



## OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834  
[www.auditor.iowa.gov](http://www.auditor.iowa.gov)

Rob Sand  
Auditor of State

### NEWS RELEASE

**FOR RELEASE:** June 9, 2026

Contact: Brian Brustkern – (515) 281-5834

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

#### **FINANCIAL HIGHLIGHTS:**

The County's revenues totaled \$19,521,009 for the year ended June 30, 2025, an 22.3% increase. Expenses for County operations for the year ended June 30, 2025 totaled \$16,429,848, a 15.7% increase. The increase in the revenues is due to insurance reimbursements for May 2024 storms. Additionally, the County incurred expenses to make repairs from the May 2024 storms and an increase in compensated absences expenses in fiscal year ended June 30, 2025 due to a change in accounting standards.

#### **AUDIT FINDINGS:**

Sand reported ten findings related to the receipt and expenditure of taxpayer funds. They are found on pages 80 through 89 of this report. The findings address a lack of segregation of duties, lack of independent reviews of bank reconciliations, lack of reconciliations of public health billings, collections, and delinquent accounts and functions and appropriations exceeding the budgeted amounts. Sand provided the County with recommendations to address each of these findings.

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

A copy of the audit report is available for review on the Auditor of State's website at [Audit Reports – Auditor of State](#).

###

**MONTGOMERY COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2025**



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Rob Sand  
Auditor of State

May 19, 2026

Officials of Montgomery County  
Red Oak, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Montgomery County, Iowa, for the year ended June 30, 2025. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and written in a cursive-like font.

Rob Sand  
Auditor of State

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**Montgomery County**

**Officials**

**(Before January 2025)**

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Name	Title	Term Expires
Randy Cooper	Board of Supervisors	Jan 2025
Donna Robinson	Board of Supervisors	Jan 2025
Michael Olson	Board of Supervisors	Jan 2027
Mark Peterson	Board of Supervisors	Jan 2027
Charla Schmid	Board of Supervisors	Jan 2027
Jill Ozuna	County Auditor	Jan 2025
Jackie Porter	County Treasurer	Jan 2027
Carleen Bruning	County Recorder	Jan 2027
Jon Spunaugle	County Sheriff	Jan 2025
Drew Swanson	County Attorney	Jan 2027
Sharon Dalton	County Assessor	Jan 2028

**(After January 2025)**

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Name	Title	Term Expires
Michael Olson	Board of Supervisors	Jan 2027
Mark Peterson	Board of Supervisors	Jan 2027
Charla Schmid	Board of Supervisors	Jan 2027
Bryant Amos	Board of Supervisors	Jan 2029
Alex Burton	Board of Supervisors	Jan 2029
Jill Ozuna	County Auditor	Jan 2029
Jackie Porter	County Treasurer	Jan 2027
Carleen Bruning	County Recorder	Jan 2027
Jon Spunaugle	County Sheriff	Jan 2029
Drew Swanson	County Attorney	Jan 2027
Sharon Dalton	County Assessor	Jan 2028



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Rob Sand  
Auditor of State

## Independent Auditor's Report

To the Officials of Montgomery County:

### Report on the Audit of the Financial Statements

#### Opinions

We have audited 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, 2025, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2025 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Montgomery County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Montgomery County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Montgomery County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Montgomery County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability (Asset), the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 7 through 13 and 56 through 67 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who 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 GAAS, 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, 2024 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such 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. The 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 GAAS. In our opinion, the supplementary information in Schedules 1 through 5 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 19, 2026 on our consideration of Montgomery County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Montgomery County’s internal control over financial reporting and compliance.



Brian R. Brustkern, CPA  
Deputy Auditor of State

May 19, 2026

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## **Management's Discussion and Analysis**

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Montgomery County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2025. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2025 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 22.3%, or approximately \$3,561,000, during fiscal year 2025. Property tax revenues increased approximately \$997,000, charges for service increased approximately \$64,000, operating grants, contributions and restricted interest decreased approximately \$320,000 and capital grants, contributions and restricted interest increased approximately \$2,202,000.
- Program expenses of the County's governmental activities increased 15.7%, or approximately \$2,228,000 during fiscal year 2025. Public safety and legal services, county environment education and governmental services to residents increased approximately \$1,762,000, \$337,000 and \$235,000, respectively, while the administration function decreased approximately \$384,000.
- The County's net position increased 7.5%, or approximately \$3,092,000 during fiscal year 2025.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

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

### *Government-wide Financial Statements*

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

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

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items which will not result in cash flow 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, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

### *Fund Financial Statements*

The County has three 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 which are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as 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 which can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources which 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) A proprietary fund accounts for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) Fiduciary funds are used to report assets held in a trust or custodial capacity for others which cannot be used to support the County’s own programs. These fiduciary funds include Custodial Funds which account for 911 surcharges, emergency management services and the County Assessor, to name a few.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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 which follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
Condensed Statement of Net Position	June 30, 2025	June 30, 2024
Current and other assets	\$ 19,905	18,975
Capital assets	38,308	36,633
Total assets	58,213	55,608
Deferred outflows of resources	832	1,076
Long-term liabilities	5,811	6,320
Other liabilities	655	831
Total liabilities	6,466	7,151
Deferred inflows of resources	8,139	8,185
Net position:		
Net investment in capital assets	35,066	32,463
Restricted	8,492	8,047
Unrestricted	882	838
Total net position	\$ 44,440	41,348

Montgomery County’s combined net position of governmental activities increased 7.5% (approximately \$44.4 million compared to approximately \$41.3 million).

The largest portion of the County’s net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. This net position category increased 8.0%, or approximately \$2,603,000, over the prior year.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category increased approximately \$445,000, or 5.5%, over the prior year. This increase is primarily due to an increase in the amount held at year end in the Special Revenue, Secondary Roads Fund and Debt Service Fund.

Unrestricted net position – the part of net position which can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from approximately \$838,000 at June 30, 2024 to approximately \$882,000 at the end of this year, an increase of 5.2%. This increase is due to a decrease in pension related deferred inflows.

Changes in Net Position of Governmental Activities (Expressed in Thousands)		
Condensed Statement of Activities	June 30, 2025	June 30, 2024
Revenues:		
Program revenues:		
Charges for service	\$ 887	823
Operating grants, contributions and restricted interest	3,880	4,200
Capital grants, contributions and restricted interest	4,599	2,397
General revenues:		
Property and other county tax	7,997	7,000
Penalty and interest on property tax	61	68
State tax credits	438	411
Local option sales and services tax	518	541
American Rescue Plan Act	188	172
Unrestricted investment earnings	262	97
Land and building rent	36	43
Gain on disposition of capital assets	618	70
Other general revenues	37	138
Total revenues	19,521	15,960
Program expenses:		
Public safety and legal services	5,744	3,982
Physical health and social services	461	463
County environment and education	693	356
Roads and transportation	6,758	6,486
Governmental services to residents	640	405
Administration	1,747	2,131
Non-program	241	225
Interest on long-term debt	145	153
Total expenses	16,429	14,201
Change in net position	3,092	1,759
Net position beginning of year	41,348	39,589
Net position end of year	\$ 44,440	41,348

Montgomery County's governmental activities net position increased approximately \$3,092,000 during the year. Revenues for governmental activities increased approximately \$3,561,000 over the prior year. Operating grants, contributions and restricted interest decreased approximately \$320,000 due to a decrease in opioid settlement funds. Capital grants, contributions and restricted interest increased approximately \$2,202,000 due to an increase in infrastructure assets contributed by the Iowa Department of Transportation and insurance proceeds from the May 2024 storms.

The County increased property tax rates for fiscal year 2025 an average of 0.1%. Combined with increases in taxable valuations, the County's property tax revenue increased approximately \$997,000 in fiscal year 2025. Based on increases in the total assessed valuation, property tax revenue is budgeted to increase an additional \$100,000 next year.

The cost of all governmental activities this year was approximately \$16.4 million compared to approximately \$14.2 million last year. However, as shown in the Statement of Activities on page 18 the amount taxpayers ultimately financed for these activities was approximately \$7.1 million because some of the cost was paid by those who directly benefited from the programs (approximately \$887,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$8,479,000). Overall, the County's governmental program revenues, including intergovernmental aid and charges for services, increased in fiscal year 2025 from approximately \$7,420,000 to approximately \$9,366,000. As discussed above, the County received contributions of roads and bridges paid for by the Iowa Department of Transportation and insurance proceeds related to the May 2024 storms.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Montgomery County completed the year, its governmental funds reported a combined fund balance of approximately \$10.5 million, an increase of approximately \$1,098,000 over last year's total of approximately \$9.4 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$2,272,000, or 40.8%. Expenditures increased approximately \$1,435,000 over the prior year to approximately \$7,044,000, an increase of 25.6%. Expenditures and revenues increased primarily due to expenditures incurred and related reimbursements from the May 2024 storm. The ending fund balance increased approximately \$712,000, or 28.6%, over the prior year to approximately \$3,202,000.
- Special Revenue, Rural Services Fund revenues increased approximately \$275,000, or 13.8%, primarily due to an increase in property tax revenues. Expenditures increased approximately \$214,000 over the prior year to approximately \$1,185,000, an increase of 22.1% due to an increase in Sheriff deputies' salaries allocated to the fund. The ending fund balance increased approximately \$59,000, or 10.9%, over the prior year to approximately \$600,000.
- There were no significant changes in revenues and expenditures of the Special Revenue, Secondary Roads Fund. The ending fund balance increased approximately \$371,000, or 6.7%, over the prior year to approximately \$5,922,000.
- Debt Service Fund revenues increased approximately \$86,000, or 7.8%. Expenditures increased approximately \$82,000, or 7.5%. Revenues and expenditures increased primarily due to property taxes levied and related payments on Series 2024 bonds which began during the fiscal year. The ending fund balance increased approximately \$148,000, or 76%, over the prior year to approximately \$343,000.
- There were no significant changes in revenues of the Capital Projects Fund. Expenditures decreased approximately \$111,000, or 41.4%, primarily due to the completion of the tuckpointing project on the County courthouse. Unspent bond proceeds of \$133,386 were transferred to the Debt Service Fund. As a result, the ending fund balance decreased approximately \$287,000, or 99.2%, from the prior year to approximately \$2,000.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Montgomery County amended its budget one time. The amendment was made in May 2025 and resulted in an increase in budgeted receipts and disbursements of \$1,990,820 and \$2,367,832, respectively. Budgeted receipts were increased to account for higher interest rates and anticipated insurance claims. Budgeted disbursements increased for public safety and legal services, county environment and education, roads and transportation, administration and capital projects functions for claims related to May 2024 storms, HVAC repairs, audit fees, and an additional contribution to economic development.

