OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE May 17, 2018

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 $21,699,915 for the year ended June 30, 2017, which included $1,803,069 in tax credits from the state. The County forwarded $15,746,327 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained $5,953,588 of the local tax revenue to finance County operations, a less than 1% increase over the prior year. Other revenues included charges for service of $396,553, operating grants, contributions and restricted interest of $3,462,646, capital grants, contributions and restricted interest of $25,098, local option sales and services tax of $370,466, unrestricted investment earnings of $26,455 and other general revenues of $119,885.

Expenses for County operations for the year ended June 30, 2017 totaled $10,473,337, a 2.7% increase over the prior year. Expenses included $4,937,042 for roads and transportation, $2,474,553 for public safety and legal services and $1,072,987 for administration.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at https://auditor.iowa.gov/reports/1710-0069-B00F.

# # #

MONTGOMERY COUNTY

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

JUNE 30, 2017

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Montgomery County

Officials

(Before January 2017)

Name	Title	Term Expires
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
Michael Olson (Appointed Jun 2016)	Board of Supervisors	Nov 2018
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 2022

(After January 2017)

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

Montgomery County

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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, 2017, 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, 2017, for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, 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 50 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, 2016 (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 7, 2018 on our consideration of Montgomery County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Montgomery County's internal control over financial reporting and compliance.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

May 7, 2018

Montgomery County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Montgomery County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 13.0%, or approximately $1,542,000, from fiscal year 2016 to fiscal year 2017. Property tax increased approximately $36,000, capital grants, contributions and restricted interest decreased approximately $1,522,000, charges for service decreased approximately $40,000 and operating grants, contributions and restricted interest increased approximately $120,000.

- Program expenses of the County's governmental activities were 2.7%, or approximately $277,000, more in fiscal year 2017 than in fiscal year 2016. Roads and transportation expenses decreased approximately $147,000, public safety and legal services expenses increased approximately $215,000 and mental health expenses increased approximately $74,000.

- The County's net position at June 30, 2017 decreased 0.5%, or approximately $119,000, from the June 30, 2016 balance.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of 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 and 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

2) Fiduciary funds are used to report assets held in a trust or agency capacity for others 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.

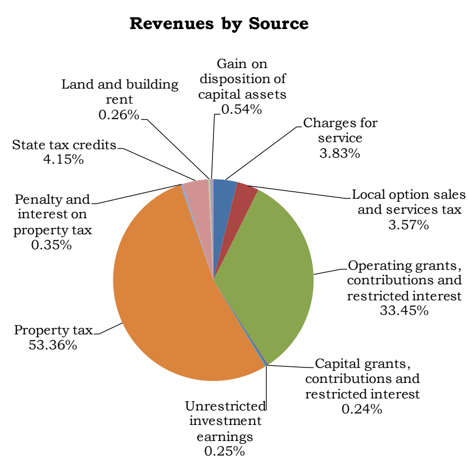
Net Position of Governmental Activities
(Expressed in Thousands)

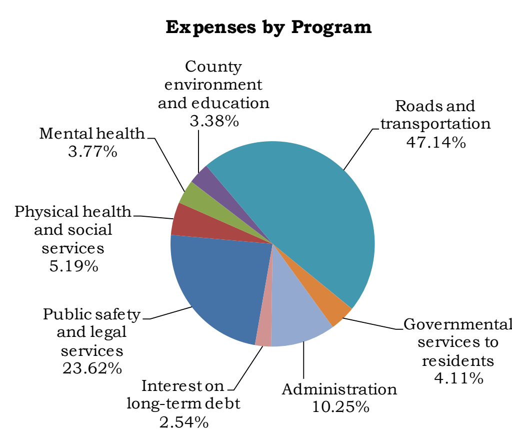
	June 30, 2017	June 30, 2016
Current and other assets	$ 14,951	16,704
Capital assets	24,141	23,698
Total assets	39,092	40,402
Deferred outflows of resources	859	415
Long-term liabilities	9,244	10,494
Other liabilities	792	249
Total liabilities	10,036	10,743
Deferred inflows of resources	5,748	5,788
Net position:		
Net investment in capital assets	19,804	19,163
Restricted	3,889	4,552
Unrestricted	474	571
Total net position	$ 24,167	24,286

Net position of Montgomery County's governmental activities decreased 0.5% (approximately $24.2 million compared to approximately $24.3 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 $571,000 at June 30, 2016 to approximately $474,000 at the end of this year.

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

	Year ended June 30, 2017	2016
Revenues:		
Program revenues:		
Charges for service	$ 397	437
Operating grants, contributions and restricted interest	3,463	3,343
Capital grants, contributions and restricted interest	25	1,547
General revenues:		
Property tax	5,524	5,488
Penalty and interest on property tax	36	52
State tax credits	430	421
Local option sales and services tax	370	399
Unrestricted investment earnings	26	22
Land and building rent	27	27
Gain on disposition of capital assets	56	146
Other general revenues	-	14
Total revenues	10,354	11,896
Program expenses:		
Public safety and legal services	2,474	2,259
Physical health and social services	544	510
Mental health	395	321
County environment and education	354	370
Roads and transportation	4,937	5,084
Governmental services to residents	430	372
Administration	1,073	1,005
Interest on long-term debt	266	275
Total expenses	10,473	10,196
Change in net position	(119)	1,700
Net position beginning of year	24,286	22,586
Net position end of year	$ 24,167	24,286





The County decreased the countywide property tax levy $0.26 per $1,000 of taxable valuation and decreased the rural services property tax levy by $0.34 per $1,000 of taxable valuation. The general basic levy remained at $3.50 per $1,000 of taxable valuation and the general supplemental levy remained the same. The debt service levy decreased from $0.73 per $1,000 of taxable valuation to $0.68 per $1,000 of taxable valuation, and the County MHDS levy decreased from $0.61 per $1,000 of taxable valuation to $0.41 per $1,000 of taxable valuation. The rural assessed property taxable valuation increased approximately $23,372,000. The countywide assessed property taxable valuation increased approximately $31,000,000. Based on the valuation increases and the changes in property tax rates, property tax revenue increased approximately $36,000.

