



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

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Auditor of State

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NEWS RELEASE

FOR RELEASE

June 11, 2014

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

The County had local tax revenue of \$19,424,662 for the year ended June 30, 2013, which included \$887,761 in tax credits from the state. The County forwarded \$14,089,854 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,334,808 of the local tax revenue to finance County operations, a 3.6% increase over the prior year. Other revenues included charges for service of \$520,039, operating grants, contributions and restricted interest of \$2,884,054, capital grants, contributions and restricted interest of \$436,260, local option sales and services tax of \$381,865, gain on disposition of capital assets of \$19,793, unrestricted investment earnings of \$17,650 and other general revenues of \$98,514.

Expenses for County operations for the year ended June 30, 2013 totaled \$8,534,319, a 6.5% decrease from the prior year. Expenses included \$3,731,460 for roads and transportation, \$1,943,236 for public safety and legal services and \$900,917 for administration.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1310-0069-B00F.pdf>.

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MONTGOMERY COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2013

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Montgomery County

Officials

(Before January 2013)

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Bryant Amos	Board of Supervisors	Jan 2013
Donna Robinson	Board of Supervisors	Jan 2013
Karen Blue	Board of Supervisors	Jan 2015
Steve Ratcliff	Board of Supervisors	Jan 2015
Randy Tye	Board of Supervisors	Jan 2015
Ted Schoonover	County Auditor	Jan 2013
Carol Strovers	County Treasurer	Jan 2015
Carleen Bruning	County Recorder	Jan 2015
Joseph Sampson	County Sheriff	Jan 2013
Bruce Swanson	County Attorney	Jan 2015
Stacey Von Dielingen	County Assessor	Jan 2016

(After January 2013)

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

Montgomery County



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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, 2013, 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, 2013, and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 8 through 14 and 42 through 45 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, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 15, 2014 on our consideration of Montgomery County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Montgomery County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN C. JENKINS, CPA
Chief Deputy Auditor of State

May 15, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Montgomery County provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 23.3%, or approximately \$2,948,000, from fiscal year 2012 to fiscal year 2013. Property tax increased approximately \$157,000, capital grants, contributions and restricted interest decreased approximately \$2,613,000, charges for service decreased approximately \$155,000 and operating grants, contributions and restricted interest decreased approximately \$377,000.
- The County's current fiscal year program expenses decreased 6.5%, or approximately \$593,000, from the prior fiscal year. Mental health expenses decreased approximately \$701,000, public safety and legal services expenses increased approximately \$115,000 and roads and transportation expenses decreased approximately \$98,000.
- The County's net position increased 7.0%, or approximately \$1,158,000, from June 30, 2012 to June 30, 2013.

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 financial information about activities for which Montgomery County acts solely as an agent or custodian for the benefit of those outside of county government (Agency Funds).
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis below compares the net position of governmental activities to a year ago.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2013	2012
Current and other assets	\$ 12,069	12,312
Capital assets	16,729	15,780
Total assets	<u>28,798</u>	<u>28,092</u>
Long-term liabilities	5,488	5,709
Other liabilities	5,553	5,784
Total liabilities	<u>11,041</u>	<u>11,493</u>
Net position:		
Net investment in capital assets	12,073	11,109
Restricted	4,308	4,467
Unrestricted	<u>1,376</u>	<u>1,023</u>
Total net position	<u>\$ 17,757</u>	<u>16,599</u>

The largest portion of the County’s net position is invested in capital assets (i.e. land, buildings, infrastructure, equipment and construction in progress), less the related debt. This net position component increased approximately \$964,000, or 8.7%, over the prior year, primarily due to capitalization of costs related to the law enforcement center and equipment purchases for the Secondary Roads Department.

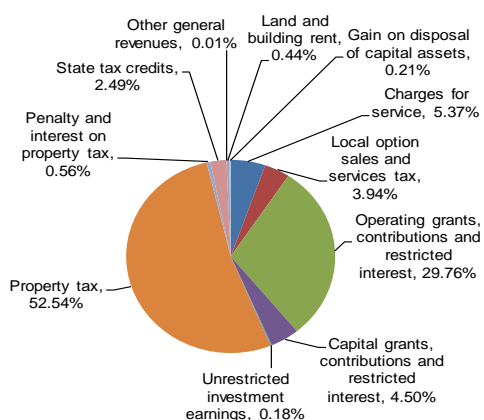
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position component decreased approximately \$159,000, or 3.6%, from the prior year.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased approximately \$353,000, or 34.5%, over the prior year. This increase is due primarily to an increase in the General Fund balance.

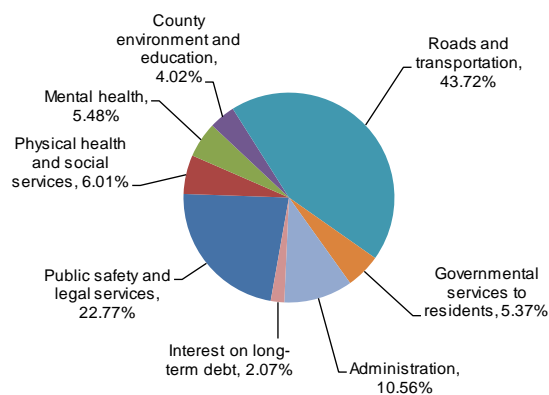
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2013	2012
Revenues:		
Program revenues:		
Charges for service	\$ 520	675
Operating grants, contributions and restricted interest	2,884	3,261
Capital grants, contributions and restricted interest	436	3,049
General revenues:		
Property tax	5,094	4,937
Penalty and interest on property tax	54	55
State tax credits	241	214
Local option sales and services tax	382	362
Unrestricted investment earnings	17	12
Land and building rent	43	35
Gain on disposition of capital assets	20	38
Other general revenues	1	2
Total revenues	9,692	12,640
Program expenses:		
Public safety and legal services	1,943	1,828
Physical health and social services	513	511
Mental health	468	1,169
County environment and education	343	317
Roads and transportation	3,731	3,829
Governmental services to residents	458	380
Administration	901	918
Interest on long-term debt	177	175
Total expenses	8,534	9,127
Change in net position	1,158	3,513
Net position beginning of year	16,599	13,086
Net position end of year	\$ 17,757	16,599