The County's receipts were \$6,530,201 less than budgeted, a variance of 28.8%. The most significant variance resulted from the County receiving less in miscellaneous receipts from Sante Fe BNSF for the replacement of two bridges than anticipated.

Total disbursements were \$9,420,698, or 38.3%, less than the amended budget. Actual disbursements for the public safety and legal services, roads and transportation and capital projects functions were under budget by \$546,555, \$650,399 and \$7,295,844, respectively. This was primarily due to costs being less than anticipated and projects being delayed until the next fiscal year.

Even with the budget amendment, the County exceeded the budgeted amount in the public safety and legal services, county environment and education and debt service functions prior to amendment and in the debt service function for the year ended June 30, 2025. In addition, disbursements in certain departments exceeded amounts appropriated prior to budget amendments and at year end.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2025, Montgomery County had approximately \$38.3 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1,675,000, or 4.6%, over last year.

Capital Assets of Governmental Activities at Year-End (Expressed in Thousands)		
Capital Assets	June 30, 2025	June 30, 2024
Land	\$ 682	682
Intangibles, road network	213	213
Construction in progress	1,099	2,204
Buildings and improvements	6,957	7,116
Equipment and vehicles	4,486	5,605
Right-to-use leased assets	53	-
Infrastructure	24,818	20,813
Total	\$ 38,308	36,633

The County had depreciation/amortization expense of \$2,657,200 in fiscal year 2025 and total accumulated depreciation/amortization of \$21,638,306 at June 30, 2025. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

### Long-Term Debt

At June 30, 2025, Montgomery County had approximately \$3,622,000 of general obligation bonds and other debt outstanding, compared to approximately \$4,620,000 at June 30, 2024, as shown below:

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
Outstanding Debt	June 30, 2025	June 30, 2024
General obligation bonds	\$ 3,595	4,620
Lease agreements	27	-
Total	\$ 3,622	4,620

Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Montgomery County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2026 budget, tax rates and the fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 2.8% versus 2.4% a year ago. This compares with the State's unemployment rate of 3.5% and the national rate of 4.1%.

These indicators were taken into account when adopting the budget for fiscal year 2026. Amounts available for appropriation (i.e., beginning balance plus revenues) in the operating budget were approximately \$29,037,000, a decrease of 1.1% from the final fiscal year 2025 budget. Property tax (benefiting from increases in assessed valuations) are expected to decrease. Budgeted disbursements are expected to decrease approximately \$1,165,000. Decreased public safety and legal services expenses represent the largest decreases. The County has added no new major programs or initiatives to the fiscal year 2026 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by approximately \$1,801,000 by the close of fiscal year 2026.

## **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 the Montgomery County Auditor's Office, 105 E. Coolbaugh Street, PO Box 469, Red Oak, Iowa 51566, or by telephone (712) 623-5127.

## **Basic Financial Statements**

**Government-wide Financial Statements**

Montgomery County  
Statement of Net Position  
June 30, 2025

Account Balance	Governmental Activities
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 10,063,749
Cash held by health plan trustee	178,369
Receivables:	
Property tax:	
Delinquent	13,404
Succeeding year	7,963,000
Penalty and interest on property tax	47,299
Accounts	70,256
Opioid settlement	507,270
Accrued interest	28,697
Due from other governments	355,379
Lease receivable	50,924
Inventories	487,171
Prepaid items	139,492
Capital assets not depreciated/amortized	1,994,315
Capital assets, net of accumulated depreciation/amortization	<u>36,314,158</u>
<b>Total assets</b>	<u>58,213,483</u>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	812,651
OPEB related deferred outflows	<u>19,133</u>
<b>Total deferred outflows of resources</b>	<u>831,784</u>

Montgomery County  
Statement of Net Position  
June 30, 2025

Account Balance	Governmental Activities
<b>Liabilities</b>	
Account payable	347,158
Accrued interest payable	10,534
Salaries and benefits payable	187,967
Due to other governments	99,202
Unearned revenues	9,889
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	1,075,000
Lease agreements	27,303
Compensated absences	366,907
Total OPEB Liability	10,761
Portion due or payable after one year:	
General obligation bonds	2,520,000
Compensated absences	388,617
Net pension liability	1,330,446
Total OPEB liability	92,387
<b>Total liabilities</b>	<b>6,466,171</b>
<b>Deferred inflows of resources:</b>	
Lease related	50,924
Unavailable property tax revenue	7,963,000
Pension related deferred inflows	121,245
OPEB related deferred inflows	4,252
<b>Total deferred inflows of resources</b>	<b>8,139,421</b>
<b>Net Position</b>	
Net investment in capital assets	35,066,170
Restricted for:	
Supplemental levy purposes	945,940
Rural services purposes	249,051
Secondary roads purposes	5,722,820
Public safety purposes	86,636
Courthouse repair	156,229
County fair	50,624
Debt service	345,143
Opioid abatement	661,466
Other purposes	273,848
Unrestricted	881,748
<b>Total net position</b>	<b>\$ 44,439,675</b>

See notes to financial statements.

Montgomery County  
Statement of Activities  
Year ended June 30, 2025

Class of Transaction	Expenses	<u>Program Revenue</u> Charges for Service	<u>Program Revenues</u> Operating Grants, Contributions and Restricted Interest	<u>Program Revenues</u> Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 5,744,354	230,174	103,342	1,148,245	(4,262,593)
Physical health and social services	461,564	41,949	101,275	-	(318,340)
County environment and education	692,795	49,784	221,832	78,102	(343,077)
Roads and transportation	6,757,958	34,456	3,434,197	3,372,356	83,051
Governmental services to residents	639,922	244,020	-	-	(395,902)
Administration	1,747,542	41,316	13,242	-	(1,692,984)
Non-program	240,577	245,211	6,327	-	10,961
Interest on long-term debt	145,136	-	-	-	(145,136)
<b>Total</b>	<b>\$ 16,429,848</b>	<b>886,910</b>	<b>3,880,215</b>	<b>4,598,703</b>	<b>(7,064,020)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					\$ 6,904,491
Debt service					1,092,467
Penalty and interest on property tax					60,769
State tax credits					438,314
Local option sales and services tax					518,426
American Rescue Plan Act					188,400
Unrestricted investment earnings					261,571
Land and building rent					35,555
Gain on sale of capital assets					617,998
Miscellaneous					37,190
<b>Total general revenues</b>					<b>10,155,181</b>
Change in net position					3,091,161
Net position beginning of year					41,348,514
<b>Net position end of year</b>					<b>\$ 44,439,675</b>

See notes to financial statements.

**Governmental Fund Financial Statements**

Montgomery County

Balance Sheet  
Governmental Funds

June 30, 2025

Account Balance	General	Special Revenue Rural Services	Special Revenue Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
<b>Assets:</b>							
Cash, cash equivalents and pooled investments:							
County Treasurer	\$ 3,389,647	635,871	5,264,958	343,447	2,172	398,547	10,034,642
Conservation Foundation	-	-	-	-	-	29,107	29,107
Receivables:							
Property tax							
Delinquent	10,576	632	-	2,196	-	-	13,404
Succeeding year	4,796,000	2,163,000	-	1,004,000	-	-	7,963,000
Penalty and interest on property tax	47,299	-	-	-	-	-	47,299
Accounts	2,366	-	67,890	-	-	-	70,256
Opioid settlement	-	-	-	-	-	507,270	507,270
Accrued interest	28,697	-	-	-	-	-	28,697
Due from other governments	31,796	-	323,583	-	-	-	355,379
Lease receivable	50,924	-	-	-	-	-	50,924
Inventories	-	-	487,171	-	-	-	487,171
Prepaid expenditures	99,443	-	40,049	-	-	-	139,492
<b>Total assets</b>	<b>\$ 8,456,748</b>	<b>2,799,503</b>	<b>6,183,651</b>	<b>1,349,643</b>	<b>2,172</b>	<b>934,924</b>	<b>19,726,641</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 136,605	5,208	204,410	500	-	435	347,158
Salaries and benefits payable	105,376	30,247	52,344	-	-	-	187,967
Due to other governments	98,538	167	497	-	-	-	99,202
Unearned revenues	9,889	-	-	-	-	-	9,889
Total liabilities	350,408	35,622	257,251	500	-	435	644,216
Deferred Inflows of Resources:							
Succeeding year property tax	4,796,000	2,163,000	-	1,004,000	-	-	7,963,000
Other	57,684	632	4,526	2,176	-	507,270	572,288
Lease related	50,924	-	-	-	-	-	50,924
Total deferred inflows of resources	4,904,608	2,163,632	4,526	1,006,176	-	507,270	8,586,212

Montgomery County

Balance Sheet  
Governmental Funds

June 30, 2025

Account Balance	General	Special Revenue Rural Services	Special Revenue Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
Fund Balances:							
Nonspendable:							
Inventories	-	-	487,171	-	-	-	487,171
Prepaid items	99,443	-	40,049	-	-	-	139,492
Restricted for:							
Supplemental levy purposes	729,729	135,159	-	-	-	-	864,888
Rural services purposes	-	465,090	-	-	-	-	465,090
Secondary roads purposes	-	-	5,394,654	-	-	-	5,394,654
Conservation land acquisition	532	-	-	-	-	-	532
Public safety purposes	86,636	-	-	-	-	-	86,636
Courthouse repair	156,229	-	-	-	-	-	156,229
County fair	50,624	-	-	-	-	-	50,624
Debt service	-	-	-	342,967	-	-	342,967
Capital projects	-	-	-	-	2,172	-	2,172
Opioid abatement	-	-	-	-	-	154,196	154,196
Other purposes	-	-	-	-	-	273,023	273,023
Committed for shooting range	293	-	-	-	-	-	293
Unassigned	2,078,246	-	-	-	-	-	2,078,246
Total fund balances	3,201,732	600,249	5,921,874	342,967	2,172	427,219	10,496,213
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 8,456,748</b>	<b>2,799,503</b>	<b>6,183,651</b>	<b>1,349,643</b>	<b>2,172</b>	<b>934,924</b>	<b>19,726,641</b>

See notes to financial statements.

