

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

June 30, 2015

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$24,920,734 for the year ended June 30, 2014, which included \$817,189 in tax credits from the state. The County forwarded \$17,500,727 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$7,420,007 of the local tax revenue to finance County operations, a 1% increase over the prior year. Other revenues included charges for service of \$1,199,645, operating grants, contributions and restricted interest of \$3,586,378, capital grants, contributions and restricted interest of \$2,038,159, unrestricted investment earnings of \$23,387, local option sales and services tax of \$681,917, tax increment financing of \$331,341, gain on disposition of capital assets of \$163,082 and other general revenues of \$90,054.

Expenses for County operations for the year ended June 30, 2014 totaled \$11,912,855, a 3% decrease from the prior year. Expenses included \$4,846,895 for roads and transportation, \$2,646,535 for public safety and legal services and \$1,578,181 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/1410-0065-B00F.pdf>.

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MILLS COUNTY

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

JUNE 30, 2014

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Mills County

Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
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	(Retired Jun 2014)
Lisa Tallman (Appointed)	County Recorder	Nov 2014
Eugene Goos	County Sheriff	Jan 2017
Eric Hansen	County Attorney	(Resigned Sep 2014)
Tricia McSorley (Appointed)	County Attorney	Nov 2014
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, 2014, 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, 2014, 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 8 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

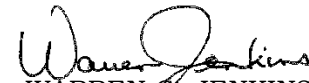
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mills County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 2, 2015 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

June 2, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2014, along with comparative data for the year ended June 30, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 6.3%, or approximately \$922,000, from fiscal year 2013 to fiscal year 2014. Property tax increased approximately \$63,000, operating grants, contributions and restricted interest increased approximately \$577,000 and capital grants, contributions and restricted interest increased approximately \$235,000 from fiscal year 2013 to fiscal year 2014.
- Program expenses of the County's governmental activities decreased 3%, or approximately \$360,000, in fiscal year 2014 compared to fiscal year 2013. Roads and transportation and administration expenses decreased approximately \$351,000 and \$141,000, respectively, while debt service expenses increased approximately \$141,000.
- The County's net position increased 19.6%, or approximately \$3,621,000, from June 30, 2013 to June 30, 2014.

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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

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, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

The County has two kinds of funds:

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

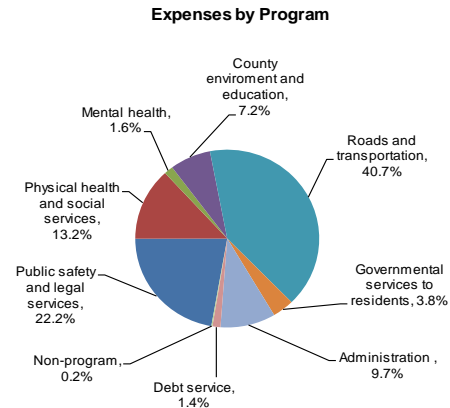
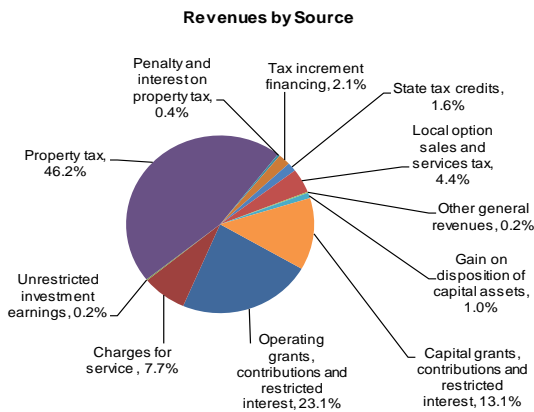
As noted earlier, net position may serve over time as a useful indicator of financial position. Mills County's net position at the end of fiscal year 2014 totaled approximately \$22.1 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities		
	June 30,	
	2014	2013
Current and other assets	\$ 18,588,795	15,559,987
Capital assets	19,668,060	12,922,924
Total assets	38,256,855	28,482,911
Long-term liabilities	7,427,422	1,581,679
Other liabilities	848,473	8,173,241
Total liabilities	8,275,895	9,754,920
Deferred inflows of resources	7,844,000	-
Net position:		
Invested in capital assets	16,082,850	12,829,193
Restricted	5,707,158	4,709,007
Unrestricted	346,952	1,189,791
Total net position	\$ 22,136,960	18,727,991

Net position of Mills County's governmental activities increased 19.6% (approximately \$22.1 million compared to approximately \$18.7 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 \$346,952, which was a decrease of approximately \$843,000, or 70.8%, from June 30, 2013.

Changes in Net Position of Governmental Activities

	Year ended June 30,	
	2014	2013
Revenues:		
Program revenues:		
Charges for service	\$ 1,199,645	1,285,406
Operating grants, contributions and restricted interest	3,586,378	3,009,818
Capital grants, contributions and restricted interest	2,038,159	1,803,161
General revenues:		
Property tax	7,177,939	7,114,457
Penalty and interest on property tax	67,449	67,635
Tax increment financing	331,341	327,537
State tax credits	242,068	258,136
Local option sales and services tax	681,917	582,008
Unrestricted grants and contributions	-	450
Unrestricted investment earnings	23,387	19,914
Gain on disposition of capital assets	163,082	72,090
Other general revenues	22,605	71,153
Total revenues	15,533,970	14,611,765
Program expenses:		
Public safety and legal services	2,646,535	2,700,952
Physical health and social services	1,578,181	1,542,127
Mental health	190,359	220,272
County environment and education	848,056	743,520
Roads and transportation	4,846,895	5,197,609
Governmental services to residents	456,189	521,192
Administration	1,152,841	1,294,171
Debt service	172,265	31,170
Non-program	21,534	21,534
Total expenses	11,912,855	12,272,547
Change in net position	3,621,115	2,339,218
Net position beginning of year	18,515,845	16,176,627
Net position end of year	\$ 22,136,960	18,515,845



Mills County's net position of governmental activities increased approximately \$3,621,000 during the year. Revenues for governmental activities increased approximately \$922,000 from the prior year.

Mills County increased the property tax rate \$.0451 per \$1,000 of taxable valuation for the rural services levy and decreased the property tax rate \$.19828 per \$1,000 of taxable valuation for the county-wide levy in fiscal year 2014. The general supplemental levy rate increased \$.34484 per \$1,000 of taxable valuation from fiscal year 2013 to fiscal year 2014. The mental health levy rate decreased \$.03196 per \$1,000 of taxable valuation. The debt service levy was \$.48884 per \$1,000 of taxable valuation in fiscal year 2014 compared to zero in fiscal year 2013. The county-wide assessed property taxable valuation increased \$34,982,117 from fiscal year 2013 to fiscal year 2014, the rural assessed property taxable valuation increased \$24,177,765 from fiscal year 2013 to fiscal year 2014 and the debt service assessed property taxable valuation increased \$35,884,451 from fiscal year 2013 to fiscal year 2014. The general basic levy in fiscal year 2014 decreased by \$1.00 from fiscal year 2013 to \$3.5 per \$1,000 of taxable valuation.

