OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE February 15, 2017

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 $25,772,289 for the year ended June 30, 2016, which included $1,442,935 in tax credits from the state. The County forwarded $17,632,789 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained $8,139,500 of the local tax revenue to finance County operations, a 2.5% increase over the prior year. Other revenues included charges for service of $1,217,062, operating grants, contributions and restricted interest of $4,466,851, capital grants, contributions and restricted interest of $1,100,508, unrestricted investment earnings of $19,858, local option sales and services tax of $584,360, tax increment financing of $161,342, gain on disposition of capital assets of $38,950 and other general revenues of $125,229.

Expenses for County operations for the year ended June 30, 2016 totaled $13,853,813, a 3.7% decrease from the prior year. Expenses included $5,377,437 for roads and transportation, $3,237,120 for public safety and legal services and $1,698,511 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 https://auditor.iowa.gov/reports/1610-0065-B00F.

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MILLS COUNTY

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

JUNE 30, 2016

Table of Contents

Mills County

Officials

Name	**Title**	**Term Expires**
Ronald E. Kohn	Board of Supervisors	Jan 2017
Lonnie Mayberry	Board of Supervisors	Jan 2017
Richard Crouch	Board of Supervisors	Jan 2019
Carol Robertson	County Auditor	Jan 2017
Rebecca Killpack	County Treasurer	Jan 2019
Lisa Tallman	County Recorder	Jan 2019
Eugene Goos	County Sheriff	Jan 2017
Tricia McSorley	County Attorney	(Resigned Apr 2016)
Naeda Elliot (Appointed)	County Attorney	Nov 2016
Christina Govig	County Assessor	Jan 2022

Mills County

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Mary Mosiman, CPA
Auditor of State

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, 2016, 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, 2016 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, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 48 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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, 2015 (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 Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), 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 February 2, 2017 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

MARY MOSIMAN, CPA
Auditor of State

February 2, 2017

Mills County

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, 2016. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 9.7%, or approximately $1,706,000, from fiscal year 2015 to fiscal year 2016. Property tax increased approximately $98,000, operating grants, contributions and restricted interest increased approximately $303,000 and capital grants, contributions and restricted interest decreased approximately $1,927,000 from fiscal year 2015 to fiscal year 2016.
- Program expenses of the County's governmental activities decreased 3.7%, or approximately $527,000, in fiscal year 2016 compared to fiscal year 2015. Mental health expenses decreased approximately $1,566,000 and roads and transportation expenses increased approximately $528,000.
- The County's net position increased 9.3%, or approximately $2,000,000, from June 30, 2015 to June 30, 2016.

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, the County's proportionate share of the net pension liability and related contributions, 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 helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

The County has two kinds of funds:

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

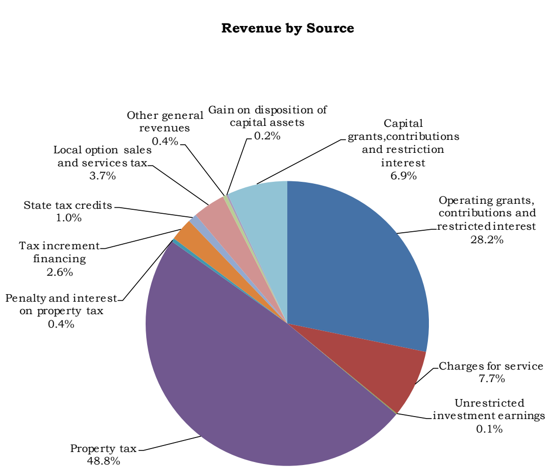
GOVERNMENT-WIDE FINANCIAL ANALYSIS

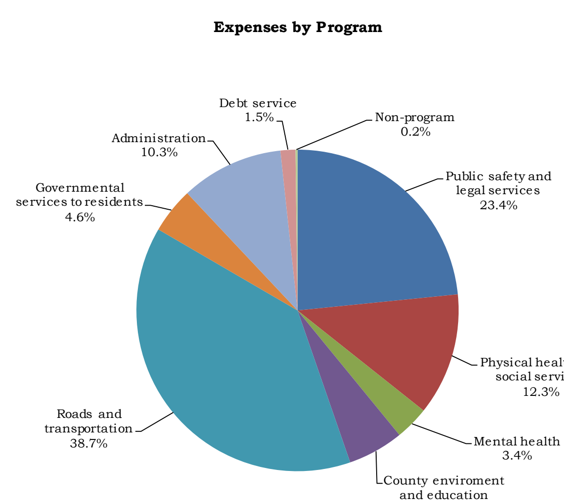
As noted earlier, net position may serve over time as a useful indicator of financial position. Mills County's net position at the end of fiscal year 2016 totaled approximately $23.6 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities		
	June 30,	
	2016	2015
Current and other assets	$ 16,817,715	16,760,290
Capital assets	25,559,374	23,771,117
Total assets	42,377,089	40,531,407
Deferred outflows of resources	644,605	650,093
Long-term liabilities	10,135,699	9,819,762
Other liabilities	796,212	544,826
Total liabilities	10,931,911	10,364,588
Deferred inflows of resources	8,483,788	9,210,764
Net position:		
Invested in capital assets	20,294,844	18,731,429
Restricted	5,913,866	5,561,328
Unrestricted	(2,602,715)	(2,686,609)
Total net position	$ 23,605,995	21,606,148

Net position of Mills County's governmental activities increased 9.3% (approximately $23.6 million compared to approximately $21.6 million). The largest portion of the County's net position is invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. 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, increased from a deficit balance of approximately $2,687,000 at June 30, 2015 to a deficit of approximately $2,603,000 at the end of this year.

Changes in Net Position of Governmental Activities		
	Year ended June 30,	
	2016	2015
Revenues:		
Program revenues:		
Charges for service	$ 1,217,062	1,230,242
Operating grants, contributions and restricted interest	4,466,851	4,163,951
Capital grants, contributions and restricted interest	1,100,508	3,027,491
General revenues:		
Property tax	7,724,129	7,626,469
Penalty and interest on property tax	68,253	71,590
State tax credits	415,371	313,143
Tax increment financing	161,342	267,997
Local option sales and services tax	584,360	619,091
Unrestricted investment earnings	19,858	26,170
Gain on disposal of capital assets	38,950	178,768
Other general revenues	56,976	34,444
Total revenues	15,853,660	17,559,356
Program expenses:		
Public safety and legal services	3,237,120	3,074,574
Physical health and social services	1,698,511	1,601,174
Mental health	477,310	2,043,414
County enviroment and education	892,359	711,018
Roads and transportation	5,377,437	4,849,339
Governmental services to residents	511,767	486,523
Administration	1,429,917	1,388,370
Debt service	207,858	204,767
Non-program	21,534	21,534
Total expenses	13,853,813	14,380,713
Change in net position	1,999,847	3,178,643
Net position beginning of year	21,606,148	18,427,505
Net position end of year	$ 23,605,995	21,606,148





Mills County increased the rural services property tax levy rate $.22407 per $1,000 of taxable valuation and decreased the county-wide property tax levy rate $.20224 per $1,000 of taxable valuation for the fiscal year 2016. The general supplemental levy rate increased $.42931 per $1,000 of taxable valuation from fiscal year 2015 to fiscal year 2016. The mental health levy rate decreased $.15508 per $1,000 of taxable valuation. The debt service levy decreased $.47647 per $1,000 of taxable valuation in fiscal year 2016. The county-wide assessed property taxable valuation increased $31,616,880 from fiscal year 2015 to fiscal year 2016, the rural assessed property taxable valuation increased $26,615,989 from fiscal year 2015 to fiscal year 2016 and the debt service assessed property taxable valuation increased $18,983,853 from fiscal year 2015 to fiscal year 2016. The general basic levy in fiscal year 2016 remained the same as fiscal year 2015 at $3.50 per $1,000 of taxable valuation.

