



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

June 6, 2016

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 \$20,746,377 for the year ended June 30, 2015, which included \$1,509,642 in tax credits from the state. The County forwarded \$14,923,739 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,822,638 of the local tax revenue to finance County operations, a 5.8% increase over the prior year. Other revenues included charges for service of \$391,183, operating grants, contributions and restricted interest of \$3,168,820, capital grants, contributions and restricted interest of \$5,423,630, local option sales and services tax of \$398,227, unrestricted investment earnings of \$16,559 and other general revenues of \$245,585.

Expenses for County operations for the year ended June 30, 2015 totaled \$10,494,907, a 16.9% increase over the prior year. Expenses included \$4,849,828 for roads and transportation, \$2,102,758 for public safety and legal services and \$1,201,470 for mental health.

The significant increase in expenses is due primarily to an increase in road projects and to distributing approximately \$1.2 million of mental health funds to Southwest Iowa MHDS to provide regional mental health services.

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 <https://auditor.iowa.gov/reports/1510-0069-B00F>.

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MONTGOMERY COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2015

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Montgomery County

Officials

(Before January 2015)

<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

(After January 2015)

Bryant Amos	Board of Supervisors	Jan 2017
Donna Robinson	Board of Supervisors	Jan 2017
Mark Peterson	Board of Supervisors	Jan 2019
Steve Ratcliff	Board of Supervisors	Jan 2019
Joshue Wiig	Board of Supervisors	Jan 2019
Stephanie Burke	County Auditor	Jan 2017
Carol Strovers	County Treasurer	Jan 2019
Carleen Bruning	County Recorder	Jan 2019
Joseph Sampson	County Sheriff	Jan 2017
Bruce Swanson	County Attorney	Jan 2019
Stacey Von Dielingen	County Assessor	Jan 2016

Montgomery County



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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, 2015, 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 and the respective changes in its financial position of Montgomery County as of June 30, 2015, for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 11, Montgomery County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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


Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montgomery County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (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 May 24, 2016 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

May 24, 2016

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, 2015. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27, during fiscal year 2015. The beginning net position for governmental activities was restated \$2,045,791 to retroactively report the net pension liability at July 1, 2014 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Pension expense for fiscal year 2014 and the net pension liability, deferred outflows of resources and deferred inflows of resources at June 30, 2014 were not restated because the information needed to restate those amounts was not available.
- Revenues of the County's governmental activities increased 42.2%, or approximately \$4,590,000, from fiscal year 2014 to fiscal year 2015. Property tax increased approximately \$228,000, capital grants, contributions and restricted interest increased approximately \$4,191,000, charges for service decreased approximately \$59,000 and operating grants, contributions and restricted interest increased approximately \$32,000.
- Program expenses of the County's governmental activities were 16.9%, or approximately \$1,521,000, more in fiscal year 2015 than in fiscal year 2014. Roads and transportation expenses increased approximately \$801,000, public safety and legal services expenses decreased approximately \$194,000 and mental health expenses increased approximately \$867,000.
- The County's net position at June 30, 2015 increased 28.2%, or approximately \$4,972,000, from the restated June 30, 2014 balances.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Montgomery County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Montgomery County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Montgomery County acts solely as an agent or custodian for the benefit of those outside of county government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of 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, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

Fund Financial Statements

The County has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

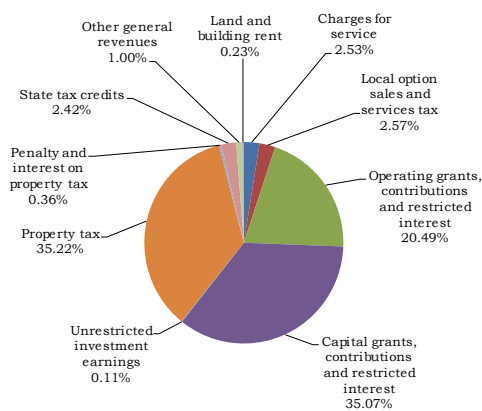
Net Position of Governmental Activities		
(Expressed in Thousands)		
	June 30,	
	2015	2014
	(Not Restated)	
Current and other assets	\$ 16,907	13,074
Capital assets	22,247	17,544
Total assets	39,154	30,618
Deferred outflows of resources	399	-
Long-term liabilities	10,263	5,257
Other liabilities	350	283
Total liabilities	10,613	5,540
Deferred inflows of resources	6,354	5,418
Net position:		
Net investment in capital assets	17,997	13,032
Restricted	4,464	4,953
Unrestricted	125	1,675
Total net position	\$ 22,586	19,660

Prior to restatement, net position of Montgomery County's governmental activities increased 14.88% (approximately \$22.6 million compared to approximately \$19.7 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position — the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements — decreased from approximately \$1,675,000 at June 30, 2014 to approximately \$125,000 at the end of this year. This decrease was primarily due to recording the County's proportionate share of the net pension liability at July 1, 2014.

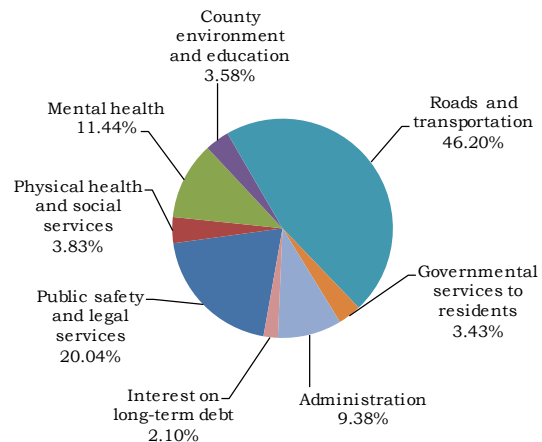
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2014	2015 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	\$ 391	450
Operating grants, contributions and restricted interest	3,169	3,137
Capital grants, contributions and restricted interest	5,424	1,133
General revenues:		
Property tax	5,449	5,221
Penalty and interest on property tax	56	49
State tax credits	374	283
Local option sales and services tax	398	351
Unrestricted investment earnings	17	16
Land and building rent	35	43
Gain on disposition of capital assets	-	142
Other general revenues	155	53
Total revenues	15,468	10,878
Program expenses:		
Public safety and legal services	2,103	2,297
Physical health and social services	402	426
Mental health	1,201	334
County environment and education	376	331
Roads and transportation	4,850	4,049
Governmental services to residents	360	383
Administration	984	981
Interest on long-term debt	220	174
Total expenses	10,496	8,975
Change in net position	4,972	1,903
Net position beginning of year, as restated	17,614	17,757
Net position end of year	\$ 22,586	19,660