The cost of all governmental activities this year was approximately $10.5 million compared to approximately $10.2 million last year. Overall, the County's governmental activities revenues decreased in fiscal year 2017 from approximately $11.9 million to approximately $10.4 million. Capital grants, contributions and restricted interest decreased approximately $1.5 million due to a decrease in farm to market projects contributed by the Iowa Department of Transportation.

INDIVIDUAL MAJOR FUND ANALYSIS

As Montgomery County completed the year, its governmental funds reported a combined fund balance of approximately $8.3 million, a decrease of approximately $2,438,000 below last year's total of approximately $10.7 million. The following are the major reasons for the changes in fund balance of the major funds from the prior year:

- The General Fund balance decreased approximately $160,000 during the fiscal year to approximately $3,672,000. Revenues increased approximately $67,000, or 1.5%, over the prior year and expenditures increased approximately $904,000, or 21.0%. Expenditures increased due to an increase in costs for the courthouse HVAC project.

- 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 2017, expenditures totaled approximately $395,000, a slight increase over the prior year. The Special Revenue, Mental Health Fund balance at year end decreased approximately $152,000 from the prior year. Revenue decrease due to a decrease in property taxes levied.

- The Special Revenue, Rural Services Fund ending fund balance increased approximately $43,000 over the prior year to approximately $998,000. Property tax revenue for the Rural Services Fund decreased approximately $27,000 in fiscal year 2017 due to a decrease in rural services supplemental levy rate. Expenditures remained relatively consistent from the previous year, increasing approximately $26,000.

- Special Revenue, Secondary Roads Fund revenues increased approximately $200,000 primarily due to an increase in road use tax funds. Expenditures decreased approximately $318,000 from the prior year, principally due to a decrease in bridges and culverts and road repair projects. This resulted in an increase in the Secondary Roads ending fund balance of approximately $81,000.

- Debt Service Fund revenues decreased approximately $5,000 from the prior year. Expenditures decreased approximately $20,000 from the prior year. The decrease in the Debt Service Fund ending balance of approximately $2,259,000 is due to redeeming general obligation bonds on the call date of June 1, 2017. Additional general obligation bonds will be called for redemption on June 1, 2018.

BUDGETARY HIGHLIGHTS

Montgomery County amended its budget one time during fiscal year 2017. The amendment was made in March 2017. This amendment increased budgeted receipts approximately $347,000 and budgeted disbursements approximately $862,000. These changes were made to the budget for the Hungry Canyon and FEMA grants, courthouse heating/cooling bond and expenses, bridge rehabilitation, additional road rock, juvenile court expenses, Montgomery County Conservation Board shooting range, the Red Oak school special election and public safety software.

The County's receipts were $396,003 less than budgeted. Total disbursements were $1,495,716 less than the amended budget. Actual administration function disbursements were $570,275 less than budgeted due to the timing of the courthouse HVAC project. Public safety and legal services function disbursements were $257,617 less than budgeted due to less than expected disbursements for adult correction services, uniformed patrol service and administration.

Disbursements during the year ended June 30, 2017 exceeded the amount budgeted in the debt service function and disbursements in one department exceeded the amount appropriated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, Montgomery County had approximately $24.141 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 $442,000, or 1.9%, over last year.

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

	June 30, 2017	June 30, 2016
Land	$ 642	642
Intangibles, road network	213	213
Construction in progress	423	1,775
Buildings and improvements	5,921	5,143
Equipment and vehicles	2,590	2,440
Intangibles	77	-
Infrastructure	14,275	13,485
Total	$ 24,141	23,698
This year's major additions included:		
Courthouse HVAC system	$ 423	
Public shooting range and container	66	
Courthouse roof replacement	471	
Equipment, including two motor graders and dump truck	672	
Total	$ 1,632	

The County had depreciation expense of $1,249,854 in fiscal year 2017 and total accumulated depreciation of $7,918,100 at June 30, 2017. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2017, Montgomery County had $6,595,000 of general obligation bonds outstanding, compared to $8,450,000 of general obligation bonds outstanding at June 30, 2016.

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 $54.3 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 2018 budget, tax rates and fees for the various County services. One of the factors considered was the County's taxable valuations, which increased approximately $18,000,000, or 3.09%, over the fiscal year 2017 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 2018, the same rates levied for fiscal year 2017.

