted interest increased approximately \$697,000 due to an increase in farm to market projects contributed by the Iowa Department of Transportation. Operating grants, contributions and restricted interest increased approximately \$253,000, primarily due to increased funding for mental health services.

INDIVIDUAL MAJOR FUND ANALYSIS

As Montgomery County completed the year, its governmental funds reported a combined fund balance of approximately \$7.35 million, an increase of approximately \$855,000 from the end of the last fiscal year. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund balance increased approximately \$577,000 during the fiscal year to approximately \$3,072,000. Revenues increased approximately \$216,000, or 5.5%, over the prior year and expenditures decreased approximately \$156,000, or 4.2%. The increase in fund balance is due to revenues exceeding expenditures during the year.

The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal year 2014, the Special Revenue, Mental Health Fund expenditures totaled approximately \$334,000, a decrease of 28.6% from the prior year. Revenues in the fund totaled approximately \$596,000, an increase of 26.4% over the prior year. These changes are due to a change in the State's method of paying for Medicaid reimbursed services and approximately \$133,000 of equalization payments received in fiscal year 2014. The Special Revenue, Mental Health Fund balance at year end increased approximately \$262,000 over the prior year balance to approximately \$855,000.

The Special Revenue, Rural Services Fund ending fund balance increased approximately \$125,000 over the prior year to approximately \$692,000. Property tax revenue for the Rural Services Fund increased approximately \$54,000 in fiscal year 2014 due to an increase in rural assessed property taxable valuation. Expenditures remained relatively consistent from the previous fiscal year, increasing approximately \$43,000, or 5.4%.

Special Revenue, Secondary Roads Fund revenues, including transfers of local option sales and services tax, increased approximately \$92,000, or 3.4% from the prior year. Expenditures decreased approximately \$188,000 from the prior year, principally due to a decrease in locally funded road projects. These changes resulted in an increase in the Secondary Roads Fund ending fund balance of approximately \$10,000.

The County created a Capital Projects Fund in fiscal year 2011 for construction of a law enforcement center. Construction of the law enforcement center was funded through \$3,595,000 of general obligation bonds issued during fiscal year 2011 and \$2,080,000 of general obligation bonds issued during fiscal year 2012. The law enforcement center was placed into service in fiscal year 2013 and the building was capitalized at a cost of approximately \$5,216,000. The Capital Projects Fund balance was approximately \$508,000 at year end, a decrease of approximately

\$92,000 from the prior year. The fund balance at June 30, 2014 consists of unspent bond proceeds and a reimbursement from the City of Red Oak for a portion of the project costs. In March 2015, the County applied the unspent bond proceeds and the City reimbursement to its general obligation refunding bonds, series 2015, which refunded the law enforcement center general obligation bonds issued in fiscal year 2011.

BUDGETARY HIGHLIGHTS

Montgomery County amended its budget one time during fiscal year 2014. The amendment was made in April 2014. This amendment increased budgeted receipts approximately \$234,000 and budgeted disbursements approximately \$529,000. The changes were due to Secondary Roads projects, employee retirements, data processing and law enforcement center costs.

The County’s receipts were approximately \$278,000 more than budgeted. Total disbursements were approximately \$793,000 less than the amended budget. Actual public safety and legal services function disbursements were \$194,807 less than budgeted due to less than expected disbursements for uniform patrol services, law enforcement communications, adult correctional services and other areas. Roads and transportation function disbursements were \$142,445 less than budgeted due to the timing of locally funded road projects.

Disbursements during the year ended June 30, 2014 exceeded the amount budgeted in the debt service function.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, Montgomery County had approximately \$17.544 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 \$816,000, or 4.9%, over June 30, 2013, as follows:

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2014	2013
Land	\$ 642	642
Intangibles, road network	213	213
Buildings and improvements	5,302	5,530
Equipment and vehicles	2,360	2,088
Infrastructure	9,027	8,256
Total	\$ 17,544	16,729
This year's major additions included:		
Equipment, including a motor grader and a dump truck	\$ 697	
Infrastructure contributed by the Iowa Department of Transportation	1,133	
Total	\$ 1,830	

Montgomery County had depreciation expense of \$995,191 in fiscal year 2014 and total accumulated depreciation of \$5,641,170 at June 30, 2014. Additional information about the County’s capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2014, Montgomery County had \$5,020,000 of general obligation bonds outstanding, compared to \$5,255,000 of general obligation bonds outstanding at June 30, 2013.