Revenues by Source



Expenses by Program



The County increased the countywide property tax levy \$0.08 per \$1,000 of taxable valuation while the rural services property tax levy remained the same. The general basic levy remained at \$3.50 per \$1,000 of taxable valuation and the general supplemental levy increased \$0.14 per \$1,000 of taxable valuation. The debt service levy decreased \$0.03 per \$1,000 of taxable valuation. The rural assessed property taxable valuation increased approximately \$8,292,200. The countywide assessed property taxable valuation increased approximately \$5,224,600. Based on the valuation increases and the changes in property tax rates, property tax revenue increased approximately \$227,000.

The cost of all governmental activities this year was approximately \$10.5 million compared to approximately \$9.0 million last year. Overall, the County's governmental activities revenues increased in fiscal year 2015 from approximately \$10.9 million to approximately \$15.5 million. Capital grants, contributions and restricted interest increased approximately \$4.2 million due to an increase in farm to market projects contributed by the Iowa Department of Transportation.

INDIVIDUAL MAJOR FUND ANALYSIS

As Montgomery County completed the year, its governmental funds reported a combined fund balance of approximately \$11.0 million, an increase of approximately \$3.7 million above last year's total of approximately \$7.35 million. The following are the major reasons for the changes in fund balance of the major funds from the prior year:

- The General Fund balance increased approximately \$650,000 during the fiscal year to approximately \$3,722,000. Revenues increased approximately \$274,000, or 6.7%, over the prior year and expenditures increased approximately \$197,000, or 5.6%. Revenue increased due to an increase in receipts for the business property and commercial and industrial tax replacement and insurance proceeds received from ICAP for storm damages. Expenditures increased due to an increase in costs for conservation improvements, the purchase of a County-wide phone system and an increase in salaries for deputies.
- The County has continued to look for ways to effectively manage the cost of mental health services in the Special Revenue, Mental Health Fund. For fiscal year 2015, expenditures totaled approximately \$1,201,000, a significant increase from the prior year, primarily due to the distribution of mental health funds to the fiscal agent. As a result, the Special Revenue, Mental Health Fund balance at year end decreased approximately \$717,000 from the prior year.
- The Special Revenue, Rural Services Fund ending fund balance increased approximately \$153,000 over the prior year to approximately \$845,000. Property tax revenue for the Rural Services Fund increased approximately \$60,000 in fiscal year 2015 due to an increase in rural assessed property taxable valuation. Expenditures remained relatively consistent from the previous year, increasing approximately \$19,000.
- Special Revenue, Secondary Roads Fund revenues increased approximately \$65,000 while expenditures increased approximately \$449,000 over the prior year, principally due to an increase in bridges and culverts and road repair projects. This resulted in a decrease in the Secondary Roads ending fund balance of approximately \$378,000.
- Debt Service Fund revenues increased approximately \$12,000 over the prior year. During the year ended June 30, 2015, the County issued \$3,915,000 of general obligation refunding bonds for a crossover advance refunding. The proceeds of the issuance were placed in an escrow account to provide for future refunding of the County's 2010 and 2011 general obligation bonds. Expenditures increased approximately \$41,000 over the prior year. At year end, the fund balance was \$4,544,383 compared to the prior year ending fund balance of \$95,604 due to the \$4,445,038 remaining in the escrow agent account at June 30, 2015.

BUDGETARY HIGHLIGHTS

Montgomery County amended its budget one time during fiscal year 2015. The amendment was made in April 2015. This amendment increased budgeted receipts approximately \$606,000 and budgeted disbursements approximately \$1,032,000. These changes were made to budget for federal FEMA grants and related disbursements for storm damage, additional election expenses, a telephone system upgrade and the payment to the escrow agent from the balance remaining from the law enforcement center project.

The County's receipts were \$70,696 less than budgeted. Total disbursements were \$656,390 less than the amended budget. Actual public safety and legal services function disbursements were \$215,067 less than budgeted due to less than expected disbursements for adult correction services, uniformed patrol service and administration. Physical health and social services function disbursements were \$170,876 less than budgeted due to decreased disbursements for juvenile care and vaccine purchases by the Board of Health.

Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the debt service function.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, Montgomery County had approximately \$22.247 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 \$4.7 million, or 26.8%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2015	2014
Land	\$ 642	642
Intangibles, road network	213	213
Buildings and improvements	5,266	5,302
Equipment and vehicles	2,223	2,360
Infrastructure	13,903	9,027
Total	\$ 22,247	17,544
This year's major additions included:		
Infrastructure contributed by the Iowa Department of Transportation	\$ 5,290	
Equipment, including an emergency callworks system	249	
Total	\$ 5,539	

The County had depreciation expense of \$922,750 in fiscal year 2015 and total accumulated depreciation of \$6,527,059 at June 30, 2015. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2015, Montgomery County had \$8,695,000 of general obligation bonds outstanding, compared to \$5,020,000 of general obligation bonds outstanding at June 30, 2014.