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

June 30, 2025

Reconciliation of the Balance Sheet	Amount
<b>Total governmental fund balances (page 21)</b>	\$ 10,496,213
 <b>Amounts reported for governmental activities in the Statement of Net Position are different because:</b>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$59,946,779 and the accumulated depreciation/amortization is \$21,638,306.	38,308,473
Other long-term assets are not available to pay current year expenditures, and therefore, are recognized as deferred inflows of resources in the governmental funds.	572,288
The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included with governmental activities in the Statement of Net Position.	178,369
Pension and OPEB related deferred outflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds.	831,784
Pension and OPEB related deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds.	(125,497)
Long-term liabilities, including bonds payable, lease agreements payable, compensated absences payable, net pension liability, total OPEB liability and accrued interest payable are not due and payable in the current year and, therefore, are not reported in the governmental funds.	(5,821,955)
<b>Net position of governmental activities (page 17)</b>	<u>\$ 44,439,675</u>

See notes to financial statements.

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

Year ended June 30, 2025

Class of Transactions	General	Special Revenue Rural Services	Special Revenue Secondary Roads	Debt Service	Capital Projects	Nonmajor	Total
<b>Revenues:</b>							
Property and other county tax	\$ 4,695,932	2,173,545	-	1,125,792	-	-	7,995,269
Local option sales and services tax	103,686	-	414,740	-	-	-	518,426
Penalty and interest on property tax	53,691	-	-	-	-	-	53,691
Intergovernmental	748,040	99,225	3,436,456	61,694	-	-	4,345,415
Licenses and permits	4,900	-	29,224	-	-	-	34,124
Charges for service	340,280	1,440	-	-	-	1,708	343,428
Use of money and property	292,560	-	-	-	4,374	192	297,126
Miscellaneous	448,412	-	408,737	-	-	87,924	945,073
Total revenues	<u>6,687,501</u>	<u>2,274,210</u>	<u>4,289,157</u>	<u>1,187,486</u>	<u>4,374</u>	<u>89,824</u>	<u>14,532,552</u>
<b>Expenditures:</b>							
<b>Operating:</b>							
Public safety and legal services	3,853,863	751,904	-	-	-	16,757	4,622,524
Physical health and social services	429,106	-	-	-	-	-	429,106
County environment and education	658,162	51,205	-	-	-	8,995	718,362
Roads and transportation	-	379,712	4,999,875	-	-	-	5,379,587
Governmental services to residents	617,405	2,232	-	-	-	-	619,637
Administration	1,485,050	-	-	-	-	-	1,485,050
Debt service	-	-	-	1,172,773	-	-	1,172,773
Capital projects	-	-	54,157	-	157,506	-	211,663
Total expenditures	<u>7,043,586</u>	<u>1,185,053</u>	<u>5,054,032</u>	<u>1,172,773</u>	<u>157,506</u>	<u>25,752</u>	<u>14,638,702</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(356,085)</u>	<u>1,089,157</u>	<u>(764,875)</u>	<u>14,713</u>	<u>(153,132)</u>	<u>64,072</u>	<u>(106,150)</u>
<b>Other financing sources (uses):</b>							
Transfers in	-	-	1,080,000	133,386	-	30,000	1,243,386
Transfers out	(80,000)	(1,030,000)	-	-	(133,386)	-	(1,243,386)
Lease agreements	-	-	56,311	-	-	-	56,311
Insurance recoveries	1,148,245	-	-	-	-	-	1,148,245
Total other financing sources (uses)	<u>1,068,245</u>	<u>(1,030,000)</u>	<u>1,136,311</u>	<u>133,386</u>	<u>(133,386)</u>	<u>30,000</u>	<u>1,204,556</u>
Change in fund balances	712,160	59,157	371,436	148,099	(286,518)	94,072	1,098,406
Fund balances beginning of year	2,489,572	541,092	5,550,438	194,868	288,690	333,147	9,397,807
Fund balances end of year	<u>\$ 3,201,732</u>	<u>600,249</u>	<u>5,921,874</u>	<u>342,967</u>	<u>2,172</u>	<u>427,219</u>	<u>10,496,213</u>

See notes to the financial statements.

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, 2025

Reconciliation of the Statement of Changes to the Statement of Activities	Amount
<b>Change in fund balances - Total governmental funds (page 23)</b>	<b>\$ 1,098,406</b>
 <b>Amounts reported for governmental activities in the Statement of Activities are different because:</b>	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation/amortization expense in the current year, as follows:	
Expenditures for capital assets	714,420
Capital assets contributed by the Iowa Department of Transportation	2,999,932
Depreciation/amortization expense	<u>(2,657,200)</u>
Total	<u>1,057,152</u>
 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.	
	<u>617,998</u>
 Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:	
Property tax	1,689
Other	<u>(30,945)</u>
Total	<u>(29,256)</u>
 Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issuances, as follows:	
Issued	(56,311)
Repaid	<u>1,054,008</u>
Total	<u>997,697</u>
 The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position.	
	<u>442,356</u>
 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	(460,193)
Pension expense	(661,670)
OPEB expense	(2,534)
Interest on long-term debt	<u>2,637</u>
Total	<u>(1,121,760)</u>
 The Internal Service Fund is used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.	
	<u>28,568</u>
<b>Change in net position of governmental activities (page 18)</b>	<b>\$ 3,091,161</b>

See notes to financial statements.

**Proprietary Fund Financial Statements**

Montgomery County  
Statement of Net Position  
Proprietary Funds

June 30, 2025

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<u>Account Balance</u>	<u>Internal Service - Employee Group Health</u>
<b>Current Assets</b>	
Cash held by health plan trustee	\$ 178,369
<b>Liabilities</b>	
Accounts payable	-
<b>Net Position</b>	
Restricted for employee health	<u>\$ 178,369</u>

See notes to financial statements.

Montgomery County  
 Statement of Revenues, Expenses and Changes in Fund Net Position  
 Proprietary Funds

Year ended June 30, 2025

Class of Transaction	Internal Service - Employee Group Health
Operating revenues:	
Reimbursements from operating funds	\$ 972,056
Reimbursements from employees	191,792
Reimbursements from others	12,983
Total operating revenues	1,176,831
Operating expenses:	
Partially self-funded medical claims	\$ 136,663
Insurance premiums	975,824
Administrative and other fees	42,103
Total operating expenses	1,154,590
Operating income	22,241
Non-operating revenues:	
Interest income	6,327
Net income	28,568
Net position beginning of year	149,801
Net position end of year	\$ 178,369

See notes to financial statements.

Montgomery County  
 Statement of Cash Flows  
 Proprietary Funds  
 Year ended June 30, 2025

Classification	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 972,056
Cash received from employees and others	204,775
Cash paid to suppliers for services	<u>(1,154,590)</u>
Net cash provided by operating activities	22,241
Cash flows from investing activities:	
Interest on investments	<u>6,327</u>
Increase in cash and cash equivalents	28,568
Cash and cash equivalents beginning of year	<u>149,801</u>
Cash and cash equivalents end of year	<u>\$ 178,369</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	<u>\$ 22,241</u>

See notes to financial statements.

**Fiduciary Fund Financial Statements**

Montgomery County  
Statement of Fiduciary Net Position  
Custodial Funds

June 30, 2025

Account Balances	Amount
<b>Assets</b>	
Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 2,020,602
Other County officials	41,164
Receivables:	
Property tax:	
Delinquent	61,702
Succeeding year	19,248,000
Accounts	1,782
Accrued interest	2,702
Special assessments	60,178
Due from other governments	30,997
Prepaid expenses	4,729
<b>Total assets</b>	<b>21,471,856</b>
<b>Liabilities</b>	
Accounts payable	11,309
Salaries and benefits payable	8,738
Due to other governments	813,985
Trusts payable	58,294
Compensated absences	46,564
<b>Total liabilities</b>	<b>938,890</b>
<b>Deferred Inflows of Resources</b>	
Unavailable property tax revenue	19,248,000
<b>Net position</b>	
Restricted for individuals, organizations and other governments	<b>\$ 1,284,966</b>

See notes to financial statements.

Montgomery County  
Statement of Changes in Fiduciary Net Position  
Custodial Funds

June 30, 2025

Class of Transaction	Amount
Additions:	
Property and other county tax	\$ 18,887,270
911 surcharge	149,028
Intergovernmental	942,008
State tax credits	1,269,301
Drivers license fees	30,873
Office fees and collections	278,513
Auto licenses, use tax and postage	4,142,360
Assessments	35,437
Trusts	694,091
Miscellaneous	71,352
Total additions	<u>26,500,233</u>
Deductions:	
Agency remittances:	
To other funds	305,041
To other governments	25,397,554
Trusts paid out	727,426
Total deductions	<u>26,430,021</u>
Change in net position	70,212
Net position beginning of year	<u>1,214,754</u>
Net position end of year	<u>\$ 1,284,966</u>

See notes to financial statements.

Montgomery County

Notes to Financial Statements

June 30, 2025

**(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 accounting principles generally accepted in the United States of America 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 the organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

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

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

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

Jointly Governed Organizations – The County participates in several jointly governed organizations which 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: County Assessor’s Conference Board, County Emergency Management Commission and County Joint 911 Service Board. Financial transactions of these organizations are included in the County’s financial statements only to the extent of the County’s fiduciary relationship with the organization and, as such, are reported in the Custodial Funds of the County.

The County also participates in the following jointly governed organizations: Boost4Families, East and West Nishnabotna Commission, Fourth Judicial District, Golden Hills Resource Conservation and Development, Sanitary Landfill, Southwest Iowa Planning Council, Montgomery County Economic Development, Nishna Productions, RPA-13, Southwest Iowa Juvenile Detention Center, Southwest Iowa MHDS, Waubonsie Mental Health Center, West Central Community Action and Zion Recovery Services. Financial transactions of these organizations are not included in the County’s financial statements.

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary 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 Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

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

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

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

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Custodial 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, proprietary fund 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 lease agreements 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 position 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for the Internal Service Fund includes the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

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

Cash, Cash Equivalents 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 are stated at fair value except for the investment in the Iowa Public Agency Investment Trust and non-negotiable certificates of deposit which are stated at amortized cost.