Debt decreased as a result of scheduled payments made on the general obligation bonds issued for the law enforcement center project.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Montgomery County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$42.5 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Montgomery County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates and fees for the various County services. One of the factors considered was the County's taxable valuations, which increased approximately \$25,000,000 over the fiscal year 2014 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 2015, the same rates levied for fiscal year 2014.

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 2014, these amounts were \$280,779, \$35,097, \$17,549 and \$17,549, 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

Exhibit A

Montgomery County
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	
Receivables:	\$ 6,895,828
Property tax:	
Delinquent	17,467
Succeeding year	5,418,000
Interest and penalty on property tax	17,863
Accounts	16,011
Accrued interest	1,928
Due from other governments	255,286
Inventories	354,936
Prepaid items	96,300
Capital assets, net of accumulated depreciation	17,544,338
Total assets	<u>30,617,957</u>
Liabilities	
Accounts payable	109,611
Accrued interest payable	13,466
Salaries and benefits payable	85,201
Due to other governments	74,495
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	240,000
Compensated absences	157,104
Portion due or payable after one year:	
General obligation bonds	4,780,000
Compensated absences	57,038
Net OPEB liability	23,300
Total liabilities	<u>5,540,215</u>
Deferred inflows of resources:	
Unavailable property tax revenue	5,418,000
Net Position	
Net investment in capital assets	13,031,910
Restricted for:	
Supplemental levy purposes	1,253,063
Mental health purposes	856,932
Rural services purposes	561,015
Secondary roads purposes	2,003,502
Public safety purposes	74,841
Courthouse repair	72,636
County Fair	15,912
Debt service	83,919
Other purposes	30,972
Unrestricted	1,675,040
Total net position	<u>\$ 19,659,742</u>

See notes to financial statements.

Montgomery County
Statement of Activities
Year ended June 30, 2014

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,296,833	123,931	239,751	544	(1,932,607)
Physical health and social services	426,311	28,056	153,238	-	(245,017)
Mental health	334,111	300	226,413	-	(107,398)
County environment and education	330,958	16,124	31,119	-	(283,715)
Roads and transportation	4,049,209	32,171	2,445,010	1,132,826	(439,202)
Governmental services to residents	383,062	202,053	-	-	(181,009)
Administration	980,886	46,975	41,700	-	(892,211)
Interest on long-term debt	173,980	-	-	-	(173,980)
Total	\$ 8,975,350	449,610	3,137,231	1,133,370	(4,255,139)
General Revenues:					
Property and other county tax levied for:					
General purposes					4,834,585
Debt service					386,457
Penalty and interest on property tax					48,622
State tax credits					282,673
Local option sales and services tax					350,974
Unrestricted investment earnings					16,139
Land and building rent					43,440
Gain on disposition of capital assets					141,765
Miscellaneous					52,754
Total general revenues					6,157,409
Change in net position					1,902,270
Net position beginning of year					17,757,472
Net position end of year					\$ 19,659,742
See notes to financial statements.					

Montgomery County

Balance Sheet
Governmental Funds

June 30, 2014

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 3,054,095	901,390	721,178
Receivables:			
Property tax:			
Delinquent	13,975	1,596	79
Succeeding year	3,025,000	346,000	1,664,000
Interest and penalty on property tax	17,863	-	-
Accounts	15,741	-	-
Accrued interest	1,928	-	-
Due from other funds	-	-	-
Due from other governments	49,447	-	-
Inventories	-	-	-
Prepaid items	64,518	-	-
Total assets	\$ 6,242,567	1,248,986	2,385,257
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 21,689	16,892	4,162
Salaries and benefits payable	47,250	-	14,376
Due to other funds	-	-	10,043
Due to other governments	44,884	29,162	134
Total liabilities	113,823	46,054	28,715
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	3,025,000	346,000	1,664,000
Other	31,304	1,564	79
Total deferred inflows of resources	3,056,304	347,564	1,664,079
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid items	64,518	-	-
Restricted for:			
Supplemental levy purposes	1,115,374	-	111,507
Mental health purposes	-	855,368	-
Rural services purposes	-	-	580,956
Secondary roads purposes	-	-	-
Public safety purposes	74,841	-	-
Courthouse repair	72,636	-	-
County Fair	15,912	-	-
Capital projects	-	-	-
Debt service	-	-	-
Other purposes	532	-	-
Unassigned	1,728,627	-	-
Total fund balances	3,072,440	855,368	692,463
Total liabilities, deferred inflows of resources and fund balances	\$ 6,242,567	1,248,986	2,385,257

See notes to financial statements.