Revenues by Source



Expenses by Program



The County decreased property tax rates \$.16 and \$.06 per \$1,000 of taxable valuation for the countywide levy and the rural levy, respectively. The general basic levy remained at \$3.50 per \$1,000 of taxable valuation while the general supplemental levy decreased \$.11 per \$1,000 of taxable valuation. The mental health levy decreased \$.03 per \$1,000 of taxable valuation and the debt service levy decreased \$.02 per \$1,000 of taxable valuation. The rural assessed property taxable valuation increased approximately \$23,637,000. The countywide assessed property taxable valuation increased approximately \$24,757,000. Based on the valuation increases and the changes in property tax rates, property tax revenue increased approximately \$157,000.

The cost of all governmental activities this year was approximately \$8.5 million compared to approximately \$9.1 million last year. The decrease in expenses is primarily due to decreased mental health costs related to a change in the State's method of paying for Medicaid reimbursed services. Overall, the County's governmental activities revenues, including intergovernmental aid and fees for services, decreased in fiscal year 2013 from approximately \$12.6 million in fiscal year 2012 to approximately \$9.7 million. Capital grants, contributions and restricted interest decreased approximately \$2,613,000 due to a decrease in farm to market projects contributed by the Iowa Department of Transportation. Operating grants, contributions and restricted interest decreased approximately \$377,000, primarily due to decreased state aid for mental health services.

INDIVIDUAL MAJOR FUND ANALYSIS

As Montgomery County completed the year, its governmental funds reported a combined fund balance of approximately \$6.5 million, a decrease of approximately \$19,000 from the end of the last fiscal year. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund balance increased approximately \$352,000 during the fiscal year to approximately \$2,495,000. Revenues increased approximately 104,000, or 2.7%, over the prior year and expenditures increased approximately \$270,000, or 7.9%. The increase in fund balance is due to revenues exceeding expenditures during the year.

The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal year 2013, the Special Revenue, Mental Health Fund expenditures totaled approximately \$468,000, a decrease of 60% from the prior year. Revenues in the fund totaled approximately \$471,000, a decrease of 54% from the prior year. These changes are due to a change in the State's method of paying for Medicaid reimbursed services. The Special Revenue, Mental Health Fund balance at year end increased approximately \$3,000 from the prior year balance to approximately \$594,000.

The Special Revenue, Rural Services Fund ending fund balance increased approximately \$177,000 over the prior year to approximately \$567,000. Property tax revenue for the Rural Services Fund increased approximately \$86,600 in fiscal year 2013 due to an increase in rural assessed property taxable valuation. Expenditures remained relatively consistent from the previous fiscal year, increasing approximately \$5,400.

Special Revenue, Secondary Roads Fund revenues decreased approximately \$25,000 while expenditures increased approximately \$727,000 over the prior year, principally due to increased equipment purchases and locally funded road projects. This resulted in a decrease in the Secondary Roads Fund ending fund balance of approximately \$355,000.

The County created a Capital Projects Fund in fiscal year 2011 for construction of a law enforcement center. Construction of the law enforcement center was funded through \$3,595,000 of general obligation bonds issued during fiscal year 2011 and \$2,080,000 of general obligation bonds issued during fiscal year 2012. The law enforcement center was placed into service in fiscal year 2013 and the building was capitalized at a cost of approximately \$5,216,000. The Capital Projects Fund balance was approximately \$599,000 at year end, a decrease of approximately \$220,000 from the prior year. The fund balance at June 30, 2013 consists of unspent bond

proceeds and a reimbursement from the City of Red Oak for a portion of the project costs. The County intends to use this balance for principal and interest payments on the general obligation bonds issued for the project.

BUDGETARY HIGHLIGHTS

Montgomery County amended its budget four times during fiscal year 2013. The first amendment was made in July 2012 and decreased budgeted receipts approximately \$88,000 and budgeted disbursements approximately \$67,000 to reflect responsibility for the Parents as Teachers Program moving to SW Iowa Families, Inc.

The second amendment was made in January 2013. This amendment increased budgeted receipts approximately \$442,000, primarily for anticipated receipt of a federal Hungry Canyons Alliance grant for a bank stabilization project. This amendment also increased budgeted disbursements approximately \$996,000 for anticipated equipment purchases, road projects and the Hungry Canyons project.

The third and fourth amendments were made in May 2013. The third amendment increased budgeted receipts \$4,000 and budgeted disbursements approximately \$36,000 related to expenses for administration, IT cable updates and equipment repair. The fourth amendment increased budgeted disbursements approximately \$8,000 for expenses associated with the Public Health Emergency Preparedness Program grant award.

The County's receipts were approximately \$8,000 less than budgeted. Total disbursements were approximately \$2,041,000 less than the amended budget. Actual mental health function disbursements were \$719,083 less than budgeted due to a change in the State's method of paying Medicaid reimbursed services. Roads and transportation function disbursements were approximately \$569,000 less than budgeted due to the timing of locally funded road projects.

Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the debt service function. Also, the Board did not appropriate by resolution the amounts deemed necessary for each County department as required by Chapter 331.434 of the Code of Iowa.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, Montgomery County had approximately \$16.729 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 \$949,000, or 6.0%, over June 30, 2012, as follows:

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2013	2012
Land	\$ 642	523
Intangibles, road network	213	48
Construction in progress	-	4,750
Buildings and improvements	5,530	329
Equipment and vehicles	2,088	1,787
Infrastructure	8,256	8,343
Total	\$ 16,729	15,780
This year's major additions included:		
Land	\$ 119	
Law enforcement center building	466	
Equipment, including two motor graders	820	
Infrastructure	269	
Total	\$ 1,674	

Montgomery County had depreciation expense of \$745,563 in fiscal year 2013 and total accumulated depreciation of \$5,025,431 at June 30, 2013. Additional information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2013, Montgomery County had \$5,255,000 of general obligation bonds outstanding, compared to \$5,490,000 of general obligation bonds outstanding at June 30, 2012.

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

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Montgomery County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$42 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 2014 budget, tax rates and fees for the various County services. One of the factors considered was the County's taxable valuations, which increased approximately \$19,000,000 over fiscal year 2013 valuations. The County decided to leave the general basic levy at the maximum cap of \$3.50 per \$1,000 of taxable valuation and the rural services basic levy at the maximum cap of \$3.95 per \$1,000 of taxable valuation for fiscal year 2014, the same rates levied for fiscal year 2013.

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 2013, these amounts were \$316,573, \$39,572, \$19,786 and \$19,786, 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

Exhibit A

Montgomery County
Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	
Receivables:	\$ 6,103,680
Property tax:	
Delinquent	16,850
Succeeding year	5,216,000
Interest and penalty on property tax	17,920
Accounts	2,550
Accrued interest	3,635
Due from other governments	278,975
Inventories	324,940
Prepaid items	104,851
Capital assets, net of accumulated depreciation	16,728,660
Total assets	<u>28,798,061</u>
Liabilities	
Accounts payable	167,606
Accrued interest payable	13,726
Salaries and benefits payable	74,427
Due to other governments	80,637
Deferred revenue:	
Succeeding year property tax	5,216,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	235,000
Compensated absences	159,775
Portion due or payable after one year:	
General obligation bonds	5,020,000
Compensated absences	55,718
Net OPEB liability	17,700
Total liabilities	<u>11,040,589</u>
Net Position	
Net investment in capital assets	12,073,106
Restricted for:	
Supplemental levy purposes	977,366
Mental health purposes	595,212
Rural services purposes	440,156
Secondary roads purposes	2,006,229
Public safety purposes	65,839
Courthouse repair	69,640
County Fair	10,658
Debt service	84,937
Other purposes	57,803
Unrestricted	1,376,526
Total net position	<u>\$ 17,757,472</u>

See notes to financial statements.

Montgomery County
Statement of Activities
Year ended June 30, 2013

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Contributions and Restricted Interest	Operating Grants, Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,943,236	221,151	186,869	317,189	(1,217,962)
Physical health and social services	512,909	44,205	155,655	-	(313,049)
Mental health	467,865	600	101,942	-	(365,323)
County environment and education	342,629	15,178	14,352	119,071	(194,028)
Roads and transportation	3,731,460	22,721	2,377,737	-	(1,331,002)
Governmental services to residents	457,915	203,423	-	-	(254,492)
Administration	900,917	12,696	47,499	-	(840,722)
Interest on long-term debt	177,388	-	-	-	(177,388)
Total	\$ 8,534,319	520,039	2,884,054	436,260	(4,693,966)
General Revenues:					
Property and other county tax levied for:					
General purposes					4,702,323
Debt service					391,547
Penalty and interest on property tax					53,941
State tax credits					240,938
Local option sales and services tax					381,865
Unrestricted investment earnings					17,650
Land and building rent					43,440
Gain on disposition of capital assets					19,793
Miscellaneous					1,133
Total general revenues					5,852,630
Change in net position					1,158,664
Net position beginning of year					16,598,808
Net position end of year					\$ 17,757,472

See notes to financial statements.

Montgomery County

Balance Sheet
Governmental Funds

June 30, 2013

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 2,458,015	664,990	582,635
Receivables:			
Property tax:			
Delinquent	13,265	1,625	100
Succeeding year	2,858,000	350,000	1,621,000
Interest and penalty on property tax	17,920	-	-
Accounts	2,362	-	-
Accrued interest	3,635	-	-
Due from other governments	58,309	14,726	-
Inventories	-	-	-
Prepaid items	81,129	-	-
Total assets	\$ 5,492,635	1,031,341	2,203,735
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 34,247	38,485	2,803
Salaries and benefits payable	42,048	-	12,655
Due to other governments	32,907	47,644	86
Deferred revenue:			
Succeeding year property tax	2,858,000	350,000	1,621,000
Other	30,292	1,573	87
Total liabilities	2,997,494	437,702	1,636,631
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid items	81,129	-	-
Restricted for:			
Supplemental levy purposes	829,084	-	107,543
Mental health purposes	-	593,639	-
Rural services purposes	-	-	459,561
Secondary roads purposes	-	-	-
Public safety purposes	65,839	-	-
Courthouse repair	69,640	-	-
County Fair	10,658	-	-
Capital projects	-	-	-
Debt service	-	-	-
Other purposes	532	-	-
Unassigned	1,438,259	-	-
Total fund balances	2,495,141	593,639	567,104
Total liabilities and fund balances	\$ 5,492,635	1,031,341	2,203,735

See notes to financial statements.

