



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

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**NEWS RELEASE**

FOR RELEASE

June 29, 2020

Contact: Marlys Gaston  
515/281-5834

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

**FINANCIAL HIGHLIGHTS:**

The County's revenues totaled \$11,634,809 for the year ended June 30, 2019, a 26.7% decrease from the prior year. Expenses for County operations for the year ended June 30, 2019 totaled \$11,504,240, a 2.9% increase over the prior year. The significant decrease in the revenues is due primarily due to a decrease in infrastructure assets contributed by the Iowa Department of Transportation in fiscal year 2019.

**AUDIT FINDINGS:**

Sand reported five findings related to the receipt and expenditure of taxpayer funds and one finding pertaining to Montgomery County Conservation Foundation (Conservation Foundation), a blended component unit. They are found on pages 72 through 78 of this report. The findings address issues such as lack of segregation of duties, material amounts of accounts receivable, accounts payable and capital asset additions not properly recorded in the County's financial statements and lack of preparation of bank reconciliations. Sand provided the County and the Conservation Foundation with recommendations to address each of these findings.

Two of the findings discussed above and pertaining to the County are repeated from the prior year. The County Board of Supervisors have a fiduciary responsibility to provide oversight of the County's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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

###

**MONTGOMERY COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2019**

**Montgomery County**



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Rob Sand  
Auditor of State

June 15, 2020

Officials of Montgomery County  
Montgomery, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Montgomery County, Iowa, for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand  
Auditor of State

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**Montgomery County**

**Officials**

**(Before January 2019)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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

**(After January 2019)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bryant Amos	Board of Supervisors	Jan 2021
Donna Robinson	Board of Supervisors	Jan 2021
Michael Olson	Board of Supervisors	Jan 2023
Mark Peterson	Board of Supervisors	Jan 2023
Rudy Kinard	Board of Supervisors	Jan 2023
Stephanie Burke	County Auditor	Jan 2021
Tera Hughes	County Treasurer	Jan 2023
Carleen Bruning	County Recorder	Jan 2023
Joseph Sampson	County Sheriff	Jan 2021
Drew Swanson	County Attorney	Jan 2023
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, 2019, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Montgomery County as of June 30, 2019 and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 8 through 14 and 48 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montgomery County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 15, 2020 on our consideration of Montgomery County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Montgomery County's internal control over financial reporting and compliance.

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

June 15, 2020

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2019. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2019 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities decreased 26.7%, or approximately \$4,237,000, from fiscal year 2018 to fiscal year 2019. Property tax increased approximately \$493,000, capital grants, contributions and restricted interest decreased approximately \$5,501,000, charges for service decreased approximately \$37,000 and operating grants, contributions and restricted interest increased approximately \$890,000.
- Program expenses of the County's governmental activities were 2.9%, or approximately \$325,000, more in fiscal year 2019 than in fiscal year 2018. Roads and transportation expenses increased approximately \$98,000, public safety and legal services expenses increased approximately \$318,000 while administration and governmental services to residents' expenses decreased approximately \$109,000 and \$59,000, respectively.
- The County's net position increased less than one percent, or approximately \$130,000, over the June 30, 2018 balance.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes.

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

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which 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 most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

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

### *Fund Financial Statements*

The County has two kinds of funds:

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

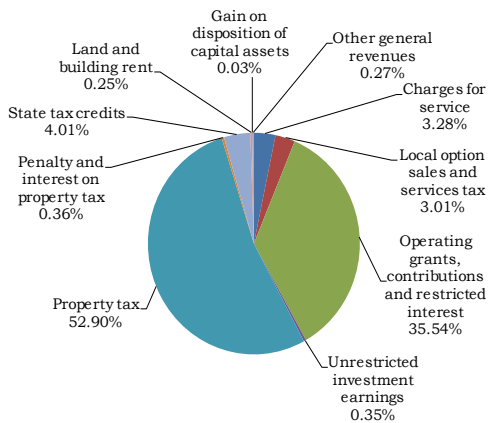
Net Position of Governmental Activities		
(Expressed in Thousands)		
	June 30,	
	2019	2018
Current and other assets	\$ 14,969	15,162
Capital assets	32,143	32,072
Total assets	47,111	47,234
Deferred outflows of resources	894	956
Long-term liabilities	11,563	12,731
Other liabilities	487	428
Total liabilities	12,050	14,115
Deferred inflows of resources	7,026	6,232
Net position:		
Net investment in capital assets	26,213	25,191
Restricted	3,242	3,455
Unrestricted	(525)	153
Total net position	\$ 28,929	28,799

Net position of Montgomery County's governmental activities increased less than one percent (approximately \$28.9 million compared to approximately \$28.8 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 \$153,000 at June 30, 2018 to a deficit of approximately \$525,000 at the end of this year. This decrease is due primarily to a 23.9% decrease in the General Fund balance from June 30, 2018 to June 30, 2019.

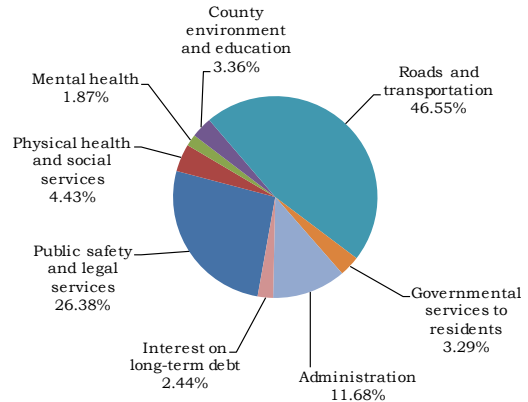
Changes in Net Position of Governmental Activities  
(Expressed in Thousands)

	Year ended June 30,	
	2019	2018
Revenues:		
Program revenues:		
Charges for service	\$ 382	419
Operating grants, contributions and restricted interest	4,135	3,245
Capital grants, contributions and restricted interest	-	5,501
General revenues:		
Property tax	6,156	5,663
Penalty and interest on property tax	42	47
State tax credits	466	421
Local option sales and services tax	350	348
Unrestricted investment earnings	41	57
Land and building rent	29	29
Gain on disposition of capital assets	4	13
Other general revenues	31	129
<b>Total revenues</b>	<b>11,635</b>	<b>15,872</b>
Program expenses:		
Public safety and legal services	3,035	2,717
Physical health and social services	510	474
Mental health	215	235
County environment and education	387	361
Roads and transportation	5,355	5,257
Governmental services to residents	378	437
Administration	1,344	1,453
Interest on long-term debt	281	246
<b>Total expenses</b>	<b>11,505</b>	<b>11,180</b>
Change in net position	130	4,692
Net position beginning of year	28,799	24,107
Net position end of year	<b>\$ 28,929</b>	<b>28,799</b>

**Revenues by Source**



**Expenses by Program**



Montgomery County's governmental activities net position increased approximately \$130,000 during the year. Revenues for governmental activities decreased approximately \$4,237,000 from the prior year, including capital grants, contributions and restricted interest, which decreased approximately \$5,501,000, due to a decrease in infrastructure assets contributed by the Iowa Department of Transportation.