Secondary Roads	Capital Projects	Nonmajor	Total
1,585,585	507,572	126,008	6,895,828
-	-	1,817	17,467
-	-	383,000	5,418,000
-	-	-	17,863
270	-	-	16,011
-	-	-	1,928
10,043	-	-	10,043
205,839	-	-	255,286
354,936	-	-	354,936
31,782	-	-	96,300
<u>2,188,455</u>	<u>507,572</u>	<u>510,825</u>	<u>13,083,662</u>
66,868	-	-	109,611
23,575	-	-	85,201
-	-	-	10,043
315	-	-	74,495
<u>90,758</u>	<u>-</u>	<u>-</u>	<u>279,350</u>
-	-	383,000	5,418,000
-	-	1,781	34,728
-	-	384,781	5,452,728
354,936	-	-	354,936
31,782	-	-	96,300
-	-	-	1,226,881
-	-	-	855,368
-	-	-	580,956
1,710,979	-	-	1,710,979
-	-	-	74,841
-	-	-	72,636
-	-	-	15,912
-	507,572	-	507,572
-	-	95,604	95,604
-	-	30,440	30,972
-	-	-	1,728,627
<u>2,097,697</u>	<u>507,572</u>	<u>126,044</u>	<u>7,351,584</u>
<u>2,188,455</u>	<u>507,572</u>	<u>510,825</u>	<u>13,083,662</u>

Montgomery County

Montgomery County

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

June 30, 2014

Total governmental fund balances (page 21) \$ 7,351,584

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 assets is \$23,185,508 and the accumulated depreciation is \$5,641,170. 17,544,338

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 34,728

Long-term liabilities, including bonds payable, compensated absences payable, accrued interest payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (5,270,908)

Net position of governmental activities (page 18) \$ 19,659,742

See notes to financial statements.

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

Year ended June 30, 2014

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,856,949	349,819	1,627,012
Local option sales and services tax	70,195	-	-
Interest and penalty on property tax	48,454	-	-
Intergovernmental	652,270	245,957	90,165
Licenses and permits	4,500	-	-
Charges for service	291,493	-	1,560
Use of money and property	59,855	-	-
Miscellaneous	132,503	64	2,339
Total revenues	4,116,219	595,840	1,721,076
Expenditures:			
Operating:			
Public safety and legal services	1,527,088	-	467,740
Physical health and social services	427,954	-	-
Mental health	-	334,111	-
County environment and education	263,398	-	42,919
Roads and transportation	-	-	318,129
Governmental services to residents	380,976	-	1,929
Administration	944,416	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	3,543,832	334,111	830,717
Excess (deficiency) of revenues over (under) expenditures	572,387	261,729	890,359
Other financing sources (uses):			
Transfers in	4,912	-	-
Transfers out	-	-	(765,000)
Total other financing sources (uses)	4,912	-	(765,000)
Change in fund balances	577,299	261,729	125,359
Fund balances beginning of year	2,495,141	593,639	567,104
Fund balances end of year	\$ 3,072,440	855,368	692,463

See notes to financial statements.

Secondary Roads	Capital Projects	Nonmajor	Total
-	-	386,457	5,220,237
280,779	-	-	350,974
-	-	-	48,454
2,440,149	-	21,528	3,450,069
1,030	-	-	5,530
-	-	2,005	295,058
14,600	544	24	75,023
19,063	-	2,741	156,710
2,755,621	544	412,755	9,602,055
-	-	6,374	2,001,202
-	-	-	427,954
-	-	-	334,111
-	-	-	306,317
3,418,798	-	-	3,736,927
-	-	669	383,574
-	-	-	944,416
-	-	409,240	409,240
111,288	92,418	-	203,706
3,530,086	92,418	416,283	8,747,447
(774,465)	(91,874)	(3,528)	854,608
784,646	-	-	789,558
-	-	(24,558)	(789,558)
784,646	-	(24,558)	-
10,181	(91,874)	(28,086)	854,608
2,087,516	599,446	154,130	6,496,976
2,097,697	507,572	126,044	7,351,584

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, 2014

Change in fund balances - Total governmental funds (page 25) \$ 854,608

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

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

Expenditures for capital assets	\$ 536,278	
Contributed by the Iowa Department of Transportation	1,132,826	
Depreciation expense	(995,191)	673,913

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. 141,765

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	805	
Other	168	973

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. 235,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	1,351	
Other postemployment benefits	(5,600)	
Interest on long-term debt	260	(3,989)

Change in net position of governmental activities (page 19) \$ 1,902,270

See notes to financial statements.