The cost of all governmental activities this year was approximately \$11.9 million compared to approximately \$12.3 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers untimely financed for these activities was approximately \$5 million because some of the cost was paid by those directly benefited from the programs (approximately \$1,200,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$5,625,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, increased in fiscal year 2014 from approximately \$6,098,000 to approximately \$6,825,000, primarily due to federal funds and contributed capital for road projects from the Iowa Department of Transportation (IDOT) in fiscal year 2014.

INDIVIDUAL MAJOR FUND ANALYSIS

As Mills County completed the year, its governmental funds reported a combined fund balance of approximately \$9.8 million, an increase of approximately \$2.8 million over last year's total of approximately \$7 million. The increase in fund balance is primarily attributable to the sale of general obligation bonds for the Public Safety Center project. 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 2014 with a balance of \$2,704,339. This is an increase of \$25,815 over the fiscal year 2013 ending balance. Revenue decreased \$301,208 from fiscal year 2013, primarily due to a decrease in property and other county tax. Expenditures decreased \$1,669,258 from fiscal year 2013, primarily due to construction expenditures for the courthouse expansion project made in fiscal year 2013.

Special Revenue, Mental Health Fund revenues totaled \$736,354, an increase of 15% over the prior year. Expenditures totaled approximately \$190,000, a decrease of 13.6% from the prior year. The decrease in expenditures is due to a decrease in state mental health funding resulting from changes in the mental health system approved by the state Legislature. The Mental Health Fund balance at year end increased approximately \$545,995 from the prior year to \$1,579,038 at June 30, 2014.

The Special Revenue, Rural Services Fund ended fiscal year 2014 with a fund balance of \$220,390 compared to the fiscal year 2013 ending fund balance of \$145,967. Revenues increased \$82,562 from fiscal year 2013 to fiscal year 2014, with property and other county tax increasing from fiscal year 2013 to fiscal year 2014. Expenditures increased \$67,685 over fiscal year 2013. The County transferred all funds budgeted to the Special Revenue, Secondary Roads Fund, which decreased \$27,603 from fiscal year 2013 to fiscal year 2014.

The Special Revenue, Secondary Roads Fund ended fiscal year 2014 with a fund balance of \$1,850,703 compared to the fiscal year 2013 ending fund balance of \$1,703,134. As mentioned above, the Secondary Roads Fund received all the transfers budgeted in fiscal year 2014, which was an increase of approximately \$133,000 over fiscal year 2013. Secondary Roads Fund revenue increased \$373,865 over fiscal year 2013 to fiscal year 2014 due to an increase in intergovernmental revenue, primarily due to highway planning and construction grants from the IDOT. Expenditures increased \$204,785 from fiscal year 2013, primarily due to an increase in road projects.

During the year ended June 30, 2014, the County issued \$6.2 million of general obligation bonds to help finance the Public Safety Center project. The proceeds from the bond issue were placed in the Capital Projects Fund to account for this major project. Approximately \$2,402,000 of bond proceeds remained in the Capital Projects Fund at the end of fiscal year 2014.

BUDGETARY HIGHLIGHTS

Over the course of the year, Mills County amended its budget two times. The first amendment was made on October 1, 2013 and resulted in an increase in budgeted receipts and disbursements for various items, including federal grant funding for a bridge project, employee salaries and a tiling project. The second amendment was made on May 27, 2014 and resulted in an increase in budgeted receipts and disbursements for various items, including public health grants, a road project in the urban renewal area, election equipment and the remainder of the Courthouse project.

The County's actual receipts were \$12,430 less than the amended budget, a variance of less than .1%.

Total actual disbursements were \$4,554,748 less than the amended budget, a variance of 21%. Actual disbursements for the capital projects, roads and transportation and public safety and legal services functions were under the amended budget by \$2,551,494, \$701,622 and \$439,456, respectively. This was primarily due to the Public Safety Center project continuing into fiscal year 2015 and being under budget, as well as anticipating a bridge project which was not done.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, Mills County had approximately \$19.7 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 \$6,745,136, or 52.2%, over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2014	2013
Land	\$ 881,704	881,704
Intangibles, road network	933,140	933,140
Construction in progress	3,965,966	1,906,834
Buildings	2,852,064	825,878
Improvements other than buildings	24,224	29,068
Equipment and vehicles	2,433,778	2,223,589
Infrastructure, other	8,577,184	6,122,711
Total	<u>\$ 19,668,060</u>	<u>12,922,924</u>

This year's major additions included:	
Courthouse expansion and equipment	\$ 572,668
County Sheriff, Secondary Roads and Conservation vehicles	600,773
Capital assets contributed by the Iowa Department of Transportation	1,546,880
Road projects	1,099,699
Public Safety Center	<u>3,595,605</u>
Total	<u>\$ 7,415,625</u>

The County had depreciation expense of \$841,828 in fiscal year 2014 and total accumulated depreciation of \$6,835,295 at June 30, 2014.

More detailed information about the County's capital assets is presented in Note 4 to financial statements.

Long-Term Debt

At June 30, 2014, Mills County had \$6,632,487 of long-term debt outstanding compared to \$813,731 of outstanding long-term debt at June 30, 2013.

	Outstanding Debt of Governmental Activities at Year End	
	June 30,	
	2014	2013
Capital lease purchase agreement	\$ 62,487	93,731
General obligation bonds	5,925,000	-
General obligation urban renewal revenue bonds	645,000	720,000
Total	<u>\$ 6,632,487</u>	<u>813,731</u>

Debt increased as a result of issuing general obligation bonds for the Public Safety Center project.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Mills County's constitutional debt limit is approximately \$71.2 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Mills County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 4.6% versus 3.7% a year ago. This compares with the State's unemployment rate of 4.4% and the national rate of 6.1%.

These indicators were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are \$14,029,101, an increase of .87% from the final fiscal year 2014 budget. Property tax increased due to an increase in property valuations for fiscal year 2015. Intergovernmental receipts increased 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. Budgeted disbursements are expected to decrease approximately \$2,174,000, primarily due to construction of the Public Safety Center being completed. The County has added no major new programs or initiatives to the fiscal year 2015 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by the close of fiscal year 2015.