The County increased the property tax rates for fiscal year 2019 an average of 10%. This increase raised the County's property tax revenue approximately \$493,000 in fiscal year 2019. Based on the increases in the property tax rates for fiscal year 2020, property tax revenue is budgeted to increase an additional \$400,000 next year.

The cost of all governmental activities this year was approximately \$11.5 million compared to approximately \$11.2 million last year, an increase of only 2.9%.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Montgomery County completed the year, its governmental funds reported a combined fund balance of approximately \$7.8 million, a decrease of approximately \$915,000 from last year's total of approximately \$8.7 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 \$795,000 during the fiscal year to approximately \$2,536,000. Revenues decreased approximately \$294,000, or 6.3%, from the prior year and expenditures increased approximately \$239,000, or 4.9%. Expenditures exceeded revenues due in part to ongoing county building improvement.
- 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 2019, expenditures totaled approximately \$215,000, an 8.8% decrease from the prior year. The decrease is due to a decrease in the amount distributed to the mental health region. The Special Revenue, Mental Health Fund balance at year end increased approximately \$2,000 over the prior year.
- The Special Revenue, Rural Services Fund ending fund balance decreased approximately \$291,000 from the prior year to approximately \$478,000. Property tax revenue for the Rural Services Fund decreased approximately \$57,000 in fiscal year 2018 due to a decrease in rural services property tax valuation. Expenditures decreased approximately \$16,000.
- Special Revenue, Secondary Roads Fund revenues increased approximately \$882,000 primarily due to an increase in bridge project reimbursements. Expenditures increased approximately \$707,000 over the prior year, primarily due to an increase in bridges projects. However, offsetting the increase in expenditures was a decrease of \$80,000 in transfers in from other funds. This resulted in an increase in the Secondary Roads ending fund balance of approximately \$130,000.
- Debt Service Fund revenues increased approximately \$678,000 over the prior year. Expenditures increased approximately \$640,000 over the prior year. This is primarily due to the county issuing \$5,755,000 of General Obligation Emergency Service Communication Bonds in fiscal year 2018, raising debt service property tax rates and having an increased bond payment. The Debt Service Fund ending balance was approximately \$132,000.

- The County issued \$5,755,000 of General Obligation Emergency Service Communication Bonds in fiscal year 2018. The proceeds and related premium on bonds issued were deposited in the County's Capital Projects Fund, where the emergency services communication equipment project revenues and expenditures will be tracked. Interest of approximately \$21,000 was the only activity during fiscal year 2019.

## BUDGETARY HIGHLIGHTS

Montgomery County amended its budget two times during fiscal year 2019. The first amendment was made in December 2018. This amendment increased budgeted receipts approximately \$10,000 and budgeted disbursements approximately \$773,000. These changes were made to the budget for the Highland Annex HVAC project, the emergency towers land purchase, veteran's affairs allocation, purchase of motor graders, bridge rehabilitation, and aggregate road maintenance. The second budget amendment was made in May 2019, to account for a conservation grant and related budgeted disbursements for the engineer's office and for the Villisca Special School Election.

The County's receipts were \$739,076 less than budgeted. Total disbursements were \$4,366,113 less than the amended budget. Roads and transportation were \$390,257 less than budgeted due to the timing of bridge and road paving projects and staff turnover. Capital projects function disbursements were \$3,230,632 less than budgeted due to not doing any work on the emergency communications tower upgrade project in fiscal year 2019.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2019, Montgomery County had approximately \$32.1 million invested in a broad range of capital assets, including public safety equipment, buildings, roads and bridges. This is a net increase (including additions and deletions) of approximately \$71,000 or 0.2%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2019	2018
Land	\$ 682	642
Intangibles, road network	213	213
Construction in progress	935	27
Buildings and improvements	6,922	6,659
Equipment and vehicles	4,983	5,251
Intangibles	55	66
Infrastructure	18,352	19,214
Total	\$ 32,143	32,072
This year's major additions included:		
Communications tower land site	40	
Highland annex HVAC system	330	
and two vehicles	736	
Total	\$ 1,106	

The County had depreciation expense of \$1,824,025 in fiscal year 2019 and total accumulated depreciation of \$10,687,811 at June 30, 2019. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.



## **Long-Term Debt**

At June 30, 2019, Montgomery County had \$8,933,000 of general obligation bonds outstanding, compared to \$9,863,000 of general obligation bonds outstanding at June 30, 2019.

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 \$50.8 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 2020 budget, tax rates and fees for the various County activities. One of the factors considered was the County's taxable valuations, which decreased approximately \$377,000, or 0.1%, from the fiscal year 2019 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 2020, the same rates levied for fiscal year 2019.

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 2019, these amounts were \$263,474, \$32,934, \$16,467 and \$16,467, 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.