Montgomery County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2014

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,107,498
Other County officials	16,529
Receivables:	
Property tax:	
Delinquent	93,359
Succeeding year	13,639,000
Accounts	26,048
Special assessments	720
Due from other governments	18,747
Prepaid items	3,100
Total assets	14,905,001

Liabilities

Accounts payable	21,763
Salaries and benefits payable	2,842
Due to other governments	14,847,346
Trusts payable	32,270
Compensated absences	780
Total liabilities	14,905,001

Net position	\$ -
---------------------	------

See notes to financial statements.

Montgomery County

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net 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, 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 often has constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, 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, required transfers from the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is recognized as deferred inflows 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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

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

Due from and Due to other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2014, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

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

Deferred Inflows of Resources – 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 consist of property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. 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.

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

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

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

Unassigned – All amounts not included in the preceding classifications.

- F. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements during the year ended June 30, 2014 exceeded the amount budgeted in the debt service function.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	<u>\$ 10,043</u>

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales and Services Tax	<u>\$ 4,912</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	765,000
	Local Option Sales and Services Tax	<u>19,646</u>
		<u>784,646</u>
Total		<u>\$ 789,558</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance			Balance
	Beginning			End
	of Year	Increases	Decreases	of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 641,859	-	-	641,859
Intangibles, road network	212,998	-	-	212,998
Construction in progress	-	1,132,826	1,132,826	-
Total capital assets not being depreciated	854,857	1,132,826	1,132,826	854,857
Capital assets being depreciated:				
Buildings	5,993,500	-	-	5,993,500
Improvements other than buildings	24,250	-	-	24,250
Equipment and vehicles	5,222,893	697,263	398,672	5,521,484
Infrastructure, road network	9,658,591	1,132,826	-	10,791,417
Total capital assets being depreciated	20,899,234	1,830,089	398,672	22,330,651
Less accumulated depreciation for:				
Buildings	482,857	227,419	-	710,276
Improvements other than buildings	4,850	970	-	5,820
Equipment and vehicles	3,135,088	405,634	379,452	3,161,270
Infrastructure, road network	1,402,636	361,168	-	1,763,804
Total accumulated depreciation	5,025,431	995,191	379,452	5,641,170
Total capital assets being depreciated, net	15,873,803	834,898	19,220	16,689,481
Governmental activities capital assets, net	\$ 16,728,660	1,967,724	1,152,046	17,544,338

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 261,495
Physical health and social services	2,660
County environment and education	20,714
Roads and transportation	668,075
Administration	42,247
Total depreciation expense - governmental activities	<u>\$ 995,191</u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2014 is as follows:

Fund	Description	Amount
General	Services	\$ 44,884
Special Revenue:		
Mental Health	Services	29,162
Rural Services	Services	134
Secondary Roads	Services	315
		<u>29,611</u>
Total for governmental funds		<u>\$ 74,495</u>
Agency:		
County Assessor	Collections	\$ 681,333
Schools		8,110,288
Community Colleges		439,039
Corporations		3,111,022
Auto License and Use Tax		266,316
County Hospital		1,578,924
All other		660,424
Total for agency funds		<u>\$ 14,847,346</u>

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	General Obligation Bonds	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 5,255,000	215,493	17,700	5,488,193
Increases	-	234,752	8,000	242,752
Decreases	235,000	236,103	2,400	473,503
Balance end of year	<u>\$ 5,020,000</u>	<u>214,142</u>	<u>23,300</u>	<u>5,257,442</u>
Due within one year	<u>\$ 240,000</u>	<u>157,104</u>	<u>-</u>	<u>397,104</u>