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, 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, 2014

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 9,798,047
Receivables:	
Property tax:	
Delinquent	23,326
Succeeding year	7,844,000
Interest and penalty on property tax	76,558
Accounts	63,500
Accrued interest	1,906
Drainage assessments	443
Due from other governments	393,582
Inventories	364,626
Prepaid insurance	22,807
Capital assets - nondepreciable	5,780,810
Capital assets - depreciable (net)	13,887,250
Total assets	<u>38,256,855</u>
Liabilities	
Accounts payable	557,798
Accrued interest payable	17,536
Salaries and benefits payable	227,678
Due to other governments	12,131
Advances from grantors	33,330
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	31,244
General obligation bonds	245,000
General obligation urban renewal bonds	80,000
Compensated absences	303,832
Portion due or payable after one year:	
Capital lease purchase agreement	31,243
General obligation bonds	5,680,000
General obligation urban renewal bonds	565,000
Compensated absences	281,103
Net OPEB liability	210,000
Total liabilities	<u>8,275,895</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	<u>7,844,000</u>
Net Position	
Net investment in capital assets	16,082,850
Restricted for:	
Supplemental levy purposes	1,129,981
Mental health purposes	1,581,089
Rural services purposes	213,735
Secondary roads purposes	1,509,833
Debt service	202
Other purposes	1,272,318
Unrestricted	346,952
Total net position	<u>\$ 22,136,960</u>

See notes to financial statements.

Mills County

Statement of Activities

Year ended June 30, 2014

	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	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,646,535	208,184	95,729	-	(2,342,622)
Physical health and social services	1,578,181	389,321	623,572	-	(565,288)
Mental health	190,359	-	128,756	-	(61,603)
County environment and education	848,056	183,055	119,599	25,600	(519,802)
Roads and transportation	4,846,895	67,015	2,600,312	2,012,559	(167,009)
Governmental services to residents	456,189	330,019	201	-	(125,969)
Administration	1,152,841	19,915	18,209	-	(1,114,717)
Debt service	172,265	-	-	-	(172,265)
Non-program	21,534	2,136	-	-	(19,398)
Total	\$11,912,855	1,199,645	3,586,378	2,038,159	(5,088,673)
General Revenues:					
Property and other county tax levied for:					
General purposes					6,872,354
Debt service					305,585
Penalty and interest on property tax					67,449
Tax increment financing					331,341
State tax credits					242,068
Local option sales and services tax					681,917
Unrestricted investment earnings					23,387
Gain on disposition of capital assets					163,082
Miscellaneous					22,605
Total general revenues					8,709,788
Change in net position					3,621,115
Net position beginning of year					18,515,845
Net position end of year					\$ 22,136,960
See notes to financial statements					

Mills County
Balance Sheet
Governmental Funds

June 30, 2014

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 2,716,366	1,592,362	226,893	1,425,341
Receivables:				
Property tax:				
Delinquent	15,544	2,051	4,921	-
Succeeding year	4,614,000	591,000	1,930,000	-
Interest and penalty on property tax	76,558	-	-	-
Accounts	63,193	-	-	306
Accrued interest	1,906	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	99,656	76	5,792	240,241
Inventories	-	-	-	364,626
Prepaid insurance	22,807	-	-	-
Total assets	\$ 7,610,030	2,185,489	2,167,606	2,030,514
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 54,608	8,146	2,666	45,906
Salaries and benefits payable	141,946	-	9,179	73,504
Due to other governments	3,035	5,254	450	199
Advances from grantors	-	-	-	33,330
Total liabilities	199,589	13,400	12,295	152,939
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	4,614,000	591,000	1,930,000	-
Other	92,102	2,051	4,921	26,872
Total deferred inflows of resources	4,706,102	593,051	1,934,921	26,872
Fund balances:				
Nonspendable:				
Inventories	-	-	-	364,626
Prepaid insurance	22,807	-	-	-
Restricted for:				
Supplemental levy purposes	1,143,692	-	-	-
Mental health purposes	-	1,579,038	-	-
Rural services purposes	-	-	220,390	-
Secondary roads purposes	-	-	-	1,486,077
Drainage warrants/drainage improvement certificates	-	-	-	-
Conservation land acquisition/capital improvements	261,612	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Unassigned	1,276,228	-	-	-
Total fund balances	2,704,339	1,579,038	220,390	1,850,703
Total liabilities, deferred inflows of resources and fund balances	\$ 7,610,030	2,185,489	2,167,606	2,030,514

See notes to financial statements.

Capital Projects	Nonmajor	Total
2,848,349	988,736	9,798,047
-	810	23,326
-	709,000	7,844,000
-	-	76,558
-	1	63,500
-	-	1,906
-	443	443
-	47,817	393,582
-	-	364,626
-	-	22,807
<u>2,848,349</u>	<u>1,746,807</u>	<u>18,588,795</u>
446,072	400	557,798
-	3,049	227,678
-	3,193	12,131
-	-	33,330
<u>446,072</u>	<u>6,642</u>	<u>830,937</u>
-	709,000	7,844,000
-	1,253	127,199
-	<u>710,253</u>	<u>7,971,199</u>
-	-	364,626
-	-	22,807
-	-	1,143,692
-	-	1,579,038
-	-	220,390
-	-	1,486,077
-	7,178	7,178
-	-	261,612
-	14,840	14,840
2,402,277	-	2,402,277
-	1,007,894	1,007,894
-	-	1,276,228
<u>2,402,277</u>	<u>1,029,912</u>	<u>9,786,659</u>
<u>2,848,349</u>	<u>1,746,807</u>	<u>18,588,795</u>

Mills County

Mills County

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

June 30, 2014

Total governmental fund balances (page 21)	\$ 9,786,659
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$26,503,355 and the accumulated depreciation is \$6,835,295.	19,668,060
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.	127,199
Long-term liabilities, including capital lease purchase agreement payable, general obligation bonds and general obligation urban renewal bonds payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(7,444,958)</u>
Net position of governmental activities (page 18)	<u><u>\$ 22,136,960</u></u>
See notes to financial statements.	