## **Basic Financial Statements**

Montgomery County  
Statement of Net Position  
June 30, 2019

	Governmental Activities
<b>Assets</b>	
Cash and pooled investments	\$ 7,119,026
Receivables:	
Property tax:	
Delinquent	20,829
Succeeding year	6,714,000
Interest and penalty on property tax	18,585
Accounts	2,126
Accrued interest	18,309
Due from other governments	582,342
Inventories	390,203
Prepaid items	103,358
Capital assets, net of accumulated depreciation	32,142,673
<b>Total assets</b>	47,111,451
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	892,721
OPEB related deferred outflows	1,159
<b>Total deferred outflows of resources</b>	893,880
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	285,026
Accrued interest payable	20,535
Salaries and benefits payable	167,524
Due to other governments	14,191
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	998,000
Compensated absences	181,380
Portion due or payable after one year:	
General obligation bonds	7,935,000
Compensated absences	83,299
Net pension liability	2,277,007
Total OPEB liability	88,279
<b>Total liabilities</b>	12,050,241
<b>Deferred inflows of resources:</b>	
Unavailable property tax revenue	6,714,000
Pension related deferred inflows	309,184
OPEB related deferred inflows	2,660
<b>Total deferred inflows of resources</b>	7,025,844
<b>Net Position</b>	
Net investment in capital assets	26,212,812
Restricted for:	
Supplemental levy purposes	1,042,779
Mental health purposes	19,993
Rural services purposes	393,896
Secondary roads purposes	1,409,156
Public safety purposes	55,040
Courthouse repair	86,503
County fair	26,818
Debt service	115,443
Other purposes	92,174
Unrestricted	(525,368)
<b>Total net position</b>	\$ 28,929,246

See notes to financial statements.

Montgomery County  
 Statement of Activities  
 Year ended June 30, 2019

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	Charges for Service	Operating Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety and legal services	\$ 3,034,859	109,694	23,046	(2,902,119)
Physical health and social services	509,515	34,313	118,049	(357,153)
Mental health	214,725	-	-	(214,725)
County environment and education	387,523	22,729	11,201	(353,593)
Roads and transportation	5,354,747	14,891	3,946,822	(1,393,034)
Governmental services to residents	377,861	179,235	-	(198,626)
Administration	1,344,111	20,860	35,736	(1,287,515)
Interest on long-term debt	281,128	-	-	(281,128)
<b>Total</b>	<b>\$ 11,504,469</b>	<b>381,722</b>	<b>4,134,854</b>	<b>(6,987,893)</b>
<b>General Revenues:</b>				
Property and other county tax levied for:				
General purposes				\$ 5,129,488
Debt service				1,026,339
Penalty and interest on property tax				41,559
State tax credits				466,175
Local option sales and services tax				350,051
Unrestricted investment earnings				40,770
Land and building rent				29,430
Gain on disposition of capital assets				3,509
Miscellaneous				30,912
<b>Total general revenues</b>				<b>7,118,233</b>
Change in net position				130,340
Net position beginning of year				28,798,906
Net position end of year				<b>\$ 28,929,246</b>

See notes to financial statements.

Montgomery County

Balance Sheet  
Governmental Funds

June 30, 2019

	Special		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	\$ 2,559,221	19,083	510,214
Conservation Foundation	-	-	-
Receivables:			
Property tax:			
Delinquent	14,023	910	1,411
Succeeding year	3,452,000	237,000	1,845,000
Interest and penalty on property tax	18,585	-	-
Accounts	1,926	-	-
Accrued interest	17,120	-	-
Due from other governments	26,739	-	-
Inventories	-	-	-
Prepaid items	65,132	-	-
<b>Total assets</b>	<b>\$ 6,154,746</b>	<b>256,993</b>	<b>2,356,625</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 27,389	-	3,750
Salaries and benefits payable	94,925	-	28,783
Due to other governments	13,762	-	-
Total liabilities	136,076	-	32,533
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	3,452,000	237,000	1,845,000
Other	31,070	857	969
Total deferred inflows of resources	3,483,070	237,857	1,845,969
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid items	65,132	-	-
Restricted for:			
Supplemental levy purposes	922,732	-	49,774
Mental health purposes	-	19,136	-
Rural services purposes	-	-	428,349
Secondary roads purposes	-	-	-
Conservation land acquisition	532	-	-
Public safety purposes	55,040	-	-
Courthouse repair	86,503	-	-
County fair	26,818	-	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	17,120	-	-
Committed for shooting range	21,685	-	-
Unassigned	1,340,038	-	-
Total fund balances	2,535,600	19,136	478,123
<b>Total liabilities, deferred inflows of resources     and fund balances</b>	<b>\$ 6,154,746</b>	<b>256,993</b>	<b>2,356,625</b>

See notes to financial statements.

<u>Revenue</u>				
<u>Secondary</u>	<u>Debt</u>	<u>Capital</u>		
<u>Roads</u>	<u>Service</u>	<u>Projects</u>	<u>Nonmajor</u>	<u>Total</u>
822,543	131,493	3,001,950	71,547	7,116,051
-	-	-	2,975	2,975
-	4,485	-	-	20,829
-	1,180,000	-	-	6,714,000
-	-	-	-	18,585
200	-	-	-	2,126
-	-	1,189	-	18,309
555,603	-	-	-	582,342
390,203	-	-	-	390,203
38,226	-	-	-	103,358
<u>1,806,775</u>	<u>1,315,978</u>	<u>3,003,139</u>	<u>74,522</u>	<u>14,968,778</u>
253,887	-	-	-	285,026
43,816	-	-	-	167,524
429	-	-	-	14,191
<u>298,132</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>466,741</u>
-	1,180,000	-	-	6,714,000
-	4,219	-	-	37,115
<u>-</u>	<u>1,184,219</u>	<u>-</u>	<u>-</u>	<u>6,751,115</u>
390,203	-	-	-	390,203
38,226	-	-	-	103,358
-	-	-	-	972,506
-	-	-	-	19,136
-	-	-	-	428,349
1,080,214	-	-	-	1,080,214
-	-	-	-	532
-	-	-	-	55,040
-	-	-	-	86,503
-	-	-	-	26,818
-	131,759	-	-	131,759
-	-	3,003,139	-	3,003,139
-	-	-	74,522	91,642
-	-	-	-	21,685
-	-	-	-	1,340,038
<u>1,508,643</u>	<u>131,759</u>	<u>3,003,139</u>	<u>74,522</u>	<u>7,750,922</u>
<u>1,806,775</u>	<u>1,315,978</u>	<u>3,003,139</u>	<u>74,522</u>	<u>14,968,778</u>

**Montgomery County**

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

June 30, 2019

**Total governmental fund balances (page 19)** \$ 7,750,922

***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 \$42,830,484 and the accumulated depreciation is \$10,687,811. 32,142,673

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. 37,115

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

Deferred outflows of resources	\$ 893,880	
Deferred inflows of resources	<u>(311,844)</u>	582,036

Long-term liabilities, including bonds payable, compensated absences payable, net pension liability, total OPEB liability and accrued interest payable are not due and payable in the current year and, therefore, are not reported in the governmental funds. (11,583,500)

**Net position of governmental activities (page 16)** \$ 28,929,246

See notes to financial statements.