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 2017, these amounts were $284,955, $35,619, $17,810 and $17,810, respectively.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Montgomery County

Basic Financial Statements

Montgomery County

Statement of Net Position

June 30, 2017

	Governmental Activities
Assets	
Cash and pooled investments	$ 6,003,814
U.S. Treasury securities on deposit with escrow agent	2,110,158
Receivables:	
Property tax:	
Delinquent	15,314
Succeeding year	5,605,000
Interest and penalty on property tax	25,856
Accounts	4,407
Accrued interest	6,257
Due from other governments	756,434
Inventories	324,439
Prepaid items	99,552
Capital assets, net of accumulated depreciation	24,140,879
Total assets	39,092,110
Deferred Outflows of Resources	
Pension related deferred outflows	858,926
Liabilities	
Current liabilities:	
Accounts payable	618,876
Accrued interest payable	15,247
Salaries and benefits payable	149,656
Due to other governments	8,757
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	2,487,000
Compensated absences	188,118
Portion due or payable after one year:	
General obligation bonds	4,108,000
Compensated absences	62,948
Net pension liability	2,371,245
Net OPEB liability	26,500
Total liabilities	10,036,347
Deferred inflows of resources:	
Unavailable property tax revenue	5,605,000
Pension related deferred inflows	142,579
Total deferred inflows of resources	5,747,579
Net Position	
Net investment in capital assets	19,803,653
Restricted for:	
Supplemental levy purposes	1,161,921
Mental health purposes	14,095
Rural services purposes	856,946
Secondary roads purposes	1,468,760
Public safety purposes	86,143
Courthouse repair	87,350
County fair	24,241
Debt service	127,115
Other purposes	62,654
Unrestricted	474,232
Total net position	$ 24,167,110

See notes to financial statements.

Montgomery County

Statement of Activities

Year ended June 30, 2017

	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
Functions/Programs:					
Governmental activities:					
Public safety and legal services	$ 2,474,553	113,879	149,733	-	(2,210,941)
Physical health and social services	543,651	21,811	205,779	-	(316,061)
Mental health	395,215	-	-	-	(395,215)
County environment and education	354,375	21,588	34,580	25,000	(273,207)
Roads and transportation	4,937,042	24,154	3,019,152	98	(1,893,638)
Governmental services to residents	429,905	199,613	-	-	(230,292)
Administration	1,072,987	15,508	53,402	-	(1,004,077)
Interest on long-term debt	265,609	-	-	-	(265,609)
Total	$ 10,473,337	396,553	3,462,646	25,098	(6,589,040)
General Revenues:					
Property and other county tax levied for:					
General purposes					5,143,479
Debt service					380,308
Penalty and interest on property tax					36,188
State tax credits					429,801
Local option sales and services tax					370,466
Unrestricted investment earnings					26,455
Land and building rent					27,240
Gain on disposition of capital assets					56,457
Total general revenues					6,470,394
Change in net position					(118,646)
Net position beginning of year					24,285,756
Net position end of year					$ 24,167,110

See notes to financial statements.

Montgomery County

Balance Sheet
Governmental Funds

June 30, 2017

			Special
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	$ 3,921,671	13,249	1,024,403
U.S. Treasury securities on deposit with escrow agent	-	-	-
Receivables:			
Property tax:			
Delinquent	13,032	846	9
Succeeding year	3,383,000	219,000	1,626,000
Interest and penalty on property tax	25,856	-	-
Accounts	4,379	-	-
Accrued interest	6,257	-	-
Due from other governments	165,174	-	-
Inventories	-	-	-
Prepaid items	65,758	-	-
Total assets	$ 7,585,127	233,095	2,650,412
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	$ 401,880	-	1,935
Salaries and benefits payable	81,918	-	24,071
Due to other governments	8,152	-	-
Total liabilities	491,950	-	26,006
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	3,383,000	219,000	1,626,000
Other	38,619	680	9
Total deferred inflows of resources	3,421,619	219,680	1,626,009
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid items	65,758	-	-
Restricted for:			
Supplemental levy purposes	1,007,534	-	116,727
Mental health purposes	-	13,415	-
Rural services purposes	-	-	881,670
Secondary roads purposes	-	-	-
Conservation land acquisition	532	-	-
Public safety purposes	86,143	-	-
Courthouse repair	87,350	-	-
County fair	24,241	-	-
Debt service	-	-	-
Courthouse HVAC capital project	177,774	-	-
Other purposes	6,257	-	-
Committed for infrastructure repairs and improvements	100,000	-	-
Committed for shooting range	30,572	-	-
Unassigned	2,085,397	-	-
Total fund balances	3,671,558	13,415	998,397
Total liabilities, deferred inflows of resources and fund balances	$ 7,585,127	233,095	2,650,412

See notes to financial statements.

Special Revenue			
Secondary Roads	Debt Service	Nonmajor	Total
876,716	111,925	55,850	6,003,814
-	2,110,158	-	2,110,158
-	1,427	-	15,314
-	377,000	-	5,605,000
-	-	-	25,856
13	-	15	4,407
-	-	-	6,257
591,260	-	-	756,434
324,439	-	-	324,439
33,794	-	-	99,552
1,826,222	2,600,510	55,865	14,951,231
215,061	-	-	618,876
43,667	-	-	149,656
605	-	-	8,757
259,333	-	-	777,289
-	377,000	-	5,605,000
223,212	1,147	-	263,667
223,212	378,147	-	5,868,667
324,439	-	-	324,439
33,794	-	-	99,552
-	-	-	1,124,261
-	-	-	13,415
-	-	-	881,670
985,444	-		985,444
-	-	-	532
-	-	-	86,143
-	-	-	87,350
-	-	-	24,241
-	2,222,363	-	2,222,363
-	-	-	177,774
-	-	55,865	62,122
-	-	-	100,000
-	-	-	30,572
-	-	-	2,085,397
1,343,677	2,222,363	55,865	8,305,275
1,826,222	2,600,510	55,865	14,951,231

Montgomery County

Montgomery County

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

June 30, 2017

Total governmental fund balances (page 21)		$ 8,305,275
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 $32,058,979 and the accumulated depreciation is $7,918,100.		24,140,879
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.		263,667
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	$ 858,926	
Deferred inflows of resources	(142,579)	716,347
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.		(9,259,058)
Net position of governmental activities (page 18)		$ 24,167,110

See notes to financial statements.