Mills County

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

Year ended June 30, 2014

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 4,450,715	587,287	1,833,799	-
Local option sales and services tax	-	-	-	-
Tax increment financing	-	-	-	-
Interest and penalty on property tax	55,716	-	-	-
Intergovernmental	1,251,534	140,516	111,036	3,166,848
Licenses and permits	112,035	-	23,450	10,140
Charges for service	423,638	-	-	13,797
Use of money and property	26,505	-	-	-
Miscellaneous	150,684	8,551	-	35,179
Total revenues	6,470,827	736,354	1,968,285	3,225,964
Expenditures:				
Operating:				
Public safety and legal services	2,335,031	-	269,976	-
Physical health and social services	1,450,072	-	65,153	-
Mental health	-	190,359	-	-
County environment and education	492,015	-	67,073	-
Roads and transportation	-	-	-	4,647,326
Governmental services to residents	469,257	-	1,115	-
Administration	1,169,434	-	-	-
Debt service	-	-	-	-
Capital projects	388,361	-	-	431,069
Total expenditures	6,304,170	190,359	403,317	5,078,395
Excess (deficiency) of revenues over (under) expenditures	166,657	545,995	1,564,968	(1,852,431)
Other financing sources (uses):				
Transfers in	-	-	-	2,000,000
Transfers out	(140,842)	-	(1,490,545)	-
General obligation bonds issued	-	-	-	-
Discount on bonds sold	-	-	-	-
Total other financing sources (uses)	(140,842)	-	(1,490,545)	2,000,000
Change in fund balances	25,815	545,995	74,423	147,569
Fund balances beginning of year	2,678,524	1,033,043	145,967	1,703,134
Fund balances end of year	\$ 2,704,339	1,579,038	220,390	1,850,703

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	305,582	7,177,383
-	681,917	681,917
-	331,333	331,333
-	-	55,716
-	99,016	4,768,950
-	-	145,625
-	3,047	440,482
-	72,643	99,148
-	2,109	196,523
-	1,495,647	13,897,077
-	-	2,605,007
-	57,987	1,573,212
-	-	190,359
-	1,099,417	1,658,505
-	-	4,647,326
-	8,408	478,780
-	-	1,169,434
-	522,265	522,265
3,595,605	-	4,415,035
3,595,605	1,688,077	17,259,923
(3,595,605)	(192,430)	(3,362,846)
-	118,216	2,118,216
(118,216)	(368,613)	(2,118,216)
6,200,000	-	6,200,000
(46,802)	-	(46,802)
6,034,982	(250,397)	6,153,198
2,439,377	(442,827)	2,790,352
(37,100)	1,472,739	6,996,307
2,402,277	1,029,912	9,786,659

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, 2014

Change in fund balances - Total governmental funds (page 25) \$ 2,790,352

**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	\$ 5,898,977	
Assets contributed by the Iowa Department of Transportation	1,546,880	
Depreciation expense	<u>(841,828)</u>	6,604,029

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. 141,107

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

Property tax	12,297	
Other	<u>(63,391)</u>	(51,094)

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 issuances exceeded repayments, as follows:

Issued	(6,200,000)	
Repaid	<u>381,244</u>	(5,818,756)

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

Compensated absences	3,013	
Other postemployment benefits	(30,000)	
Interest on long term debt	<u>(17,536)</u>	<u>(44,523)</u>

Change in net position of governmental activities (page 19) \$ 3,621,115

See notes to financial statements.

Mills County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2014

Assets

Cash and pooled investments:	
County Treasurer	\$ 2,480,834
Other County officials	13,141
Receivables:	
Property tax:	
Delinquent	62,719
Succeeding year	16,918,000
Accounts	38,562
Accrued interest	302
Special assessments	96,974
Drainage assessments	6,960
Due from other governments	46,459
Total assets	19,663,951

Liabilities

Accounts payable	20,989
Stamped warrants payable	13,895
Salaries and benefits payable	27,400
Due to other governments	19,552,888
Trusts payable	3,565
Compensated absences	45,214
Total liabilities	19,663,951

Net position

\$ -

See notes to financial statements.

Mills County

Notes to Financial Statements

June 30, 2014

(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 they are, 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 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, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues 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 and Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Cash and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and 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 1.5% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2013.

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 drainage assessments receivable represents remaining assessments which are payable but not yet due.

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

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

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

Asset Class	Amount
Infrastructure	\$ 50,000
Intangibles, 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.

Advances from Grantors – Advances from grantors represents grant proceeds which have been received by the County, but will be spent in succeeding fiscal years.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. 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.

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

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

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, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 140,842
	Special Revenue:	
	Rural Services	1,490,545
	Local Option Sales and Services Tax	368,613
		<u>2,000,000</u>
Debt Service	Capital Projects	<u>118,216</u>
Total		<u>\$2,118,216</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 881,704	-	-	881,704
Intangibles, road network	933,140	-	-	933,140
Construction in progress	1,906,834	6,814,852	4,755,720	3,965,966
Total capital assets not being depreciated	<u>3,721,678</u>	<u>6,814,852</u>	<u>4,755,720</u>	<u>5,780,810</u>
Capital assets being depreciated:				
Buildings	1,788,776	2,109,141	-	3,897,917
Improvements other than buildings	96,888	-	-	96,888
Equipment and vehicles	6,395,512	774,180	357,683	6,812,009
Infrastructure	7,269,152	2,646,579	-	9,915,731
Total capital assets being depreciated	<u>15,550,328</u>	<u>5,529,900</u>	<u>357,683</u>	<u>20,722,545</u>
Less accumulated depreciation for:				
Buildings	962,898	82,955	-	1,045,853
Improvements other than buildings	67,820	4,844	-	72,664
Equipment and vehicles	4,171,923	561,923	355,615	4,378,231
Infrastructure	1,146,441	192,106	-	1,338,547
Total accumulated depreciation	<u>6,349,082</u>	<u>841,828</u>	<u>355,615</u>	<u>6,835,295</u>
Total capital assets being depreciated, net	<u>9,201,246</u>	<u>4,688,072</u>	<u>2,068</u>	<u>13,887,250</u>
Governmental activities capital assets, net	<u>\$12,922,924</u>	<u>11,502,924</u>	<u>4,757,788</u>	<u>19,668,060</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 53,445
Physical health and social services		2,202
County environment and education		36,018
Roads and transportation		608,143
Governmental services to residents		10,596
Administration		131,424
		<hr/>
Total depreciation expense - governmental activities		<u>\$ 841,828</u>

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2014 is as follows:

Fund	Description	Amount
General	Services	\$ 3,035
Special Revenue:		
Mental Health	Services	5,254
Rural Services	Services	450
Secondary Roads	Services	199
County Recorder's Records Management	Services	1,408
Decategorization Grant	Services	1,785
		<hr/>
Total for governmental funds		<u>\$ 12,131</u>
Agency:		
County Assessor	Collections	\$ 832,640
Schools		11,990,973
Community Colleges		998,230
Corporations		3,046,659
Auto License and Use Tax		361,592
Drainage Districts		1,155,846
All other		1,166,948
		<hr/>
Total for agency funds		<u>\$ 19,552,888</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Capital Lease Purchase Agreement	General Obligation Bonds	General Obligation Urban Renewal Bonds	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 93,731	-	720,000	587,948	180,000	1,581,679
Increases	-	6,200,000	-	348,246	48,000	6,596,246
Decreases	31,244	275,000	75,000	351,259	18,000	750,503
Balance end of year	<u>\$ 62,487</u>	<u>5,925,000</u>	<u>645,000</u>	<u>584,935</u>	<u>210,000</u>	<u>7,427,422</u>
Due within one year	<u>\$ 31,244</u>	<u>245,000</u>	<u>80,000</u>	<u>303,832</u>	<u>-</u>	<u>660,076</u>