Debt increased as a result of issuing general obligation refunding bonds for a crossover advance refunding of \$3,915,000 of the outstanding general obligation bonds, Series 2010 and 2011, which will be called for payment on June 1, 2017 and June 1, 2018, respectively.

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 \$51.3 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Montgomery County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees for the various County services. One of the factors considered was the County's taxable valuations, which increased approximately \$5,000,000 over the fiscal year 2015 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 2016, the same rates levied for fiscal year 2015.

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 2015, these amounts were \$318,582, \$39,823, \$19,911 and \$19,911, 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, P O Box 469, Red Oak, Iowa 51566, or by telephone at (712) 623-5127.

Montgomery County

Basic Financial Statements

Montgomery County
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Cash and pooled investments	\$ 6,123,951
U.S. Treasury securities on deposit with escrow agent	4,445,038
Receivables:	
Property tax:	
Delinquent	17,224
Succeeding year	5,440,000
Interest and penalty on property tax	24,734
Accounts	7,308
Accrued interest	1,387
Due from other governments	422,660
Inventories	330,363
Prepaid items	94,519
Capital assets, net of accumulated depreciation	22,246,716
Total assets	39,153,900
Deferred Outflows of Resources	
Pension related deferred outflows	399,062
Liabilities	
Current liabilities:	
Accounts payable	191,864
Accrued interest payable	23,200
Salaries and benefits payable	93,950
Due to other governments	40,443
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	245,000
Compensated absences	160,315
Portion due or payable after one year:	
General obligation bonds	8,450,000
Compensated absences	63,455
Net pension liability	1,318,935
Net OPEB liability	25,500
Total liabilities	10,612,662
Deferred inflows of resources:	
Unavailable property tax revenue	5,440,000
Pension related deferred inflows	914,614
Total deferred inflows of resources	6,354,614
Net Position	
Net investment in capital assets	17,996,754
Restricted for:	
Supplemental levy purposes	1,595,189
Mental health purposes	139,295
Rural services purposes	729,618
Secondary roads purposes	1,707,658
Public safety purposes	78,700
Courthouse repair	75,218
County Fair	21,310
Debt service	77,957
Other purposes	39,103
Unrestricted	124,884
Total net position	\$ 22,585,686

See notes to financial statements.

Montgomery County

Statement of Activities

Year ended June 30, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,102,758	117,854	260,450	145,820	(1,578,634)
Physical health and social services	401,769	28,439	149,932	-	(223,398)
Mental health	1,201,470	-	111,760	-	(1,089,710)
County environment and education	375,916	22,594	17,218	-	(336,104)
Roads and transportation	4,849,828	13,407	2,583,752	5,277,810	3,025,141
Governmental services to residents	359,807	188,886	-	-	(170,921)
Administration	983,527	20,003	45,708	-	(917,816)
Interest on long-term debt	219,832	-	-	-	(219,832)
Total	\$ 10,494,907	391,183	3,168,820	5,423,630	(1,511,274)
General Revenues:					
Property and other county tax levied for:					
General purposes					5,064,267
Debt service					384,077
Penalty and interest on property tax					55,509
State tax credits					374,294
Local option sales and services tax					398,227
Unrestricted investment earnings					16,559
Land and building rent					35,340
Miscellaneous					154,736
Total general revenues					6,483,009
Change in net position					4,971,735
Net position beginning of year, as restated					17,613,951
Net position end of year					\$ 22,585,686

See notes to financial statements.

Montgomery County

Balance Sheet
Governmental Funds

June 30, 2015

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 3,714,258	137,855	865,844
U.S. Treasury securities on deposit with escrow agent	-	-	-
Receivables:			
Property tax:			
Delinquent	13,670	1,440	221
Succeeding year	3,040,000	320,000	1,695,000
Interest and penalty on property tax	24,734	-	-
Accounts	5,301	-	-
Accrued interest	1,387	-	-
Due from other governments	41,057	22,529	-
Inventories	-	-	-
Prepaid items	61,733	-	-
Total assets	\$ 6,902,140	481,824	2,561,065
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 30,238	-	3,071
Salaries and benefits payable	55,716	-	17,209
Due to other governments	16,997	22,529	183
Total liabilities	102,951	22,529	20,463
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	3,040,000	320,000	1,695,000
Other	36,930	1,398	221
Total deferred inflows of resources	3,076,930	321,398	1,695,221
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid items	61,733	-	-
Restricted for:			
Supplemental levy purposes	1,452,773	-	93,072
Mental health purposes	-	137,897	-
Rural services purposes	-	-	752,309
Secondary roads purposes	-	-	-
Public safety purposes	78,700	-	-
Courthouse repair	75,218	-	-
County Fair	21,310	-	-
Debt service	-	-	-
Other purposes	1,387	-	-
Unassigned	2,031,138	-	-
Total fund balances	3,722,259	137,897	845,381
Total liabilities, deferred inflows of resources and fund balances	\$ 6,902,140	481,824	2,561,065

See notes to financial statements.

Secondary Roads	Debt Service	Nonmajor	Total
1,271,022	99,264	35,708	6,123,951
-	4,445,038	-	4,445,038
-	1,893	-	17,224
-	385,000	-	5,440,000
-	-	-	24,734
531	-	1,476	7,308
-	-	-	1,387
359,074	-	-	422,660
330,363	-	-	330,363
32,786	-	-	94,519
<u>1,993,776</u>	<u>4,931,195</u>	<u>37,184</u>	<u>16,907,184</u>

158,555	-	-	191,864
21,025	-	-	93,950
734	-	-	40,443
<u>180,314</u>	<u>-</u>	<u>-</u>	<u>326,257</u>

-	385,000	-	5,440,000
94,065	1,812	-	134,426
<u>94,065</u>	<u>386,812</u>	<u>-</u>	<u>5,574,426</u>

