



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

Mary Mosiman, CPA  
Auditor of State

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**NEWS RELEASE**

FOR RELEASE September 12, 2014

Contact: Andy Nielsen  
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Auditor of State Mary Mosiman today released an audit report on Mills County, Iowa.

The County had local tax revenue of \$24,665,423 for the year ended June 30, 2013, which included \$874,548 in tax credits from the state. The County forwarded \$17,292,830 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$7,372,593 of the local tax revenue to finance County operations, a 23.5% increase from the prior year. Other revenues included charges for service of \$1,285,406, operating grants, contributions and restricted interest of \$3,009,818, capital grants, contributions and restricted interest of \$1,803,161, unrestricted investment earnings of \$19,914, local option sales and services tax of \$582,008, tax increment financing of \$327,537 and other general revenues of \$211,328.

Expenses for County operations for the year ended June 30, 2013 totaled \$12,272,547, an 8% decrease from the prior year. Expenses included \$5,197,609 for roads and transportation, \$2,700,952 for public safety and legal services and \$1,542,127 for physical health and social services.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1310-0065-B00F.pdf>.

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

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**Mills County**

**Officials**

**(Before January 2013)**

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Joseph P. Blankenship	Board of Supervisors	Jan 2013
Ronald E. Kohn	Board of Supervisors	Jan 2013
Richard Crouch	Board of Supervisors	Jan 2015
Carol Robertson	County Auditor	Jan 2013
Rebecca Killpack	County Treasurer	Jan 2015
Vicki McClintic	County Recorder	Jan 2015
Eugene Goos	County Sheriff	Jan 2013
Eric Hansen	County Attorney	Jan 2015
Christina Govig	County Assessor	Jan 2016

**(After January 2013)**

Richard Crouch	Board of Supervisors	Jan 2015
Ronald E. Kohn	Board of Supervisors	Jan 2017
Lonnie Mayberry	Board of Supervisors	Jan 2017
Carol Robertson	County Auditor	Jan 2017
Rebecca Killpack	County Treasurer	Jan 2015
Vicki McClintic	County Recorder	Jan 2015
Eugene Goos	County Sheriff	Jan 2017
Eric Hansen	County Attorney	Jan 2015
Christina Govig	County Assessor	Jan 2016

**Mills County**



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Independent Auditor's Report

To the Officials of Mills County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mills County, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Mills County as of June 30, 2013, and the respective changes in its financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 44 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mills County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 27, 2014 on our consideration of Mills County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Mills County's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

August 27, 2014

**Mills County**

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

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Mills County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013, along with comparative data for the year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 16.2%, or approximately \$2,034,000, from fiscal year 2012 to fiscal year 2013. Property tax increased approximately \$1,325,000, operating grants, contributions and restricted interest decreased approximately \$1,464,000 and capital grants, contributions and restricted interest increased approximately \$1,803,000 from fiscal year 2012 to fiscal year 2013.
- Program expenses of the County's governmental activities decreased 8%, or approximately \$1,073,000, in fiscal year 2013 compared to fiscal year 2012. Expenses for mental health decreased the most, from approximately \$1,588,000 in fiscal year 2012 to approximately \$220,000 in fiscal year 2013. Roads and transportation and administration expenses increased approximately \$498,000 and \$86,500, respectively, while public safety and legal services expenses decreased approximately \$320,000.
- The County's net position increased 14.5%, or approximately \$2,339,000, from June 30, 2012 to June 30, 2013.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Mills 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 Mills 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 Mills County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

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

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has two kinds of funds:

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Mills County's net position at the end of fiscal year 2013 totaled approximately \$18.5 million. The analysis that follows focuses on the changes in the net position of governmental activities.

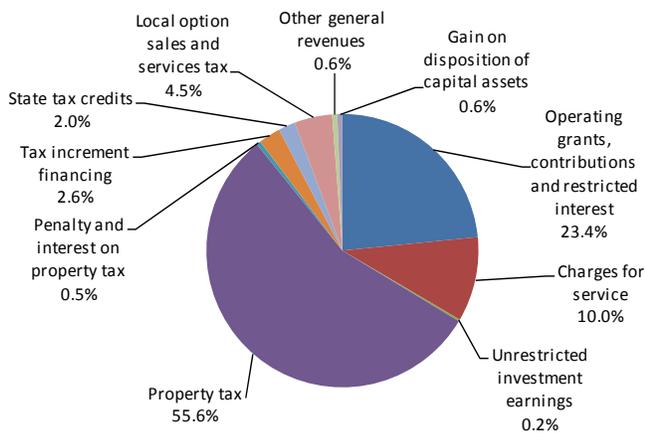
Net Position of Governmental Activities		
	June 30,	
	2013	2012 (Restated)
Current and other assets	\$ 15,347,841	15,852,061
Capital assets	12,922,924	9,890,874
Total assets	<u>28,270,765</u>	<u>25,742,935</u>
Long-term liabilities	1,581,679	1,460,058
Other liabilities	8,173,241	8,106,250
Total liabilities	<u>9,754,920</u>	<u>9,566,308</u>
Net position:		
Investment in capital assets	12,829,193	9,890,874
Restricted	4,709,007	4,414,086
Unrestricted	977,645	1,871,667
Total net position	<u>\$ 18,515,845</u>	<u>16,176,627</u>

Net position of Mills County's governmental activities increased approximately 14.5% (approximately \$18.5 million compared to approximately \$16.2 million). The largest portion of the County's net position is invested in capital assets (e.g. land, infrastructure, buildings and equipment). Next largest is restricted net position, which represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position which can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, are \$977,645, which is a decrease of approximately \$894,000, or 48%, from June 30, 2012.

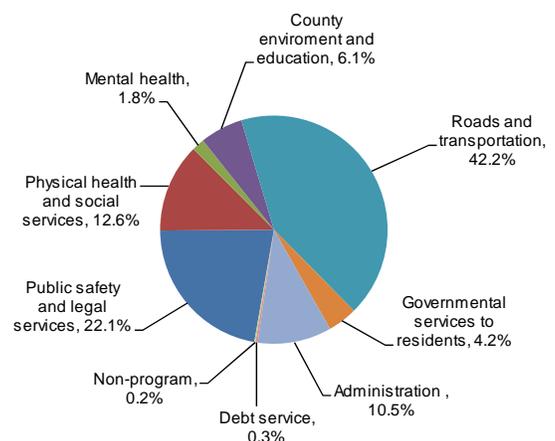
**Changes in Net Position of Governmental Activities**

	Year ended June 30,	
	2013	2012 (Restated)
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 1,285,406	1,224,566
Operating grants, contributions and restricted interest	3,009,818	4,473,979
Capital grants, contributions and restricted interest	1,803,161	-
<b>General revenues:</b>		
Property tax	7,114,457	5,789,205
Penalty and interest on property tax	67,635	64,917
Tax increment financing	327,537	236,249
State tax credits	258,136	182,051
Local option sales and services tax	582,008	516,513
Unrestricted investment earnings	19,914	24,009
Gain on disposition of capital assets	72,090	10,311
Other general revenues	71,603	55,578
<b>Total revenues</b>	<b>14,611,765</b>	<b>12,577,378</b>
<b>Program expenses:</b>		
Public safety and legal services	2,700,952	3,020,978
Physical health and social services	1,542,127	1,547,818
Mental health	220,272	1,587,707
County environment and education	743,520	777,992
Roads and transportation	5,197,609	4,699,915
Governmental services to residents	521,192	448,426
Administration	1,294,171	1,207,630
Debt service	31,170	33,690
Non-program	21,534	21,533
<b>Total expenses</b>	<b>12,272,547</b>	<b>13,345,689</b>
<b>Change in net position</b>	<b>2,339,218</b>	<b>(768,311)</b>
<b>Net position beginning of year, as restated</b>	<b>16,176,627</b>	<b>16,944,938</b>
<b>Net position end of year</b>	<b>\$ 18,515,845</b>	<b>16,176,627</b>

**Revenue by Source**



**Expenses by Program**



Mills County's net position of governmental activities increased approximately \$2,339,000 during the year. Revenues for governmental activities increased approximately \$2,034,000 from the prior year.