Capital Lease Purchase Agreement

The County has entered into an interest free capital lease purchase agreement to purchase 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, 2014:

Year Ending June 30,	Amount
2015	\$ 31,244
2016	31,243
Total	\$ 62,487

General Obligation Bonds

On September 1, 2013, the County issued \$6,200,000 of general obligation bonds with interest rates ranging from 2.00% to 4.15% per annum for the purpose of constructing, furnishing and equipping a Public Safety Center. Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending June 30,	Interest Rates	Public Safety Center Issued September 1, 2013		
		Principal	Interest	Total
2015	2.00%	\$ 245,000	185,278	430,278
2016	2.00	250,000	180,378	430,378
2017	2.00	255,000	175,378	430,378
2018	2.00	260,000	170,278	430,278
2019	2.00	265,000	165,077	430,077
2020-2024	2.00-3.00	1,425,000	732,587	2,157,587
2025-2029	3.10-3.75	1,655,000	503,337	2,158,337
2030-2033	4.00-4.15	1,570,000	164,675	1,734,675
Total		\$ 5,925,000	2,276,988	8,201,988

During the year ended June 30, 2014, \$275,000 of general obligation bonds were retired.

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 urban renewal bonds are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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	3.90	90,000	15,463	105,463
2019	3.90	95,000	11,953	106,953
2020-2021	4.00	205,000	12,400	217,400
Total		\$ 645,000	106,060	751,060

During the year ended June 30, 2014, \$75,000 of bonds were retired and interest of \$27,933 was paid. The principal and interest is reported in the debt service function.

(7) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.95% of their annual covered salary and the County is required to contribute 8.93% 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, 2014, 2013 and 2012 were \$480,062, \$459,754 and \$418,645, respectively, equal to the required contributions for each year.

(8) 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 96 active and 2 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, 2014, 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	7,000
Adjustment to annual required contribution	<u>(7,000)</u>
Annual OPEB cost	48,000
Contributions made	<u>(18,000)</u>
Increase in net OPEB obligation	30,000
Net OPEB obligation beginning of year	<u>180,000</u>
Net OPEB obligation end of year	<u><u>\$ 210,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the County contributed \$18,000 to the medical plan. Plan members eligible for benefits contributed \$25,884, or 59% 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
2012	\$ 58,000	24.1%	\$ 150,000
2013	48,000	37.5	180,000
2014	48,000	37.5	210,000

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, 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 \$4,730,000 and the ratio of the UAAL to covered payroll was 8.37%. As of June 30, 2014, 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 \$665 per month for retirees less than age 65 and \$1,492 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.

(9) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 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 casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate 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 property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the 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, 2014 were \$111,596.

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 through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2014, no liability has been recorded in the County's financial statements. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

(10) 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, 2014:

Additions:

Federal grants and entitlements:		
Medicaid case management		\$ 622,283
Contributions from governmental units		81,719
Total additions		<u>704,002</u>

Deductions:

Salaries	\$ 360,658	
Benefits	136,899	
Intellectual disabilities case management	80	
Technical assistance	8,075	
Office supplies	1,283	
Telephone	2,525	
Travel and training	31,977	
Rent	598	
Equipment repair	893	542,988
		<u>161,014</u>
Net		161,014
Balance beginning of year		<u>123,001</u>
Balance end of year		<u>\$ 284,015</u>

(11) 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 to be rebated is not to exceed \$545,000, plus interest. During the year ended June 30, 2014, \$12,300 was applied to principal, leaving an outstanding principal balance at June 30, 2014 of \$532,700.

(12) 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 remaining balance of \$100,000 was repaid during fiscal year 2014.

(13) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's proportionate share of the employee pension plan.

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, 2014

	Actual	Funds not Required to be Budgeted	Actual
Receipts:			
Property and other county tax	\$ 8,209,703	-	8,209,703
Interest and penalty on property tax	56,937	-	56,937
Intergovernmental	4,724,882	-	4,724,882
Licenses and permits	154,710	-	154,710
Charges for service	441,844	-	441,844
Use of money and property	99,538	-	99,538
Miscellaneous	210,420	1,884	208,536
Total receipts	13,898,034	1,884	13,896,150
Disbursements:			
Public safety and legal services	2,612,856	-	2,612,856
Physical health and social services	1,568,925	-	1,568,925
Mental health	201,478	-	201,478
County environment and education	1,662,344	-	1,662,344
Roads and transportation	4,749,286	-	4,749,286
Governmental services to residents	508,538	-	508,538
Administration	1,717,676	-	1,717,676
Debt service	522,266	-	522,266
Capital projects	3,598,506	-	3,598,506
Total disbursements	17,141,875	-	17,141,875
Excess (deficiency) of receipts over (under) disbursements	(3,243,841)	1,884	(3,245,725)
Other financing sources, net	6,255,828	-	6,255,828
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	3,011,987	1,884	3,010,103
Balance beginning of year	6,786,060	5,294	6,780,766
Balance end of year	\$ 9,798,047	7,178	9,790,869

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
8,206,141	8,206,141	3,562
62,700	62,700	(5,763)
4,250,835	4,729,085	(4,203)
151,200	151,200	3,510
405,480	405,480	36,364
91,249	91,249	8,289
172,725	262,725	(54,189)
<u>13,340,330</u>	<u>13,908,580</u>	<u>(12,430)</u>
3,052,269	3,052,312	439,456
1,615,784	1,684,535	115,610
361,180	361,180	159,702
1,476,286	1,990,893	328,549
5,330,908	5,450,908	701,622
536,011	544,397	35,859
1,903,517	1,938,148	220,472
524,250	524,250	1,984
<u>5,650,000</u>	<u>6,150,000</u>	<u>2,551,494</u>
<u>20,450,205</u>	<u>21,696,623</u>	<u>4,554,748</u>
(7,109,875)	(7,788,043)	4,542,318
<u>6,557,000</u>	<u>6,557,000</u>	<u>(301,172)</u>
(552,875)	(1,231,043)	4,241,146
<u>5,036,240</u>	<u>5,036,240</u>	<u>1,744,526</u>
<u>4,483,365</u>	<u>3,805,197</u>	<u>5,985,672</u>

Mills County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2014

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 13,898,034	(957)	13,897,077
Expenditures	17,141,875	118,048	17,259,923
Net	(3,243,841)	(119,005)	(3,362,846)
Other financing sources, net	6,255,828	(102,630)	6,153,198
Beginning fund balances	6,786,060	210,247	6,996,307
Ending fund balances	\$ 9,798,047	(11,388)	9,786,659

See accompanying independent auditor's report.