General Obligation Bonds

A summary of the County's June 30, 2014 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Law Enforcement Center Bonds Issued Dec. 10, 2010			Law Enforcement Center Bonds Issued July 11, 2011		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2015	1.65%	\$ 240,000	87,885	0.00%	\$ -	82,063
2016	1.95	245,000	83,925	0.00	-	82,063
2017	2.25	245,000	79,147	0.00	-	82,063
2018	2.55	250,000	73,635	0.00	-	82,063
2019	2.85	260,000	67,260	0.00	-	82,063
2020-2024	3.10-3.75	1,395,000	210,080	0.00	-	410,310
2025-2029	3.85	305,000	11,742	0.00-4.00	1,335,000	338,030
2030-2031		-	-	4.10-4.20	745,000	46,884
Total		<u>\$ 2,940,000</u>	<u>613,674</u>		<u>\$ 2,080,000</u>	<u>1,205,539</u>

Year	Total		
	Principal	Interest	Total
2015	\$ 240,000	169,948	409,948
2016	245,000	165,988	410,988
2017	245,000	161,210	406,210
2018	250,000	155,698	405,698
2019	260,000	149,323	409,323
2020-2024	1,395,000	620,390	2,015,390
2025-2029	1,640,000	349,772	1,989,772
2030-2031	745,000	46,884	791,884
Total	<u>\$ 5,020,000</u>	<u>1,819,213</u>	<u>6,839,213</u>

During the year ended June 30, 2014, the County retired \$235,000 of bonds.

(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$283,155, \$280,336 and \$267,835, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer retiree benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. There are 69 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical, prescription drug and dental benefits are provided through a medical and dental plan administered by United Health Care, Inc. and Delta Dental, respectively. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 8,300
Interest on net OPEB obligation	800
Adjustment to annual required contribution	(1,100)
Annual OPEB cost	<u>8,000</u>
Contributions made	<u>2,400</u>
Increase in net OPEB obligation	<u>5,600</u>
Net OPEB obligation beginning of year	<u>17,700</u>
Net OPEB obligation end of year	<u>\$ 23,300</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the County contributed \$2,400 to the medical plan. Plan members eligible for benefits contributed \$17,000 or 88% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 12,000	66.7%	\$ 12,000
2013	8,100	29.6	17,700
2014	8,000	30.0	23,300

Funded Status and Funding Progress – As of January 1, 2013, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was approximately \$82,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$82,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,279,000 and the ratio of the UAAL to covered payroll was 2.5%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan and assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the January 1, 2013 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the Actuary's Pension Handbook and applying the termination factors using the Scale T-6 table.

Projected claim costs of the medical plan range from \$627 to \$806 per month for retirees less than age 65. The salary increase rate and inflation rate were assumed to be 2.5% and 3% per year, respectively. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 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 operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, 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 risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2014 were \$74,430.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured 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 \$150,000 each occurrence, each location. Property risks exceeding \$150,000 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 is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the County's financial statements. As of June 30, 2014, 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.

(11) Subsequent Event

On March 12, 2015, the County approved the issuance of \$3,915,000 of general obligation refunding bonds, series 2015, for the advanced refunding of the County's law enforcement general obligation bonds, series 2010 and series 2011.

(12) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's proportionate share of the employee pension plan.

Montgomery County

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2014

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
Property and other county tax	\$ 5,562,816	5,664,446	5,664,446	(101,630)
Penalty and interest on property tax	48,679	15,800	15,800	32,879
Intergovernmental	3,478,603	2,999,688	3,185,949	292,654
Licenses and permits	5,530	8,250	8,250	(2,720)
Charges for service	297,206	303,129	303,129	(5,923)
Use of money and property	74,936	59,880	59,880	15,056
Miscellaneous	146,628	52,050	99,400	47,228
Total receipts	9,614,398	9,103,243	9,336,854	277,544
Disbursements:				
Public safety and legal services	1,995,173	2,121,632	2,189,980	194,807
Physical health and social services	459,119	531,658	541,658	82,539
Mental health	374,186	443,622	443,622	69,436
County environment and education	310,091	371,292	371,292	61,201
Roads and transportation	3,803,911	3,461,856	3,946,356	142,445
Governmental services to residents	382,690	427,913	427,913	45,223
Administration	892,523	990,788	1,006,788	114,265
Non-program	-	200	200	200
Debt service	409,238	408,237	408,237	(1,001)
Capital projects	195,319	329,534	279,534	84,215
Total disbursements	8,822,250	9,086,732	9,615,580	793,330
Excess (deficiency) of receipts over (under) disbursements	792,148	16,511	(278,726)	1,070,874
Other financing sources, net	-	-	70,000	(70,000)
Balance beginning of year	6,103,680	4,562,616	4,562,616	1,541,064
Balance end of year	\$ 6,895,828	4,579,127	4,353,890	2,541,938

See accompanying independent auditor's report.