330,363	-	-	330,363
32,786	-	-	94,519
-	-	-	1,545,845
-	-	-	137,897
-	-	-	752,309
1,356,248	-	-	1,356,248
-	-	-	78,700
-	-	-	75,218
-	-	-	21,310
-	4,544,383	-	4,544,383
-	-	37,184	38,571
-	-	-	2,031,138
<u>1,719,397</u>	<u>4,544,383</u>	<u>37,184</u>	<u>11,006,501</u>
<u>1,993,776</u>	<u>4,931,195</u>	<u>37,184</u>	<u>16,907,184</u>

Montgomery County

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

June 30, 2015

Total governmental fund balances (page 21) \$ 11,006,501

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of capital assets is \$28,773,775 and the accumulated depreciation is \$6,527,059. 2,246,716

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. 134,426

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 399,062	
Deferred inflows of resources	<u>(914,614)</u>	(515,552)

Long-term liabilities, including bonds payable, compensated absences payable, net pension liability, 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. (10,286,405)

Net position of governmental activities (page 18) \$ 2,585,686

See notes to financial statements.

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

Year ended June 30, 2015

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 3,031,468	346,378	1,686,799
Local option sales and services tax	79,646	-	-
Interest and penalty on property tax	49,498	-	-
Intergovernmental	678,128	120,346	93,353
Licenses and permits	5,325	-	-
Charges for service	301,692	-	1,650
Use of money and property	52,649	-	-
Miscellaneous	191,990	17,275	832
Total revenues	<u>4,390,396</u>	<u>483,999</u>	<u>1,782,634</u>
Expenditures:			
Operating:			
Public safety and legal services	1,562,132	-	484,549
Physical health and social services	413,092	-	-
Mental health	-	1,201,470	-
County environment and education	378,714	-	43,248
Roads and transportation	-	-	318,918
Governmental services to residents	368,835	-	1,809
Administration	1,017,804	-	-
Debt service	-	-	-
Capital projects	-	-	1,192
Total expenditures	<u>3,740,577</u>	<u>1,201,470</u>	<u>849,716</u>
Excess (deficiency) of revenues over (under) expenditures	<u>649,819</u>	<u>(717,471)</u>	<u>932,918</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	(780,000)
General obligation refunding bonds issued	-	-	-
Premium on general obligation refunding bonds issued	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(780,000)</u>
Change in fund balances	649,819	(717,471)	152,918
Fund balances beginning of year	3,072,440	855,368	692,463
Fund balances end of year	<u>\$ 3,722,259</u>	<u>137,897</u>	<u>845,381</u>

See notes to financial statements.

Secondary Roads	Debt Service	Nonmajor	Total
-	384,077	-	5,448,722
318,581	-	-	398,227
-	-	-	49,498
2,473,513	28,748	26,300	3,420,388
1,305	-	-	6,630
-	-	1,989	305,331
-	6,876	411	59,936
27,444	600	8,746	246,887
2,820,843	420,301	37,446	9,935,619
-	-	1,964	2,048,645
-	-	-	413,092
-	-	-	1,201,470
-	-	-	421,962
3,953,113	-	-	4,272,031
-	-	2,047	372,691
-	-	-	1,017,804
-	450,098	-	450,098
26,030	-	5,073	32,295
3,979,143	450,098	9,084	10,230,088
(1,158,300)	(29,797)	28,362	(294,469)
780,000	529,190	-	1,309,190
-	-	(529,190)	(1,309,190)
-	3,915,000	-	3,915,000
-	34,386	-	34,386
780,000	4,478,576	(529,190)	3,949,386
(378,300)	4,448,779	(500,828)	3,654,917
2,097,697	95,604	538,012	7,351,584
1,719,397	4,544,383	37,184	11,006,501

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, 2015

Change in fund balances - Total governmental funds (page 25) \$ 3,654,917

**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	\$ 347,318	
Capital assets contributed by the Iowa Department of Transportation	5,277,810	
Depreciation expense	(922,750)	4,702,378

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	(378)	
Other	100,076	99,698

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments, as follows:

Issued	(3,915,000)	
Repaid	240,000	(3,675,000)

The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 305,782

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	(9,628)	
Other postemployment benefits	(2,200)	
Pension expense	(94,478)	
Interest on long-term debt	(9,734)	(116,040)

Change in net position of governmental activities (page 19) \$ 4,971,735

See notes to financial statements.

Montgomery County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2015

Assets

Cash and pooled investments:

County Treasurer	\$ 1,085,539
Other County officials	44,393

Receivables:

Property tax:	
Delinquent	97,084
Succeeding year	13,516,000

Accounts	202
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Due from other governments	40,769
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Prepaid items	4,539
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Total assets	<u>14,788,526</u>
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Liabilities

Salaries and benefits payable	4,564
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Due to other governments	14,729,068
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Trusts payable	48,341
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Compensated absences	6,553
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Total liabilities	<u>14,788,526</u>
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Net position	<u><u>\$ -</u></u>
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See notes to financial statements.

Montgomery County

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position 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 roads construction and maintenance.

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

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, Deferred Outflows of Resources, 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, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2014.

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

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

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

Capital Assets – Capital assets, which include property, 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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position which applies to a future year(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources 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 consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the debt service function.