Mills County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2014

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 \$1,246,418. The budget amendments are reflected in the final budgeted amounts. Also, Courthouse expansion and Public Safety 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.

During the year ended June 30, 2014, the County's disbursements did not exceed the amounts budgeted by function. However, disbursements for the planning and zoning department exceeded the amount appropriated.

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 Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	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
2014	July 1, 2012	-	396	396	0.00	4,730	8.37

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

See accompanying independent auditor's report.

Supplementary Information

Mills County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

	Local Option Sales and Services Tax	Resource Enhance- ment and Protection	County Recorder's Records Management	Special Urban Renewal Revenue
Assets				
Cash and pooled investments	\$ 626,092	130,056	13,868	4,683
Receivables:				
Property tax:				
Delinquent	-	-	-	8
Succeeding year property tax	-	-	-	295,000
Accounts	-	-	1	-
Drainage assessments	-	-	-	-
Due from other governments	39,379	-	-	-
Total assets	\$ 665,471	130,056	13,869	299,691
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	-	-
Due to other governments	-	-	1,408	-
Total liabilities	-	-	1,408	-
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	-	295,000
Other	-	-	-	8
Total deferred inflows of resources	-	-	-	295,008
Fund balances:				
Restricted for:				
Drainage warrants/drainage improvement certificates	-	-	-	-
Debt service	-	-	-	-
Other purposes	665,471	130,056	12,461	4,683
Total fund balances	665,471	130,056	12,461	4,683
Total liabilities, deferred inflows of resources and fund balances	\$ 665,471	130,056	13,869	299,691

See accompanying independent auditor's report.

Revenue				
Decategorization Grant	County Conservation	Drainage District	Debt Service	Total
31,300	160,719	7,178	14,840	988,736
-	-	-	802	810
-	-	-	414,000	709,000
-	-	-	-	1
-	-	443	-	443
8,438	-	-	-	47,817
39,738	160,719	7,621	429,642	1,746,807
400	-	-	-	400
1,637	1,412	-	-	3,049
1,785	-	-	-	3,193
3,822	1,412	-	-	6,642
-	-	-	414,000	709,000
-	-	443	802	1,253
-	-	443	414,802	710,253
-	-	7,178	-	7,178
-	-	-	14,840	14,840
35,916	159,307	-	-	1,007,894
35,916	159,307	7,178	14,840	1,029,912
39,738	160,719	7,621	429,642	1,746,807

Mills County

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

Year ended June 30, 2014

				Special
	Local Option Sales and Services Tax	Resource Enhance- ment and Protection	County Recorder's Records Management	Urban Renewal Revenue
Revenues:				
Property and other county tax	\$ -	-	-	-
Local option sales and services tax	681,917	-	-	-
Tax increment financing	-	-	-	331,333
Intergovernmental	-	21,372	-	-
Charges for service	-	-	3,047	-
Use of money and property	-	114	12	-
Miscellaneous	-	-	-	-
Total revenues	681,917	21,486	3,059	331,333
Expenditures:				
Operating:				
Physical health and social services	-	-	-	-
County environment and education	351,882	-	-	714,651
Governmental services to residents	-	-	8,408	-
Debt service	-	-	-	103,432
Total expenditures	351,882	-	8,408	818,083
Excess (deficiency) of revenues over (under) expenditures	330,035	21,486	(5,349)	(486,750)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(368,613)	-	-	-
Total other financing sources (uses)	(368,613)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(38,578)	21,486	(5,349)	(486,750)
Fund balances beginning of year	704,049	108,570	17,810	491,433
Fund balances end of year	\$ 665,471	130,056	12,461	4,683

See accompanying independent auditor's report.

Revenue					
Decategorization Grant	County Conservation	Drainage District	Debt Service	Total	
-	-	-	305,582	305,582	
-	-	-	-	681,917	
-	-	-	-	331,333	
67,812	-	-	9,832	99,016	
-	-	-	-	3,047	
-	72,517	-	-	72,643	
-	-	2,109	-	2,109	
67,812	72,517	2,109	315,414	1,495,647	
57,987	-	-	-	57,987	
-	32,659	225	-	1,099,417	
-	-	-	-	8,408	
-	-	-	418,833	522,265	
57,987	32,659	225	418,833	1,688,077	
9,825	39,858	1,884	(103,419)	(192,430)	
-	-	-	118,216	118,216	
-	-	-	-	(368,613)	
-	-	-	118,216	(250,397)	
9,825	39,858	1,884	14,797	(442,827)	
26,091	119,449	5,294	43	1,472,739	
35,916	159,307	7,178	14,840	1,029,912	

Mills County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,882	310,070	107,153	7,473
Other County officials	13,141	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	696	1,895	40,820	2,757
Succeeding year	-	204,000	546,000	11,843,000	988,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Drainage assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 13,141	206,578	857,965	11,990,973	998,230
Liabilities					
Accounts payable	\$ -	-	3,492	-	-
Stamped warrants payable	-	-	-	-	-
Salaries and benefits payable	-	-	8,668	-	-
Due to other governments	9,576	206,578	832,640	11,990,973	998,230
Trusts payable	3,565	-	-	-	-
Compensated absences	-	-	13,165	-	-
Total liabilities	\$ 13,141	206,578	857,965	11,990,973	998,230

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Drainage Districts	City Special Assessments	Other	Total
36,961	2,591	361,592	1,172,066	6,804	474,242	2,480,834
-	-	-	-	-	-	13,141
15,698	844	-	-	-	9	62,719
2,994,000	340,000	-	-	-	3,000	16,918,000
-	-	-	-	-	38,562	38,562
-	-	-	302	-	-	302
-	-	-	-	96,974	-	96,974
-	-	-	6,960	-	-	6,960
-	-	-	-	-	46,459	46,459
3,046,659	343,435	361,592	1,179,328	103,778	562,272	19,663,951
-	-	-	9,587	-	7,910	20,989
-	-	-	13,895	-	-	13,895
-	-	-	-	-	18,732	27,400
3,046,659	343,435	361,592	1,155,846	103,778	503,581	19,552,888
-	-	-	-	-	-	3,565
-	-	-	-	-	32,049	45,214
3,046,659	343,435	361,592	1,179,328	103,778	562,272	19,663,951