Montgomery County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 9,614,398	(12,343)	9,602,055
Expenditures	8,822,250	(74,803)	8,747,447
Net	792,148	62,460	854,608
Beginning fund balances	6,103,680	393,296	6,496,976
Ending fund balances	\$ 6,895,828	455,756	7,351,584

See accompanying independent auditor's report.

Montgomery County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$528,848. The budget amendment is reflected in the final budgeted amounts.

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

Disbursements during the year ended June 30, 2014 exceeded the amount budgeted in the debt service function.

Montgomery County

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jan 1, 2010	-	\$ 99	99	0.00%	\$ 2,297	3.50%
2011	Jan 1, 2010	-	99	99	0.00	2,989	3.30
2012	Jan 1, 2010	-	99	99	0.00	3,233	3.10
2013	Jan 1, 2013	-	82	82	0.00	3,180	2.60
2014	Jan 1, 2013	-	82	82	0.00	3,279	2.50

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Montgomery County

Supplementary Information

Montgomery County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

	County	Flood and Erosion	Special Local Option Sales and Services Tax
Assets			
Cash and pooled investments	\$ 21,612	811	-
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Total assets	\$ 21,612	811	-
Deferred Inflows of Resources and Fund Balances			
Deferred inflows of resources:			
Unavailable revenue:			
Succeeding year property tax	\$ -	-	-
Other	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances:			
Restricted for:			
Debt service	-	-	-
Other purposes	21,612	811	-
Total fund balances	21,612	811	-
Total deferred inflows of resources and fund balances	\$ 21,612	811	-

See accompanying independent auditor's report.

Revenue			
Seized and Forfeited Property - County Attorney	Seized and Forfeited Property - County Sheriff	Debt Service	Total
2,076	5,941	95,568	126,008
-			
-	-	1,817	1,817
-	-	383,000	383,000
2,076	5,941	480,385	510,825
-	-	383,000	383,000
-	-	1,781	1,781
-	-	384,781	384,781
-	-	95,604	95,604
2,076	5,941	-	30,440
2,076	5,941	95,604	126,044
2,076	5,941	480,385	510,825

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

Year ended June 30, 2014

	County Recorder's Records Management	Flood and Erosion	Special Local Option Sales and Services Tax
Revenues:			
Property and other county tax	\$ -	-	-
Intergovernmental	-	-	-
Charges for service	2,005	-	-
Use of money and property	24	-	-
Miscellaneous	-	-	-
Total revenues	2,029	-	-
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Governmental services to residents	669	-	-
Debt service	-	-	-
Total expenditures	669	-	-
Excess (deficiency) of revenues over (under) expenditures	1,360	-	-
Other financing uses:			
Transfers out	-	-	(24,558)
Change in fund balances	1,360	-	(24,558)
Fund balances beginning of year	20,252	811	24,558
Fund balances end of year	\$ 21,612	811	-

See accompanying independent auditor's report.

Revenue				
Seized and Forfeited Property - County Attorney	Seized and Forfeited Property - County Sheriff	Debt Service	Total	
-	-	386,457	386,457	
-	-	21,528	21,528	
-	-	-	2,005	
-	-	-	24	
-	2,741	-	2,741	
-	2,741	407,985	412,755	
-	6,374	-	6,374	
-	-	-	669	
-	-	409,240	409,240	
-	6,374	409,240	416,283	
-	(3,633)	(1,255)	(3,528)	
-	-	-	(24,558)	
-	(3,633)	(1,255)	(28,086)	
2,076	9,574	96,859	154,130	
2,076	5,941	95,604	126,044	

Montgomery County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,879	387,476	99,056	5,106
Other County officials	16,529	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	720	1,451	38,232	1,933
Succeeding year	-	156,000	314,000	7,973,000	432,000
Accounts	-	-	14	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	-	3,100	-	-
Total assets	\$ 16,529	158,599	706,041	8,110,288	439,039
Liabilities					
Accounts payable	\$ -	-	21,556	-	-
Salaries and benefits payable	-	-	2,372	-	-
Due to other governments	7,206	158,599	681,333	8,110,288	439,039
Trusts payable	9,323	-	-	-	-
Compensated absences	-	-	780	-	-
Total liabilities	\$ 16,529	158,599	706,041	8,110,288	439,039