Montgomery County

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

Year ended June 30, 2017

	General	Special: Mental Health	Special: Rural Services
Revenues:			
Property and other county tax	$ 3,217,849	223,773	1,703,658
Local option sales and services tax	71,239	-	-
Interest and penalty on property tax	40,578	-	-
Intergovernmental	664,090	19,314	108,335
Licenses and permits	5,025	-	-
Charges for service	295,523	-	2,770
Use of money and property	53,939	-	-
Miscellaneous	87,283	-	-
Total revenues	4,435,526	243,087	1,814,763
Expenditures:			
Operating:			
Public safety and legal services	1,892,459	-	526,044
Physical health and social services	554,497	-	-
Mental health	-	395,215	-
County environment and education	377,405	-	46,917
Roads and transportation	-	-	327,345
Governmental services to residents	424,518	-	3,088
Administration	1,520,338	-	-
Debt service	6,607	-	-
Capital projects	422,226	-	1,296
Total expenditures	5,198,050	395,215	904,690
Excess (deficiency) of revenues over (under) expenditures	(762,524)	(152,128)	910,073
Other financing sources (uses):			
Sale of capital assets	2,395	-	-
Transfers in	-	-	-
Transfers out	-	-	(867,000)
General obligation bonds issued	600,000	-	-
Crossover debt repaid by escrow agent	-	-	-
Total other financing sources (uses)	602,395	-	(867,000)
Change in fund balances	(160,129)	(152,128)	43,073
Fund balances beginning of year	3,831,687	165,543	955,324
Fund balances end of year	$ 3,671,558	13,415	998,397

See notes to financial statements.

Special Revenue Secondary Roads	Debt Service	Nonmajor	Total
-	380,733	-	5,526,013
284,955	-	-	356,194
-	-	-	40,578
3,016,818	33,182	-	3,841,739
6,221	-	-	11,246
-	-	2,107	300,400
-	40,205	12	94,156
22,119	-	12,501	121,903
3,330,113	454,120	14,620	10,292,229
-	-	5,174	2,423,677
-	-	-	554,497
-	-	-	395,215
-	-	-	424,322
3,901,954	-	-	4,229,299
-	-	789	428,395
-	-	-	1,520,338
-	502,923	-	509,530
217,087	-	-	640,609
4,119,041	502,923	5,963	11,125,882
(788,928)	(48,803)	8,657	(833,653)
2,790	-	-	5,185
867,000	-	-	867,000
-	-	-	(867,000)
-	-	-	600,000
-	(2,210,000)	-	(2,210,000)
869,790	(2,210,000)	-	(1,604,815)
80,862	(2,258,803)	8,657	(2,438,468)
1,262,815	4,481,166	47,208	10,743,743
1,343,677	2,222,363	55,865	8,305,275

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, 2017

Change in fund balances - Total governmental funds (page 25)		$ (2,438,468)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	$ 1,640,976	
Depreciation expense	(1,249,854)	391,122
In the Statement of Activities, the gain on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources.		51,272
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	(2,226)	
Other	8,231	6,005
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Issued	(600,000)	
Repaid	2,455,000	1,855,000
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.		322,477
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	(7,318)	
Other postemployment benefits	500	
Pension expense	(304,157)	
Interest on long-term debt	4,921	(306,054)
Change in net position of governmental activities (page 19)		$ (118,646)

See notes to financial statements.

Montgomery County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2017

Assets	
Cash and pooled investments:	
County Treasurer	$ 1,239,405
Other County officials	33,743
Receivables:	
Property tax:	
Delinquent	79,227
Succeeding year	14,168,000
Accounts	33,796
Accrued interest	99
Due from other governments	6,183
Prepaid items	6,253
Total assets	15,566,706
Liabilities	
Accounts payable	20,250
Salaries and benefits payable	6,762
Due to other governments	15,487,635
Trusts payable	43,897
Compensated absences	8,162
Total liabilities	15,566,706
Net position	$ -

See notes to financial statements.

Montgomery County

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

For financial reporting purposes, Montgomery County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. 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 E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

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

B. Basis of Presentation

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

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

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

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

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, 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 amortized cost.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is 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, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2016.

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

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

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

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

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

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

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense, the unamortized portion of the net difference between projected and actual earnings on pension plan assets 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, 2017. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) while will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources 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 items not yet credited to pension expense.

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.