Secondary Roads	Capital Projects	Nonmajor	Total
1,643,690	600,177	154,173	6,103,680
-	-	1,860	16,850
-	-	387,000	5,216,000
-	-	-	17,920
188	-	-	2,550
-	-	-	3,635
205,940	-	-	278,975
324,940	-	-	324,940
23,722	-	-	104,851
2,198,480	600,177	543,033	12,069,401
91,240	731	100	167,606
19,724	-	-	74,427
-	-	-	80,637
-	-	387,000	5,216,000
-	-	1,803	33,755
110,964	731	388,903	5,572,425
324,940	-	-	324,940
23,722	-	-	104,851
-	-	-	936,627
-	-	-	593,639
-	-	-	459,561
1,738,854	-	-	1,738,854
-	-	-	65,839
-	-	-	69,640
-	-	-	10,658
-	599,446	-	599,446
-	-	96,859	96,859
-	-	57,271	57,803
-	-	-	1,438,259
2,087,516	599,446	154,130	6,496,976
2,198,480	600,177	543,033	12,069,401

Montgomery County

Montgomery County

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

June 30, 2013

Total governmental fund balances (page 19) \$ 6,496,976

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$21,754,091 and the accumulated depreciation is \$5,025,431. 16,728,660

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the funds. 33,755

Long-term liabilities, including bonds payable, compensated absences payable, accrued interest payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (5,501,919)

Net position of governmental activities (page 16) \$ 17,757,472

See notes to financial statements.

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

Year ended June 30, 2013

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,775,367	352,292	1,572,537
Local option sales and services tax	9,824	-	-
Interest and penalty on property tax	48,050	-	-
Intergovernmental	647,452	118,272	70,375
Licenses and permits	4,950	-	-
Charges for service	316,136	-	1,580
Use of money and property	61,667	-	-
Miscellaneous	37,016	761	-
Total revenues	<u>3,900,462</u>	<u>471,325</u>	<u>1,644,492</u>
Expenditures:			
Operating:			
Public safety and legal services	1,412,406	-	443,499
Physical health and social services	508,186	-	-
Mental health	-	467,865	-
County environment and education	270,889	-	41,549
Roads and transportation	-	-	300,164
Governmental services to residents	456,293	-	2,710
Administration	961,623	-	-
Debt service	-	-	-
Capital projects	90,667	-	-
Total expenditures	<u>3,700,064</u>	<u>467,865</u>	<u>787,922</u>
Excess (deficiency) of revenues over (under) expenditures	<u>200,398</u>	<u>3,460</u>	<u>856,570</u>
Other financing sources (uses):			
Operating transfers in	151,574	-	-
Operating transfers out	-	-	(680,000)
Total other financing sources (uses)	<u>151,574</u>	<u>-</u>	<u>(680,000)</u>
Change in fund balances	351,972	3,460	176,570
Fund balances beginning of year	<u>2,143,169</u>	<u>590,179</u>	<u>390,534</u>
Fund balances end of year	<u>\$ 2,495,141</u>	<u>593,639</u>	<u>567,104</u>

See notes to financial statements.

Secondary Roads	Capital Projects	Nonmajor	Total
-	-	391,547	5,091,743
39,297	-	332,744	381,865
-	-	-	48,050
2,362,548	316,538	18,837	3,534,022
555	-	-	5,505
-	-	2,301	320,017
-	651	23	62,341
34,183	30,058	-	102,018
2,436,583	347,247	745,452	9,545,561
-	-	100	1,856,005
-	-	-	508,186
-	-	-	467,865
-	-	-	312,438
3,210,422	-	-	3,510,586
-	-	-	459,003
-	-	-	961,623
-	-	412,053	412,053
507,276	478,598	-	1,076,541
3,717,698	478,598	412,153	9,564,300
(1,281,115)	(131,351)	333,299	(18,739)
926,546	1,413	-	1,079,533
-	(89,934)	(309,599)	(1,079,533)
926,546	(88,521)	(309,599)	-
(354,569)	(219,872)	23,700	(18,739)
2,442,085	819,318	130,430	6,515,715
2,087,516	599,446	154,130	6,496,976

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, 2013

Change in fund balances - Total governmental funds (page 23) \$ (18,739)

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

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

Expenditures for capital assets	\$ 1,555,210	
Land contributed to the County Conservation Department	119,071	
Depreciation expense	(745,563)	928,718

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. 19,793

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	2,127	
Other	5,891	8,018

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 235,000

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

Compensated absences	(8,631)	
Other postemployment benefits	(5,700)	
Interest on long-term debt	205	(14,126)

Change in net position of governmental activities (page 17) \$ 1,158,664

See notes to financial statements.

Montgomery County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2013

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,119,762
Other County officials	24,012
Receivables:	
Property tax:	
Delinquent	93,150
Succeeding year	13,439,000
Accounts	3,739
Special assessments	921
Due from other governments	23,994
Prepaid items	3,100
Total assets	<u>14,707,678</u>

Liabilities

Accounts payable	3,872
Salaries and benefits payable	2,473
Due to other governments	14,672,562
Trusts payable	26,100
Compensated absences	2,671
Total liabilities	<u>14,707,678</u>

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

Montgomery County

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position (previously referred to as net assets) 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 and liabilities, 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 often has constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred 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 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

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

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

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

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

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

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

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

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

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

Deferred Revenue – 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 revenue 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 revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

- F. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the debt service function. Also, the Board did not appropriate, by resolution, the amounts deemed necessary for each County department as required by Chapter 331.434 of the Code of Iowa.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 61,640
	Capital Projects	89,934
		<u>151,574</u>
Special Revenue: Secondary Roads	Special Revenue:	
	Rural Services	680,000
	Local Option Sales and Services Tax	246,546
		<u>926,546</u>
Capital Projects	Special Revenue:	
	Local Option Sales and Services Tax	1,413
Total		<u>\$ 1,079,533</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, 2013 was as follows:

	Balance			Balance
	Beginning			End
	of Year	Increases	Decreases	of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 522,788	119,071	-	641,859
Intangibles, road network	48,495	164,503	-	212,998
Construction in progress	4,749,865	735,360	5,485,225	-
Total capital assets not being depreciated	5,321,148	1,018,934	5,485,225	854,857
Capital assets being depreciated:				
Buildings	818,885	5,216,002	41,387	5,993,500
Improvements other than buildings	24,250	-	-	24,250
Equipment and vehicles	4,996,013	922,847	695,967	5,222,893
Infrastructure, road network	9,389,368	269,223	-	9,658,591
Total capital assets being depreciated	15,228,516	6,408,072	737,354	20,899,234
Less accumulated depreciation for:				
Buildings	490,289	20,159	27,591	482,857
Improvements other than buildings	3,880	970	-	4,850
Equipment and vehicles	3,229,482	367,662	462,056	3,135,088
Infrastructure, road network	1,045,864	356,772	-	1,402,636
Total accumulated depreciation	4,769,515	745,563	489,647	5,025,431
Total capital assets being depreciated, net	10,459,001	5,662,509	247,707	15,873,803
Governmental activities capital assets, net	\$ 15,780,149	6,681,443	5,732,932	16,728,660

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 55,122
Physical health and social services	2,660
County environment and education	21,396
Roads and transportation	638,575
Administration	27,810
Total depreciation expense - governmental activities	<u>\$ 745,563</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, 2013 is as follows:

Fund	Description	Amount
General	Services	\$ 32,907
Special Revenue:		
Mental Health	Services	47,644
Rural Services	Services	86
		<u>47,730</u>
Total for governmental funds		<u>\$ 80,637</u>
Agency:		
County Assessor	Collections	\$ 809,724
Schools		8,098,633
Community Colleges		417,198
Corporations		2,989,966
Auto License and Use Tax		244,511
County Hospital		1,529,472
All other		<u>583,058</u>
Total for agency funds		<u>\$ 14,672,562</u>

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	General Obligation Bonds	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 5,490,000	206,862	12,000	5,708,862
Increases	-	242,306	8,100	250,406
Decreases	235,000	233,675	2,400	471,075
Balance end of year	<u>\$ 5,255,000</u>	<u>215,493</u>	<u>17,700</u>	<u>5,488,193</u>
Due within one year	<u>\$ 235,000</u>	<u>159,775</u>	-	<u>394,775</u>

General Obligation Bonds

A summary of the County's June 30, 2013 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Law Enforcement Center Bonds			Law Enforcement Center Bonds		
	Interest Dec. 10, 2010			Issued July 11, 2011		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2014	1.40%	\$ 235,000	91,175	0.00%	\$ -	82,063
2015	1.65	240,000	87,885	0.00	-	82,063
2016	1.95	245,000	83,925	0.00	-	82,063
2017	2.25	245,000	79,147	0.00	-	82,063
2018	2.55	250,000	73,635	0.00	-	82,063
2019-2023	2.85-3.60	1,360,000	254,535	0.00	-	410,310
2024-2028	3.75-3.85	600,000	34,547	3.65-3.80	980,000	374,967
2029-2031		-	-	3.85-4.20	1,100,000	92,010
Total		<u>\$ 3,175,000</u>	<u>704,849</u>		<u>\$ 2,080,000</u>	<u>1,287,602</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2014	\$ 235,000	173,238	408,238
2015	240,000	169,948	409,948
2016	245,000	165,988	410,988
2017	245,000	161,210	406,210
2018	250,000	155,698	405,698
2019-2023	1,360,000	664,845	2,024,845
2024-2028	1,580,000	409,514	1,989,514
2029-2031	1,100,000	92,010	1,192,010
Total	<u>\$ 5,255,000</u>	<u>1,992,451</u>	<u>7,247,451</u>

During the year ended June 30, 2013, the County retired \$235,000 of bonds.

(7) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$280,336, \$267,835 and \$215,741, respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer retiree benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. There are 76 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 8,300
Interest on net OPEB obligation	500
Adjustment to annual required contribution	<u>(700)</u>
Annual OPEB cost	8,100
Contributions made	<u>(2,400)</u>
Increase in net OPEB obligation	5,700
Net OPEB obligation beginning of year	<u>12,000</u>
Net OPEB obligation end of year	<u><u>\$ 17,700</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the County contributed \$2,400 to the medical plan. Plan members eligible for benefits contributed \$6,000, or 71% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 12,000	66.7%	\$ 8,000
2012	12,000	66.7	12,000
2013	8,100	29.6	17,700

Funded Status and Funding Progress – As of January 1, 2013, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was approximately \$82,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$82,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,180,000 and the ratio of the UAAL to covered payroll was 2.6%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the January 1, 2013 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

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

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

(9) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 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 officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2013 were \$77,832.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by The Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. 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, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, 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 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. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$125,000, 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.

Montgomery County

Required Supplementary Information

Montgomery County

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

Required Supplementary Information

Year ended June 30, 2013

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
Receipts:				
Property and other county tax	\$ 5,482,552	5,486,251	5,486,251	(3,699)
Penalty and interest on property tax	47,917	15,800	15,800	32,117
Intergovernmental	3,633,824	3,511,583	3,867,619	(233,795)
Licenses and permits	5,505	8,600	8,600	(3,095)
Charges for service	308,384	251,340	253,340	55,044
Use of money and property	62,416	70,180	70,180	(7,764)
Miscellaneous	196,685	43,500	43,500	153,185
Total receipts	9,737,283	9,387,254	9,745,290	(8,007)
Disbursements:				
Public safety and legal services	1,848,032	2,054,319	2,058,743	210,711
Physical health and social services	476,235	644,685	657,583	181,348
Mental health	573,522	1,292,605	1,292,605	719,083
County environment and education	306,911	358,117	362,117	55,206
Roads and transportation	3,637,017	3,255,663	4,206,091	569,074
Governmental services to residents	459,788	491,278	492,578	32,790
Administration	955,544	1,000,812	985,721	30,177
Non-program	-	200	200	200
Debt service	413,436	410,823	410,823	(2,613)
Capital projects	1,370,417	1,599,534	1,615,667	245,250
Total disbursements	10,040,902	11,108,036	12,082,128	2,041,226
Excess (deficiency) of receipts over (under) disbursements	(303,619)	(1,720,782)	(2,336,838)	2,033,219
Balance beginning of year	6,407,299	6,079,012	6,079,012	328,287
Balance end of year	\$ 6,103,680	4,358,230	3,742,174	2,361,506

See accompanying independent auditor's report.