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	County Hospital	E911 Service	Other	Total
41,192	2,172	266,316	18,747	255,065	30,489	1,107,498
-	-	-	-	-	-	16,529
43,830	8	-	7,177	-	8	93,359
3,026,000	183,000	-	1,553,000	-	2,000	13,639,000
-	-	-	-	26,034	-	26,048
-	-	-	-	-	720	720
-	-	-	-	-	18,747	18,747
-	-	-	-	-	-	3,100
3,111,022	185,180	266,316	1,578,924	281,099	51,964	14,905,001
-	-	-	-	207	-	21,763
-	-	-	-	140	330	2,842
3,111,022	185,180	266,316	1,578,924	280,752	28,687	14,847,346
-	-	-	-	-	22,947	32,270
-	-	-	-	-	-	780
3,111,022	185,180	266,316	1,578,924	281,099	51,964	14,905,001

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

Year ended June 30, 2014

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year	\$ 24,012	153,654	817,043	8,098,633	417,198
Additions:					
Property and other county tax	-	155,666	313,650	7,965,428	431,718
E911 surcharges	-	-	-	-	-
Intergovernmental	-	-	-	-	-
State tax credits	-	8,443	18,029	447,347	22,853
Drivers license fees	-	-	-	-	-
Office fees and collections	307,768	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	187,963	-	-	-	-
Miscellaneous	4,218	-	643	-	-
Total additions	499,949	164,109	332,322	8,412,775	454,571
Deductions:					
Agency remittances:					
To other funds	182,483	-	-	-	-
To other governments	122,559	159,164	443,324	8,401,120	432,730
Trusts paid out	202,390	-	-	-	-
Total deductions	507,432	159,164	443,324	8,401,120	432,730
Balances end of year	\$ 16,529	158,599	706,041	8,110,288	439,039

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	County Hospital	E911 Service	Other	Total
2,989,966	184,229	244,511	1,529,472	208,221	40,739	14,707,678
3,006,327	183,793	-	1,552,902	-	1,653	13,611,137
-	-	-	-	93,880	-	93,880
-	-	-	-	32,932	80,129	113,061
188,078	9,288	-	84,217	-	93	778,348
-	-	81,116	-	-	-	81,116
-	-	-	-	-	-	307,768
-	-	-	-	-	1,851	1,851
-	-	3,297,039	-	-	-	3,297,039
-	-	-	-	-	1,411	1,411
-	-	-	-	-	242,304	430,267
4,126	-	-	-	6,969	-	15,956
3,198,531	193,081	3,378,155	1,637,119	133,781	327,441	18,731,834
-	-	101,110	-	-	-	283,593
3,077,475	192,130	3,255,240	1,587,667	60,903	82,412	17,814,724
-	-	-	-	-	233,804	436,194
3,077,475	192,130	3,356,350	1,587,667	60,903	316,216	18,534,511
3,111,022	185,180	266,316	1,578,924	281,099	51,964	14,905,001

Montgomery County

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

For the Last Ten Years

	2014	2013	2012	2011
Revenues:				
Property and other county tax	\$ 5,220,237	5,091,743	4,934,561	4,313,696
Real estate option sales and services tax	350,974	381,865	361,968	368,358
Utility and interest on property tax	48,454	48,050	51,815	52,631
Intergovernmental	3,450,069	3,534,022	3,834,247	5,169,417
Fees and permits	5,530	5,505	6,938	6,130
Charges for service	295,058	320,017	288,352	289,079
Gift of money and property	75,023	62,341	67,971	78,833
Other miscellaneous	156,710	102,018	85,044	76,700
Total	\$ 9,602,055	9,545,561	9,630,896	10,354,844
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,001,202	1,856,005	1,789,387	1,729,277
Physical health and social services	427,954	508,186	510,306	623,764
Mental health	334,111	467,865	1,169,423	1,038,487
County environment and education	306,317	312,438	292,922	292,604
Roads and transportation	3,736,927	3,510,586	3,208,220	3,286,482
Governmental services to residents	383,574	459,003	373,965	370,083
Administration	944,416	961,623	873,031	752,815
Non-program	-	-	-	-
Other service	409,240	412,053	400,462	48,868
Capital projects	203,706	1,076,541	4,446,366	1,048,376
Total	\$ 8,747,447	9,564,300	13,064,082	9,190,756

See accompanying independent auditor's report.