Montgomery County

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

Year ended June 30, 2019

	General	Special	
		Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 3,321,966	200,518	1,605,068
Local option sales and services tax	65,429	-	-
Interest and penalty on property tax	47,810	-	-
Intergovernmental	525,116	16,628	88,433
Licenses and permits	6,376	-	-
Charges for service	285,767	-	2,420
Use of money and property	49,121	-	-
Miscellaneous	49,735	-	-
Total revenues	4,351,320	217,146	1,695,921
<b>Expenditures:</b>			
Operating:			
Public safety and legal services	2,062,371	-	616,825
Physical health and social services	494,813	-	-
Mental health	-	214,725	-
County environment and education	368,716	-	48,813
Roads and transportation	-	-	309,546
Governmental services to residents	378,931	-	2,114
Administration	1,676,488	-	-
Debt service	164,514	-	-
Capital projects	-	-	-
Total expenditures	5,145,833	214,725	977,298
Excess (deficiency) of revenues over (under) expenditures	(794,513)	2,421	718,623
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	(1,010,000)
Total other financing sources (uses)	-	-	(1,010,000)
Change in fund balances	(794,513)	2,421	(291,377)
Fund balances beginning of year	3,330,113	16,715	769,500
Fund balances end of year	\$ 2,535,600	19,136	478,123

See notes to financial statements.

Revenue				
Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
-	1,025,666	-	-	6,153,218
284,622	-	-	-	350,051
-	-	-	-	47,810
3,938,791	85,626	-	-	4,654,594
2,860	-	-	-	9,236
-	-	-	1,694	289,881
-	-	21,226	13	70,360
22,383	-	-	12,674	84,792
4,248,656	1,111,292	21,226	14,381	11,659,942
-	-	-	9,855	2,689,051
-	-	-	-	494,813
-	-	-	-	214,725
-	-	-	2,592	420,121
4,133,104	-	-	-	4,442,650
-	-	-	9,325	390,370
-	-	-	-	1,676,488
-	1,097,306	-	-	1,261,820
985,536	-	-	-	985,536
5,118,640	1,097,306	-	21,772	12,575,574
(869,984)	13,986	21,226	(7,391)	(915,632)
1,000,000	-	-	10,000	1,010,000
-	-	-	-	(1,010,000)
1,000,000	-	-	10,000	-
130,016	13,986	21,226	2,609	(915,632)
1,378,627	117,773	2,981,913	71,913	8,666,554
1,508,643	131,759	3,003,139	74,522	7,750,922

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, 2019

**Change in fund balances - Total governmental funds (page 23)** \$ (915,632)

**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	\$ 1,916,171	
Depreciation expense	<u>(1,824,025)</u>	92,146

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. (21,491)

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	2,609	
Other	<u>(6,251)</u>	(3,642)

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. 930,000

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. 366,599

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	(3,417)	
OPEB expense	(2,132)	
Pension expense	(362,783)	
Interest on long-term debt	<u>50,692</u>	<u>(317,640)</u>

**Change in net position of governmental activities (page 17)** \$ 130,340

See notes to financial statements.

Montgomery County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2019

**Assets**

Cash and pooled investments:

County Treasurer	\$ 1,518,572
Other County officials	40,022

Receivables:

Property tax:

Delinquent	78,706
Succeeding year	15,036,000

Accounts	4,992
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Accrued interest	151
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Special Assessments	50,649
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Due from other governments	59,258
----------------------------	--------

Prepaid items	6,680
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<b>Total assets</b>	16,795,030
---------------------	------------

**Liabilities**

Accounts payable	1,087
------------------	-------

Salaries and benefits payable	7,856
-------------------------------	-------

Due to other governments	16,691,566
--------------------------	------------

Trusts payable	81,697
----------------	--------

Compensated absences	12,824
----------------------	--------

<b>Total liabilities</b>	16,795,030
--------------------------	------------

<b>Net position</b>	\$ -
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See notes to financial statements.

Montgomery County

Notes to Financial Statements

June 30, 2019

**(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.

These financial statements present Montgomery County (the primary government) and its component unit. The component unit discussed below is included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

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

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Montgomery County Assessor’s Conference Board, Montgomery County Emergency Management Agency and County Joint 911 Service Board. Financial transactions of these organizations are included in the County’s financial statements only to the extent of the County’s fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

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

B. Basis of Presentation

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

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

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

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

C. 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 Balance/Net Position

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2017 assessed property valuations; is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2018.

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

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

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

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

are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2019. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

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

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

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

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

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

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisions through ordinance or resolution approved prior to yearend. 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, 2019, disbursements were within the amount budgeted but disbursements in one department exceeded the amounts appropriated.

**(2) Cash and Pooled Investments**

The County’s deposits in banks at June 30, 2019 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, 2019 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 1,000,000
Flood and Erosion	Rural Services	10,000
		<u>\$ 1,010,000</u>

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

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2019 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 641,859	40,000	-	681,859
Intangibles, road network	212,998	-	-	212,998
Construction in progress	27,363	935,497	27,363	935,497
Total capital assets not being depreciated	882,220	975,497	27,363	1,830,354
Capital assets being depreciated:				
Buildings	6,929,451	72,177	26,326	6,975,302
Improvements other than buildings	1,007,251	410,812	-	1,418,063
Equipment and vehicles	9,150,491	820,718	683,706	9,287,503
Intangibles	87,556	-	-	87,556
Infrastructure, road network	23,231,706	-	-	23,231,706
Total capital assets being depreciated	40,406,455	1,303,707	710,032	41,000,130
Less accumulated depreciation for:				
Buildings	1,216,637	139,879	15,796	1,340,720
Improvements other than buildings	60,968	69,239	-	130,207
Equipment and vehicles	3,899,536	742,029	337,075	4,304,490
Intangibles	21,890	10,945	-	32,835
Infrastructure, road network	4,017,626	861,933	-	4,879,559
Total accumulated depreciation	9,216,657	1,824,025	352,871	10,687,811
Total capital assets being depreciated, net	31,189,798	(520,318)	357,161	30,312,319
Governmental activities capital assets, net	\$ 32,072,018	455,179	384,524	32,142,673