Montgomery County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 9,737,283	(191,722)	9,545,561
Expenditures	10,040,902	(476,602)	9,564,300
Net	(303,619)	284,880	(18,739)
Beginning fund balances	6,407,299	108,416	6,515,715
Ending fund balances	<u>\$ 6,103,680</u>	<u>393,296</u>	<u>6,496,976</u>

See accompanying independent auditor's report.

Montgomery County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, four budget amendments increased budgeted disbursements by \$974,092. 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 E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the debt service function. Also, the Board did not appropriate, by resolution, the amounts deemed necessary for each County department as required by Chapter 331.434 of the Code of Iowa.

Montgomery County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jan 1, 2010	-	\$ 99	99	0.00%	2,797	3.50%
2011	Jan 1, 2010	-	99	99	0.00	2,989	3.30
2012	Jan 1, 2010	-	99	99	0.00	3,233	3.10
2013	Jan 1, 2013	-	82	82	0.00	3,180	2.60

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Montgomery County

Supplementary Information

Montgomery County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2013

	County Recorder's Records Management	Flood and Erosion	Special Local Option Sales and Services Tax
Assets			
Cash and pooled investments	\$ 20,252	811	24,558
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Total assets	\$ 20,252	811	24,558
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	-	-
Deferred revenue:			
Succeeding year property tax	-	-	-
Other	-	-	-
Total liabilities	-	-	-
Fund balances:			
Restricted for:			
Debt service	-	-	-
Other purposes	20,252	811	24,558
Total fund balances	20,252	811	24,558
Total liabilities and fund balances	\$ 20,252	811	24,558

See accompanying independent auditor's report.

Revenue			
Seized and Forfeited Property - County Attorney	Seized and Forfeited Property - County Sheriff	Debt Service	Total
2,076	9,674	96,802	154,173
-			
-	-	1,860	1,860
-	-	387,000	387,000
2,076	9,674	485,662	543,033
-	100	-	100
-	-	387,000	387,000
-	-	1,803	1,803
-	100	388,803	388,903
-	-	96,859	96,859
2,076	9,574	-	57,271
2,076	9,574	96,859	154,130
2,076	9,674	485,662	543,033

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

Year ended June 30, 2013

	County Recorder's Records Management	Flood and Erosion	Special Local Option Sales and Services Tax
Revenues:			
Property and other county tax	\$ -	-	-
Local option sales and services tax	-	-	332,744
Intergovernmental	-	-	-
Charges for service	2,301	-	-
Use of money and property	23	-	-
Total revenues	<u>2,324</u>	<u>-</u>	<u>332,744</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Debt service	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	2,324	-	332,744
Other financing uses:			
Operating transfers out	-	-	(308,186)
Change in fund balances	2,324	-	24,558
Fund balances beginning of year	17,928	811	-
Fund balances end of year	<u>\$ 20,252</u>	<u>811</u>	<u>24,558</u>

See accompanying independent auditor's report.

Revenue				
Seized and Forfeited Property - County Attorney	Seized and Forfeited Property - County Sheriff	Debt Service	Total	
-	-	391,547	391,547	
-	-	-	332,744	
-	-	18,837	18,837	
-	-	-	2,301	
-	-	-	23	
-	-	410,384	745,452	
-	100	-	100	
-	-	412,053	412,053	
-	100	412,053	412,153	
-	(100)	(1,669)	333,299	
-	-	(1,413)	(309,599)	
-	(100)	(3,082)	23,700	
2,076	9,674	99,941	130,430	
2,076	9,574	96,859	154,130	

Montgomery County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,955	490,441	105,283	5,330
Other County officials	24,012	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	699	1,493	38,350	1,868
Succeeding year	-	151,000	322,000	7,955,000	410,000
Accounts	-	-	9	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	-	3,100	-	-
Total assets	\$ 24,012	153,654	817,043	8,098,633	417,198
Liabilities					
Accounts payable	\$ -	-	2,604	-	-
Salaries and benefits payable	-	-	2,044	-	-
Due to other governments	12,353	153,654	809,724	8,098,633	417,198
Trusts payable	11,659	-	-	-	-
Compensated absences	-	-	2,671	-	-
Total liabilities	\$ 24,012	153,654	817,043	8,098,633	417,198

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	County Hospital	E911 Service	Other	Total
32,221	2,218	244,511	19,496	192,642	25,665	1,119,762
-	-	-	-	-	-	24,012
43,745	11	-	6,976	-	8	93,150
2,914,000	182,000	-	1,503,000	-	2,000	13,439,000
-	-	-	-	3,730	-	3,739
-	-	-	-	-	921	921
-	-	-	-	11,849	12,145	23,994
-	-	-	-	-	-	3,100
2,989,966	184,229	244,511	1,529,472	208,221	40,739	14,707,678
-	-	-	-	1,175	93	3,872
-	-	-	-	133	296	2,473
2,989,966	184,229	244,511	1,529,472	206,913	25,909	14,672,562
-	-	-	-	-	14,441	26,100
-	-	-	-	-	-	2,671
2,989,966	184,229	244,511	1,529,472	208,221	40,739	14,707,678