(2) Cash and Pooled Investments

The County’s deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 529,190
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	780,000
	Total	<u>\$ 1,309,190</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance			Balance
	Beginning		Decreases	End
	of Year	Increases		of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 641,859	-	-	641,859
Intangibles, road network	212,998	-	-	212,998
Total capital assets not being depreciated	854,857	-	-	854,857
Capital assets being depreciated:				
Buildings	5,993,500	59,650	-	6,053,150
Improvements other than buildings	24,250	44,099	24,250	44,099
Equipment and vehicles	5,521,484	248,726	30,071	5,740,139
Infrastructure, road network	10,791,417	5,290,113	-	16,081,530
Total capital assets being depreciated	22,330,651	5,642,588	54,321	27,918,918
Less accumulated depreciation for:				
Buildings	710,276	117,827	-	828,103
Improvements other than buildings	5,820	4,124	6,790	3,154
Equipment and vehicles	3,161,270	385,994	30,071	3,517,193
Infrastructure, road network	1,763,804	414,805	-	2,178,609
Total accumulated depreciation	5,641,170	922,750	36,861	6,527,059
Total capital assets being depreciated, net	16,689,481	4,719,838	17,460	21,391,859
Governmental activities capital assets, net	\$17,544,338	4,719,838	17,460	22,246,716

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 154,495
Physical health and social services	2,660
County environment and education	21,907
Roads and transportation	711,670
Administration	32,018
Total depreciation expense - governmental activities	<u>\$ 922,750</u>

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2015 is as follows:

Fund	Description	Amount
General	Services	\$ 16,997
Special Revenue:		
Mental Health	Services	22,529
Rural Services	Services	183
Secondary Roads	Services	734
		<u>23,446</u>
Total for governmental funds		<u>\$ 40,443</u>
Agency:		
County Assessor	Collections	\$ 600,052
Schools		8,029,366
Community Colleges		442,623
Corporations		3,095,059
Townships		191,405
Auto License and Use Tax		239,527
County Hospital		1,574,392
All other		556,644
Total for agency funds		<u>\$ 14,729,068</u>

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	General Obligation Bonds	Compen- sated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year, as restated	\$ 5,020,000	214,142	2,339,642	23,300	7,597,084
Increases	3,915,000	279,090	-	7,900	4,201,990
Decreases	240,000	269,462	1,020,707	5,700	1,535,869
Balance end of year	<u>\$ 8,695,000</u>	<u>223,770</u>	<u>1,318,935</u>	<u>25,500</u>	<u>10,263,205</u>
Due within one year	<u>\$ 245,000</u>	<u>160,315</u>	<u>-</u>	<u>-</u>	<u>405,315</u>

General Obligation Bonds

A summary of the County's June 30, 2015 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Law Enforcement Center Bonds Issued Dec. 22, 2010			Law Enforcement Center Bonds Issued July 28, 2011		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
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	2.85	265,000	59,850	0.00	-	82,063
2021-2025	3.10-3.75	1,435,000	161,972	0.00	-	410,311
2026-2030	3.85	-	-	0.00-4.00	1,700,000	286,892
2031		-	-	4.10-4.20	380,000	15,960
Total		\$ 2,700,000	525,789		\$ 2,080,000	1,123,478

Year Ending June 30,	General Obligation Refunding Bonds Issued March 5, 2015					
	Interest			Total		
	Rates	Principal	Interest	Principal	Interest	Total
2016	2.00%	\$ -	110,761	\$ 245,000	276,749	521,749
2017	2.00	-	94,712	245,000	255,922	500,922
2018	2.00	280,000	94,713	530,000	250,411	780,411
2019	2.00	320,000	89,112	580,000	238,435	818,435
2020	2.00	325,000	82,713	590,000	224,626	814,626
2021-2025	2.00-2.50	1,690,000	311,263	3,125,000	883,546	4,008,546
2026-2030	2.75-3.00	1,300,000	89,850	3,000,000	376,742	3,376,742
2031		-	-	380,000	15,960	395,960
Total		\$ 3,915,000	873,124	\$ 8,695,000	2,522,391	11,217,391

On March 5, 2015, the County issued \$3,915,000 of general obligation refunding bonds for a crossover advance refunding of \$2,210,000 of the general obligation Law Enforcement Center bonds, Series 2010 and \$2,080,000 of the general obligation Law Enforcement Center bonds, Series 2011. The bonds bear interest at 2.00% to 3.00% per annum and mature June 1, 2029. The crossover refunding dates are June 1, 2017 for the 2018-2015 maturities of the general obligation Law Enforcement Center bonds, Series 2010 and June 1, 2018 for the 2026-2031 maturities of the general obligation Law Enforcement Center bonds, Series 2011.

For the crossover advance refunding, the County entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. government securities. These securities, along with additional cash, were placed with an escrow agent to pay the interest on the general obligation refunding bonds (new debt) until the crossover refunding dates. On the crossover refunding dates of June 1, 2017 and June 1, 2018, the refunded general obligation bonds, Series 2010 and Series 2011 (old debt), respectively, will be paid using the amounts held by the escrow agent. From that point forward, the County will pay the principal and interest on the refunding general obligation bonds (new debt) as they come due. The transactions and balances of the escrow account are recorded by the County since the refunded debt is not considered extinguished.

The refunding was undertaken to reduce total debt service payments over the next 16 years by \$375,000 and resulted in an economic gain (difference between the present value of debt service payments on the old and new debt) of approximately \$246,000.

During the year ended June 30, 2015, the County retired \$240,000 of general obligation bonds.

(7) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P O Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

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

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

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

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

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

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

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.88% of covered payroll for a total rate of 19.76%. Protection occupation members contributed 6.76% of covered payroll and the County contributed 10.14% for a total rate of 16.90%.

The County's contributions to IPERS for the year ended June 30, 2015 were \$305,782.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the County reported a liability of \$1,318,935 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the County's collective proportion was 0.033257%, which was a decrease of 0.007492% from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$94,478. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,558	25,147
Changes of assumptions	63,178	20,107
Net difference between projected and actual earnings on pension plan investments	-	786,181
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	14,544	83,179
County contributions subsequent to the measurement date	305,782	-
Total	<u>\$ 399,062</u>	<u>914,614</u>

\$305,782 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	\$ (204,758)
2017	(204,758)
2018	(204,758)
2019	(204,758)
2020	(2,302)
Total	<u>\$ (821,334)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US equity	23%	6.31%
Non US equity	15	6.76
Private equity	13	11.34
Real estate	8	3.52
Core plus fixed income	28	2.06
Credit opportunities	5	3.67
TIPS	5	1.92
Other real assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability (asset)	\$ 3,105,446	1,318,935	(187,430)

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

Payables to IPERS - All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2015.