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 459,156
Physical health and social services	2,502
County environment and education	21,378
Roads and transportation	1,239,801
Administration	101,188
Total depreciation expense - governmental activities	<u>\$ 1,824,025</u>

**(5) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2019 is as follows:

Fund	Description	Amount
General	Services	\$ 13,762
Special Revenue:		
Secondary Roads	Services	429
Total for governmental funds		<u>\$ 14,191</u>
Agency:		
County Assessor	Collections	\$ 516,229
Schools		8,798,941
Community Colleges		552,761
Corporations		3,610,232
Townships		191,979
Auto License and Use Tax		275,579
County Hospital		1,747,781
All other		998,065
Total for agency funds		<u>\$ 16,691,566</u>

**(6) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	General Obligation Bonds	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year	\$ 9,863,000	261,262	2,520,803	85,927	12,730,992
Increases	-	297,339	-	2,352	299,691
Decreases	930,000	293,922	243,796	-	1,467,718
Balance end of year	<u>\$ 8,933,000</u>	<u>264,679</u>	<u>2,277,007</u>	<u>88,279</u>	<u>11,562,965</u>
Due within one year	<u>\$ 998,000</u>	<u>181,380</u>	<u>-</u>	<u>-</u>	<u>1,179,380</u>

General Obligation Bonds

A summary of the County's June 30, 2019 general obligation bonded indebtedness is as follows:

Year Ending June 30,	General Obligation Refunding Bonds			County Courthouse Improvement Bonds		
	Issued March 31, 2015			Issued May 16, 2017		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2020	2.00%	\$ 325,000	82,713	1.80%	\$ 158,000	5,724
2021	2.00	325,000	76,212	1.80	160,000	2,880
2022	2.00	335,000	69,713		-	-
2023	2.25	335,000	63,012		-	-
2024	2.50	345,000	55,475		-	-
2025-2028	2.25-3.00	1,650,000	136,700		-	-
Total		\$ 3,315,000	483,825		\$ 318,000	8,604

Year Ending June 30,	General Obligation Emergency Services Communication Bonds			Total		
	Issued February 22, 2018			Principal	Interest	Total
	Interest Rates	Principal	Interest	Principal	Interest	Total
2020	2.08%	\$ 515,000	172,150	998,000	260,587	1,258,587
2021	3.00	535,000	151,550	1,020,000	230,642	1,250,642
2022	3.00	555,000	130,150	890,000	199,863	1,089,863
2023	3.00	570,000	115,800	905,000	178,812	1,083,812
2024	3.00	590,000	98,700	935,000	154,175	1,089,175
2025-2028	3.00-3.75	2,535,000	212,700	4,185,000	349,400	4,534,400
Total		\$ 5,300,000	881,050	8,933,000	1,373,479	10,306,479

During the year ended June 30, 2019, the County retired \$930,000 of general obligation bonds.

**(7) County Emergency Management Commission – Construction Note**

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

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

Based on a review of Chapter 29C of the Code of Iowa and the Attorney General’s letter of advice dated December 11, 2017, the Commission did not have statutory authority to enter into this loan obligation. A finding and recommendation pertaining to this noncompliance was provided in the prior year, including that the Commission should work with members for future borrowing needs. Below is a summary of the Commission’s June 30, 2019 construction note indebtedness:

Year Ending June 30,	Bank Loan		
	Office and Equipment Storage		
	Interest Rates	Principal	Interest
2020	3.85%	\$ 28,084	18,225
2021	3.85	29,253	17,057
2022	3.85	30,415	15,894
2023	3.85	31,624	14,686
2024	3.85	32,842	13,468
2025-2028	3.85	326,175	34,349
Total		\$ 478,393	113,679

**(8) Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://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 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 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 9.76% of covered payroll, for a total rate of 19.52%. Protection occupation members contributed 6.81% of covered payroll and the County contributed 10.21% of covered payroll, for a total rate of 17.02%.

The County's contributions to IPERS for the year ended June 30, 2019 totaled \$366,599.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the County reported a liability of \$2,277,007 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the County’s proportion was 0.035982%, which was a decrease of 0.001861% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the County recognized pension expense of \$362,783. At June 30, 2019, 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	\$ 23,486	75,447
Changes of assumptions	458,443	106,782
Net difference between projected and actual earnings on IPERS' investments	-	98,786
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	44,193	28,169
County contributions subsequent to the measurement date	366,599	-
Total	<u>\$ 892,721</u>	<u>309,184</u>

\$366,599 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, 2020. 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
2020	\$ 195,305
2021	93,455
2022	(46,771)
2023	(17,990)
2024	(7,061)
Total	<u>\$ 216,938</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100.0%</u>	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 4,601,266	2,277,007	327,983

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](http://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, 2019.

**(9) Other Postemployment Benefits (OPEB)**

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

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

Retired participants must be age 55 or older at retirement. At June 30, 2019, the following employees were covered by the benefit terms:

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

Total OPEB Liability – The County's total OPEB liability of \$88,279 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

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

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

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

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale M-P 2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	\$ 85,927
Changes for the year:	
Service cost	6,021
Interest	3,048
Differences between expected and actual experiences	-
Changes in assumptions	-
Benefit payments	<u>(6,717)</u>
Net changes	<u>2,352</u>
Total OPEB liability end of year	<u>\$ 88,279</u>

Changes of assumptions reflect a change in the discount rate from 3.44% in fiscal year 2018 to 3.44% in fiscal year 2019.

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

	1% Decrease (2.44%)	Discount Rate (3.44%)	1% Increase (4.44%)
Total OPEB liability	\$ 93,571	88,279	83,391

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

	1% Decrease (7.00%)	Healthcare Cost Trend Rate (8.00%)	1% Increase (9.00%)
Total OPEB liability	\$ 81,540	88,279	96,073

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the County recognized OPEB expense of \$2,132. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(2,660)
Changes in assumptions	1,159	-
Total	\$ 1,159	(2,660)

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

Year ending June 30,	Amount
2020	\$ (220)
2021	(220)
2022	(220)
2023	(220)
2024	(220)
Thereafter	(401)
	<u>\$ (1,501)</u>

**(10) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 778 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, 2019 were \$86,606.