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2017, disbursements exceeded the amount budgeted in the debt service function and disbursements in one department exceeded the amount appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	$ 867,000

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 641,859	-	-	641,859
Intangibles, road network	212,998	-	-	212,998
Construction in progress	1,775,127	928,992	2,281,493	422,626
Total capital assets not being depreciated	2,629,984	928,992	2,281,493	1,277,483
Capital assets being depreciated:				
Buildings	6,053,150	851,886	-	6,905,036
Improvements other than buildings	44,099	65,753	-	109,852
Equipment and vehicles	5,868,784	761,175	589,995	6,039,964
Intangibles	-	87,556	-	87,556
Infrastructure, road network	16,209,481	1,429,607	-	17,639,088
Total capital assets being depreciated	28,175,514	3,195,977	589,995	30,781,496
Less accumulated depreciation for:				
Buildings	945,930	134,865	-	1,080,795
Improvements other than buildings	8,066	4,469	-	12,535
Equipment and vehicles	3,428,894	459,138	438,767	3,449,265
Intangibles	-	10,945	-	10,945
Infrastructure, road network	2,724,123	640,437	-	3,364,560
Total accumulated depreciation	7,107,013	1,249,854	438,767	7,918,100
Total capital assets being depreciated, net	21,068,501	1,946,123	151,228	22,863,396
Governmental activities capital assets, net	$ 23,698,485	2,875,115	2,432,721	24,140,879

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	$ 166,574
Physical health and social services	2,933
County environment and education	15,931
Roads and transportation	1,014,413
Administration	50,003
Total depreciation expense - governmental activities	$ 1,249,854

(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, 2017 is as follows:

Fund	Description	Amount
General	Services	$ 8,152
Special Revenue:		
Secondary Roads	Services	605
Total for governmental funds		$ 8,757
Agency:		
County Assessor	Collections	$ 467,221
Schools		8,109,641
Community Colleges		531,190
Corporations		3,485,421
Townships		185,943
Auto License and Use Tax		278,995
County Hospital		1,711,326
All other		717,721
Total for agency funds		$ 15,487,458

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	General Obligation Bonds	Compensated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year	$ 8,450,000	243,748	1,773,824	27,000	10,494,572
Increases	600,000	300,818	597,421	9,400	1,507,639
Decreases	2,455,000	293,500	-	9,900	2,758,400
Balance end of year	$ 6,595,000	251,066	2,371,245	26,500	9,243,811
Due within one year	$ 2,487,000	188,118	-	-	2,675,118

General Obligation Bonds

A summary of the County's June 30, 2017 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Law Enforcement Center Bonds Issued July 11, 2011 Interest Rates	Principal	Interest	General Obligation Refunding Bonds Issued March 31, 2015 Interest Rates	Principal	Interest
2018	0.00%	$ 2,080,000	82,063	2.00%	$ 280,000	94,713
2019		-	-	2.00	320,000	89,112
2020		-	-	2.00	325,000	82,713
2021		-	-	2.00	325,000	76,212
2022		-	-	2.00	335,000	69,713
2023-2027		-	-	2.25-3.00	1,755,000	231,637
2028-2032		-	-	3.00	575,000	23,550
Total		$ 2,080,000	82,063		$ 3,915,000	667,650

Year Ending June 30,	County Courthouse Improvement Bonds Issued May 16, 2017 Interest Rates	Principal	Interest	Total Principal	Total Interest	Total
2018	1.80%	$ 127,000	11,250	$ 2,487,000	188,026	2,675,026
2019	1.80	155,000	8,514	475,000	97,626	572,626
2020	1.80	158,000	5,724	483,000	88,437	571,437
2021	1.80	160,000	2,880	485,000	79,092	564,092
2022		-	-	335,000	69,713	404,713
2023-2027		-	-	1,755,000	231,637	1,986,637
2028-2032		-	-	575,000	23,550	598,550
Total		$ 600,000	28,368	$ 6,595,000	778,081	7,373,081

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 date was June 1, 2017 for the 2018-2025 maturities of the general obligation Law Enforcement Center bonds, Series 2010. The crossover refunding date is 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 date of June 1, 2017, the refunded general obligation bond, Series 2010 (old debt), totaling $2,210,000 was paid using the amounts held by the escrow. On the crossover date of June 1, 2018, the refunded general obligation bond Series 2011 (old debt) will be paid using the amounts held by the escrow agent. The County pays 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.

During the year ended June 30, 2017, the County issued $600,000 of general obligation courthouse improvement bonds and retired $2,455,000 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, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally at age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a sheriff's, deputy's and protection occupation member's monthly IPERS benefit includes:

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

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

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

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

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

In fiscal year 2017, 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 9.63% of covered payroll for a total rate of 19.26%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2017 totaled $322,477.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the County reported a liability of $2,371,245 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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, 2016, the County's proportion was 0.037679%, which was an increase of 0.001775% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of $304,157. At June 30, 2017, 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	$ 19,320	53,603
Changes of assumptions	33,351	10,481
Net difference between projected and actual earnings on IPERS' investments	463,315	-
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	20,463	78,495
County contributions subsequent to the measurement date	322,477	-
Total	$ 858,926	142,579

$322,477 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, 2017. 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
2018	$ 22,880
2019	22,880
2020	225,188
2021	127,993
2022	(5,071)
Total	$ 393,870

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 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.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 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
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
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	$ 4,302,756	2,371,245	742,710

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, 2017.

(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 76 active and 2 retired members in the plan. Participants must be age 5 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, 2017, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	$ 9,900
Interest on net OPEB obligation	1,200
Adjustment to annual required contribution	(1,700)
Annual OPEB cost	9,400
Contributions made	9,900
Increase in net OPEB obligation	(500)
Net OPEB obligation beginning of year	27,000
Net OPEB obligation end of year	$ 26,500

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, 2017.