For purposes of the Statement of Cash Flows, all short-term cash investments which are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

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 April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2023 assessed property valuations; is for the tax accrual period July 1, 2024 through June 30, 2025 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in April 2024.

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

Opioid Settlement Receivable – The County will receive payments from certain prescription drug companies and pharmaceutical distributors engaged in misleading and fraudulent conduct in the marketing and sale of opioids and failure to monitor for, detect and prevent diversion of the drugs. The County is required to use these funds for activities to remediate the opioid crisis and treat or mitigate opioid use disorder and related disorders through prevention, harm reduction and recovery services.

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 are tangible and intangible assets, which include property, furniture and equipment and infrastructure assets are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed under “Leases” below) if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price which would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair which do not add to the value of the asset or materially extend asset lives are not capitalized. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class. 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
Right-to-use subscription assets	\$ 100,000
Infrastructure	50,000
Intangibles	50,000
Right-to-use leased assets	50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, the right-to-use leased equipment and infrastructure are depreciated/amortized 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
Right-to-use leased assets	2 - 20
Right-to-use subscription assets	2 - 20
Vehicles	3 - 10

Leases – County as Lessee – Montgomery County is the lessee for a noncancellable lease of equipment. The County has recognized a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The County recognizes lease liabilities with an initial, individual value of \$50,000 or more.

At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how Montgomery County determines the discount rate it uses to discount the expected lease payments to present value, lease term and lease payments.

Montgomery County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and a purchase option price the County is reasonably certain to exercise.

The County monitors changes in circumstances which would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur which are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

**County as Lessor** – Montgomery County is a lessor for a noncancellable lease of farmland. The County recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the County initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how Montgomery County determines the discount rate it uses to discount the expected lease receipts to present value, lease term and lease receipts.

Montgomery County uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The County monitors changes in circumstances which would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur which are expected to significantly affect the amount of the lease receivable.

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the County after the measurement date but before the end of the County's reporting period.

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

Unearned 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. Unearned revenue in the government-wide and governmental fund financial statements represents the amount of assets which have been recognized, but the related revenue has not been recognized since the County has not made a qualifying expenditure.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, sick leave and comp time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when each of the following have occurred: the leave is attributable to services already rendered, the leave accumulates and carries forward from one reporting period to the next and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. A liability for these amounts is reported in the 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, 2025.

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

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

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

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

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

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable which will not be recognized until the year for which it is levied, unrecognized items not yet charged to pension expense and deferred amounts related to leases.

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2025, disbursements exceeded the amounts budgeted in the debt service function and in the public safety and legal services, county environment and education and debt service functions before the budget amendment. In addition, disbursements in certain departments exceeded the amounts appropriated at year end and prior to an appropriation amendment.

**(2) Cash, Cash Equivalents and Pooled Investments**

The County’s deposits in banks at June 30, 2025 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$1,041,908. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County’s investment in the IPAIT is unrated.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2025 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 80,000
Special Revenue: Secondary Roads	Special Revenue: Rural Services	1,000,000
Special Revenue: Flood and Erosion	Special Revenue: Rural Services	30,000
Debt Service	Capital Projects	<u>133,386</u>
	Total Transfers	<u>\$ 1,243,386</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, 2025 was as follows:

Governmental Activities	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated/amortized:				
Land	\$ 681,859	-	-	681,859
Intangibles, road network	212,998	-	-	212,998
Construction in progress	2,204,108	4,099,390	5,204,040	1,099,458
Total capital assets not being depreciated/amortized	3,098,965	4,099,390	5,204,040	1,994,315
Capital assets being depreciated/amortized:				
Buildings	7,155,602	78,600	-	7,234,202
Improvements other than buildings	2,585,372	-	-	2,585,372
Equipment and vehicles	13,844,485	697,697	3,143,202	11,398,980
Right-to-use leased equipment	-	56,311	-	56,311
Intangibles	87,556	-	-	87,556
Infrastructure, road network	31,386,003	5,204,040	-	36,590,043
Total capital assets being depreciated/amortized	55,059,018	6,036,648	3,143,202	57,952,464
Less accumulated depreciation/amortization for:				
Buildings	2,037,591	144,584	-	2,182,175
Improvements other than buildings	586,863	93,429	-	680,292
Equipment and vehicles	8,239,388	1,217,057	2,543,554	6,912,891
Right -to-use leased assets	-	3,754	-	3,754
Intangibles	87,556	-	-	87,556
Infrastructure, road network	10,573,262	1,198,376	-	11,771,638
Total accumulated depreciation/amortization	21,524,660	2,657,200	2,543,554	21,638,306
Total capital assets being depreciated/amortized, net	33,534,358	3,379,448	599,648	36,314,158
Governmental activities capital assets, net	\$ 36,633,323	7,478,838	5,803,688	38,308,473

Depreciation/amortization expense was charged to the following functions:

Governmental Activities:	Amount
Public safety and legal services	\$ 804,850
Physical health and social services	1,772
County environment and education	27,388
Roads and transportation	1,664,895
Governmental services to residents	1,570
Administration	156,725
Total depreciation/amortization expense - governmental activities	\$ 2,657,200

**(5) County Farm Lease Receivable**

The County owns the Montgomery County Farm (Farm). Effective March 1, 2024, the County entered into a three-year lease with a local farmer (Farmer) whereby the farmer operates the Farm. The County is to receive \$17,748 in land payments semi-annually with an implicit rate of 4.518%. During the year ended June 30, 2025, the County received principal of \$32,103 and interest of \$3,393.

Farm Lease				
Year Ending June 30,	Interest Rate	Principal	Interest	Total
2026	4.518%	\$ 33,569	1,927	35,496
2027	4.518%	17,355	393	17,748
Total	Payments	\$ 50,924	2,320	53,244

**(6) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2025 is as follows:

Fund	Description	Amount
General	Services	\$ 98,538
Special Revenue:		
Rural Services	Services	167
Secondary Roads	Services	497
Total for governmental funds	Services	\$ 99,202
Custodial:		
County Offices	Collections	\$ 16,903
Agricultural Extension Education	Collections	3,154
County Assessor	Collections	112,211
Schools	Collections	131,949
Community Colleges	Collections	10,916
Corporations	Collections	130,147
Townships	Collections	1,958
Auto License, Use Tax and Driver's License	Collections	318,514
County Hospital	Collections	31,710
All other	Collections	56,523
Total for custodial funds	Collections	\$ 813,985

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2025 is as follows:

Long Term Debt	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 4,620,000	-	1,025,000	3,595,000	1,075,000
Lease Agreements	-	56,311	29,008	27,303	27,303
Compensated Absences *	295,331	460,193	-	755,524	366,907
Net Pension Liability	1,302,272	28,174	-	1,330,446	-
Total OPEB Liability	102,357	11,552	10,761	103,148	10,761
Total	\$ 6,319,960	556,230	1,064,769	5,811,421	1,479,971

\* The change in compensated absences liability is presented as a net change.

Bonds Payable

On February 22, 2018, the County issued \$5,755,000 of general obligation emergency services communication bonds, with interest rates ranging from 2.00% to 4.00% per annum, for the purpose of purchasing emergency services communication equipment for the County. During the year ended June 30, 2025, the County paid principal of \$605,000 and interest of \$81,000 on the bonds.

On March 3, 2022, the County issued \$2,310,000 of general obligation refunding bonds, Series 2023, for the current refunding of \$2,330,000 of the general obligation refunding bonds issued March 5, 2015. The bonds bear interest at 2.00% per annum and mature June 1, 2029. During the year ended June 30, 2025, the County paid principal of \$350,000 and interest of \$32,700 on the bonds.

On April 16, 2024 the County issued \$450,000 of general obligation courthouse improvement bonds, Series 2024, with an interest rate of 4.52% per annum. The bonds were issued to provide funds to help defray the costs associated with the courthouse tuckpointing project. During the year ended June 30, 2025, the County paid principal of \$70,000 and interest of \$22,872 on the bonds.

A summary of the County’s June 30, 2025 general obligation bonded indebtedness is as follows:

General Obligation Emergency Services Communications Bonds Issued February 22, 2018				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2026	3.00%	\$ 625,000	62,850	687,850
2027	3.00%	645,000	44,100	689,100
2028	3.75%	660,000	24,750	684,750
Total	Payments	\$ 1,930,000	131,700	2,061,700

General Obligation Refunding Bonds  
Issued March 3, 2022

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2026	2.00%	\$ 360,000	25,700	385,700
2027	2.00%	365,000	18,500	383,500
2028	2.00%	360,000	11,200	371,200
2029	2.00%	200,000	4,000	204,000
<b>Total</b>	<b>Payments</b>	<b>\$ 1,285,000</b>	<b>59,400</b>	<b>1,344,400</b>

General Obligation Courthouse Improvement  
Issued April 16, 2024

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2026	4.52%	\$ 90,000	17,168	107,168
2027	4.52%	95,000	13,102	108,102
2028	4.52%	95,000	8,810	103,810
2029	4.52%	100,000	4,518	104,518
<b>Total</b>	<b>Payments</b>	<b>\$ 380,000</b>	<b>43,598</b>	<b>423,598</b>

**Total**

Year Ending June 30,	Principal	Interest	Total
2026	\$ 1,075,000	105,718	1,180,718
2027	1,105,000	75,702	1,180,702
2028	1,115,000	44,760	1,159,760
2029	300,000	8,518	308,518
<b>Total</b>	<b>\$ 3,595,000</b>	<b>234,698</b>	<b>3,829,698</b>

Lease Agreements

On May 28, 2025, the County entered into a lease agreement for a John Deere 6130M Cab Tractor. An initial lease liability was recorded in the amount of \$56,311. The agreement requires annual payments of \$29,008 with an implicit rate of 6.25% and the final payment due May 2026. During the year ended June 30, 2025, principal paid was \$29,008.

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2026	6.25%	\$ 27,303	1,705	29,008

**(8) County Emergency Management Commission – Construction Note – Direct Borrowing**

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

On September 21, 2017, the Montgomery County Emergency Management Commission authorized a \$525,000 bank loan for 10 years at 3.85% interest to be used for the construction of an office and equipment storage facility. The loan requires monthly principal payments of \$3,858 through January 2028, with a final principal payment of \$199,108 due in February 2028. During the year ended June 30, 2025, the Emergency Management Commission paid \$75,000 of principal and interest on the note. Total outstanding principal on the bank loan at June 30, 2025 was \$258,227. The Emergency Management Commission does not have the same Home Rule powers granted to cities and counties and, consequently, its powers come expressly from Chapter 29C of the Code of Iowa.