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
4,112,240	3,613,576	3,446,408	3,610,918	3,483,248	3,558,365
315,515	352,231	315,178	364,072	253,099	274,967
60,910	44,606	48,889	43,021	40,657	36,153
5,311,182	4,474,893	3,268,697	3,666,726	3,717,722	3,254,490
10,408	6,698	7,435	8,240	6,395	3,802
266,585	257,946	261,812	266,787	276,669	274,344
65,789	77,625	151,733	171,377	143,711	76,530
146,958	50,408	89,144	72,677	63,807	154,139
10,289,587	8,877,983	7,589,296	8,203,818	7,985,308	7,632,790
1,719,833	1,574,965	1,617,566	1,522,158	1,562,204	1,561,279
765,526	764,003	685,763	648,183	767,606	748,024
1,016,092	1,051,181	1,102,157	996,251	899,688	845,478
568,728	386,212	304,322	273,717	536,622	352,028
3,488,600	3,883,189	3,347,954	2,655,699	2,611,352	2,435,439
323,060	363,367	332,816	311,434	426,736	330,171
758,976	709,973	652,599	713,278	683,123	648,543
-	188	188	-	180	815
24,281	25,751	71,203	63,389	63,503	114,041
1,594,673	496	164,394	225,380	652,897	1,528
10,259,769	8,759,325	8,278,962	7,409,489	8,203,911	7,037,346

Montgomery County



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Officials of Montgomery County:

We have audited 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, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 28, 2015.

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.

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 were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montgomery County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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, 2014 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

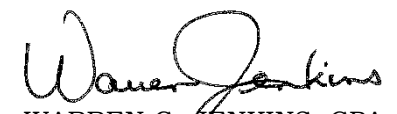
Montgomery County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Montgomery County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 28, 2015

Montgomery County
 Schedule of Findings
 Year ended June 30, 2014

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

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

	<u>Applicable Offices</u>
(1) Receipts – opening and listing mail receipts, collecting, depositing, posting and daily reconciling.	Treasurer, Recorder, Sheriff and Secondary Roads.
(2) Bank reconciliations are not prepared by someone who does not sign checks, handle or record cash.	Sheriff
(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

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including elected officials. The official should utilize current personnel or other County employees to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible and should be documented by the signature or initials of the reviewer and the date of the review.

Responses –

County Treasurer – We will continually look for ways to improve segregation of duties and watch for any inconsistencies. Investment records (CD's) will be periodically reviewed by another office.

Montgomery County

Schedule of Findings

Year ended June 30, 2014

County Engineer – Secondary Roads has instituted a system where the Engineer spot checks the weekly and monthly deposits to the receipt book. Cash has not been accepted during the past year. Receipts are deposited as soon as possible after the corresponding application or order is complete.

County Recorder – The Recorder’s office will continue to have at least two employees present while opening the daily mail. While opening the mail, one employee opens the mail and the other employee enters the fees in the cash register and makes a list of checks received. The list of checks is transferred to an excel spreadsheet that is retained for review by the State Auditors. Following last year’s audit, we have randomly verified check totals on the daily deposit slips as recommended by the State Auditors.

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

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

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

Recommendation – The County should implement procedures to ensure all receivables are identified and properly included in the County’s financial statements.

Response – The County will continue to monitor receivables to be included in the financial statements

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Montgomery County
Schedule of Findings
Year ended June 30, 2014

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amount budgeted in the debt service function.

The notices of the budget hearing and budget amendment hearing were not published not less than 10 nor more than 20 days prior to the hearings as required by Chapters 331.434(3) and 331.435 of the Code of Iowa.

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.

The notices of the budget hearing and the budget amendment hearing should be published as required.

Response – The County will monitor the budget more closely and ensure notices of the budget and budget amendment hearings are properly published.

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 – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Karen Blue, County Supervisor, sales representative for Promotional Concepts	Promotional pens for Veteran’s Affairs outreach program	\$ 243

In accordance with Chapter 331.342 (10) of the Code of Iowa, this transaction does not appear to represent a conflict of interest since the total transactions with the individual were less than \$1,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.

Montgomery County

Schedule of Findings

Year ended June 30, 2014

- (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, 2014 for the County Extension Office did not exceed the amount budgeted.

Montgomery County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Brandon J. Vogel, Senior Auditor
Ryan D. Baker, Staff Auditor
Amanda L. Burt, Staff Auditor
April D. Harbst, Staff Auditor
Jessica R. Frisch, Assistant Auditor
Marcus B. Johnson, Assistant Auditor
Ryan J. Magill, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State