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

Year ended June 30, 2013

	Agricultural				
	County Offices	Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 28,648	148,982	686,992	7,982,815	409,940
Additions:					
Property and other county tax	-	151,430	322,947	7,955,144	410,879
E911 surcharges	-	-	-	-	-
Intergovernmental	-	-	-	-	-
State tax credits	-	7,099	15,221	378,386	19,547
Drivers license fees	-	-	-	-	-
Office fees and collections	373,897	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	262,802	-	-	-	-
Miscellaneous	173	-	4,502	-	-
Total additions	636,872	158,529	342,670	8,333,530	430,426
Deductions:					
Agency remittances:					
To other funds	216,022	-	-	-	-
To other governments	159,615	153,857	212,619	8,217,712	423,168
Trusts paid out	265,871	-	-	-	-
Total deductions	641,508	153,857	212,619	8,217,712	423,168
Balances end of year	\$ 24,012	153,654	817,043	8,098,633	417,198

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	County Hospital	E911 Service	Other	Total
2,910,838	169,447	251,937	1,489,750	146,477	52,294	14,278,120
2,915,427	181,952	-	1,503,645	-	1,607	13,443,031
-	-	-	-	53,037	-	53,037
-	-	-	-	48,365	40,496	88,861
147,939	7,741	-	70,812	-	78	646,823
-	-	58,056	-	-	-	58,056
-	-	-	-	-	-	373,897
-	-	-	-	-	2,301	2,301
-	-	3,136,155	-	-	-	3,136,155
-	-	-	-	-	100	100
-	-	-	-	-	466,562	729,364
4,541	-	-	-	157	63	9,436
3,067,907	189,693	3,194,211	1,574,457	101,559	511,207	18,541,061
-	-	99,909	-	-	-	315,931
2,988,779	174,911	3,101,728	1,534,735	39,815	40,416	17,047,355
-	-	-	-	-	482,346	748,217
2,988,779	174,911	3,201,637	1,534,735	39,815	522,762	18,111,503
2,989,966	184,229	244,511	1,529,472	208,221	40,739	14,707,678

Montgomery County

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

For the Last Ten Years

	2013	2012	2011	2010
Revenues:				
Property and other county tax	\$ 5,091,743	4,934,561	4,313,696	4,112,240
Local option sales and services tax	381,865	361,968	368,358	315,515
Penalty and interest on property tax	48,050	51,815	52,631	60,910
Intergovernmental	3,534,022	3,834,247	5,169,417	5,311,182
Licenses and permits	5,505	6,938	6,130	10,408
Charges for service	320,017	288,352	289,079	266,585
Use of money and property	62,341	67,971	78,833	65,789
Miscellaneous	102,018	85,044	76,700	146,958
Total	\$ 9,545,561	9,630,896	10,354,844	10,289,587
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,856,005	1,789,387	1,729,277	1,719,833
Physical health and social services	508,186	510,306	623,764	765,526
Mental health	467,865	1,169,423	1,038,487	1,016,092
County environment and education	312,438	292,922	292,604	568,728
Roads and transportation	3,510,586	3,208,220	3,286,482	3,488,600
Governmental services to residents	459,003	373,965	370,083	323,060
Administration	961,623	873,031	752,815	758,976
Non-program	-	-	-	-
Debt service	412,053	400,462	48,868	24,281
Capital projects	1,076,541	4,446,366	1,048,376	1,594,673
Total	\$ 9,564,300	13,064,082	9,190,756	10,259,769

See accompanying independent auditor's report.

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
3,613,576	3,446,408	3,610,918	3,483,248	3,558,365	3,295,899
352,231	315,178	364,072	253,099	274,967	289,557
44,606	48,889	43,021	40,657	36,153	36,484
4,474,893	3,268,697	3,666,726	3,717,722	3,254,490	3,370,910
6,698	7,435	8,240	6,395	3,802	5,051
257,946	261,812	266,787	276,669	274,344	324,964
77,625	151,733	171,377	143,711	76,530	53,678
50,408	89,144	72,677	63,807	154,139	70,709
8,877,983	7,589,296	8,203,818	7,985,308	7,632,790	7,447,252
1,574,965	1,617,566	1,522,158	1,562,204	1,561,279	1,538,008
764,003	685,763	648,183	767,606	748,024	754,554
1,051,181	1,102,157	996,251	899,688	845,478	821,818
386,212	304,322	273,717	536,622	352,028	412,139
3,883,189	3,347,954	2,655,699	2,611,352	2,435,439	2,559,409
363,367	332,816	311,434	426,736	330,171	383,206
709,973	652,599	713,278	683,123	648,543	615,399
188	188	-	180	815	172
25,751	71,203	63,389	63,503	114,041	118,481
496	164,394	225,380	652,897	1,528	2,393
8,759,325	8,278,962	7,409,489	8,203,911	7,037,346	7,205,579

Montgomery County



**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, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 15, 2014.

Internal Control Over Financial Reporting

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which 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 (D) 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, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Montgomery County's Responses to the Findings

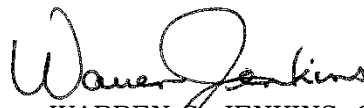
Montgomery County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Montgomery County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 15, 2014

Montgomery County
 Schedule of Findings
 Year ended June 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

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

	Applicable Offices
(1) Receipts – opening and listing mail receipts, collecting, depositing, posting and daily reconciling.	Treasurer, Recorder, Sheriff and Secondary Roads.
(2) The initial receipt listing is not compared to the receipt record by someone independent of recording receipts.	Sheriff
(3) Investments – investing, custody and accounting.	Treasurer
(4) Disbursements – check or warrant writing, signing, posting, reconciling and final approval.	Recorder and Sheriff

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

Responses –

County Treasurer – We type a mail received listing and then the mail is given to the other employees to process. The person preparing the deposit is not the person who made the listing. The deposit listing is used to mark off the mail received listing. Several people process the receipts but may not be the one balancing or depositing.