Based on a review of Chapter 29C of the Code of Iowa and the Attorney General’s letter of advice dated December 11, 2017, the Commission did not have statutory authority to enter into this loan obligation. A finding and recommendation pertaining to this noncompliance was provided in the 2018 audit report, including the Commission should work with members for future borrowing needs.

**(9) Pension Plan**

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

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

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

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

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

The formula used to calculate a Sheriffs and Deputies member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of special service, plus an additional 2.5% of average salary for more than 22 years of special service but not more than 30 years of service.
- 1.5% compound cost-of-living adjustment (COLA) for members who retire on or after July 1, 2024, who are at least age 50 when they terminate employment and have at least 22 years of special service.
- The member's highest three-year average salary.

The formula used to calculate a Protection Occupation member's monthly IPERS benefit includes:

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

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

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

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

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

In fiscal year 2025, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff and Deputies members and the County each contributed 8.51% of covered payroll, for a total rate of 17.02%. Protection Occupation members contributed 6.21% of covered payroll and the County contributed 9.31% of covered payroll, for a total rate of 15.52%.

The County's contributions to IPERS for the year ended June 30, 2025 totaled \$442,356.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2025, the County reported a liability of \$1,330,446 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County’s proportion of the net pension liability was based on the County’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2024, the County’s proportion was 0.036536%, which was an increase of 0.007684% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the County recognized pension expense of \$661,670. At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflow and Inflow Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 284,248	777
Changes of assumptions	-	40,882
Net difference between projected and actual earnings on IPERS' investments	33,211	-
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	52,836	79,586
County contributions subsequent to the measurement date	442,356	-
Total	\$ 812,651	121,245

\$442,356 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2026	\$ (227,526)
2027	479,450
2028	38,284
2029	(44,912)
2030	3,754
Total	\$ 249,050

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2024 valuation were based on the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	21.0%	3.52%
International equity	13.0%	5.18%
Global smart beta equity	5.0%	4.12%
Core plus fixed income	25.5%	3.04%
Public credit	3.0%	4.53%
Cash	1.0%	1.69%
Private equity	17.0%	8.89%
Private real assets	9.0%	4.25%
Private credit	5.5%	6.62%
Total	<u>100.0%</u>	

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

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

Sensitivity of Proportionate Share	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability (asset)	\$ 4,123,208	1,330,446	(1,005,077)

IPERS Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2025.

**(10) Other Postemployment Benefits (OPEB)**

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

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

Retired participants must be age 55 or older at retirement. At June 30, 2025, the following employees were covered by the benefit terms:

Description	Employees
Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	73
Total	75

Total OPEB Liability – The County's total OPEB liability of \$103,148 was measured as of June 30, 2025 and was determined by an actuarial valuation as of January 1, 2024, rolled forward to June 30, 2025.

Actuarial Assumptions – The total OPEB liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Actuarial Assumptions	Description
Rate of inflation (effective June 30, 2024)	3.00% per annum.
Rates of salary increase (effective June 30, 2024)	2.50% per annum, including inflation.
Discount rate (effective June 30, 2024)	3.26% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2024)	5.00% for all years

Discount Rate – The discount rate used to measure the total OPEB liability was 3.26% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from RP 2014 annuitant distinct mortality table adjusted to 2006 with MP 2021 generational projection of future mortality improvement. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

Changes in the Total OPEB Liability	Total OPEB Liability
Total OPEB liability beginning of year	\$ 102,357
Changes for the year:	
Service cost	8,126
Interest	3,426
Benefit payments	(10,761)
Net changes	791
Total OPEB liability end of year	\$ 103,148

Sensitivity of the County’s Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using a discount rate which is 1% lower (2.26%) or 1% higher (4.26%) than the current discount rate.

Sensitivity of Discount Rate	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
Total OPEB liability	\$ 110,532	103,148	96,365

Sensitivity of the County’s Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using healthcare cost trend rates which are 1% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

Sensitivity of Healthcare Rate	1% Decrease (4.00%)	Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
Total OPEB liability	\$ 93,172	103,148	114,909

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2025, the County recognized OPEB expense of \$2,534. At June 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

Deferred Outflow and Inflow Sources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,580	4,252
Changes in assumptions	10,553	-
Total	\$ 19,133	4,252

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

Year Ended June 30,	Amount
2026	\$ 1,782
2027	1,963
2028	1,963
2029	1,823
2030	1,268
Thereafter	6,082
Total	\$ 14,881

**(11) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 805 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, property, employment practices liability, public officials liability, cyber liability and law enforcement liability. There have been no reductions in insurance coverage from prior years.

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

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

The County’s property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County’s contributions to the Pool for the year ended June 30, 2025 were \$255,811.

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

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2025, no liability has been recorded in the County's financial statements. As of June 30, 2025, 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 a 60-day prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

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

**(12) Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Employee Benefits System. The agreement is subject to automatic renewal provisions. The County assumes liability for the difference between the employee deductible (\$500 for single and \$1,000 for family) and the County deductible on the policy (\$5,000 for single and \$10,000 for family).

Administrative service fees and plan contributions are paid monthly from the County's operating funds to a separate account administered by Employee Benefit Systems. The County records the plan assets and related liabilities of the Employee Group Health Fund as an Internal Service Fund. The County's contribution for the year ended June 30, 2025 was \$972,056.

**(13) Tax Abatements**

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

Tax Abatements of Other Entities

Other entities within the County provided tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa. For these types of projects, the other entities enter into agreements with developers which require the other entities, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. Additionally, the City of Sanborn offered an urban revitalization tax abatement program pursuant to Chapter 404 of the Code of Iowa. With prior approval by the governing body, this program provides for an exemption of taxes based on a percentage of the actual value added by improvements.

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2025 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Red Oak	Urban renewal and economic development projects	\$ 42,968
City of Stanton	Chapter 404 tax abatement program	1,226

**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, 2025

Class of Transaction	Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts Original	Budgeted Amounts Final	Final to Net Variance
Receipts:						
Property and other county tax	\$ 8,495,834	-	8,495,834	8,356,563	8,356,563	(139,271)
Penalty and interest on property tax	53,691	-	53,691	24,700	24,700	(28,991)
Intergovernmental	4,837,159	-	4,837,159	4,486,384	4,559,687	(277,472)
Licenses and permits	32,574	-	32,574	18,350	18,350	(14,224)
Charges for service	343,542	-	343,542	320,510	320,510	(23,032)
Use of money and property	285,051	-	285,051	52,668	252,668	(32,383)
Miscellaneous	2,160,566	33,984	2,126,582	7,454,639	9,172,156	7,045,574
Total receipts	16,208,417	33,984	16,174,433	20,713,814	22,704,634	6,530,201

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, 2025

Class of Transaction	Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts Original	Budgeted Amounts Final	Final to Net Variance
Disbursements:						
Public safety and legal services	5,173,210	-	5,173,210	4,366,765	5,719,765	546,555
Physical health and social services	325,064	-	325,064	668,605	564,474	239,410
County environment and education	721,801	8,995	712,806	459,244	831,744	118,938
Roads and transportation	5,356,579	-	5,356,579	5,656,978	6,006,978	650,399
Governmental services to residents	620,068	-	620,068	766,478	766,478	146,410
Administration	1,625,553	-	1,625,553	1,816,961	2,049,200	423,647
Debt service	1,173,023	-	1,173,023	1,165,800	1,172,518	(505)
Capital projects	211,662	-	211,662	7,350,000	7,507,506	7,295,844
Total disbursements	15,206,960	8,995	15,197,965	22,250,831	24,618,663	9,420,698
Change in fund balances	1,001,457	24,989	976,468	(1,537,017)	(1,914,029)	(2,890,497)
Balance beginning of year	9,062,292	4,118	9,058,174	6,668,376	6,668,376	2,389,798
Balance end of year	\$10,063,749	29,107	10,034,642	5,131,359	4,754,347	5,280,295

See accompanying independent auditor's report.

Montgomery County  
 Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2025

Class of Transaction	<u>Governmental Funds</u> Cash Basis	<u>Governmental Funds</u> Accrual Adjustments	<u>Governmental Funds</u> Modified Accrual Basis
Revenues	\$ 16,208,417	(1,675,865)	14,532,552
Expenditures	15,206,960	(568,258)	14,638,702
Net	1,001,457	(1,107,607)	(106,150)
Other financing source, net	-	1,204,556	1,204,556
Beginning fund balances	9,062,292	335,515	9,397,807
Ending fund balances	\$ 10,063,749	432,464	10,496,213

See accompanying independent auditor's report.

Montgomery County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2025

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, the Internal Service Fund and Custodial 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 nine major classes of expenditures known as functions, not by fund. These nine functions are: public safety and legal services, physical health and social services, 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 Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$2,367,832. 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 Assessor by the County Conference Board, for the 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2025, disbursements exceeded amounts budgeted in the debt service function and in the public safety and legal services, county environment and education and debt service functions before the budget amendment. In addition, disbursements in certain departments exceeded the amounts appropriated at year end and prior to an appropriation amendment.

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Montgomery County

Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)

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

Required Supplementary Information

Description	2025	2024	2023	2022	2021
County's proportion of the net pension liability (asset)	0.036536%	0.028852%	0.022567%	0.321721%**	0.035122%
County's proportionate share of the net pension liability (asset)	\$ 1,330	1,302	853	(1,111)	2,467
County's covered payroll	\$ 4,447	4,370	3,973	3,979	3,797
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	29.91%	29.79%	21.47%	-27.92%	64.97%
IPERS' net position as a percentage of the total pension liability (asset)	92.30%	90.13%	91.40%	100.81%	82.90%

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Montgomery County

Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)

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

Required Supplementary Information

Description	2020	2019	2018	2017	2016
County's proportion of the net pension liability (asset)	0.033891%	0.035982%	0.037843%	0.037679%	0.035904%
County's proportionate share of the net pension liability (asset)	1,962	2,277	2,521	2,371	1,774
County's covered payroll	3,820	3,768	3,527	3,405	3,321
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	51.36%	60.43%	71.48%	69.63%	53.42%
IPERS' net position as a percentage of the total pension liability (asset)	85.45%	83.62%	82.21%	81.82%	85.19%

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

\*\* Overall plan net pension asset.