Mills County increased the property tax rate \$.27967 per \$1,000 of taxable valuation for the rural services levy and increased the property tax rate \$.61288 per \$1,000 of taxable valuation for the county-wide levy in fiscal year 2013. The general supplemental levy rate increased \$.00761 per \$1,000 of taxable valuation from fiscal year 2012 to fiscal year 2013. The mental health levy rate decreased \$.05095 per \$1,000 of taxable valuation. The county-wide assessed property taxable valuation increased \$57,537,224 from fiscal year 2012 to fiscal year 2013 and the rural assessed property taxable valuation increased \$48,456,544 from fiscal year 2012 to fiscal year 2013. The general basic levy in fiscal year 2013 increased \$1.00 per \$1,000 of taxable valuation from fiscal year 2012 to \$4.50 per \$1,000 of taxable valuation.

The cost of all governmental activities this year was approximately \$12.3 million compared to approximately \$13.3 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers untimely financed for these activities was approximately \$6.2 million because some of the cost was paid by those directly benefited from the programs (approximately \$1,285,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$4,813,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, increased in fiscal year 2013 from approximately \$5,699,000 to approximately \$6,098,000, primarily due to contributed capital assets for a road project paid by the Iowa Department of Transportation in fiscal year 2013.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Mills County completed the year, its governmental funds reported a combined fund balance of approximately \$7 million, a decrease of approximately \$571,000 from last year's total of approximately \$7.567 million. The decrease in fund balance is primarily attributable to an increase in expenditures for the courthouse expansion and law enforcement center projects. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund, the operating fund for Mills County, ended fiscal year 2013 with a balance of \$2,678,524. This was a decrease of \$1,232,440 from the fiscal year 2012 ending balance. Revenue increased \$1,216,373 from fiscal year 2012, primarily due to an increase in property and other county tax. Expenditures increased over fiscal year 2012, primarily due to construction expenses for the courthouse expansion and law enforcement capital projects.

The Special Revenue, Mental Health Fund revenues totaled approximately \$639,000, a decrease of 52.1% from the prior year. Expenditures totaled approximately \$220,000, a decrease of 86.1% from the prior year. The decrease is due to a decrease in state mental health funding resulting from changes in the mental health system approved by the Legislature. The Mental Health Fund balance at year end increased approximately \$419,000 from the prior year to \$1,033,043 at June 30, 2013.

The Special Revenue, Rural Services Fund ended fiscal year 2013 with a fund balance of \$145,967 compared to the fiscal year 2012 ending fund balance of \$114,024. Revenues increased \$308,340 from fiscal year 2012 to fiscal year 2013, with property and other county tax revenue increasing from fiscal year 2012 to fiscal year 2013. Expenditures decreased \$17,094 from fiscal year 2012. The County transferred all funds budgeted to the Special Revenue, Secondary Roads Fund, an increase of \$114,053 from fiscal year 2012 to fiscal year 2013.

The Special Revenue, Secondary Roads Fund ended fiscal year 2013 with a fund balance of \$1,703,134 compared to the fiscal year 2012 ending fund balance of \$1,858,038. As mentioned above, the Secondary Roads Fund received all the transfers budgeted in fiscal year 2013, which was a total increase of approximately \$147,000 over fiscal year 2012. Secondary Roads Fund revenue decreased \$324,057 from fiscal year 2012 to fiscal year 2013 due to a decrease in intergovernmental revenue, primarily due to capital grants received from FEMA in fiscal year 2012. Expenditures increased \$532,626 from fiscal year 2012, primarily due to an increase in equipment and vehicle purchases.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Mills County amended its budget two times. The first amendment was made on October 9, 2012 and resulted in an increase in budgeted receipts and disbursements for various items, including Sheriff's Department expenses for patrol services for Knotfest, employee training, office equipment and the cost of the special audit performed in the Treasurer's Office. The second amendment was made on May 14, 2013 and resulted in an increase in budgeted disbursements related primarily to costs for the new law enforcement center capital project.

The County's actual receipts were \$1,210,460 less than the amended budget, a variance of 8.3%. The variance resulted from the County receiving less intergovernmental revenue than anticipated.

Total disbursements were \$3,809,175 less than the amended budget, a variance of 21.7%. Actual disbursements for the mental health, roads and transportation and physical health and social services functions were under the amended budget by \$1,225,843, \$751,906 and \$529,328, respectively. This was primarily due to a decrease in state mental health funding resulting from changes in the mental health system approved by the Legislature, anticipating funding from FEMA and other grants which was not received and the County no longer being the fiscal agent for the Early Childhood Iowa board.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, Mills County had approximately \$12.9 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 \$3,032,050, or 30.7%, from last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2013	2012
Land	\$ 881,704	843,378
Intangibles, road network	933,140	933,140
Buildings	2,732,712	1,018,468
Improvements other than buildings	29,068	33,912
Equipment and vehicles	2,223,589	2,112,453
Infrastructure, other	6,122,711	4,949,523
Total	\$ 12,922,924	9,890,874
This year's major additions included:		
County courthouse expansion	\$ 1,389,642	
County Sheriff, Secondary Roads and Conservation vehicles	422,496	
Law enforcement center	345,321	
Total	\$ 2,157,459	

The County had depreciation expense of \$747,483 in fiscal year 2013 and total accumulated depreciation of \$6,349,082 at June 30, 2013.

More detailed information about the County's capital assets is presented in Note 5 to financial statements.

### **Long-Term Debt**

At June 30, 2013, Mills County had \$813,731 of long-term debt outstanding compared to \$795,000 of outstanding long-term debt at June 30, 2012.

Outstanding Debt of Governmental Activities at Year End		
	June 30,	
	2013	2012
General obligation urban renewal revenue bonds	\$ 720,000	795,000
Capital lease purchase agreement	93,731	-
Total	\$ 813,731	795,000

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Mills County's constitutional debt limit is approximately \$70.1 million. 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**

Mills County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 3.7% versus 3.6% a year ago. This compares with the State's unemployment rate of 4.8% and the national rate of 7.5%.

These indicators were taken into account when adopting the budget for fiscal year 2014. Amounts available for appropriation in the operating budget are approximately \$13,340,330, a decrease of 8.1% from the final fiscal year 2013 budget. Property tax decreased due to the fiscal year 2014 rate decrease. Intergovernmental receipts decreased as a result of the County's various grant programs. Mills County will use these revenues to finance programs we currently offer and offset the effect we expect inflation to have on program costs. Additionally, Mills County has budgeted \$6,550,000 for long term debt proceeds which will be used to finance the new law enforcement center. Budgeted disbursements are expected to increase approximately \$2,890,000, primarily due to costs associated with the construction of the law enforcement center. The County has added no major new programs or initiatives to the fiscal year 2014 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by the close of fiscal year 2014.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Mills 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 Carol Robertson by email at [crobertson@millscoia.us](mailto:crobertson@millscoia.us), by mail at the Mills County Auditor's Office, 418 Sharp Street, Glenwood, Iowa 51534 or by telephone at (712) 527-3146.