(8) 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 70 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, 2015, 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		1,000
Adjustment to annual required contribution		(1,400)
Annual OPEB cost		<u>7,900</u>
Contributions made		<u>(5,700)</u>
Increase in net OPEB obligation		2,200
Net OPEB obligation beginning of year		<u>23,300</u>
Net OPEB obligation end of year	\$	<u>25,500</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, 2015.

For the year ended June 30, 2015, the County contributed \$5,700 to the medical plan. Plan members eligible for benefits contributed \$26,600, or 82% 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
2013	\$ 8,100	29.6%	\$ 17,700
2014	8,000	30.0	23,300
2015	7,900	72.0	25,500

Funded Status and Funding Progress – As of January 1, 2013, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, 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 \$3,370,000 and the ratio of the UAAL to covered payroll was 2.43%. As of June 30, 2015, 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 5%. 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.

(9) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the 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, 2015 were \$75,537.

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 \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the County's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

(10) County Financial Information Included in Southwest Iowa MHDS

Southwest Iowa MHDS, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 28, 2014, includes the following member counties: Cass County, Fremont County, Harrison County, Mills County, Monona County, Montgomery County, Page County, Pottawattamie County and Shelby County. The financial activity of the County's Special Revenue, Mental Health Fund is included in Southwest Iowa MHDS for the year ended June 30, 2015, as follows:

Revenues:		
Property and other county tax		\$ 346,378
Intergovernmental revenues:		
State tax credits	\$ 22,613	
Social services block grant	94,485	
Other	3,248	120,346
Miscellaneous		<u>17,275</u>
Total revenues		483,999
Expenditures:		
Services to persons with:		
Mental illness	559	
Intellectual disabilities	130	689
General administration:		
Direct administration	14	
Distribution to regional fiscal agent	1,200,767	1,200,781
Total expenditures		<u>1,201,470</u>
Excess of expenditures over revenues		(717,471)
Fund balance beginning of year		<u>855,368</u>
Fund balance end of year		<u><u>\$ 137,897</u></u>

(11) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, was implemented during fiscal year 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, GASB Statement No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>
Net position June 30, 2014, as previously reported	\$ 19,659,742
Net pension liability at June 30, 2014	(2,339,642)
Deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date	<u>293,851</u>
Net position July 1, 2014, as restated	<u>\$ 17,613,951</u>

(12) Subsequent Event

In February 2016, the County entered into a contract totaling \$660,250 for courthouse roof improvements.

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, 2015

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
Property and other county tax	\$ 5,842,424	5,918,957	5,918,957	(76,533)
Penalty and interest on property tax	48,669	45,000	45,000	3,669
Intergovernmental	3,324,936	2,909,865	3,365,986	(41,050)
Licenses and permits	6,630	7,250	7,250	(620)
Charges for service	306,946	284,081	284,081	22,865
Use of money and property	53,241	59,930	59,930	(6,689)
Miscellaneous	266,269	88,900	238,607	27,662
Total receipts	9,849,115	9,313,983	9,919,811	(70,696)
Disbursements:				
Public safety and legal services	2,048,152	2,247,083	2,263,219	215,067
Physical health and social services	409,385	565,261	580,261	170,876
Mental health	1,208,343	1,227,743	1,227,743	19,400
County environment and education	413,398	390,447	456,221	42,823
Roads and transportation	4,148,197	3,823,668	4,171,318	23,121
Governmental services to residents	372,612	437,562	445,558	72,946
Administration	1,038,501	1,055,294	1,100,519	62,018
Non-program	-	200	200	200
Debt service	450,098	409,948	409,948	(40,150)
Capital projects	570,506	126,462	660,595	90,089
Total disbursements	10,659,192	10,283,668	11,315,582	656,390
Excess (deficiency) of receipts over (under) disbursements	(810,077)	(969,685)	(1,395,771)	585,694
Other financing sources, net	4,483,238	-	-	4,483,238
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,673,161	(969,685)	(1,395,771)	5,068,932
Balance beginning of year	6,895,828	6,095,070	6,095,070	800,758
Balance end of year	10,568,989	5,125,385	4,699,299	5,869,690

See accompanying independent auditor's report.

Montgomery County
 Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2015

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 9,849,115	86,504	9,935,619
Expenditures	10,659,192	(429,104)	10,230,088
Net	(810,077)	515,608	(294,469)
Other financing sources (uses), net	4,483,238	(533,852)	3,949,386
Beginning fund balances	6,895,828	455,756	7,351,584
Ending fund balances	<u>\$ 10,568,989</u>	<u>437,512</u>	<u>11,006,501</u>

See accompanying independent auditor's report.

Montgomery County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2015

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 \$1,031,914. 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, 2015 exceeded the amount budgeted in the debt service function.

Montgomery County

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

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	<u>2015</u>
County's collective proportion of the net pension liability	0.033257%
County's collective proportionate share of the net pension liability (asset)	\$ 1,319
County's covered-employee payroll	\$ 3,191
County's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll	41.34%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Montgomery County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 306	294	280	266
Contributions in relation to the statutorily required contribution	<u>(306)</u>	<u>(294)</u>	<u>(280)</u>	<u>(266)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 3,321	3,191	3,118	3,181
Contributions as a percentage of covered-employee payroll	9.21%	9.21%	8.98%	8.36%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
216	207	192	170	162	167
<u>(216)</u>	<u>(207)</u>	<u>(192)</u>	<u>(170)</u>	<u>(162)</u>	<u>(167)</u>
-	-	-	-	-	-
2,932	2,991	2,898	2,706	2,653	2,747
7.37%	6.92%	6.63%	6.28%	6.11%	6.08%

Montgomery County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

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

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

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

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

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

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

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs, deputies and protection occupation members.