The Treasurer reconciles the bank statements and the County Auditor's office checks the work. The spreadsheet used lists the investments and we can have the Auditor periodically check the investments.

County Engineer – Secondary Roads will institute a listing of receipts which will be at least spot checked weekly and monthly to deposits and the receipt book. Cash receipts, while highly discouraged, if received will be verified by a second office staff and deposited the same day to the Treasurer.

Montgomery County

Schedule of Findings

Year ended June 30, 2013

County Recorder – The Recorder’s office has two employees present while opening the daily mail. One employee opens the mail and the second employee enters the collections into the cash register and creates a listing of all funds received by mail. This listing is transferred to an excel spreadsheet and is retained for review by the State Auditors. The State Auditors have recommended payments be reviewed periodically and traced to deposits periodically throughout the year. We will implement this practice.

We will continue to have the monthly bank statement balanced and verified by the Recorder, Deputy Recorder and an employee in the County Auditor’s office who does not have access to our daily funds and/or bank accounts.

Currently, the end of month reports are compiled by the Recorder and all checks are signed by the assistant Recorder. There are monthly reports attached to each check to show the amount due to each entity. We will continue to search for additional avenues to prevent fraud.

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

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

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

During the audit we also identified material amounts of reimbursements and other revenues netted against expenditures. As a result, revenues and expenditures were understated and the expenditures were not properly charged against the County’s budget. Additionally, a transfer between funds was incorrectly recorded as a revenue and expenditure. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables, payables, capital assets, revenues and expenditures are identified and properly included in the County’s financial statements.

Response – Along with the County’s Asset Management System, the Auditor has developed and implemented written procedures advising accuracy during accruals. We will have regular department head meetings where this will be discussed and continue to educate departments on proper accrual procedures. In addition, the Auditor’s office has developed a form and has implemented procedures for all County departments which will allow the County to accurately report their capital assets. Departments must follow these instructions to make our reports accurate. If we don’t obtain the needed information, we cannot accurately manage the accruals. It is the responsibility of each department head to provide the needed information to the County Auditor’s office.

Conclusion – Response accepted.

Montgomery County

Schedule of Findings

Year ended June 30, 2013

- (C) GAAP Basis Annual Financial Report - The County's GAAP basis Annual Financial Report submitted to the Department of Management included material errors.

Recommendation - The County should establish procedures to ensure the GAAP basis Annual Financial Report is accurate.

Response - The County report will establish procedures to ensure the accuracy of this report.

Conclusion - Response accepted.

- (D) Computer System - During our review of internal control, the existing control activities in the County's computer system were evaluated to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weakness in the County's computer system was noted:

The County does not have a written disaster recovery plan which addresses the following items:

- (1) Identification of steps for recovery of any operating systems for County operations.
- (2) Requirement to keep system backups current and off site.
- (3) An inventory of all hardware and components (e.g.: make, model numbers, serial numbers, etc.).
- (4) An inventory of all software applications (e.g.: operating system and software applications, release versions and vendor names).
- (5) A requirement extra stocks of paper supplies, such as checks, warrants, purchase orders, etc., be located off site.
- (6) Requirements outlining the frequency and guidelines for testing the disaster recovery plan to identify issues and document the results of testing.

Recommendation - A comprehensive written disaster recovery plan should be developed for the computer system, in addition to the County's continuity of government contract with Agility.

Response -

- (1) Currently under development.
- (2) EVault provides cloud based backups. Backups are stored both locally and offsite in a Tier IV data center.
- (3) An inventory of all hardware and components is stored in the Spiceworks database and is backed up by EVault.
- (4) An inventory of all software applications is stored in the Spiceworks database and is backed up by EVault.
- (5) Extra stocks of paper supplies and forms are stored in a safe deposit box offsite.
- (6) A testing plan is currently in the development stage with Agility.

Montgomery County
Schedule of Findings
Year ended June 30, 2013

With the membership services agreement with Agility Recovery Solutions and the IT Director and Emergency Management disaster procedures, we feel we are able to provide reasonable assurance regarding the achievement of objectives necessary. This is coupled with on-going department head meetings and communication to review plans and procedures.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Montgomery County
 Schedule of Findings
 Year ended June 30, 2013

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amount budgeted in the debt service function. Also, the Board did not appropriate, by resolution, the amounts deemed necessary for each County department as required by Chapter 331.434 of the Code of Iowa.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget. The Board should appropriate the budget by department as required by Chapter 331.434(6) of the Code of Iowa.

Response – The County will monitor the budget and appropriations more closely.

Conclusion – Response accepted.

- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Randy Tye, Supervisor, Landlord	General assistance rental payment for tenant	\$ 150
Karen Blue, Supervisor, sales representative for Promotional Concepts	Promotional caps for Veteran’s Affairs outreach program	1,321

In accordance with Chapter 331.342 (10) of the Code of Iowa, these transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

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

Montgomery County

Schedule of Findings

Year ended June 30, 2013

- (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, 2013 for the County Extension Office did not exceed the amount budgeted.

Montgomery County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Brandon J. Vogel, Senior Auditor
Kassi D. Adams, Staff Auditor
Joshua W. Ostrander, Staff Auditor
Ryan D. Baker, Assistant Auditor
Amanda L. Burt, Assistant Auditor
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Deputy Auditor of State