Mills County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2014

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 18,305	201,835	742,925	11,772,168	809,251
Additions:					
Property and other county tax	-	204,396	546,550	11,843,965	988,465
E911 surcharges	-	-	-	-	-
State tax credits	-	6,833	18,594	395,692	27,242
Office fees and collections	291,201	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	567,258	-	-	-	-
Miscellaneous	-	61	169	3,844	246
Total additions	858,459	211,290	565,313	12,243,501	1,015,953
Deductions:					
Agency remittances:					
To other funds	160,026	-	-	-	-
To other governments	130,143	206,547	450,273	12,024,696	826,974
Trusts paid out	573,454	-	-	-	-
Total deductions	863,623	206,547	450,273	12,024,696	826,974
Balances end of year	\$ 13,141	206,578	857,965	11,990,973	998,230

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Drainage Districts	City Special Assess- ments	Other	Total
3,145,448	329,183	366,247	905,527	126,299	378,031	18,795,219
2,940,129	342,164	-	-	-	59,937	16,925,606
-	-	-	-	-	143,373	143,373
116,266	10,403	-	-	-	91	575,121
-	-	-	-	-	3,047	294,248
-	-	4,749,435	-	-	-	4,749,435
-	-	-	189,627	24,484	391,418	605,529
-	-	-	-	-	-	567,258
3,519	-	-	459,346	-	944,964	1,412,149
3,059,914	352,567	4,749,435	648,973	24,484	1,542,830	25,272,719
-	-	222,053	-	-	-	382,079
3,158,703	338,315	4,532,037	361,277	47,005	1,358,589	23,434,559
-	-	-	-	-	-	573,454
3,158,703	338,315	4,754,090	361,277	47,005	1,358,589	24,390,092
3,046,659	343,435	361,592	1,193,223	103,778	562,272	19,677,846

Mills County

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

For the Last Ten Years

	2014	2013	2012	2011
Revenues:				
Property and other county tax	\$ 7,177,383	7,111,905	5,785,015	5,829,630
Local option sales and services tax	681,917	582,008	516,513	406,971
Tax increment financing	331,333	327,346	236,249	98,324
Interest and penalty on property tax	55,716	57,438	58,135	62,022
Intergovernmental	4,768,950	4,023,918	5,051,206	6,035,709
Licenses and permits	145,625	152,074	108,979	132,157
Charges for service	440,482	586,775	524,479	440,925
Use of money and property	99,148	97,548	108,233	127,336
Miscellaneous	196,523	283,602	163,646	154,347
Total	\$ 13,897,077	13,222,614	12,552,455	13,287,421
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,605,007	2,743,769	3,018,797	2,473,453
Physical health and social services	1,573,212	1,464,118	1,536,182	1,481,869
Mental health	190,359	220,272	1,587,707	1,401,997
County environment and education	1,658,505	758,330	768,899	629,451
Roads and transportation	4,647,326	4,873,610	4,335,990	5,353,500
Governmental services to residents	478,780	609,265	451,536	423,851
Administration	1,169,434	1,419,687	1,354,660	1,076,516
Non-program	-	-	-	-
Debt service	522,265	106,170	103,690	100,980
Capital projects	4,415,035	1,757,272	4,994	542,808
Total	\$ 17,259,923	13,952,493	13,162,455	13,484,425

See accompanying independent auditor's report

Modified Accrual Basis					
2010	2009	2008	2007	2006	2005
5,533,676	5,901,680	5,724,908	5,136,830	5,142,550	5,061,577
418,679	446,670	423,977	461,667	347,818	341,655
197,039	209,865	210,868	180,487	166,353	151,893
64,921	74,311	59,488	69,965	59,729	67,080
5,269,080	5,264,779	5,424,442	4,852,275	4,759,740	4,986,813
126,243	95,701	52,039	57,849	43,714	53,025
387,235	420,547	442,920	416,554	415,490	411,805
76,719	192,208	208,813	205,636	129,524	91,453
137,050	417,523	271,641	118,073	116,027	626,241
<u>12,210,642</u>	<u>13,023,284</u>	<u>12,819,096</u>	<u>11,499,336</u>	<u>11,180,945</u>	<u>11,791,542</u>
2,181,402	2,059,957	2,008,550	1,968,069	1,954,695	1,845,844
1,542,707	1,619,650	1,731,452	1,553,540	1,540,540	1,530,878
1,263,742	1,436,988	1,627,881	1,481,046	1,387,408	1,345,167
681,949	548,126	1,795,132	732,762	558,373	480,879
4,849,650	4,317,783	4,013,652	3,846,016	3,781,208	3,708,503
448,367	440,000	433,234	398,924	519,019	403,113
1,240,416	1,125,819	840,129	1,206,796	861,420	892,000
8,070	6,590	-	-	-	-
-	-	-	-	-	-
5,141	62,340	1,025,954	321,600	148,344	757,372
<u>12,221,444</u>	<u>11,617,253</u>	<u>13,475,984</u>	<u>11,508,753</u>	<u>10,751,007</u>	<u>10,963,756</u>

Mills County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of the Interior: Payments in Lieu of Taxes	15.226		\$ 9,412
Indirect:			
U.S. Department of Agriculture: Iowa Department of Human Services: Human Services Administrative Reimbursements: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		13,513
U.S. Department of the Interior: Hungry Canyones Alliance: Fish and Wildlife Management Assistance	15.608		100,000
U.S. Department of Justice: City of Council Bluffs: Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	10 JAG/ARRA-42283	41,981
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction	20.205	BRS-CO65(90)-BJ-65	344,855
U.S. Environmental Protection Agency: Iowa Department of Public Health: State Indoor Radon Grants	66.032	MOU-2014-RC-04	3,000
U.S. Department of Health and Human Services: Southwest 8 Senior Services: Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		16,550
Iowa Department of Public Health: Public Health Emergency Preparedness Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.069	5882BT65	5,738
	93.074	5884BT217	8,000
Immunization Cooperative Agreements	93.268	5883I455	5,156
Immunization Cooperative Agreements	93.268	5884I455	7,566
			12,722
PPHF - Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by Prevention and Public Health Funds	93.531	5883HP15	34,597
PPHF - Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by Prevention and Public Health Funds	93.531	5884HP15	38,049
			72,646

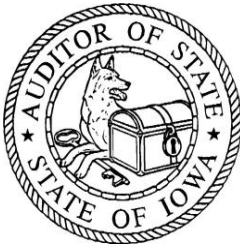
Mills County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2014

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
PPHF - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by Prevention and Public Health Funds	93.539	5884I4133	15,171
Prevent Child Abuse Iowa:			
Promoting Safe and Stable Families	93.556		17,747
Temporary Assistance for Needy Families	93.558		3,132
Family Inc.:			
Maternal and Child Health Services			
Block Grant to the States	93.994		2,595
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State			
Administered Programs	93.566		30
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		3,940
Foster Care - Title IV-E	93.658		5,178
Adoption Assistance	93.659		1,745
Children's Health Insurance Program	93.767		56
Medical Assistance Program	93.778		22,308
Social Services Block Grant	93.667		4,253
Social Services Block Grant	93.667		20,567
			24,820
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Emergency Management Performance Grants	97.042	EMPG-14-PT-65	26,510
Total indirect			742,237
Total			\$ 751,649

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Mills County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

Mills County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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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, 2014, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 2, 2015.