See accompanying independent auditor's report.

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Montgomery County

Schedule of County Contributions

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

Required Supplementary Information

Description	2025	2024	2023	2022	2021
Statutorily required contribution	\$ 442	413	407	372	376
Contributions in relation to the statutorily required contribution	(442)	(413)	(407)	(372)	(376)
Contribution deficiency (excess)	\$ -	-	-	-	-
County's covered payroll	\$ 4,769	4,447	4,370	3,973	3,979
Contributions as a percentage of covered payroll	9.27%	9.29%	9.31%	9.36%	9.45%

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Montgomery County

Schedule of County Contributions

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

Required Supplementary Information

Description	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 362	367	344	322	312
Contributions in relation to the statutorily required contribution	(362)	(367)	(344)	(322)	(312)
Contribution deficiency (excess)	\$ -	-	-	-	-
County's covered payroll	\$ 3,797	3,820	3,768	3,527	3,405
Contributions as a percentage of covered payroll	9.53%	9.61%	9.13%	9.13%	9.16%

See accompanying independent auditor's report.

Montgomery County

Notes to Required Supplementary Information – Pension Liability (Asset)

Year Ended June 30, 2025

Changes of benefit terms:

Legislation passed in 2024 modified benefit terms for current Sheriffs and Deputies. The benefit enhancements:

- Increased the benefit multiplier from 1.5% to 2.5% for years of special service between 22 and 30, thereby increasing the maximum benefit from 72% to 80% of average salary.
- Granted an automatic 1.5% compound cost-of-living adjustment (COLA) for members who retire on or after July 1, 2024, who are at least 50 when they terminate employment and have at least 22 years of special service.

Changes of assumptions:

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

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

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

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

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

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Montgomery County

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

For the Last Eight Years

Required Supplementary Information

Description	2025	2024	2023	2022
Service cost	\$ 8,126	7,927	9,361	9,133
Interest cost	3,426	3,501	1,896	1,926
Difference between expected and actual experiences	-	9,114	-	(6,910)
Changes in assumptions	-	10,936	-	422
Benefit payments	(10,761)	(17,041)	(12,036)	(13,495)
Net change in total OPEB liability	791	14,437	(779)	(8,924)
Total OPEB liability beginning of year	102,357	87,920	88,699	97,623
Total OPEB liability end of year	\$ 103,148	102,357	87,920	88,699
Covered-employee payroll	\$ 4,214,628	4,111,832	4,000,163	3,902,598
Total OPEB liability as a percentage of covered-employee payroll	2.4%	2.5%	2.2%	2.3%

Montgomery County

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

For the Last Eight Years

Required Supplementary Information

Description	2021	2020	2019	2018
Service cost	\$ 7,084	6,911	6,021	5,874
Interest cost	3,485	3,438	3,048	2,988
Difference between expected and actual experiences	-	3,234	-	(3,442)
Changes in assumptions	-	3,576	-	1,501
Benefit payments	(10,882)	(7,502)	(6,717)	(7,862)
Net change in total OPEB liability	(313)	9,657	2,352	(941)
Total OPEB liability beginning of year	97,936	88,279	85,927	86,868
Total OPEB liability end of year	\$ 97,623	97,936	88,279	85,927
Covered-employee payroll	\$ 3,812,508	3,719,520	3,567,565	3,480,551
Total OPEB liability as a percentage of covered-employee payroll	2.6%	2.6%	2.5%	2.5%

See accompanying independent auditor's report.

Montgomery County

Notes to Required Supplementary Information – OPEB Liability

Year Ended June 30, 2025

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

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

Year ended June 30, 2025	3.26%
Year ended June 30, 2024	3.26%
Year ended June 30, 2023	2.06%
Year ended June 30, 2022	2.06%
Year ended June 30, 2021	3.50%
Year ended June 30, 2020	3.50%
Year ended June 30, 2019	3.44%
Year ended June 30, 2018	3.44%
Year ended June 30, 2017	4.50%

No assets are accumulated in a trust which meets the criteria in paragraph 4 of GASB Statement No. 75.

**Supplementary Information**

Montgomery County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2025

Account Balance	<u>Special Revenue</u> County Recorder's Records Management	<u>Special Revenue</u> Flood and Erosion	<u>Special Revenue</u> Seized and Forfeited Property County Sheriff	<u>Special Revenue</u> K-9	<u>Special Revenue</u> Local Government Opioid Abatement	<u>Special Revenue</u> Conservation Foundation	Total
<b>Assets:</b>							
Cash, cash equivalents and pooled investments:							
County Treasurer	\$ 12,069	86,719	43,705	101,858	154,196	-	398,547
Conservation Foundation	-	-	-	-	-	29,107	29,107
Opioid settlement receivable	-	-	-	-	507,270	-	507,270
<b>Total assets</b>	<b>\$ 12,069</b>	<b>86,719</b>	<b>43,705</b>	<b>101,858</b>	<b>661,466</b>	<b>29,107</b>	<b>934,924</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ -	-	-	435	-	-	435
Deferred inflows of resources:							
Unavailable revenues - other	-	-	-	-	507,270	-	507,270
Fund balances:							
Restricted for:							
Opioid abatement	-	-	-	-	154,196	-	154,196
Other purposes	12,069	86,719	43,705	101,423	-	29,107	273,023
Total fund balances	12,069	86,719	43,705	101,423	154,196	29,107	427,219
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 12,069</b>	<b>86,719</b>	<b>43,705</b>	<b>101,858</b>	<b>661,466</b>	<b>29,107</b>	<b>934,924</b>

See accompanying independent auditor's report.

## Montgomery County

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

Year ended June 30, 2025

Class of Transaction	Special Revenue County Recorder's Records Management	Special Revenue Flood and Erosion	Special Revenue Seized and Forfeited Property County Sheriff	Special Revenue K-9	Special Revenue Local Government Opioid Abatement	Special Revenue Conservation Foundation	Total
Revenues:							
Charges for service	\$ 1,708	-	-	-	-	-	1,708
Use of money and property	192	-	-	-	-	-	192
Miscellaneous	-	-	5,000	30,355	18,585	33,984	87,924
Total revenues	1,900	-	5,000	30,355	18,585	33,984	89,824
Expenditures:							
Operating:							
Public safety and legal services	-	-	8,966	7,791	-	-	16,757
County environment and education	-	-	-	-	-	8,995	8,995
Total expenditures	-	-	8,966	7,791	-	8,995	25,752
Excess (deficiency) of revenues over (under) expenditures	1,900	-	(3,966)	22,564	18,585	24,989	64,072
Other financing sources (uses):							
Transfers in	-	30,000	-	-	-	-	30,000
Change in fund balances	1,900	30,000	(3,966)	22,564	18,585	24,989	94,072
Fund balances beginning of year	10,169	56,719	47,671	78,859	135,611	4,118	333,147
Fund balances end of year	\$ 12,069	86,719	43,705	101,423	154,196	29,107	427,219

See accompanying independent auditor's report.

Montgomery County  
Combining Schedule of Fiduciary Net Position – Custodial Funds  
June 30, 2025

Account Balances	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations
<b>Assets</b>						
Cash, cash equivalents and pooled investments:						
County Treasurer	\$ -	3,154	448,933	131,949	10,916	124,595
Other County officials	41,164	-	-	-	-	-
Receivables:						
Property tax:						
Delinquent	-	481	965	23,849	1,723	29,785
Succeeding year	-	218,000	438,000	10,461,000	796,000	4,886,000
Accounts	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-
Special assessments	-	-	-	-	-	5,552
Due from other governments	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-
<b>Total assets</b>	<b>41,164</b>	<b>221,635</b>	<b>887,898</b>	<b>10,616,798</b>	<b>808,639</b>	<b>5,045,932</b>
<b>Liabilities</b>						
Accounts payable	-	-	372	-	-	-
Salaries and benefits payable	-	-	5,348	-	-	-
Due to other governments	16,903	3,154	112,211	131,949	10,916	130,147
Trusts payable	24,261	-	-	-	-	-
Compensated absences	-	-	17,877	-	-	-
<b>Total liabilities</b>	<b>41,164</b>	<b>3,154</b>	<b>135,808</b>	<b>131,949</b>	<b>10,916</b>	<b>130,147</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenues	-	218,000	438,000	10,461,000	796,000	4,886,000
<b>Net Position</b>						
Restricted for individuals, organizations and other governments	\$ -	481	314,090	23,849	1,723	29,785

Montgomery County  
Combining Schedule of Fiduciary Net Position – Custodial Funds  
June 30, 2025

Account Balances	Townships	Auto License, Use Tax, and Driver's License	County Hospital	911 Service	Other	Total
<b>Assets</b>						
Cash, cash equivalents and pooled investments:						
County Treasurer	\$ 1,958	318,514	31,710	768,754	180,119	2,020,602
Other County officials	-	-	-	-	-	41,164
Receivables:						
Property tax:						
Delinquent	62	-	4,837	-	-	61,702
Succeeding year	255,000	-	2,194,000	-	-	19,248,000
Accounts receivable	-	-	-	1,782	-	1,782
Accrued interest receivable	-	-	-	2,702	-	2,702
Special assessments receivable	-	-	-	-	54,626	60,178
Due from other governments	-	-	-	30,997	-	30,997
Prepaid expenses	-	-	-	-	4,729	4,729
<b>Total assets</b>	<b>257,020</b>	<b>318,514</b>	<b>2,230,547</b>	<b>804,235</b>	<b>239,474</b>	<b>21,471,856</b>
<b>Liabilities</b>						
Accounts payable	-	-	-	7,605	3,332	11,309
Salaries and benefits payable	-	-	-	260	3,130	8,738
Due to other governments	1,958	318,514	31,710	70	56,453	813,985
Trusts payable	-	-	-	-	34,033	58,294
Compensated absences	-	-	-	-	28,687	46,564
<b>Total liabilities</b>	<b>1,958</b>	<b>318,514</b>	<b>31,710</b>	<b>7,935</b>	<b>125,635</b>	<b>938,890</b>
<b>Deferred Inflows of Resources</b>						
Unavailable property tax revenues	255,000	-	2,194,000	-	-	19,248,000
<b>Net Position</b>						
Restricted for individuals, organizations and other governments	\$ 62	-	4,837	796,300	113,839	1,284,966

See accompanying independent auditor's report.