**Mills County**

## **Basic Financial Statements**

**Exhibit A**

Mills County  
Statement of Net Position  
June 30, 2013

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 6,786,060
Receivables:	
Property tax:	
Delinquent	24,103
Succeeding year	7,529,000
Interest and penalty on property tax	66,046
Accounts	54,653
Accrued interest	1,888
Drainage assessments	416
Special assessments	4,983
Loan	100,000
Due from other governments	468,544
Inventories	292,717
Prepaid insurance	19,431
Capital assets - nondepreciable	3,721,678
Capital assets - depreciable (net)	9,201,246
<b>Total assets</b>	<u>28,270,765</u>
<b>Liabilities</b>	
Accounts payable	363,517
Salaries and benefits payable	213,889
Due to other governments	24,368
Deferred revenue:	
Succeeding year property tax	7,529,000
Other	42,467
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	31,244
General obligation urban renewal bonds	75,000
Compensated absences	301,204
Portion due or payable after one year:	
Capital lease purchase agreement	62,487
General obligation urban renewal bonds	645,000
Compensated absences	286,744
Net OPEB liability	180,000
<b>Total liabilities</b>	<u>9,754,920</u>
<b>Net Position</b>	
Net investment in capital assets	12,829,193
Restricted for:	
Supplemental levy purposes	908,617
Mental health purposes	1,035,012
Rural services purposes	134,864
Secondary roads purposes	1,441,679
Debt service	842
Other purposes	1,187,993
Unrestricted	977,645
<b>Total net position</b>	<u>\$ 18,515,845</u>

See notes to financial statements.

Mills County

Statement of Activities

Year ended June 30, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest		Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 2,700,952	212,739	116,219	-	(2,371,994)
Physical health and social services	1,542,127	339,993	596,593	-	(605,541)
Mental health	220,272	-	28,249	-	(192,023)
County environment and education	743,520	195,499	10,750	39,053	(498,218)
Roads and transportation	5,197,609	71,089	2,229,360	1,764,108	(1,133,052)
Governmental services to residents Administration	521,192	438,661	1,089	-	(81,442)
	1,294,171	25,705	27,558	-	(1,240,908)
Debt service	31,170	-	-	-	(31,170)
Non-program	21,534	1,720	-	-	(19,814)
<b>Total</b>	<b>\$12,272,547</b>	<b>1,285,406</b>	<b>3,009,818</b>	<b>1,803,161</b>	<b>(6,174,162)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					7,113,615
Debt service					842
Penalty and interest on property tax					67,635
Tax increment financing					327,537
State tax credits					258,136
Local option sales and services tax					582,008
Gain on disposition of capital assets					72,090
Unrestricted investment earnings					19,914
Miscellaneous					71,603
<b>Total general revenues</b>					<b>8,513,380</b>
Change in net position					2,339,218
Net position beginning of year, as restated					16,176,627
Net position end of year					<b>\$ 18,515,845</b>
See notes to financial statements.					

Mills County  
Balance Sheet  
Governmental Funds

June 30, 2013

	General	Special	
		Mental Health	Rural Services
<b>Assets</b>			
Cash and pooled investments	\$ 2,797,711	1,052,947	149,610
Receivables:			
Property tax:			
Delinquent	15,839	2,090	5,141
Succeeding year	4,444,000	586,000	1,820,000
Interest and penalty on property tax	66,046	-	-
Accounts	50,908	3,521	-
Accrued interest	1,880	-	-
Drainage assessments	-	-	-
Special assessments	-	-	-
Loan	100,000	-	-
Due from other funds	-	-	-
Due from other governments	98,541	975	7,450
Inventories	-	-	-
Prepaid insurance	19,431	-	-
<b>Total assets</b>	<b>\$ 7,594,356</b>	<b>1,645,533</b>	<b>1,982,201</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 239,847	15,480	2,306
Salaries and benefits payable	135,481	-	8,066
Due to other funds	2,090	-	633
Due to other governments	14,665	9,041	350
Deferred revenue:			
Succeeding year property tax	4,444,000	586,000	1,820,000
Other	79,749	1,969	4,879
<b>Total liabilities</b>	<b>4,915,832</b>	<b>612,490</b>	<b>1,836,234</b>
Fund balances:			
Nonspendable:			
Loan receivable	100,000	-	-
Inventories	-	-	-
Prepaid insurance	19,431	-	-
Restricted for:			
Supplemental levy purposes	926,094	-	-
Mental health purposes	-	1,033,043	-
Rural services purposes	-	-	145,967
Secondary roads purposes	-	-	-
Drainage warrants/drainage improvement certificates	-	-	-
Conservation land acquisition/capital improvements	206,487	-	-
Debt service	-	-	-
Other purposes	-	-	-
Unassigned	1,426,512	-	-
<b>Total fund balances</b>	<b>2,678,524</b>	<b>1,033,043</b>	<b>145,967</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,594,356</b>	<b>1,645,533</b>	<b>1,982,201</b>

See notes to financial statements.

Revenue		
Secondary		Total
Roads	Nonmajor	
1,377,853	1,407,939	6,786,060
-	1,033	24,103
-	679,000	7,529,000
-	-	66,046
217	7	54,653
-	8	1,888
-	416	416
4,983	-	4,983
-	-	100,000
2,723	-	2,723
294,127	67,451	468,544
292,717	-	292,717
-	-	19,431
1,972,620	2,155,854	15,350,564
68,784	37,100	363,517
67,633	2,709	213,889
		2,723
312	-	24,368
-	679,000	7,529,000
132,757	1,406	220,760
269,486	720,215	8,354,257
-	-	100,000
292,717	-	292,717
-	-	19,431
-	-	926,094
-	-	1,033,043
-	-	145,967
1,410,417	-	1,410,417
-	5,294	5,294
-	-	206,487
-	43	43
-	1,467,402	1,467,402
-	(37,100)	1,389,412
1,703,134	1,435,639	6,996,307
1,972,620	2,155,854	15,350,564

**Mills County**

Mills County

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

June 30, 2013

**Total governmental fund balances (page 21)** \$ 6,996,307

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$19,272,006 and the accumulated depreciation is \$6,349,082. 12,922,924

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 178,293

Long-term liabilities, including capital lease purchase agreement, general obligation urban renewal bonds , other postemployment benefits and compensated absences payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (1,581,679)

**Net position of governmental activities (page 18)** \$ 18,515,845

See notes to financial statements.

Mills County

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

Year ended June 30, 2013

	Special		
	General	Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 4,782,328	588,971	1,740,563
Local option sales and services tax	-	-	-
Tax increment financing	-	-	-
Interest and penalty on property tax	57,438	-	-
Intergovernmental	1,134,283	42,759	124,175
Licenses and permits	120,074	-	20,975
Charges for service	570,821	-	-
Use of money and property	22,941	-	-
Miscellaneous	84,150	7,316	10
<b>Total revenues</b>	<b>6,772,035</b>	<b>639,046</b>	<b>1,885,723</b>
<b>Expenditures:</b>			
<b>Operating:</b>			
Public safety and legal services	2,451,980	-	216,818
Physical health and social services	1,403,870	-	60,248
Mental health	-	220,272	-
County environment and education	375,961	-	57,076
Roads and transportation	-	-	-
Governmental services to residents	601,758	-	1,490
Administration	1,419,687	-	-
Debt service	-	-	-
Capital projects	1,720,172	-	-
<b>Total expenditures</b>	<b>7,973,428</b>	<b>220,272</b>	<b>335,632</b>
Excess (deficiency) of revenues over (under) expenditures	(1,201,393)	418,774	1,550,091
<b>Other financing sources (uses):</b>			
Sale of capital assets	10,161	-	-
Operating transfers in	-	-	-
Operating transfers out	(134,939)	-	(1,518,148)
Capital lease purchase agreement	93,731	-	-
<b>Total other financing sources (uses)</b>	<b>(31,047)</b>	<b>-</b>	<b>(1,518,148)</b>
Change in fund balances	(1,232,440)	418,774	31,943
Fund balances beginning of year, as restated	3,910,964	614,269	114,024
Fund balances end of year	<b>\$ 2,678,524</b>	<b>1,033,043</b>	<b>145,967</b>

See notes to financial statements.