For the year ended June 30, 2017, the County contributed $9,900 to the medical plan. Plan members eligible for benefits contributed $14,085, or 58.7% 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
2015	$ 7,900	72.0%	$ 25,500
2016	9,500	84.0	27,000
2017	9,400	105.0	26,500

Funded Status and Funding Progress – As of January 1, 2016, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, the actuarial accrued liability was approximately $91,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately $91,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately $3,602,000 and the ratio of the UAAL to covered payroll was 2.53%. As of June 30, 2017, 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, 2016 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 and the ultimate medical trend rate is 5%.

Mortality rates are from the RP2014 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 $822 to $904 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 753 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2017 were $79,554.

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

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it its deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2017, no liability has been recorded in the County's financial statements. As of June 30, 2017, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

(10) Tax Abatements

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

Tax Abatements of Other Entities

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2017 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Red Oak	Urban renewal and economic development projects	$ 47,470

(11) County Financial Information Included in Southwest Iowa MHDS

Southwest Iowa MHDS, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 28, 2014, includes the following member counties: Cass County, Fremont County, Harrison County, Mills County, Monona County, Montgomery County, Page County, Pottawattamie County and Shelby County. The financial activity of the County's Special Revenue, Mental Health Fund is included in Southwest Iowa MHDS for the year ended June 30, 2017, as follows:

Revenues:	
Property and other county tax	$ 223,773
Intergovernmental revenues:	
State tax credits	19,314
Total revenues	243,087
Expenditures:	
General administration:	
Distribution to regional fiscal agent	395,215
Excess of expenditures over revenues	(152,128)
Fund balance beginning of year	165,543
Fund balance end of year	$ 13,415

(12) Subsequent Event

On February 6, 2018 the Board of Supervisors approved Resolution No. #18-8 approving a general obligation emergency services communication bond with a principal amount of $5,775,000 for the purpose of financing the acquisition of emergency services communication equipment.

(13) New Accounting Pronouncement

The County adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about tax abatements of other entities which impact the County.

(14) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's other postemployment benefits.

Montgomery County

Required Supplementary Information

Montgomery County

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

Required Supplementary Information

Year ended June 30, 2017

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Actual Variance
Receipts:				
Property and other county tax	$ 5,921,906	5,944,032	5,944,032	(22,126)
Penalty and interest on property tax	40,241	50,665	50,665	(10,424)
Intergovernmental	4,026,223	4,181,223	4,515,339	(489,116)
Licenses and permits	11,246	7,400	11,900	(654)
Charges for service	298,838	275,269	275,269	23,569
Use of money and property	93,821	45,561	45,561	48,260
Miscellaneous	122,748	59,994	68,260	54,488
Total receipts	10,515,023	10,564,144	10,911,026	(396,003)
Disbursements:				
Public safety and legal services	2,898,131	3,014,680	3,155,748	257,617
Physical health and social services	553,460	661,134	671,134	117,674
Mental health	395,215	403,694	403,694	8,479
County environment and education	422,117	393,164	481,669	59,552
Roads and transportation	4,052,799	4,135,195	4,365,195	312,396
Governmental services to residents	429,915	480,843	493,458	63,543
Administration	1,513,878	2,084,153	2,084,153	570,275
Non-program	-	200	200	200
Debt service	502,923	408,210	408,210	(94,713)
Capital projects	264,623	85,158	465,316	200,693
Total disbursements	11,033,061	11,666,431	12,528,777	1,495,716
Excess (deficiency) of receipts over (under) disbursements	(518,038)	(1,102,287)	(1,617,751)	1,099,713
Other financing sources, net	(1,604,815)	-	661,505	(2,266,320)
Deficiency of receipts and other financing sources under disbursements and other financing uses	(2,122,853)	(1,102,287)	(956,246)	(1,166,607)
Balance beginning of year	10,236,825	5,192,777	5,192,777	5,044,048
Balance end of year	$ 8,113,972	4,090,490	4,236,531	3,877,441

See accompanying independent auditor's report.

Montgomery County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2017

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 10,515,023	(222,794)	10,292,229
Expenditures	11,033,061	92,821	11,125,882
Net	(518,038)	(315,615)	(833,653)
Other financing sources (uses), net	(1,604,815)	-	(1,604,815)
Beginning fund balances	10,236,825	506,918	10,743,743
Ending fund balances	$ 8,113,972	191,303	8,305,275

See accompanying independent auditor's report.

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except 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 and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by $862,346. 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 E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2017, disbursements exceeded the amount budgeted in the debt service function and disbursements in one department exceeded the amount appropriated.

Montgomery County

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

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

Required Supplementary Information

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

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

See accompanying independent auditor's report.

Montgomery County

Schedule of County Contributions

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

Required Supplementary Information

		2017	2016	2015	2014
Statutorily required contribution	$	322	312	306	294
Contributions in relation to the statutorily required contribution		(322)	(312)	(306)	(294)
Contribution deficiency (excess)	$	-	-	-	-
County's covered-employee payroll	$	3,527	3,405	3,321	3,191
Contributions as a percentage of covered-employee payroll		9.13%	9.16%	9.21%	9.21%

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
280	266	216	207	192	170
(280)	(266)	(216)	(207)	(192)	(170)
-	-	-	-	-	-
3,118	3,181	2,932	2,991	2,898	2,706
8.98%	8.36%	7.37%	6.92%	6.63%	6.28%

Changes of benefit terms:

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

Legislative action in 2008 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.