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 is deemed probable such losses have occurred, and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2019, no liability has been recorded in the County's financial statements. As of June 30, 2019, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

**(11) 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, 2019 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Red Oak	Urban renewal and economic development projects	\$ 47,720



**(12) 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, 2019, as follows:

Revenues:		
Property and other county tax	\$	200,518
Intergovernmental revenues:		
State tax credits		<u>16,628</u>
Total revenues		217,146
Expenditures:		
General administration:		
Distribution to regional fiscal agent		<u>214,725</u>
Excess of revenues over expenditures		2,421
Fund balance beginning of year		<u>16,715</u>
Fund balance end of year	\$	<u><u>19,136</u></u>

**(13) Subsequent Event**

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of Montgomery County, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the County's operations and finances.

**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, 2019

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 6,481,166	-	6,481,166
Penalty and interest on property tax	47,189	-	47,189
Intergovernmental	4,860,825	-	4,860,825
Licenses and permits	9,061	-	9,061
Charges for service	289,364	-	289,364
Use of money and property	75,732	-	75,732
Miscellaneous	85,229	468	84,761
<b>Total receipts</b>	<b>11,848,566</b>	<b>468</b>	<b>11,848,098</b>
<b>Disbursements:</b>			
Public safety and legal services	3,198,661	-	3,198,661
Physical health and social services	496,039	-	496,039
Mental health	214,725	-	214,725
County environment and education	412,534	2,363	410,171
Roads and transportation	4,463,158	-	4,463,158
Governmental services to residents	389,665	-	389,665
Administration	1,680,507	-	1,680,507
Debt service	1,261,820	-	1,261,820
Capital projects	890,856	-	890,856
<b>Total disbursements</b>	<b>13,007,965</b>	<b>2,363</b>	<b>13,005,602</b>
Excess (deficiency) of receipts over (under) disbursements	(1,159,399)	(1,895)	(1,157,504)
Other financing sources, net	-	-	-
Change in fund balances	(1,159,399)	(1,895)	(1,157,504)
Balance beginning of year	8,278,425	4,870	8,273,555
Balance end of year	<b>\$ 5,959,627</b>	<b>1,080</b>	<b>5,958,547</b>

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Actual
		Variance
6,626,155	6,626,155	(144,989)
36,600	36,600	10,589
5,366,454	5,504,891	(644,066)
12,350	12,350	(3,289)
282,180	282,180	7,184
51,698	51,698	24,034
73,300	73,300	11,461
<u>12,448,737</u>	<u>12,587,174</u>	<u>(739,076)</u>
3,398,396	3,445,546	246,885
592,746	602,746	106,707
214,725	214,725	-
467,730	498,568	88,397
4,479,415	4,853,415	390,257
538,188	539,900	150,235
1,374,413	1,832,121	151,614
1,263,206	1,263,206	1,386
4,121,488	4,121,488	3,230,632
<u>16,450,307</u>	<u>17,371,715</u>	<u>4,366,113</u>
(4,001,570)	(4,784,541)	3,627,037
22,824	22,824	(22,824)
(3,978,746)	(4,761,717)	3,604,213
6,429,659	6,429,659	1,843,896
<u>(1,527,833)</u>	<u>(3,093,775)</u>	<u>9,052,322</u>

**Montgomery County**

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Montgomery County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2019

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 11,848,566	(188,624)	11,659,942
Expenditures	13,007,965	(432,391)	12,575,574
Net	(1,159,399)	243,767	(915,632)
Other financing sources (uses), net	-	-	-
Beginning fund balances	8,278,425	388,129	8,666,554
Ending fund balances	<u>\$ 7,119,026</u>	<u>631,896</u>	<u>7,750,922</u>

See accompanying independent auditor's report.

Montgomery County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2019

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$921,408. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2019, disbursements did not exceed the amount budgeted, however disbursements in one department exceeded the amount appropriated.

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Montgomery County

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

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

Required Supplementary Information

	2019	2018	2017	2016	2015
County's proportion of the net pension liability	0.035982%	0.037843%	0.037679%	0.035904%	0.033257%
County's proportionate share of the net pension liability	\$ 2,277	2,521	2,371	1,774	1,319
County's covered payroll	\$ 3,768	3,527	3,405	3,321	3,191
County's proportionate share of the net pension liability as a percentage of its covered payroll	60.43%	71.48%	69.63%	53.42%	41.34%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.



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Montgomery County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 367	344	322	312
Contributions in relation to the statutorily required contribution	<u>(367)</u>	<u>(344)</u>	<u>(322)</u>	<u>(312)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 3,820	3,768	3,527	3,405
Contributions as a percentage of covered payroll	9.61%	9.13%	9.13%	9.16%

See accompanying independent auditor's report.

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2015	2014	2013	2012	2011	2010
306	294	280	266	216	207
(306)	(294)	(280)	(266)	(216)	(207)
-	-	-	-	-	-
3,321	3,191	3,118	3,181	2,932	2,991
9.21%	9.21%	8.98%	8.36%	7.37%	6.92%

Montgomery County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2019

Changes of benefit terms:

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

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

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

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

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

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

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

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

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Montgomery County

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

For the Past Two Years  
Required Supplementary Information

	<u>2019</u>	<u>2018</u>
Service cost	\$ 6,021	5,874
Interest cost	3,048	2,988
Difference between expected and actual experiences	-	(3,442)
Changes in assumptions	-	1,501
Benefit payments	<u>(6,717)</u>	<u>(7,862)</u>
Net change in total OPEB liability	2,352	(941)
Total OPEB liability beginning of year, as restated	<u>85,927</u>	<u>86,868</u>
Total OPEB liability end of year	<u>\$ 88,279</u>	<u>85,927</u>
Covered-employee payroll	\$ 3,567,565	3,480,551
Total OPEB liability as a percentage of covered-employee payroll	2.5%	2.5%

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

*Changes in benefit terms:*

There were no significant changes in benefit terms.