## Montgomery County

## Combining Schedule of Changes in Fiduciary Net Position – Custodial Funds

June 30, 2025

Class of Transaction	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations
<b>Additions:</b>						
Property and other county tax	\$ -	216,951	407,828	10,267,654	761,973	4,767,960
911 surcharges	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
State tax credits	-	13,246	25,464	560,629	40,986	486,411
Drivers license fees	-	-	-	-	-	-
Office fees and collections	278,501	-	12	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Trusts	448,892	-	-	-	-	-
Miscellaneous	2,136	120	-	5,780	402	7,871
<b>Total additions</b>	<b>729,529</b>	<b>230,317</b>	<b>433,304</b>	<b>10,834,063</b>	<b>803,361</b>	<b>5,262,242</b>
<b>Deductions:</b>						
<b>Agency remittances:</b>						
To other funds	125,350	-	-	-	-	-
To other governments	153,152	230,271	433,157	10,831,377	803,117	5,261,229
Trusts paid out	451,027	-	-	-	-	-
<b>Total deductions</b>	<b>729,529</b>	<b>230,271</b>	<b>433,157</b>	<b>10,831,377</b>	<b>803,117</b>	<b>5,261,229</b>
Changes in net position	-	46	147	2,686	244	1,013
Net position beginning of year	-	435	313,943	21,163	1,479	28,772
Net position end of year	\$ -	481	314,090	23,849	1,723	29,785

## Montgomery County

## Combining Schedule of Changes in Fiduciary Net Position – Custodial Funds

June 30, 2025

Class of Transaction	Townships	Auto License, Use Tax, and Driver's License	County Hospital	911 Service	Other	Total
Additions:						
Property and other county tax	\$ 250,882	-	2,181,548	-	32,474	18,887,270
911 surcharges	-	-	-	149,028	-	149,028
Intergovernmental	-	-	-	-	942,008	942,008
State tax credits	9,388	-	133,095	-	82	1,269,301
Drivers license fees	-	30,873	-	-	-	30,873
Office fees and collections	-	-	-	-	-	278,513
Auto licenses, use tax and postage	-	4,142,360	-	-	-	4,142,360
Assessments	-	-	-	-	35,437	35,437
Trusts	-	-	-	-	245,199	694,091
Miscellaneous	-	-	1,202	51,918	1,923	71,352
Total additions	260,270	4,173,233	2,315,845	200,946	1,257,123	26,500,233
Deductions:						
Agency remittances:						
To other funds	-	179,691	-	-	-	305,041
To other governments	260,209	3,993,542	2,315,385	89,710	1,026,405	25,397,554
Trusts paid out	-	-	-	-	276,399	727,426
Total deductions	260,209	4,173,233	2,315,385	89,710	1,302,804	26,430,021
Changes in net position	61	-	460	111,236	(45,681)	70,212
Net position beginning of year	1	-	4,377	685,064	159,520	1,214,754
Net position end of year	\$ 62	-	4,837	796,300	113,839	1,284,966

See accompanying independent auditor's report.

## Montgomery County

## Schedule of Revenues By Source and Expenditures By Function – All Governmental Funds

## For the Last Ten Years

Class of Transaction	2025	2024	2023	2022	2021
Revenues:					
Property and other county tax	\$ 7,995,269	6,998,866	6,520,997	6,609,202	6,739,140
Local option sales and services tax	518,426	540,937	506,254	569,676	477,634
Penalty and interest on property tax	53,691	59,780	47,398	47,667	75,232
Intergovernmental	4,345,415	4,561,260	4,905,024	4,372,883	5,563,515
Licenses and permits	34,124	29,888	7,308	12,296	12,300
Charges for service	343,428	301,775	325,907	384,279	349,401
Use of money and property	297,126	129,755	38,054	50,223	62,748
Miscellaneous	945,073	578,462	310,017	196,733	130,603
Total	\$ 14,532,552	13,200,723	12,660,959	12,242,959	13,410,573
Expenditures:					
Operating:					
Public safety and legal services	\$ 4,622,524	3,250,322	3,043,255	2,887,360	2,724,894
Physical health and social services	429,106	475,041	533,339	488,673	495,003
Mental health	-	-	-	246,298	250,074
County environment and education	718,362	333,551	363,170	410,677	341,598
Roads and transportation	5,379,587	4,649,540	4,367,333	3,996,730	3,847,853
Governmental services to residents	619,637	428,042	410,772	413,856	433,996
Administration	1,485,050	1,758,310	2,363,795	1,735,594	1,343,016
Nonprogram	-	-	-	-	2,861
Debt service	1,172,773	1,091,098	1,070,469	1,136,030	1,252,993
Capital projects	211,663	1,013,378	100,735	58,793	1,176,874
Total	\$ 14,638,702	12,999,282	12,252,868	11,374,011	11,869,162

## Montgomery County

## Schedule of Revenues By Source and Expenditures By Function – All Governmental Funds

## For the Last Ten Years

Class of Transaction	2020	2019	2018	2017	2016
<b>Revenues:</b>					
Property and other county tax	6,740,833	6,153,218	5,659,669	5,526,013	5,489,833
Local option sales and services tax	418,499	350,051	362,429	356,194	398,799
Penalty and interest on property tax	32,140	47,810	47,337	40,578	46,332
Intergovernmental	4,937,814	4,654,594	3,853,706	3,841,739	3,623,075
Licenses and permits	14,530	9,236	8,655	11,246	8,447
Charges for service	311,286	289,881	315,402	300,400	317,137
Use of money and property	172,996	70,360	114,299	94,156	89,732
Miscellaneous	150,088	84,792	113,455	121,903	187,975
<b>Total</b>	<b>12,778,186</b>	<b>11,659,942</b>	<b>10,474,952</b>	<b>10,292,229</b>	<b>10,161,330</b>
<b>Expenditures:</b>					
<b>Operating:</b>					
Public safety and legal services	2,641,393	2,689,051	2,516,049	2,423,677	2,165,968
Physical health and social services	490,433	494,813	469,046	554,497	515,032
Mental health	245,802	214,725	235,382	395,215	321,464
County environment and education	392,646	420,121	422,492	424,322	404,359
Roads and transportation	4,091,478	4,442,650	4,665,554	4,229,299	4,565,097
Governmental services to residents	409,666	390,370	430,846	428,395	383,970
Administration	1,152,069	1,676,488	1,293,229	1,520,338	1,381,443
Nonprogram	-	-	-	-	-
Debt service	1,259,937	1,261,820	597,022	509,530	522,746
Capital projects	4,018,135	985,536	3,269,997	640,609	200,026
<b>Total</b>	<b>14,701,559</b>	<b>12,575,574</b>	<b>13,899,617</b>	<b>11,125,882</b>	<b>10,460,105</b>

See accompanying independent auditor's report.



# OFFICE OF AUDITOR OF STATE

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Rob Sand  
Auditor of State

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 auditing standards generally accepted in the United States of America 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, 2025, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 19, 2026.

Report on 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 (internal control) as a basis for designing audit procedures that are 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 certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 that 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 2025-001 through 2025-003 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2025-004 through 2025-008 to be significant deficiencies.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montgomery County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 noncompliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance 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, 2025 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 Findings

Government Auditing Standards requires the auditor to perform limited procedures on Montgomery County's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. Montgomery County's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## 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.



Brian R. Brustkern, CPA  
Deputy Auditor of State

May 19, 2026

## **Schedule of Findings**

Montgomery County  
 Schedule of Findings  
 Year ended June 30, 2025

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

2025-001 Segregation of Duties

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

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

Item Number	Segregation of Duties Issue	Applicable Offices
1)	All employees have access to the change fund.	Recorder, Sheriff and Treasurer
2)	Receipts – opening and listing mail receipts, collecting, depositing, posting and daily reconciling.	Public Health, Recorder, Sheriff, Treasurer and Conservation Foundation
3)	Bank reconciliations are not prepared by an individual who does not sign checks, handle or record cash.	Sheriff, Treasurer and Conservation Foundation
4)	Investments – investing, custody and accounting.	Treasurer
5)	Disbursements – check or warrant writing, signing, posting, reconciling and final approval.	General Assistance, Recorder, Sheriff and Conservation Foundation
6)	All individuals have the ability to void receipts, including individuals who perform daily balancing. Voided receipts were not reviewed periodically by an independent person for propriety.	Treasurer
7)	Journal entries are not reviewed and approved.	Auditor
8)	There is no evidence of an independent review of the coding of receipts to the proper account and fiscal year being performed.	Auditor, Treasurer, Sheriff, Recorder and Public Health

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

Montgomery County

Schedule of Findings

Year ended June 30, 2025

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

Recommendation – We realize segregation of duties is difficult with a limited number of office employees and volunteers. However, each official of the County and management of the Conservation Foundation should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize currently available staff, including elected officials, personnel from other offices, board members and volunteers 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 the reviews should be documented by the signature or initials of the reviewer and the date of the review.

Responses –

Auditor – To enhance our internal control structure, we will incorporate additional review processes utilizing available personnel, including elected officials when appropriate. Although our office operates with a limited number of staff, we are committed to implementing the highest level of internal control possible within these constraints. We will be reviewing our current operating procedures to identify opportunities to strengthen safeguards and ensure appropriate oversight.

General Assistance – Due to the loss of grant funding, we experienced staffing reductions that created challenges in implementing processes requiring independent daily review. We understand the importance of these controls and are committed to strengthening our procedures to ensure that daily processes are independently reviewed moving forward.

Public Health – Due to the loss of grant funding, we experienced staffing reductions that created challenges in implementing processes requiring independent daily review. We understand the importance of these controls and are committed to strengthening our procedures to ensure that daily processes are independently reviewed moving forward.

Recorder – With a two person office, it is difficult to segregate responsibilities as both employees have access to the cash register. We open mail together and one employee enters documents to be filed, and one employee enters checks into the cash register. Due to a staff resignation, checks are signed by the Recorder, but the new Clerk will be added to the signature card and will sign checks.

Sheriff – Both Administrative Assistants alternate days/duties with the duties of opening the mail/posting receipt/reconciling/and depositing funds to the bank. The Sheriff also assists in the duties when one is absent. The Sheriff and Administrative Assistant, Susan Veon are the two that write checks for the office.