Revenue		
Secondary		Total
Roads	Nonmajor	
-	43	7,111,905
-	582,008	582,008
-	327,346	327,346
-	-	57,438
2,642,025	80,676	4,023,918
11,025	-	152,074
12,232	3,722	586,775
-	74,607	97,548
186,817	5,309	283,602
2,852,099	1,073,711	13,222,614
-	74,971	2,743,769
-	-	1,464,118
-	-	220,272
-	325,293	758,330
4,873,610	-	4,873,610
-	6,017	609,265
-	-	1,419,687
-	106,170	106,170
-	37,100	1,757,272
4,873,610	549,551	13,952,493
(2,021,511)	524,160	(729,879)
-	55,000	65,161
1,866,607	-	1,866,607
-	(213,520)	(1,866,607)
-	-	93,731
1,866,607	(158,520)	158,892
(154,904)	365,640	(570,987)
1,858,038	1,069,999	7,567,294
1,703,134	1,435,639	6,996,307

Mills County

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances -  
Governmental Funds to the Statement  
of Activities

Year ended June 30, 2013

**Change in fund balances - Total governmental funds (page 25)** \$ (570,987)

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

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

Expenditures for capital assets	\$ 2,443,884	
Assets contributed by the Iowa Department of Transportation	1,295,667	
Land contributed by a private donor	33,053	
Depreciation expense	(747,483)	3,025,121

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 6,929

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

Property tax	12,940	
Other	(13,164)	(224)

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 issues exceeded repayments, as follows:

Issued	(93,731)	
Repaid	75,000	(18,731)

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	(72,890)	
Other postemployment benefits	(30,000)	(102,890)

**Change in net position of governmental activities (page 19)** \$ 2,339,218

See notes to financial statements.

Mills County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2013

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 1,911,225
Other County officials	18,335
Receivables:	
Property tax:	
Delinquent	63,541
Succeeding year	16,543,000
Accounts	27,255
Accrued interest	330
Special assessments	124,605
Drainage assessments	17,035
Due from other governments	75,747
<b>Total assets</b>	<b>18,781,073</b>

**Liabilities**

Accounts payable	121,015
Stamped warrants payable	14,146
Salaries and benefits payable	25,801
Due to other governments	18,557,265
Trusts payable	20,043
Compensated absences	42,803
<b>Total liabilities</b>	<b>18,781,073</b>

**Net position**

\$ -

See notes to financial statements.

Mills County

Notes to Financial Statements

June 30, 2013

**(1) Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

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

These financial statements present Mills 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 Special Revenue Funds.

One drainage district has been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although this district is legally separate from the County, it is controlled, managed and supervised by the Mills County Board of Supervisors. The drainage district is reported as a Special Revenue Fund. Financial information of the drainage district can be obtained from the Mills County Auditor's Office.

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

The County also participates in the following jointly governed organizations: Missouri River Authority, Hungry Canyons, Juvenile Detention Center, Adult Correctional Facility, Resource Conservation and Development (Golden Hills), Metropolitan Area Planning Agency, Southwest Iowa Planning Council, West Central Development and Southwest Iowa Drug Task Force.

B. Basis of Presentation

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

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

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

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

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net 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.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

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

Drainage Assessments Receivable – Drainage assessments receivable represent amounts assessed to individuals for work done on drainage districts which benefit their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents remaining assessments which are payable but not yet due.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected. Succeeding year special assessments receivable represents assessments which are payable but not yet due.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Intangibles, road network	50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

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

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

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

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

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

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Secondary Roads	General	\$ 2,090
	Special Revenue:	
	Rural Services	633
Total		\$ 2,723

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

**(4) Interfund Transfers**

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

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 134,939
	Special Revenue:	
	Rural Services	1,518,148
	Local Option Sales and Services Tax	213,520
Total		<u>\$ 1,866,607</u>

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

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 843,378	88,053	49,727	881,704
Intangibles, road network	933,140	-	-	933,140
Construction in progress	192,851	1,757,356	43,373	1,906,834
Total capital assets not being depreciated	<u>1,969,369</u>	<u>1,845,409</u>	<u>93,100</u>	<u>3,721,678</u>
Capital assets being depreciated:				
Buildings	1,788,776	-	-	1,788,776
Improvements other than buildings	96,888	-	-	96,888
Equipment and vehicles	6,059,038	682,221	345,747	6,395,512
Infrastructure	5,917,370	1,351,782	-	7,269,152
Total capital assets being depreciated	<u>13,862,072</u>	<u>2,034,003</u>	<u>345,747</u>	<u>15,550,328</u>
Less accumulated depreciation for:				
Buildings	917,140	45,758	-	962,898
Improvements other than buildings	62,976	4,844	-	67,820
Equipment and vehicles	3,992,604	518,287	338,968	4,171,923
Infrastructure	967,847	178,594	-	1,146,441
Total accumulated depreciation	<u>5,940,567</u>	<u>747,483</u>	<u>338,968</u>	<u>6,349,082</u>
Total capital assets being depreciated, net	<u>7,921,505</u>	<u>1,286,520</u>	<u>6,779</u>	<u>9,201,246</u>
Governmental activities capital assets, net	<u>\$ 9,890,874</u>	<u>3,131,929</u>	<u>99,879</u>	<u>12,922,924</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 53,615
Physical health and social services	2,202
County environment and education	28,332
Roads and transportation	574,414
Governmental services to residents	11,820
Administration	77,100
	<u>77,100</u>
Total depreciation expense - governmental activities	<u>\$747,483</u>

**(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, 2013 is as follows:

Fund	Description	Amount
General	Services	\$ 14,665
Special Revenue:		
Mental Health	Services	9,041
Rural Services	Services	350
Secondary Roads	Services	312
		<u>24,368</u>
Total for governmental funds		<u>\$ 24,368</u>
Agency:		
County Assessor	Collections	\$ 720,818
Schools		11,772,168
Community Colleges		809,251
Corporations		3,145,448
Auto License and Use Tax		366,247
Drainage Districts		785,591
All other		957,742
		<u>18,557,265</u>
Total for agency funds		<u>\$ 18,557,265</u>

**(7) Long-Term Liabilities**

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

	Capital Lease Purchase Agreement	General Obligation Urban Renewal Bonds	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ -	795,000	515,058	150,000	1,460,058
Increases	93,731	-	416,222	48,000	557,953
Decreases	-	75,000	343,332	18,000	436,332
Balance end of year	<u>\$ 93,731</u>	<u>720,000</u>	<u>587,948</u>	<u>180,000</u>	<u>1,581,679</u>
Due within one year	<u>\$ 31,244</u>	<u>75,000</u>	<u>301,204</u>	<u>-</u>	<u>407,448</u>

### Capital Lease Purchase Agreement

The County has entered into an interest free capital lease purchase agreement to acquire voting equipment with a historical cost of \$93,731. The following is a schedule of the future minimum lease payments under the agreement in effect at June 30, 2013:

<u>Year</u> Ending June 30,	<u>Amount</u>
2014	\$ 31,244
2015	31,244
2016	31,243
Total	<u>\$ 93,731</u>

### General Obligation Urban Renewal Bonds

On October 4, 2007, the County issued \$1,115,000 of general obligation urban renewal bonds for the purpose of planning, undertaking and carrying out an urban renewal project within the Highway 34/I-29 urban renewal area, consisting of the construction of water and sanitary sewer improvements, with interest rates ranging from 3.50% to 4.00% per annum. Annual debt service requirements to maturity for the general obligation bonds are as follows:

<u>Year</u> Ending June 30,	<u>Interest</u> Rates	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	3.70%	\$ 75,000	27,933	102,933
2015	3.75	80,000	25,158	105,158
2016	3.80	85,000	22,158	107,158
2017	3.85	90,000	18,928	108,928
2018	3.85	90,000	15,463	105,463
2019-2021	3.95-4.00	300,000	24,353	324,353
Total		<u>\$ 720,000</u>	<u>133,993</u>	<u>853,993</u>

During the year ended June 30, 2013, \$75,000 of bonds were retired and interest of \$30,670 was paid. The principal and interest is reported in the debt service function.