*Changes in assumptions:*

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

Year ended June 30, 2019	3.44%
Year ended June 30, 2018	3.44%
Year ended June 30, 2017	4.50%

**Montgomery County**

## **Supplementary Information**

Montgomery County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2019

			Special
	County Recorder's Records Management	Flood and Erosion	Seized and Forfeited Property - County Sheriff
<b>Assets</b>			
Cash and pooled investments:			
County Treasurer	\$ 16,316	10,811	3,950
Conservation Foundation	-	-	-
	\$ 16,316	10,811	3,950
<b>Fund Balances</b>			
Fund balances:			
Restricted for other purposes	\$ 16,316	10,811	3,950

See accompanying independent auditor's report.

Revenue

<u>K-9</u>	<u>Conservation Foundation</u>	<u>Total</u>
40,470	-	71,547
-	2,975	2,975
<u>40,470</u>	<u>2,975</u>	<u>74,522</u>
<u>40,470</u>	<u>2,975</u>	<u>74,522</u>



Montgomery County

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

Year ended June 30, 2019

	County Recorder's Records Management	Flood and Erosion	Special Seized and Forfeited Property - County Sheriff
Revenues:			
Charges for service	\$ 1,694	-	-
Use of money and property	13	-	-
Miscellaneous	-	-	-
Total revenues	1,707	-	-
Expenditures:			
Operating:			
Public safety and legal services	-	-	575
County environment and education	-	-	-
Governmental services to residents	9,325	-	-
Total expenditures	9,325	-	575
Excess (deficiency) of revenues over (under) expenditures	(7,618)	-	(575)
Other financing sources (uses):			
Transfers in	-	10,000	-
Change in fund balances	(7,618)	10,000	(575)
Fund balances beginning of year	23,934	811	4,525
Fund balances end of year	\$ 16,316	10,811	3,950

See accompanying independent auditor's report.

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 Revenue
 

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K-9	Conservation Foundation	Total
-	-	1,694
-	-	13
12,206	468	12,674
12,206	468	14,381
<hr/>		
9,280	-	9,855
-	2,592	2,592
-	-	9,325
9,280	2,592	21,772
<hr/>		
2,926	(2,124)	(7,391)
<hr/>		
-	-	10,000
2,926	(2,124)	2,609
37,544	5,099	71,913
40,470	2,975	74,522

Montgomery County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2019

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	2,196	284,320	103,935	6,679
Other County officials	40,022	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	694	916	34,006	2,082
Succeeding year	-	181,000	238,000	8,661,000	544,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	-	4,920	-	-
<b>Total assets</b>	<b>\$ 40,022</b>	<b>183,890</b>	<b>528,156</b>	<b>8,798,941</b>	<b>552,761</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	154	-	-
Salaries and benefits payable	-	-	4,958	-	-
Due to other governments	14,067	183,890	516,229	8,798,941	552,761
Trusts payable	25,955	-	-	-	-
Compensated absences	-	-	6,815	-	-
<b>Total liabilities</b>	<b>\$ 40,022</b>	<b>183,890</b>	<b>528,156</b>	<b>8,798,941</b>	<b>552,761</b>

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	County Hospital	911 Service	Other	Total
59,705	1,812	275,579	21,169	607,994	155,183	1,518,572
-	-	-	-	-	-	40,022
34,223	167	-	6,612	-	6	78,706
3,500,000	190,000	-	1,720,000	-	2,000	15,036,000
-	-	-	-	4,992	-	4,992
-	-	-	-	151	-	151
16,304	-	-	-	-	34,345	50,649
-	-	-	-	59,258	-	59,258
-	-	-	-	-	1,760	6,680
<b>3,610,232</b>	<b>191,979</b>	<b>275,579</b>	<b>1,747,781</b>	<b>672,395</b>	<b>193,294</b>	<b>16,795,030</b>
-	-	-	-	135	798	1,087
-	-	-	-	295	2,603	7,856
3,610,232	191,979	275,579	1,747,781	671,965	128,143	16,691,566
-	-	-	-	-	55,742	81,697
-	-	-	-	-	6,008	12,824
<b>3,610,232</b>	<b>191,979</b>	<b>275,579</b>	<b>1,747,781</b>	<b>672,395</b>	<b>193,294</b>	<b>16,795,030</b>

Montgomery County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2019

<b>Assets and Liabilities</b>	County	Agricultural	County		Community
	Offices	Extension Education	Assessor	Schools	Colleges
Balances beginning of year	\$ 28,428	173,030	499,748	8,154,236	528,123
Additions:					
Property and other county tax	-	181,746	238,772	8,681,537	546,250
911 surcharges	-	-	-	-	-
Intergovernmental	-	-	-	-	-
State tax credits	-	14,238	19,050	681,403	43,038
Office fees and collections	279,935	-	1,578	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	213,094	-	-	-	-
Miscellaneous	1,200	-	-	-	-
Total additions	494,229	195,984	259,400	9,362,940	589,288
Deductions:					
Agency remittances:					
To other funds	133,737	-	-	-	-
To other governments	148,069	185,124	230,992	8,718,235	564,650
Trusts paid out	200,829	-	-	-	-
Total deductions	482,635	185,124	230,992	8,718,235	564,650
Balances end of year	\$ 40,022	183,890	528,156	8,798,941	552,761

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	County Hospital	911 Service	Other	Total
3,521,231	177,953	287,646	1,668,766	558,723	132,206	15,730,090
3,343,122	195,339	-	1,726,591	123,760	69,120	15,106,237
-	-	-	-	70,034	-	70,034
-	-	-	-	-	787,686	787,686
469,020	9,849	-	137,262	-	134	1,373,994
-	-	-	-	-	-	281,513
-	-	-	-	-	1,858	1,858
-	-	3,494,811	-	-	-	3,494,811
16,304	-	-	-	-	34,345	50,649
-	-	-	-	-	178,265	391,359
-	-	78,905	-	634	271,985	352,724
3,828,446	205,188	3,573,716	1,863,853	194,428	1,343,393	21,910,865
-	-	133,227	-	-	-	266,964
3,739,445	191,162	3,452,556	1,784,838	80,756	779,628	19,875,455
-	-	-	-	-	502,677	703,506
3,739,445	191,162	3,585,783	1,784,838	80,756	1,282,305	20,845,925
3,610,232	191,979	275,579	1,747,781	672,395	193,294	16,795,030