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

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

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

Montgomery County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jan 1, 2010	-	$ 99	99	0.00%	$ 2,297	3.50%
2011	Jan 1, 2010	-	99	99	0.00	2,989	3.30
2012	Jan 1, 2010	-	99	99	0.00	3,233	3.10
2013	Jan 1, 2013	-	82	82	0.00	3,180	2.60
2014	Jan 1, 2013	-	82	82	0.00	3,279	2.50
2015	Jan 1, 2013	-	82	82	0.00	3,370	2.43
2016	Jan 1, 2016	-	91	91	0.00	3,460	2.63
2017	Jan 1, 2016	-	91	91	0.00	3,602	2.53

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, 2017

		County Recorder's Records Management	Flood and Erosion
Assets			
Cash and pooled investments	$	24,788	811
Accounts receivable		-	-
		24,788	811
Liabilities and Fund Balances			
Liabilities:			
None	$	-	-
Fund balances:			
Restricted for other purposes		24,788	811
Total liabilities and fund balances	$	24,788	811

See accompanying independent auditor's report.

Special Revenue			
Seized and Forfeited Property - County Attorney	Seized and Forfeited Property - County Sheriff	K-9	Total
2,076	4,525	23,650	55,850
-	-	15	15
2,076	4,525	23,665	55,865
-	-	-	-
2,076	4,525	23,665	55,865
2,076	4,525	23,665	55,865

Montgomery County

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

Year ended June 30, 2017

	County Recorder's Records Management	Flood and Erosion
Revenues:		
Charges for service	$ 2,107	-
Use of money and property	12	-
Miscellaneous	-	-
Total revenues	2,119	-
Expenditures:		
Operating:		
Public safety and legal services	-	-
Governmental services to residents	789	-
Total expenditures	789	-
Change in fund balances	1,330	-
Fund balances beginning of year	23,458	811
Fund balances end of year	$ 24,788	811

See accompanying independent auditor's report.

Special Revenue			
Seized and Forfeited Property - County Attorney	Seized and Forfeited Property - County Sheriff	K-9	Total
-	-	-	2,107
-	-	-	12
-	-	12,501	12,501
-	-	12,501	14,620
-	5,174	-	5,174
-	-	-	789
-	5,174	-	5,963
-	(5,174)	12,501	8,657
2,076	9,699	11,164	47,208
2,076	4,525	23,665	55,865

Montgomery County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	$ -	2,030	257,184	95,936	6,251
Other County officials	33,743	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	664	815	31,705	1,939
Succeeding year	-	172,000	212,000	7,982,000	523,000
Accounts	-	-	15	-	-
Accrued interest	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	-	5,076	-	-
Total assets	$ 33,743	174,694	475,090	8,109,641	531,190
Liabilities					
Accounts payable	$ -	-	29	-	-
Salaries and benefits payable	-	-	4,210	-	-
Due to other governments	17,406	174,694	467,221	8,109,641	531,190
Trusts payable	16,337	-	-	-	-
Compensated absences	-	-	3,630	-	-
Total liabilities	$ 33,743	174,694	475,090	8,109,641	531,190

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	County Hospital	E-911 Service	Other	Total
39,819	2,119	278,995	19,832	393,552	143,687	1,239,405
-	-	-	-	-	-	33,743
37,602	1	-	6,494	-	7	79,227
3,408,000	184,000	-	1,685,000	-	2,000	14,168,000
-	-	-	-	33,781	-	33,796
-	-	-	-	99	-	99
-	-	-	-	2,645	3,538	6,183
-	-	-	-	-	1,177	6,253
3,485,421	186,120	278,995	1,711,326	430,077	150,409	15,566,706
-	-	-	-	107	20,114	20,250
-	-	-	-	300	2,252	6,762
3,485,421	186,120	278,995	1,711,326	429,670	95,951	15,487,635
-	-	-	-	-	27,560	43,897
-	-	-	-	-	4,532	8,162
3,485,421	186,120	278,995	1,711,326	430,077	150,409	15,566,706

Montgomery County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	$ 37,602	169,525	563,970	7,855,949	524,240
Additions:					
Property and other county tax	-	172,446	212,541	8,007,932	525,887
E-911 surcharges	-	-	-	-	-
Intergovernmental	-	-	-	-	-
State tax credits	-	14,460	21,999	678,236	44,059
Office fees and collections	266,618	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Trusts	185,691	-	-	-	-
Miscellaneous	4,333	-	1,506	-	-
Total additions	456,642	186,906	236,046	8,686,168	569,946
Deductions:					
Agency remittances:					
To other funds	136,815	-	-	-	-
To other governments	128,348	181,737	324,926	8,432,476	562,996
Trusts paid out	195,338	-	-	-	-
Total deductions	460,501	181,737	324,926	8,432,476	562,996
Balances end of year	$ 33,743	174,694	475,090	8,109,641	531,190

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	County Hospital	E-911 Service	Other	Total
3,299,068	179,037	232,568	1,653,844	366,203	121,705	15,003,711
3,287,257	188,031	-	1,692,270	-	286,798	14,373,162
-	-	-	-	111,699	-	111,699
-	-	-	-	46,048	677,538	723,586
462,509	10,543	-	141,305	-	157	1,373,268
-	-	-	-	-	-	266,618
-	-	-	-	-	2,113	2,113
-	-	3,292,119	-	-	-	3,292,119
-	-	-	-	-	210,679	396,370
-	-	49,432	-	697	4,127	60,095
3,749,766	198,574	3,341,551	1,833,575	158,444	1,181,412	20,599,030
-	-	126,329	-	-	-	263,144
3,563,413	191,491	3,168,795	1,776,093	94,570	671,266	19,096,111
-	-	-	-	-	481,442	676,780
3,563,413	191,491	3,295,124	1,776,093	94,570	1,152,708	20,036,035
3,485,421	186,120	278,995	1,711,326	430,077	150,409	15,566,706