### **(8) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$459,754, \$418,645 and \$358,547, respectively, equal to the required contributions for each year.

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

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 103 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

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

Annual required contribution	\$ 48,000
Interest on net OPEB obligation	6,000
Adjustment to annual required contribution	(6,000)
Annual OPEB cost	<u>48,000</u>
Contributions made	(18,000)
Increase in net OPEB obligation	<u>30,000</u>
Net OPEB obligation beginning of year	<u>150,000</u>
Net OPEB obligation end of year	<u>\$ 180,000</u>

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

For the year ended June 30, 2013, the County contributed \$18,000 to the medical plan. Plan members eligible for benefits contributed \$30,948, or 63% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 60,129	11.3%	\$ 53,338
2011	60,662	13.2	106,000
2012	58,000	24.1	150,000
2013	48,000	37.5	180,000

Funded Status and Funding Progress – As of June 30, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was approximately \$396,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$396,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,782,000 and the ratio of the UAAL to covered payroll was 8.28%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table, projected using scale AA. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2012.

Projected claim costs of the medical plan are \$608 per month for retirees less than age 65 and \$1,363 per month for spouses less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

## **(10) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2013 were \$120,250.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2013, no liability has been recorded in the County's financial statements. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all 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. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by the amount of capital distributions previously received by the withdrawing member and an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

**(11) Jointly Governed Organization**

The County participates in the Rolling Prairie Case Management Board, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County’s financial statements as part of the Other Agency Funds because of the County’s fiduciary relationship with the organization.

The following financial data is for the year ended June 30, 2013:

Additions:		
Federal grants and entitlements:		
Medicaid case management		\$ 514,561
Contributions from governmental units		92,154
Miscellaneous		1,403
Total additions		<u>608,118</u>
Deductions:		
Salaries	\$ 343,549	
Benefits	123,880	
Mental retardation case management	112,274	
Technical assistance	8,208	
Office supplies	6,716	
Telephone	2,990	
Travel and training	38,139	
Rent	933	
Equipment repair	3,926	640,615
		<u>640,615</u>
Net		(32,497)
Balance beginning of year		155,498
Balance end of year		<u>\$ 123,001</u>

**(12) Development Agreement**

The County entered into a development agreement to assist in an urban renewal project under Chapter 403 of the Code of Iowa. The County agreed to rebate 100% of the incremental property tax paid by the developer in exchange for construction of infrastructure by the developer. The incremental property tax received by the County from the developer will be rebated for a period of 11 years or until the total principal and interest have been paid, whichever occurs first. The total amount rebated is not to exceed \$545,000, plus interest. The outstanding principal balance on the agreement at June 30, 2013 is \$545,000 since no payments have been made.

**(13) Loan Receivable**

The County has entered into an interest free loan agreement with the Mills County Conference Board and the Mills County Assessor. Under the agreement, the Conference Board is to make scheduled principal payments. The principal payments from the Conference Board are credited to the General Fund. The loan balance at June 30, 2013 of \$100,000 is scheduled to be repaid during fiscal year 2014.

**(14) Deficit Balance**

The Capital Projects Fund had a deficit balance of \$37,100 at June 30, 2013. The deficit balance was primarily the result of work performed on the law enforcement center project prior to the bond issuance.

**(15) Subsequent Event**

On September 1, 2013, the County issued general obligation bonds of \$6,200,000 for the purpose of paying the cost of constructing, furnishing and equipping the law enforcement center.

The bonds are payable from a continuing annual levy of property tax against all taxable property of the County.

**(16) Restatements**

Beginning net position for governmental activities and the beginning fund balance for the General Fund were restated to correct revenue previously recorded incorrectly by the County.

	<u>Governmental Activities</u>	<u>General Fund</u>
Balances June 30, 2012, as previously reported	\$ 16,358,128	4,092,465
Correction of previously recorded revenue	(181,501)	(181,501)
Balances July 1, 2012, as restated	<u>\$ 16,176,627</u>	<u>3,910,964</u>

**Required Supplementary Information**

Mills County

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

Required Supplementary Information

Year ended June 30, 2013

	Actual	Funds not Required to be Budgeted	Actual
<b>Receipts:</b>			
Property and other county tax	\$ 8,007,229	-	8,007,229
Interest and penalty on property tax	57,606	-	57,606
Intergovernmental	4,122,484	-	4,122,484
Licenses and permits	145,489	-	145,489
Charges for service	608,070	-	608,070
Use of money and property	97,868	-	97,868
Miscellaneous	273,111	1,720	271,391
Total receipts	13,311,857	1,720	13,310,137
<b>Disbursements:</b>			
Public safety and legal services	2,659,726	-	2,659,726
Physical health and social services	1,555,324	-	1,555,324
Mental health	487,237	-	487,237
County environment and education	756,731	-	756,731
Roads and transportation	4,721,759	-	4,721,759
Governmental services to residents	482,986	-	482,986
Administration	2,958,336	-	2,958,336
Debt service	106,170	-	106,170
Capital projects	22,309	-	22,309
Total disbursements	13,750,578	-	13,750,578
Excess (deficiency) of receipts over (under) disbursements	(438,721)	1,720	(440,441)
Other financing sources, net	145,161	-	145,161
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(293,560)	1,720	(295,280)
Balance beginning of year, as restated	7,079,620	3,574	7,076,046
Balance end of year	\$ 6,786,060	5,294	6,780,766

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Actual
		Variance
7,990,767	7,990,767	16,462
62,200	62,200	(4,594)
5,642,564	5,642,564	(1,520,080)
116,150	142,484	3,005
419,645	419,645	188,425
113,288	113,288	(15,420)
131,178	149,649	121,742
14,475,792	14,520,597	(1,210,460)
2,811,713	2,902,509	242,783
2,058,364	2,084,652	529,328
1,713,080	1,713,080	1,225,843
1,233,725	1,253,725	496,994
5,473,665	5,473,665	751,906
496,704	498,879	15,893
2,853,857	3,129,073	170,737
106,170	106,170	-
398,000	398,000	375,691
17,145,278	17,559,753	3,809,175
(2,669,486)	(3,039,156)	2,598,715
87,000	87,000	58,161
(2,582,486)	(2,952,156)	2,656,876
5,581,527	5,581,527	1,494,519
2,999,041	2,629,371	4,151,395

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Mills County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 13,311,857	(89,243)	13,222,614
Expenditures	13,750,578	201,915	13,952,493
Net	(438,721)	(291,158)	(729,879)
Other financing sources, net	145,161	13,731	158,892
Beginning fund balances	7,079,620	487,674	7,567,294
Ending fund balances	\$ 6,786,060	210,247	6,996,307

See accompanying independent auditor's report.

Mills County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$414,475. The budget amendments are reflected in the final budgeted amounts. Also, courthouse expansion and law enforcement center project disbursements were budgeted under the administration function but were reclassified to the capital projects function in the financial statements.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted by function.