Montgomery County

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

For the Last Ten Years

	2019	2018	2017	2016
<b>Revenues:</b>				
Property and other county tax	\$ 6,153,218	5,659,669	5,526,013	5,489,833
Local option sales and services tax	350,051	362,429	356,194	398,799
Penalty and interest on property tax	47,810	47,337	40,578	46,332
Intergovernmental	4,654,594	3,853,706	3,841,739	3,623,075
Licenses and permits	9,236	8,655	11,246	8,447
Charges for service	289,881	315,402	300,400	317,137
Use of money and property	70,360	114,299	94,156	89,732
Miscellaneous	84,792	113,455	121,903	187,975
<b>Total</b>	<b>\$ 11,659,942</b>	<b>10,474,952</b>	<b>10,292,229</b>	<b>10,161,330</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 2,689,051	2,516,049	2,423,677	2,165,968
Physical health and social services	494,813	469,046	554,497	515,032
Mental health	214,725	235,382	395,215	321,464
County environment and education	420,121	422,492	424,322	404,359
Roads and transportation	4,442,650	4,665,554	4,229,299	4,565,097
Governmental services to residents	390,370	430,846	428,395	383,970
Administration	1,676,488	1,293,229	1,520,338	1,381,443
Debt service	1,261,820	597,022	509,530	522,746
Capital projects	985,536	3,269,997	640,609	200,026
<b>Total</b>	<b>\$ 12,575,574</b>	<b>13,899,617</b>	<b>11,125,882</b>	<b>10,460,105</b>

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
5,448,722	5,220,237	5,091,743	4,934,561	4,313,696	4,112,240
398,227	350,974	381,865	361,968	368,358	315,515
49,498	48,454	48,050	51,815	52,631	60,910
3,420,388	3,450,069	3,534,022	3,834,247	5,169,417	5,311,182
6,630	5,530	5,505	6,938	6,130	10,408
305,331	295,058	320,017	288,352	289,079	266,585
59,936	75,023	62,341	67,971	78,833	65,789
246,887	156,710	102,018	85,044	76,700	146,958
9,935,619	9,602,055	9,545,561	9,630,896	10,354,844	10,289,587
2,048,645	2,001,202	1,856,005	1,789,387	1,729,277	1,719,833
413,092	427,954	508,186	510,306	623,764	765,526
1,201,470	334,111	467,865	1,169,423	1,038,487	1,016,092
421,962	306,317	312,438	292,922	292,604	568,728
4,272,031	3,736,927	3,510,586	3,208,220	3,286,482	3,488,600
372,691	383,574	459,003	373,965	370,083	323,060
1,017,804	944,416	961,623	873,031	752,815	758,976
450,098	409,240	412,053	400,462	48,868	24,281
32,295	203,706	1,076,541	4,446,366	1,048,376	1,594,673
10,230,088	8,747,447	9,564,300	13,064,082	9,190,756	10,259,769





**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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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, 2019, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 15, 2020.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings as item (C) to be a significant deficiency.

### 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, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

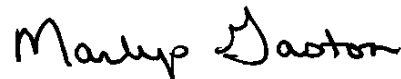
### Montgomery County's Responses to the Findings

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

### Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Montgomery County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Marlys K. Gaston, CPA  
Deputy Auditor of State

June 15, 2020

Montgomery County  
Schedule of Findings  
Year ended June 30, 2019

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

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

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

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

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

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

Montgomery County

Schedule of Findings

Year ended June 30, 2019

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

Responses –

County Treasurer – We try to segregate as much as possible and will continually look for ways to improve segregation of duties and watch for any inconsistencies.

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. We will try to segregate as much as possible.

County Recorder – Small number of staff makes segregation of duties difficult.

County Engineer – There is only one office manager therefore all receipts are documented and then taken to the Treasurer's office.

Ag Extension – We have begun to have Council members sign and date the monthly bank records at Council meetings. We will continue to improve segregation to the best of our ability. We will have other staff handle and record cash when available.

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

(B) Financial Reporting

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.

Montgomery County

Schedule of Findings

Year ended June 30, 2019

Condition – Material amounts of payables, receivables and capital assets 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 payables, receivables and capital asset additions are identified and are properly reported in the County’s financial statements.

Response – The Board of Supervisors will follow through with the recommendation by the Auditors.

Conclusion – Response accepted.

(C) Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances.

Condition – Bank reconciliations were not prepared for the Montgomery County Conservation Foundation. In addition, the County Treasurer did not prepare bank reconciliation for the last six months of fiscal year 2019 on a timely basis.

Cause – Procedures have not been designed and implemented to ensure all accounts are reconciled timely and the amounts recorded in the books and bank balances are complete and accurate to ensure proper accounting for all funds.

Effect – A lack of bank to book reconciliations and timely reconciliations can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The Montgomery County Conservation Foundation and the County Treasurer should prepare timely bank reconciliations and have an independent person review the reconciliations for propriety. The reviews should be documented by the signature or initials of the reviewer and the date of the review.

Montgomery County

Schedule of Findings

Year ended June 30, 2019

Responses –

Treasurer – We are now preparing bank reconciliations on a timely basis and will continue to work to ensure bank reconciliations are prepared timely. In addition, bank reconciliations are now reviewed by another office.

Conservation Foundation – We will begin preparing bank reconciliation. The controls for the bank reconciliation will be changed by meeting of three Board members monthly to check and sign off on the bank reconciliations.

Conclusion – Responses accepted.

Montgomery County  
Schedule of Findings  
Year ended June 30, 2019

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Montgomery County

Schedule of Findings

Year ended June 30, 2019

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 did not exceed the amount budgeted. However, disbursements in one department exceeded the amount appropriated.

Recommendation – 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 – Board of Supervisors will thoroughly review month-end expense reports and do a budget amendment if needed.

Conclusion – Response accepted.

- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – No business transactions between the County and County officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of County officials and employees are in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2019 for the County Extension Office did not exceed the amount budgeted.



Montgomery County

Schedule of Findings

Year ended June 30, 2019

- (10) Emergency Management Budget – The notice of the FY19 budget hearing was not published at least 10 days prior to the hearings as required by Chapter 24.9 of the Code of Iowa.

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

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

Conclusion – Response accepted.

Montgomery County

Staff

This audit was performed by:

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