Montgomery County

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)	UAAAL 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
2015	Jan 1, 2013	-	82	82	0.00	3,370	2.43

See Note 8 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, 2015

	County Recorder's Records Management	Flood and Erosion
Assets		
Cash and pooled investments	\$ 21,574	811
Accounts receivable	-	-
Total assets	\$ 21,574	811
Liabilities and Fund Balances		
Liabilities:		
None	\$ -	-
Fund balances:		
Restricted for other purposes	21,574	811
Total liabilities and fund balances	\$ 21,574	811

See accompanying independent auditor's report.

Special Revenue					
Seized and Forfeited Property - County Attorney	Seized and Forfeited Property - County Sheriff	K-9	Capital Projects	Total	
2,076	3,977	7,270	-	35,708	
-	1,476	-	-	1,476	
2,076	5,453	7,270	-	37,184	
-	-	-	-	-	
2,076	5,453	7,270	-	37,184	
2,076	5,453	7,270	-	37,184	

Montgomery County

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

Year ended June 30, 2015

	<u>County</u>	
	<u>Recorder's</u>	<u>Flood</u>
	<u>Records</u>	<u>and</u>
	<u>Management</u>	<u>Erosion</u>
Revenues:		
Intergovernmental	\$ -	-
Charges for service	1,989	-
Use of money and property	20	-
Miscellaneous	-	-
Total revenues	<u>2,009</u>	-
Expenditures:		
Operating:		
Public safety and legal services	-	-
Governmental services to residents	2,047	-
Capital projects	-	-
Total expenditures	<u>2,047</u>	-
Excess (deficiency) of revenues over (under) expenditures	(38)	-
Other financing uses:		
Transfers out	-	-
Change in fund balances	(38)	-
Fund balances beginning of year	21,612	811
Fund balances end of year	<u>\$ 21,574</u>	<u>811</u>

See accompanying independent auditor's report.

Special Revenue					
Seized and Forfeited Property - County Attorney	Seized and Forfeited Property - County Sheriff	K-9	Capital Projects	Total	
-	-	-	26,300	26,300	
-	-	-	-	1,989	
-	-	-	391	411	
-	1,476	7,270	-	8,746	
-	1,476	7,270	26,691	37,446	
-	1,964	-	-	1,964	
-	-	-	-	2,047	
-	-	-	5,073	5,073	
-	1,964	-	5,073	9,084	
-	(488)	7,270	21,618	28,362	
-	-	-	(529,190)	(529,190)	
-	(488)	7,270	(507,572)	(500,828)	
2,076	5,941	-	507,572	538,012	
2,076	5,453	7,270	-	37,184	

Montgomery County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2015

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,049	309,432	104,319	5,724
Other County officials	44,393	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	705	1,318	37,047	1,899
Succeeding year	-	157,000	293,000	7,888,000	435,000
Accounts	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	-	3,600	-	-
Total assets	\$ 44,393	159,754	607,350	8,029,366	442,623
Liabilities					
Salaries and benefits payable	\$ -	-	2,884	-	-
Due to other governments	23,199	159,754	600,052	8,029,366	442,623
Trusts payable	21,194	-	-	-	-
Compensated absences	-	-	4,414	-	-
Total liabilities	\$ 44,393	159,754	607,350	8,029,366	442,623

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	County Hospital	E911 Service	Other	Total
40,926	2,386	239,527	20,437	295,277	65,462	1,085,539
-	-	-	-	-	-	44,393
49,133	19	-	6,955	-	8	97,084
3,005,000	189,000	-	1,547,000	-	2,000	13,516,000
-	-	-	-	-	202	202
-	-	-	-	19,160	21,609	40,769
-	-	-	-	-	939	4,539
<u>3,095,059</u>	<u>191,405</u>	<u>239,527</u>	<u>1,574,392</u>	<u>314,437</u>	<u>90,220</u>	<u>14,788,526</u>
-	-	-	-	198	1,482	4,564
3,095,059	191,405	239,527	1,574,392	314,239	59,452	14,729,068
-	-	-	-	-	27,147	48,341
-	-	-	-	-	2,139	6,553
<u>3,095,059</u>	<u>191,405</u>	<u>239,527</u>	<u>1,574,392</u>	<u>314,437</u>	<u>90,220</u>	<u>14,788,526</u>

Montgomery County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2015

Assets and Liabilities	County	Agricultural	County		Community
	Offices	Extension Education	Assessor	Schools	Colleges
Balances beginning of year	\$ 16,529	158,599	706,041	8,110,288	439,039
Additions:					
Property and other county tax	-	157,063	293,629	7,898,377	436,428
E911 surcharges	-	-	-	-	-
Intergovernmental	-	-	-	-	-
State tax credits	-	11,653	23,501	601,777	31,976
Drivers license fees	-	-	-	-	-
Office fees and collections	293,712	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	208,918	-	-	-	-
Miscellaneous	10,785	-	3,086	-	-
Total additions	513,415	168,716	320,216	8,500,154	468,404
Deductions:					
Agency remittances:					
To other funds	168,939	-	-	-	-
To other governments	121,656	167,561	418,907	8,581,076	464,820
Trusts paid out	194,956	-	-	-	-
Total deductions	485,551	167,561	418,907	8,581,076	464,820
Balances end of year	\$ 44,393	159,754	607,350	8,029,366	442,623