Mills County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)			
2010	July 1, 2009	-	\$ 424	424	0.00%	\$ 4,493	9.44%
2011	July 1, 2009	-	424	424	0.00	4,832	8.77
2012	July 1, 2009	-	424	424	0.00	4,447	9.50
2013	July 1, 2012	-	396	396	0.00	4,782	8.28

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

## **Supplementary Information**

Mills County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2013

	Local Option Sales and Services Tax	Resource Enhance- ment and Protection	County Recorder's Records Management	Special Urban Renewal Revenue
<b>Assets</b>				
Cash and pooled investments	\$ 646,942	108,556	17,809	491,433
Receivables:				
Property tax:				
Delinquent	-	-	-	191
Succeeding year property tax	-	-	-	375,000
Accounts	-	6	1	-
Accrued interest	-	8	-	-
Drainage assessments	-	-	-	-
Due from other governments	57,107	-	-	-
<b>Total assets</b>	<b>\$ 704,049</b>	<b>108,570</b>	<b>17,810</b>	<b>866,624</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	375,000
Other	-	-	-	191
Total liabilities	-	-	-	375,191
Fund balances:				
Restricted for:				
Drainage warrants/drainage improvement certificates	-	-	-	-
Debt service	-	-	-	-
Other purposes	704,049	108,570	17,810	491,433
Unassigned	-	-	-	-
Total fund balances	704,049	108,570	17,810	491,433
<b>Total liabilities and fund balances</b>	<b>\$ 704,049</b>	<b>108,570</b>	<b>17,810</b>	<b>866,624</b>

See accompanying independent auditor's report.

Revenue					
Decategorization Grant	County Conservation	Drainage District	Debt Service	Capital Projects	Total
17,379	120,526	5,294	-	-	1,407,939
-	-	-	842	-	1,033
-	-	-	304,000	-	679,000
-	-	-	-	-	7
-	-	-	-	-	8
-	-	416	-	-	416
10,344	-	-	-	-	67,451
27,723	120,526	5,710	304,842	-	2,155,854
-	-	-	-	37,100	37,100
1,632	1,077	-	-	-	2,709
-	-	-	304,000	-	679,000
-	-	416	799	-	1,406
1,632	1,077	416	304,799	37,100	720,215
-	-	5,294	-	-	5,294
-	-	-	43	-	43
26,091	119,449	-	-	-	1,467,402
-	-	-	-	(37,100)	(37,100)
26,091	119,449	5,294	43	(37,100)	1,435,639
27,723	120,526	5,710	304,842	-	2,155,854

Mills County

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

Year ended June 30, 2013

		Resource	County	Special
	Local Option	Enhance-	Recorder's	Urban
	Sales and	ment and	Records	Renewal
	Services Tax	Protection	Management	Revenue
Revenues:				
Property and other county tax	\$ -	-	-	-
Local option sales and services tax	582,008	-	-	-
Tax increment financing	-	-	-	327,346
Intergovernmental	-	10,268	-	-
Charges for service	-	-	3,722	-
Use of money and property	-	137	12	-
Miscellaneous	-	-	-	-
Total revenues	582,008	10,405	3,734	327,346
Expenditures:				
Operating:				
Physical health and social services	-	-	-	-
County environment and education	209,807	400	-	31,681
Governmental services to residents	-	-	6,017	-
Debt service	-	-	-	106,170
Capital projects	-	-	-	-
Total expenditures	209,807	400	6,017	137,851
Excess (deficiency) of revenues over (under) expenditures	372,201	10,005	(2,283)	189,495
Other financing sources (uses):				
Sale of capital assets	55,000	-	-	-
Operating transfers out	(213,520)	-	-	-
Total other financing sources (uses)	(158,520)	-	-	-
Change in fund balances	213,681	10,005	(2,283)	189,495
Fund balances beginning of year	490,368	98,565	20,093	301,938
Fund balances end of year	\$ 704,049	108,570	17,810	491,433

See accompanying independent auditor's report.

Revenue						
Decategorization Grant	County Conservation	Drainage District	Debt Service	Capital Projects	Total	
-	-	-	43	-	43	
-	-	-	-	-	582,008	
-	-	-	-	-	327,346	
70,408	-	-	-	-	80,676	
-	-	-	-	-	3,722	
-	74,458	-	-	-	74,607	
4,005	-	1,304	-	-	5,309	
74,413	74,458	1,304	43	-	1,073,711	
74,971	-	-	-	-	74,971	
-	83,405	-	-	-	325,293	
-	-	-	-	-	6,017	
-	-	-	-	-	106,170	
-	-	-	-	37,100	37,100	
74,971	83,405	-	-	37,100	549,551	
(558)	(8,947)	1,304	43	(37,100)	524,160	
-	-	-	-	-	55,000	
-	-	-	-	-	(213,520)	
-	-	-	-	-	(158,520)	
(558)	(8,947)	1,304	43	(37,100)	365,640	
26,649	128,396	3,990	-	-	1,069,999	
26,091	119,449	5,294	43	(37,100)	1,435,639	

Mills County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	2,126	198,995	128,317	9,439
Other County officials	18,305	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	709	1,930	41,851	2,812
Succeeding year	-	199,000	542,000	11,602,000	797,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Drainage assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 18,305</b>	<b>201,835</b>	<b>742,925</b>	<b>11,772,168</b>	<b>809,251</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	1,210	-	-
Stamped warrants payable	-	-	-	-	-
Salaries and benefits payable	-	-	7,680	-	-
Due to other governments	-	201,835	720,818	11,772,168	809,251
Trusts payable	18,305	-	-	-	-
Compensated absences	-	-	13,217	-	-
<b>Total liabilities</b>	<b>\$ 18,305</b>	<b>201,835</b>	<b>742,925</b>	<b>11,772,168</b>	<b>809,251</b>

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Drainage Districts	City Special Assessments	Other	Total
56,154	2,247	366,247	874,044	1,694	271,962	1,911,225
-	-	-	-	-	-	18,305
15,294	936	-	-	-	9	63,541
3,074,000	326,000	-	-	-	3,000	16,543,000
-	-	-	-	-	27,285	27,285
-	-	-	302	-	28	330
-	-	-	-	124,605	-	124,605
-	-	-	17,035	-	-	17,035
-	-	-	-	-	75,747	75,747
3,145,448	329,183	366,247	891,381	126,299	378,031	18,781,073
-	-	-	91,644	-	28,161	121,015
-	-	-	14,146	-	-	14,146
-	-	-	-	-	18,121	25,801
3,145,448	329,183	366,247	785,591	126,299	302,163	18,559,003
-	-	-	-	-	-	18,305
-	-	-	-	-	29,586	42,803
3,145,448	329,183	366,247	891,381	126,299	378,031	18,781,073

Mills County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2013

	Agricultural				
	County Offices	Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 27,070	196,710	675,546	12,359,739	870,210
Additions:					
Property and other county tax	-	200,273	546,164	11,686,233	802,534
E911 surcharges	-	-	-	-	-
State tax credits	-	7,103	19,118	437,714	31,472
Office fees and collections	333,128	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	555,785	-	-	-	-
Miscellaneous	-	55	147	3,720	242
Total additions	888,913	207,431	565,429	12,127,667	834,248
Deductions:					
Agency remittances:					
To other funds	201,440	-	-	-	-
To other governments	139,016	202,306	498,050	12,715,238	895,207
Trusts paid out	557,222	-	-	-	-
Total deductions	897,678	202,306	498,050	12,715,238	895,207
Balances end of year	\$ 18,305	201,835	742,925	11,772,168	809,251