Montgomery County

Schedule of Findings

Year ended June 30, 2025

Treasurer – We are a small office that utilizes cross-training to be able to serve our customers. We all have access to all funds each day. A cash counting machine has been bought to help ensure accuracy of cash accepted. We have incorporated a two-person verification when balancing all processes. Mail is distributed to all personnel for processing. Bank reconciliations are performed by a Treasurer employee then verified by the Treasurer utilizing a spreadsheet. The Auditor will resume verification processes of bank reconciliation when the spreadsheet from January 2025 gets completed. Reconciliation of all January 2025 bank accounts are completed. One person will complete the investment spreadsheet for the Treasurer to verify. Voids will be verified at the end of the month. The Treasurer’s office ensures that the line accounts are valid.

Conservation Foundation – Each member of the foundation board will continue to review transactions and approve the financial report. Bank reconciliations and supporting documentation will be reviewed by foundation members each meeting.

Conclusions – Responses acknowledged. The Offices should also consider utilizing personnel from other offices or departments to provide additional internal control.

2025-002

Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County’s financial statements.

Condition – Material amounts of capital asset additions, disbursements, accounts receivable and accounts payable were not properly recorded in the County’s financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

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

Recommendation – The County should establish procedures to ensure all capital asset and infrastructure additions and deletions, accounts receivable and accounts payable are identified and are properly reported in the County’s financial statements.

Montgomery County

Schedule of Findings

Year ended June 30, 2025

Responses –

Auditor – We recognize that material adjustments were necessary during the audit due to certain capital asset additions, disbursements, accounts receivable, and accounts payable not being initially recorded. We agree that the absence of formalized policies and documented review procedures contributed to these omissions. We appreciate the recommendation and will work to ensure the necessary controls are in place to prevent, detect, and correct financial reporting misstatements in a timely manner.

Treasurer – The Treasurer’s office personnel always verify the accuracy of receipts with other departments when questions arise. Otherwise, the department heads are responsible for the accuracy of their own department receipts. We will search for a consistent resolution to assist the other departments with their receipts.

Conclusion – Responses accepted.

2025-003 Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling book and bank balances. Bank reconciliations can help ensure the accuracy of recorded amounts.

Condition – Monthly reconciliations of book to bank balances were prepared by the County Treasurer’s Office from July 2025 through June 2025; however, the January 2025 reconciliation did not properly reconcile. In addition, bank reconciliations from January 2025 through June 2025 were not reviewed periodically by an independent person for propriety.

Cause – Policies have not been designed, and procedures have not been implemented to ensure bank reconciliations are properly prepared.

Effect – Lack of proper preparation of bank reconciliations increases the risk misstatements may not be prevented or detected and corrected on a timely basis in the normal course of operations.

Recommendation – To improve financial accountability and control, the monthly reconciliations of the book and bank balances should be properly prepared. Reconciliations should be reviewed by an independent person, and the review should be documented by the signature or initials of the reviewer and the date of the review. The bank reconciliation review should include evidence the bank balances and reconciling items were verified by the independent reviewer.

Montgomery County

Schedule of Findings

Year ended June 30, 2025

Response – The Treasurer’s office completes the banking reconciliations every month. The current software does not work well when banking accounts are transferred to another account such as CD’s. One bank changes CD numbers at it’s end of life. The current software makes the account inactive when transferring the money to a new CD account number. The timing of this process does not look adequate.

Conclusion – Response acknowledged. Additionally, bank reconciliations should be reviewed by an independent person, and the review should be documented with the signatures or initials of the reviewer and the date of the review.

2025-004 Current and Delinquent Property Tax Reconciliations

Criteria – An effective internal control system provides for internal controls related to reconciling current and delinquent property tax collections to tax billings and amounts becoming or remaining delinquent to ensure the accuracy of current and delinquent property tax collections and receivables.

Condition – The County did not have procedures in place to ensure current and delinquent tax reconciliations by tax district were prepared.

Cause – Policies have not been established, and procedures have not been implemented to reconcile current and delinquent property tax to ensure the accuracy of property tax collections and receivables.

Effect – Since current and delinquent property tax collections were not reconciled, misstatements of current and delinquent property tax collections and/or receivables may not have been prevented or detected and corrected on a timely basis in the normal course of operations.

Recommendation – Current and delinquent property tax reconciliations should be prepared, independently reviewed, and differences investigated and resolved in a timely manner.

Response – The current software changes the delinquent reporting daily. These reports have been run but seem to be missing some of the information each time. The Treasurer has sought extra assistance, but data seems to be missing from the reports. We are hoping the new software will be more accurate with the delinquent taxes.

Conclusion – Response accepted.

2025-005 Reconciliation of Public Health Billings, Collections, Delinquent Accounts and Write-offs

Criteria – An effective internal control system provides for internal controls related to reconciling billings, collections, receivables and maintaining delinquent account listings to ensure the accuracy of collections, receivables and delinquent accounts.

Condition – Monthly reconciliations of billings, collections, receivables and delinquent account listings were not prepared.

Montgomery County

Schedule of Findings

Year ended June 30, 2025

Cause – Policies have not been established, and procedures have not been implemented to reconcile billings, collections and receivables and maintain delinquent account listings.

Effect – The condition could result in unrecorded or misstated revenues and receivables.

Recommendation – The Public Health Department should develop procedures to reconcile billings, collections and receivables. A listing of delinquent accounts should be prepared on a monthly basis. The Department should designate an independent person to review the reconciliations and monitor delinquents. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

Response – Due to the loss of grant funding, we experienced staffing reductions that created challenges in implementing consistent reconciliation processes. We understand the importance of these controls and are committed to strengthening our procedures to ensure that daily processes are properly completed and reconciled.

Conclusion – Response acknowledged. The Department should designate an independent person to review the reconciliation and monitor delinquent accounts.

2025-006 Computer System

Criteria – Properly designed policies and procedures pertaining to control activities over the County’s computer system and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable, and helps ensure the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition – The County does not have a written disaster recovery plan.

Cause – Management has not required a written disaster recovery plan.

Effect – The failure to have a formal disaster recovery plan could result in the County’s inability to function in the event of a disaster or continue County business without interruption.

Recommendation – A written disaster recovery plan should be developed.

Response – We appreciate the State Auditor’s recommendation. The County acknowledges the importance of having a formal, written disaster recovery plan to ensure continuity of operations in the event of an emergency. We acknowledge the plan the County currently has is outdated and we will develop and implement an updated written disaster recovery plan to strengthen our preparedness and safeguard the integrity of our computer systems and financial information.

Conclusion – Response accepted.

Montgomery County

Schedule of Findings

Year ended June 30, 2025

2025-007 Unsupported Expenditures

Criteria – Internal controls over safeguarding assets constitutes a process, effected by an entity's Board and other individuals designated to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – Three transactions for General Assistance were not properly supported by invoices or other supporting documentation.

Cause – Policies and procedures have not been established to ensure vendor receipts are retained for all purchases.

Effect – Lack of supporting documentation for all expenditures could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

Recommendation – General Assistance should maintain support for all expenditures to support the total amount paid to the vendor in the future.

Response – We acknowledge the importance for providing support for certain expenditures and receipts and will work on a procedure to provide this support while safeguarding HIPAA and privacy laws.

Conclusion – Response accepted.

2025-008 Capital Assets

Criteria – An effective internal control system provides for internal controls related to reconciling capital assets to asset/property records to ensure the accuracy of financial records and insurance needs and maintaining control over capital assets.

Condition – The County does not have procedures in place requiring the following:

- Periodic observations of capital assets by an individual having no responsibility for the assets.
- Physical inventory reconciliation to detailed capital asset records.

Cause – Management has not required procedures to be implemented for the above controls.

Effect – A lack of procedures could result in lost or misappropriated capital assets. If the capital asset listing is not properly maintained, the financial reports could be misstated due to an omission or an incorrect inclusion.

Recommendation – The County should develop written policies and procedures addressing the above items in order to improve the County's control over its capital assets.

Montgomery County

Schedule of Findings

Year ended June 30, 2025

Response – We acknowledge the State Auditor’s recommendation regarding capital asset controls. The County will work to enforce written policies and implement procedures requiring periodic independent observations of capital assets and reconciliation of physical inventories to detailed asset records. These steps will strengthen asset oversight and improve the accuracy of our financial reporting.

Conclusion – Response accepted.

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

Montgomery County

Schedule of Findings

Year ended June 30, 2025

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

2025-A Certified Budget – Disbursements during the year ended June 30, 2025 exceeded the amount budgeted in the public safety and legal services, county environment and education, and debt service function prior to amendment and in the debt service function at year end. In addition, disbursements in certain departments exceeded the amounts appropriated prior to budget amendments and at year end.

The Board of Supervisors by resolution adopted a property tax levy in excess of the estimate published.

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

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

Chapter 331.434(5) of the Code of Iowa requires after a public hearing the Board of Supervisors adopt by resolution a budget and certificate of taxes for the next fiscal year. The Board of Supervisors shall not adopt a tax in excess of the estimate published. Any increase adopted of tax in excess of the estimate published should be preceded by a public hearing.

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

Conclusion – Response acknowledged. Additionally, the County should ensure that property taxes levied are not in excess of the published amounts.

2025-B 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.

2025-C Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

2025-D Business Transactions – No business transactions between the County and County officials or employees were noted.

2025-E Restricted Donor Activity – No transactions were noted between the County, County officials, County employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

2025-F 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.

2025-G Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Montgomery County

Schedule of Findings

Year ended June 30, 2025

2025-H Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

2025-I Tax Increment Financing (TIF) – For the year ended June 30, 2024, the County Auditor did not prepare a reconciliation for each City to reconcile TIF receipts with total outstanding TIF debt.

Recommendation – In accordance with Chapter 403.19(6)(a)(1) of the Code of Iowa, the County Auditor is “to provide for the division of taxes in each subsequent year without further certification... until the amount of the loans, advances, indebtedness, or bonds is paid to the special fund”. To assist in meeting this requirement, the County Auditor should prepare a reconciliation of each City’s TIF receipts and certified TIF debt.

Response – The County Auditor will work to prepare annual reconciliations of tax increment financing for each City in accordance with Chapter 403.19(6)(a)(1).

Conclusion – Response accepted.

2025-J 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).

Montgomery County

Staff

This audit was performed by:

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