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 and Questioned Costs, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility 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 Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-14 through II-C-14 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II the accompanying Schedule of Findings and Questioned Costs as item II-D-14 to be a significant deficiency.

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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2014 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 and Questioned Costs. 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 result 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.

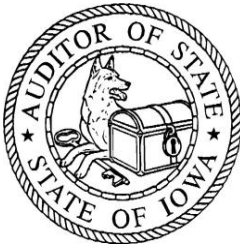

MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 2, 2015

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133**

Mills County



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STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Officials of Mills County:

Report on Compliance for Each Major Federal Program

We have audited Mills County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Mills County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Mills County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mills County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of Mills County's compliance.

Opinion on Each Major Federal Program

In our opinion, Mills County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.


Report on Internal Control Over Compliance

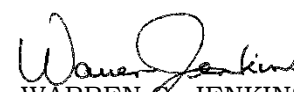
The management of Mills County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mills County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mills County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 2, 2015

Mills County
Schedule of Findings and Questions Costs
Year ended June 30, 2014

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 15.608 – Fish and Wildlife Management Assistance.
 - CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Mills County did not qualify as a low-risk auditee.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-14 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.	Recorder
(4) Checks are not signed by an individual who does not otherwise participate in the preparation of the checks and other cash receipt and disbursement functions. 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

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

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.

Responses –

Treasurer – Four out of five employees have authorization to make entries in the accounting system. I have the employee with the least amount of accounting duties open the mail. Mail is recorded once per week and tracked to the deposit. We record a sampling of tax and motor vehicle and property tax receipts received. The Deputy then follows the recording through the point of deposit and writes the deposit date next to the entry on her listing.

Due to a small staff, I occasionally have to sign checks. It is, however, left to the deputies on a regular basis. I have asked the County Auditor's office to review monthly bank account balancing.

The deposits are routinely done by the Deputy Treasurer. In her absence, I complete the daily accounting and deposit.

Recorder – As we are currently a two person office, complete segregation of duties is nearly impossible. However, we will be implementing as many of the identified processes as possible. We will prepare an initial listing and have it reviewed by another department. One person will prepare checks with supporting documentation and they will be reviewed and signed by the other person. We will have another department review our monthly reconciliation. We will strive to obtain maximum internal control utilizing the resources at hand.

Conservation – 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. We are currently trailing the use of Employee A to empty the camp post, Employee B to record the camping money and Employee C to deposit the money. This may not work in all situations due to limited staffing on weekends but will try our best in most situations.

Conclusions – Responses accepted.

II-B-14 Financial Reporting – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Additionally, material errors in accrual classification of receivables and payables were identified and subsequently corrected by the County.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Recommendation – The County should implement procedures to ensure all receivables, payables and capital asset additions are included in the County’s financial statements and accrual classifications are proper.

Response – The County will make a conscience effort to make sure we properly identify all receivables and payables for accrual classification and make sure they get added in to the financial statements. The County will also make sure capital assets are properly added to the listing.

Conclusion – Response accepted.

- II-C-14 Bank Reconciliations – Reconciliations of the Treasurer’s general ledger account to the bank were not performed monthly, which resulted in variances between the accounts at June 30, 2014. The resulting variances were not properly investigated and resolved in a timely manner. However, the County subsequently made corrections for financial 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 should be documented by the signature or initials of the independent reviewer and the date of review.

Response – I am working with an independent accountant to provide a monthly bank reconciliation and gain a better knowledge of this process as well as investigate variances in a timely manner.

Conclusion – Response accepted.

- II-D-14 Motor Vehicle – Void Transactions – The monthly Voided Statement Report was not reviewed by an independent person for propriety.

Recommendation – The monthly Voided Statement Report and supporting documentation should be reviewed by an independent person for propriety. Evidence of review should be documented by the signature or initials of the independent reviewer and the date of review.

Response – The monthly Void report for motor vehicle is prepared by the MV Deputy and I review it. I will, in the future, initial the report.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted by function. However, disbursements exceeded the amount appropriated in the Planning and Zoning Department.

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

Response – The County will continue to monitor all departments to make sure disbursements are not made that will exceed the budgeted amounts.

Conclusion – Response accepted.

IV-B-14 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979 were noted.

IV-C-14 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-14 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>
Mike Lynes, husband of Public Health Supervisor, Independent contractor	Family centered services	\$ 1,335
Karen O'Dell, sister of Public Health Administrator, Independent contractor	Training instruction	148
Emily Lynes, daughter of Public Health Supervisor, Independent contractor	Daycare services	120

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

IV-E-14 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.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

- IV-F-14 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-14 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.
- IV-H-14 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).
- IV-I-14 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, 2014 for the County Extension Office did not exceed the amount budgeted.

- IV-J-14 Tax Increment Financing (TIF) – For the year ended June 30, 2014, 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 Auditor will use the recommended forms for reconciling each City's TIF receipts and debt certifications.

Conclusion – Response accepted.

- IV-K-14 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 and used those excess proceeds to fund a road project.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

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

Response – The County will consult TIF legal counsel to make sure we are in compliance before adding other projects to the TIF area.

Conclusion – Response accepted.

IV-L-14 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, 2014, 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.

Response – The County will consult legal counsel to determine the amount of money which should be set aside for LMI.

Conclusion – Response accepted.

IV-M-14 Annual Urban Renewal Report – The Annual Urban Renewal Report was certified to the Iowa Department of Management on or before December 1. However, the amount of TIF debt outstanding was understated and TIF revenues and expenditures were not correctly reported on the report.

Recommendation – The County should ensure the revenue, expenditure and debt amounts reported on the Levy Authority Summary are accurate and agree with the County’s records.

Response – The Auditor overstated the balance of the County held rebate agreement due to calculating in the amount being paid by the developer as well. The Auditor included both the County payments and the developer’s payments and was lining up the balances owed in conjunction with the bank’s numbers. With the assistance of information the Auditor’s helped with, the County will correct these amounts on the next UR reporting.

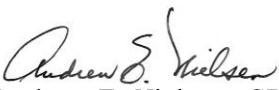
Conclusion – Response accepted.

Mills County

Staff

This audit was performed by:

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