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Drainage Districts	City Special Assess- ments	Other	Total
3,030,572	312,852	412,287	1,104,450	128,639	681,288	19,799,363
3,053,793	329,875	-	-	-	57,546	16,676,418
-	-	-	-	-	106,468	106,468
110,444	10,467	-	-	-	94	616,412
-	-	-	-	-	3,722	336,850
-	-	4,670,295	-	-	-	4,670,295
-	-	-	326,503	41,419	236,141	604,063
-	-	-	-	-	-	555,785
3,105	-	-	323,800	-	808,804	1,139,873
3,167,342	340,342	4,670,295	650,303	41,419	1,212,775	24,706,164
-	-	323,775	-	-	-	525,215
3,052,466	324,011	4,392,560	849,226	43,759	1,516,032	24,627,871
-	-	-	-	-	-	557,222
3,052,466	324,011	4,716,335	849,226	43,759	1,516,032	25,710,308
3,145,448	329,183	366,247	905,527	126,299	378,031	18,795,219

Mills County

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

For the Last Ten Years

	2013	2012	2011	2010
<b>Revenues:</b>				
Property and other county tax	\$ 7,111,905	5,785,015	5,829,630	5,533,676
Local option sales and services tax	582,008	516,513	406,971	418,679
Tax increment financing	327,346	236,249	98,324	197,039
Interest and penalty on property tax	57,438	58,135	62,022	64,921
Intergovernmental	4,023,918	5,051,206	6,035,709	5,269,080
Licenses and permits	152,074	108,979	132,157	126,243
Charges for service	586,775	524,479	440,925	387,235
Use of money and property	97,548	108,233	127,336	76,719
Miscellaneous	283,602	163,646	154,347	137,050
<b>Total</b>	<b>\$ 13,222,614</b>	<b>12,552,455</b>	<b>13,287,421</b>	<b>12,210,642</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 2,743,769	3,018,797	2,473,453	2,181,402
Physical health and social services	1,464,118	1,536,182	1,481,869	1,542,707
Mental health	220,272	1,587,707	1,401,997	1,263,742
County environment and education	758,330	768,899	629,451	681,949
Roads and transportation	4,873,610	4,335,990	5,353,500	4,849,650
Governmental services to residents	609,265	451,536	423,851	448,367
Administration	1,419,687	1,354,660	1,076,516	1,240,416
Non-program	-	-	-	8,070
Debt service	106,170	103,690	100,980	-
Capital projects	1,757,272	4,994	542,808	5,141
<b>Total</b>	<b>\$ 13,952,493</b>	<b>13,162,455</b>	<b>13,484,425</b>	<b>12,221,444</b>

See accompanying independent auditor's report

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
5,901,680	5,724,908	5,136,830	5,142,550	5,061,577	4,692,704
446,670	423,977	461,667	347,818	341,655	460,483
209,865	210,868	180,487	166,353	151,893	81,669
74,311	59,488	69,965	59,729	67,080	64,520
5,264,779	5,424,442	4,852,275	4,759,740	4,986,813	4,956,091
95,701	52,039	57,849	43,714	53,025	41,557
420,547	442,920	416,554	415,490	411,805	423,211
192,208	208,813	205,636	129,524	91,453	69,780
417,523	271,641	118,073	116,027	626,241	153,442
13,023,284	12,819,096	11,499,336	11,180,945	11,791,542	10,943,457
2,059,957	2,008,550	1,968,069	1,954,695	1,845,844	1,844,744
1,619,650	1,731,452	1,553,540	1,540,540	1,530,878	1,519,960
1,436,988	1,627,881	1,481,046	1,387,408	1,345,167	1,256,362
548,126	1,795,132	732,762	558,373	480,879	446,864
4,317,783	4,013,652	3,846,016	3,781,208	3,708,503	3,659,910
440,000	433,234	398,924	519,019	403,113	410,654
1,125,819	840,129	1,206,796	861,420	892,000	868,287
6,590	-	-	-	-	-
-	-	-	-	-	-
62,340	1,025,954	321,600	148,344	757,372	66,871
11,617,253	13,475,984	11,508,753	10,751,007	10,963,756	10,073,652

**Mills County**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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

To the Officials of Mills County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mills County, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 27, 2014.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mills County's Responses to the Findings

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

Purpose of this Report

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

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



MARY MOSIMAN, CPA  
Auditor of State



WARREN C. JENKINS, CPA  
Chief Deputy Auditor of State

August 27, 2014

**Mills County**

Mills County

Schedule of Findings

Year ended June 30, 2013

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

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

	<u>Applicable Offices</u>
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Treasurer and Recorder
(2) Bank accounts are not reconciled at the end of each month by an individual who does not sign checks, handle or record cash. Bank reconciliations are not reviewed by an independent person.	Treasurer and Recorder
(3) An initial listing of cash and checks received is not prepared.	Treasurer and Recorder
(4) Checks are not signed by an individual who does not otherwise participate in the preparation of the checks. The checks and the supporting documentation are not reviewed for propriety prior to signing.	Recorder
(5) Collection, deposit preparation and reconciliation functions are not segregated from the recording and accounting for cash receipts.	Recorder and Conservation
(6) Depositing, reconciling and recording of receipts is done by the change fund custodian. Additionally, the change fund is not the responsibility of one individual.	Treasurer

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials and personnel from other County Offices. Evidence of review of reconciliations should be documented by the signature or initials of the independent reviewer and the date of review.

Mills County

Schedule of Findings

Year ended June 30, 2013

Responses –

Treasurer – We have implemented a system of recording random payments received in the mail for both property taxes and motor vehicle departments. This is done one day per week by the Treasurer. The recordings are then tracked on the deposit and verified by the Driver's License Clerk.

Bank accounts are reconciled by the Treasurer and Deputy. Every effort is made by the Treasurer not to write/sign checks. Checks can only be signed by the Treasurer or Deputy. Currently we have two deputies in the office, so depending on staffing sometimes it is unavoidable for the Treasurer to not to sign checks.

We write cash receipts for cash received and randomly record and track checks received once per week. Form of payment is noted at cash-out on respective collection systems. (Solutions & ARTS)

Daily depositing, reconciling of all departments and recording is most often done by the Deputy Treasurer since the Treasurer reconciles the bank statements for these respective accounts. In her absence, the Treasurer completes these tasks. The change fund is the responsibility of the Treasurer or deputies.

Recorder – In a small office it is virtually impossible to have complete segregation of duties. Due to limited staffing, our options are limited. However, we will review office procedures and attempt to maximize the best internal control and, whenever possible, use other personnel, including elected officials, to add control measures where possible.

Conservation – In a small office it is virtually impossible to have complete segregation of duties. Due to limited staffing, our options are limited. However, we will review office procedures and attempt to maximize the best internal control and, whenever possible, use other personnel, including elected officials, to add control measures where possible.

Conclusions – Responses accepted.

- (B) Financial Reporting – During the audit, we identified a material receivable not recorded in the County's financial statements. An adjustment was subsequently made by the County to properly include the receivable in the financial statements.

Recommendation - The County should implement procedures to ensure all receivables are included in the County's financial statements.

Response – The Auditor will work with all of the departments to make sure all receivables are properly recorded in the time frame allowed and have measures to try to make sure this doesn't continue.

Conclusion – Response accepted.

Mills County

Schedule of Findings

Year ended June 30, 2013

- (C) Bank Reconciliations – Reconciliations of the Treasurer’s general ledger account to the bank accounts were not performed monthly, which resulted in variances between the accounts at June 30, 2013. Resulting variances were not properly investigated and resolved in a timely manner. Additionally, month end procedures were not performed timely and accounts were not closed timely, which resulted in delays to other County operations

The County utilizes the banking and investments module within its Solutions Software as a reconciling tool. However, transactions were not posted to the banking and investments module on the same date they were posted to the general ledger, which contributed to the variances between the accounts.