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	County Hospital	E911 Service	Other	Total
3,111,022	185,180	266,316	1,578,924	281,099	51,964	14,905,001
2,941,706	191,893	-	1,550,656	-	318,639	13,788,391
-	-	-	-	44,092	-	44,092
-	-	-	-	174,153	129,570	303,723
339,796	10,274	-	116,243	-	128	1,135,348
-	-	71,456	-	-	-	71,456
-	-	-	-	-	-	293,712
-	-	-	-	-	1,941	1,941
-	-	3,342,462	-	-	-	3,342,462
-	-	-	-	-	65	65
-	-	-	-	-	193,848	402,766
-	-	-	-	208	5,997	20,076
3,281,502	202,167	3,413,918	1,666,899	218,453	650,188	19,404,032
-	-	103,091	-	-	-	272,030
3,297,465	195,942	3,337,616	1,671,431	185,115	99,565	18,541,154
-	-	-	-	-	512,367	707,323
3,297,465	195,942	3,440,707	1,671,431	185,115	611,932	19,520,507
3,095,059	191,405	239,527	1,574,392	314,437	90,220	14,788,526

Montgomery County

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

For the Last Ten Years

	2015	2014	2013	2012
Revenues:				
Property and other county tax	\$ 5,448,722	5,220,237	5,091,743	4,934,561
Local option sales and services tax	398,227	350,974	381,865	361,968
Penalty and interest on property tax	49,498	48,454	48,050	51,815
Intergovernmental	3,420,388	3,450,069	3,534,022	3,834,247
Licenses and permits	6,630	5,530	5,505	6,938
Charges for service	305,331	295,058	320,017	288,352
Use of money and property	59,936	75,023	62,341	67,971
Miscellaneous	246,887	156,710	102,018	85,044
Total	\$ 9,935,619	9,602,055	9,545,561	9,630,896
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,048,645	2,001,202	1,856,005	1,789,387
Physical health and social services	413,092	427,954	508,186	510,306
Mental health	1,201,470	334,111	467,865	1,169,423
County environment and education	421,962	306,317	312,438	292,922
Roads and transportation	4,272,031	3,736,927	3,510,586	3,208,220
Governmental services to residents	372,691	383,574	459,003	373,965
Administration	1,017,804	944,416	961,623	873,031
Non-program	-	-	-	-
Debt service	450,098	409,240	412,053	400,462
Capital projects	32,295	203,706	1,076,541	4,446,366
Total	\$ 10,230,088	8,747,447	9,564,300	13,064,082

See accompanying independent auditor's report.

Modified Accrual Basis					
2011	2010	2009	2008	2007	2006
4,313,696	4,112,240	3,613,576	3,446,408	3,610,918	3,483,248
368,358	315,515	352,231	315,178	364,072	253,099
52,631	60,910	44,606	48,889	43,021	40,657
5,169,417	5,311,182	4,474,893	3,268,697	3,666,726	3,717,722
6,130	10,408	6,698	7,435	8,240	6,395
289,079	266,585	257,946	261,812	266,787	276,669
78,833	65,789	77,625	151,733	171,377	143,711
76,700	146,958	50,408	89,144	72,677	63,807
10,354,844	10,289,587	8,877,983	7,589,296	8,203,818	7,985,308
1,729,277	1,719,833	1,574,965	1,617,566	1,522,158	1,562,204
623,764	765,526	764,003	685,763	648,183	767,606
1,038,487	1,016,092	1,051,181	1,102,157	996,251	899,688
292,604	568,728	386,212	304,322	273,717	536,622
3,286,482	3,488,600	3,883,189	3,347,954	2,655,699	2,611,352
370,083	323,060	363,367	332,816	311,434	426,736
752,815	758,976	709,973	652,599	713,278	683,123
-	-	188	188	-	180
48,868	24,281	25,751	71,203	63,389	63,503
1,048,376	1,594,673	496	164,394	225,380	652,897
9,190,756	10,259,769	8,759,325	8,278,962	7,409,489	8,203,911

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, 2015, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 24, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items (A) and (B), we consider 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, 2015 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

May 24, 2016

Montgomery County
Schedule of Findings
Year ended June 30, 2015

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

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

	Applicable Offices
(1) Receipts – opening and listing mail receipts, collecting, depositing, posting and daily reconciling.	Treasurer, Recorder, Sheriff, Secondary Roads and Ag Extension
(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, 2015

County Recorder – The Recorder’s office will continue to search for ways to improve the receipts and mail receipts process. We currently have one employee open the mail and another employee enter the fees into the cash register. We compile a list of checks received by mail and transfer that list to an Excel spreadsheet for review by the State Auditors. We randomly verify check totals on the daily deposit slips. We have one employee complete the daily deposit and another employee take the deposit to the bank.

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

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

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

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

(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, 2015

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the debt service function.

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

Response – In fiscal year 2015, the County refunded two general obligation bonds and unexpected expenses were added when doing so. The County will monitor the budget more closely.

Conclusion – Response accepted.

- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – No business transactions between the County and County officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) 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, 2015 for the County Extension Office did not exceed the amount budgeted.

Montgomery County

Schedule of Findings

Year ended June 30, 2015

- (10) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The image of the back of each cancelled check was not obtained by the County Extension office.

Recommendation – The County Extension Office should obtain and retain an image of both the front and back of each cancelled check as required.

Response – There is a monthly fee associated with paper copies of both the front and back of cancelled checks. If needed, an image of individual checks may be obtained from our bank's online website.


Conclusion – Response acknowledged. The County Extension Office should retain an image of both the front and back of each cancelled check as required.

Montgomery County

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager
Brandon J. Vogel, Senior Auditor II
Melissa A. Hastert, CPA, Staff Auditor
Carolina M. Chavez, Assistant Auditor
Michael Holowinski, Assistant Auditor
Melinda D. Lawrence, Assistant Auditor
Tyler H. Moran, Assistant Auditor

A handwritten signature in cursive script that reads "Andrew E. Nielsen".

Andrew E. Nielsen, CPA
Deputy Auditor of State