Montgomery County

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

For the Last Ten Years

	2017	2016	2015	Modified 2014
Revenues:				
Property and other county tax	$ 5,526,013	5,489,833	5,448,722	5,220,237
Local option sales and services tax	356,194	398,799	398,227	350,974
Penalty and interest on property tax	40,578	46,332	49,498	48,454
Intergovernmental	3,841,739	3,623,075	3,420,388	3,450,069
Licenses and permits	11,246	8,447	6,630	5,530
Charges for service	300,400	317,137	305,331	295,058
Use of money and property	94,156	89,732	59,936	75,023
Miscellaneous	121,903	187,975	246,887	156,710
Total	$ 10,292,229	10,161,330	9,935,619	9,602,055
Expenditures:				
Operating:				
Public safety and legal services	$ 2,423,677	2,165,968	2,048,645	2,001,202
Physical health and social services	554,497	515,032	413,092	427,954
Mental health	395,215	321,464	1,201,470	334,111
County environment and education	424,322	404,359	421,962	306,317
Roads and transportation	4,229,299	4,565,097	4,272,031	3,736,927
Governmental services to residents	428,395	383,970	372,691	383,574
Administration	1,520,338	1,381,443	1,017,804	944,416
Non-program	-	-	-	-
Debt service	509,530	522,746	450,098	409,240
Capital projects	640,609	200,026	32,295	203,706
Total	$ 11,125,882	10,460,105	10,230,088	8,747,447

See accompanying independent auditor's report.

Accrual Basis					
2013	2012	2011	2010	2009	2008
5,091,743	4,934,561	4,313,696	4,112,240	3,613,576	3,446,408
381,865	361,968	368,358	315,515	352,231	315,178
48,050	51,815	52,631	60,910	44,606	48,889
3,534,022	3,834,247	5,169,417	5,311,182	4,474,893	3,268,697
5,505	6,938	6,130	10,408	6,698	7,435
320,017	288,352	289,079	266,585	257,946	261,812
62,341	67,971	78,833	65,789	77,625	151,733
102,018	85,044	76,700	146,958	50,408	89,144
9,545,561	9,630,896	10,354,844	10,289,587	8,877,983	7,589,296
1,856,005	1,789,387	1,729,277	1,719,833	1,574,965	1,617,566
508,186	510,306	623,764	765,526	764,003	685,763
467,865	1,169,423	1,038,487	1,016,092	1,051,181	1,102,157
312,438	292,922	292,604	568,728	386,212	304,322
3,510,586	3,208,220	3,286,482	3,488,600	3,883,189	3,347,954
459,003	373,965	370,083	323,060	363,367	332,816
961,623	873,031	752,815	758,976	709,973	652,599
-	-	-	-	188	188
412,053	400,462	48,868	24,281	25,751	71,203
1,076,541	4,446,366	1,048,376	1,594,673	496	164,394
9,564,300	13,064,082	9,190,756	10,259,769	8,759,325	8,278,962

Montgomery County

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

To the Officials of Montgomery County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Montgomery County, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 7, 2018.

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 have not been identified. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2017 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

MARY MOSIMAN, CPA
Auditor of State

May 7, 2018

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

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

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

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

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

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

Responses –

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

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

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

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

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

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

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County's financial statements.

Condition – Material amounts of receivables and capital asset additions were not properly recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Cause – County policies do not require and procedures have not been established to require independent review of year end cut-off transactions to ensure the County's financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in County employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the County's financial statements were necessary.

Recommendation – The County should establish procedures to ensure all receivables and capital asset additions are identified and are properly reported in the County's financial statements. This is a repeat comment.

Response – The County will continue to monitor receivables and capital asset additions to ensure they are properly reported in the County's financial statements.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(1) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amount budgeted in the debt service function and disbursements in one department exceeded the amount appropriated.

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.

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

Response – The Board will work closely with departments to ensure they stay within their budget and appropriations.

Conclusion – Response accepted.

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

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

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

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

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

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

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

(9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2017 for the County Extension Office did not exceed the amount budgeted.

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

On September 21, 2017, Montgomery County Emergency Management Commission authorized a $525,000 bank loan for 10 years at 3.85% interest to be used for the construction of an office and equipment storage facility. Chapter 29C of the Code of Iowa does not specifically allow County Emergency Management Commissions to enter into multiyear debt agreements. We are unaware of any provision in Chapter 29C of the Code of Iowa which allows the Commission to borrow money directly from a bank.

Recommendation – The Commission should comply with Chapter 29C.9 of the Code of Iowa. The Commission should consult legal counsel to determine the disposition of this matter.

Response – The Commission, in good faith and consistent with advice by the County Attorney, entered into the agreement identified as the most fiscally prudent choice for the tax payers of Montgomery County. The Commission entered into the agreement after discussing the matter in multiple open forums as to ensure everything was conducted in a transparent manner open to public input. The Commission chose this method as viable, financially sound and did so upon consultation of legal advice.

Conclusion – Response acknowledged. Since the County Emergency Commission has not been granted Home Rule, the Code of Iowa would need to grant bonding authority to the Commission. The Commission should work with legal counsel to resolve this issue.

Montgomery County

Staff

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