As a result, the County’s general ledger was overstated by \$181,501 and \$30,465 at June 30, 2012 and June 30, 2013, respectively. This was properly adjusted for reporting purposes.

Recommendation – Monthly bank reconciliations should be performed and variances between book and bank balances should be investigated and resolved in a timely manner to improve financial accountability and control. In addition, the reconciliations should be reviewed by an independent person and the review should be documented by the signature or initials of the independent reviewer and the date of review. Month end procedures and accounts should be closed timely (i.e. within one week of month end) so other County operations are not delayed.

If the County wishes to continue to utilize the banking and investments module as a reconciling tool, transactions should be posted to both the banking and investments module and the general ledger on the same date.

Response – My goal is to develop a monthly bank reconciliation balancing to the general ledger and semi-annual report. In working with the State Auditor’s Office, I feel it is necessary to start with December 2010 and work forward to current. I have consulted with a fellow Treasurer to use as a model and feel this can be accomplished by the end of 2 weeks. Depending on the outcome of this process, I may or may not continue utilizing the banking and investment module of our software.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Mills County

Schedule of Findings

Year ended June 30, 2013

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted by function.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
C. Lyle Mayberry, Jr., brother of County Engineer, owner of Land Surveying Services	Surveying	\$ 3,085
Beth Ragland, daughter of Public Health employee, Independent contractor	Meeting services	390
Roefeld Cleaning Services, owner is the nephew of the Public Health Administrator	Cleaning services	1,595
Karen O'Dell, sister of the Public Health Administrator, Independent contractor	Training instruction	3,162
Mike Lyles, husband of the Public Health Supervisor, Independent contractor	Family centered services	1,335

The transactions with Land Surveying Services, Karen O'Dell and Roefeld Cleaning Services may represent conflicts of interest as defined in Chapter 331.342 of the Code of Iowa since the total cumulative transactions with each individual were greater than \$1,500 during the fiscal year. The remaining transactions do not appear to represent a conflict of interest since total cumulative transactions with each individual were less than \$1,500 during the fiscal year.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – The County Attorney was consulted and is aware of these individuals being used as vendors and does not feel that there is a conflict of interest. The County takes the appearance of conflict of interest seriously and do employ other companies when necessary and will do so if the project or services are larger in scope and would involve substantial sums or long term obligations.

Conclusion – Response accepted.

Mills County

Schedule of Findings

Year ended June 30, 2013

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) Capital Lease Purchase Agreement – During the year ended June 30, 2013, the County entered into a capital lease purchase agreement for the purchase of voting equipment. However, a public hearing was not held prior to the authorization of this capital lease purchase agreement as required by Chapters 331.478 and 331.479 of the Code of Iowa.

Recommendation – The County should consult legal counsel for the disposition of this matter. In the future, the County should hold a public hearing prior to the authorization of a capital lease purchase agreement in accordance with Chapters 331.478 and 331.479 of the Code of Iowa.

Response – The County will try to make a conscious effort to instruct all departments regarding capital lease purchase agreements and make sure a public hearing is held along with formal action taken by the board of supervisors regarding this.

Conclusion – Response accepted.

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

Disbursements during the year ended June 30, 2013 for the County Extension Office did not exceed the amount budgeted.

Mills County

Schedule of Findings

Year ended June 30, 2013

- (11) Tax Increment Financing (TIF) – For the year ended June 30, 2013, the County Auditor did not prepare a reconciliation for each urban renewal area within each City reconciling TIF receipts with total outstanding TIF debt.

Recommendation – To assist the County Auditor in performing her duty “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” in accordance with Chapter 403.19(6)(a)(1) of the Code of Iowa, the County Auditor should prepare a reconciliation of each urban renewal area’s TIF receipts and TIF debt certified.

Response – The County Auditor was waiting for a response from the City Administrator to provide information to ensure the certification was correct. Reconciliations will be done in the future on forms available from the Department of Management.

Conclusion – Response accepted.

- (12) Tax Increment Financing (TIF) Indebtedness Certification – Chapter 403.19 of the Code of Iowa provides a municipality shall certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available TIF incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the County. Indebtedness incurred is to be certified by the County Auditor and then the divided property tax is to be used to pay the principal of and the interest on the certified indebtedness.

The County collected TIF revenues in excess of the amount of debt issued and certified.

Recommendation – The County should consult TIF legal counsel to determine the propriety of the County’s TIF certifications.

Response – In the agreement, the County was aware it was possible to do road infrastructure within the TIF area. However, the road project required several years to accumulate funding. The County requested all funds TIF could produce to pay bond payments and also to accumulate funding to pay for the infrastructure project. The County will no longer request extra funding for projects unless we discuss proper procedures with bond counsel and auditors and follow these guidelines.

Conclusion – Response accepted.

- (13) Tax Increment Financing – LMI Set Aside – The County’s development agreement provides for a 37.2% set aside for low and moderate income (LMI) housing assistance. As of June 30, 2013, the County has not set aside any funds for LMI housing assistance.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Mills County

Schedule of Findings

Year ended June 30, 2013

Response – Amounts required for the LMI housing assistance is available. The funds had not been set aside in a separate fund as required by the bond resolution. The Auditor will work with the State Auditor and our software provider to place these funds in a separate fund.

Conclusion –Response accepted.

- (14) Annual Urban Renewal Report – The annual urban renewal report was not certified to the Iowa Department of Management on or before December 1. The report was filed on January 11, 2013.

In addition, the following exceptions were noted:

The amount of TIF debt outstanding was understated on the urban renewal annual report. In addition, TIF revenues and expenditures were not correctly reported on the urban renewal annual report.

Recommendation – The County should file the urban renewal annual report timely and ensure the revenue, expenditure and debt amounts reported on the Levy Authority Summary agree with the County's records.

Response – The Auditors were told the reports were due on December 1, 2012 but there was not a penalty established the first year of uploading all of this information. The County was actively working on placing these reports in the annual urban renewal report form but was unable to accomplish until early January 2013. The County has updated these reports in timely fashion and according to the rules set forth this procedure is completed by December of each year.

Conclusion – Response accepted.

- (15) Tax Revenue – Chapter 331.552(29) of the Code of Iowa provides the County Treasurer shall send, before the fifteenth day of each month, the amount of tax revenue, special assessments and other moneys collected for each tax-certifying or tax-levying public agency in the county for direct deposit into the depository or financial institution and account designated by the governing body of the public agency. The Treasurer is currently writing checks to the public agency for moneys collected.

Recommendation – The County should direct deposit into the depository or financial institution and account designated by the governing body of the public agency.

Response – I have since 2011 completed month end, written checks and sent apportioned monies directly to the financial institution for each tax-levying public agency by the 10<sup>th</sup> of each month. Additionally, I send a voucher detailing a breakdown of the money deposited for each tax-levying agency to the designated representative. I have not changed this process to direct deposit (ACH) as we have an abundance of pre-printed checks to use. This inventory should last approximately a year from now. I will start to change the process to ACH within the current fiscal year.

Conclusion – Response accepted.

Mills County

Schedule of Findings

Year ended June 30, 2013

- (16) Financial Condition – The Capital Projects Fund had a deficit fund balance of \$37,100 at June 30, 2013.

Recommendation – The County should investigate alternatives to eliminate the deficit fund balance to return the fund to a sound financial position.

Response – The County established the Capital Projects Fund to pay and track all bills with regards to the jail project. The County received billings on the project prior to the bond issuance in September. In the future, the County will try to avoid putting a fund in a deficit balance.

Conclusion – Response accepted.

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Mills County

Staff

This audit was performed by:

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