The cost of all governmental activities this year was approximately $13.9 million compared to approximately $14.4 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately $7.1 million because some of the cost was paid by those directly benefited from the programs (approximately $1,217,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately $5,567,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2016 from approximately $8,422,000 to approximately $6,784,000, primarily due to assets contributed by the Iowa Department of Transportation (IDOT) in fiscal year 2015.

INDIVIDUAL MAJOR FUND ANALYSIS

As Mills County completed the year, its governmental funds reported a combined fund balance of approximately $7.9 million, a decrease of approximately $352,000 from last year's total of approximately $8.3 million. The decrease in fund balance is primarily attributable to the expenditures in fiscal year 2016 for the conservation and nature education building 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 2016 with a balance of $2,705,440. This is a decrease of $231,216 from the fiscal year 2015 ending balance. Revenues increased $602,343 over fiscal year 2015, primarily due to an increase in property and other county tax. Expenditures increased approximately $1.1 million from fiscal year 2015, primarily due to the new conservation and nature education building.

Special Revenue, Mental Health Fund revenues totaled $497,072, a decrease of 22.5% from the prior year. Expenditures totaled $491,072, a decrease of approximately $1,573,000 from the prior year. The decrease in expenditures is due to changes in the mental health system approved by the State Legislature. The Mental Health Fund balance increased modestly $6,000 over the prior year end to $162,262 at June 30, 2016.

The Special Revenue, Rural Services Fund ended fiscal year 2016 with a fund balance of $442,138 compared to the fiscal year 2015 ending fund balance of $286,260. Revenues increased $247,444 from fiscal year 2015 to fiscal year 2016, with property and other county tax increasing approximately $193,000 from fiscal year 2015 to fiscal year 2016. Expenditures decreased $31,454 from fiscal year 2015. The County made all budgeted transfers to the Special Revenue, Secondary Roads Fund, which was an increase of $188,890 from fiscal year 2015 to fiscal year 2016 from the Rural Services Fund.

The Special Revenue, Secondary Roads Fund ended fiscal year 2016 with a fund balance of $3,667,041 compared to the fiscal year 2015 ending fund balance of $3,094,862. As mentioned above, the Secondary Roads Fund received all of the budgeted transfers from the Special Revenue, Rural Services Fund in fiscal year 2016, which was an increase of approximately $188,890 over fiscal year 2015. Secondary Roads Fund revenue increased $327,097 over the fiscal year 2015 amounts. Expenditures increased approximately $1.1 over fiscal year 2015, primarily due to an increase in road projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, Mills County amended its budget two times. The first amendment was made on December 15, 2015 and resulted in an increase in budgeted receipts and disbursements for various items, including federal grant funding for public health, conservation building project, and Secondary Roads projects. The second amendment was made on May 17, 2016 and resulted in an increase in budgeted receipts and disbursements for various items, including public health grants, donations for a new drug dog, Secondary Roads bridge project disbursements and changes in insurance plans.

The County's actual receipts were $331,782 more than the amended budget, a variance of approximately 2.25%.

Total actual disbursements were $1,911,677 less than the amended budget, a variance of 11%. Actual disbursements for the roads and transportation, public safety and legal services and physical health and social services functions were under the amended budget by $905,402, $336,418 and $188,534, respectively. This was primarily due to equipment purchases not made and projects not progressing as anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, Mills County had approximately $25.6 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 $1,788,257, or 7.5%, over last year.

Capital Assets of Governmental Activities at Year End

	June 30,	
	2016	2015
Land	$ 1,006,704	881,704
Intangibles, road network	933,140	933,140
Construction in progress	1,066,041	6,716,875
Buildings	8,007,156	2,769,109
Improvements other than buildings	14,535	19,380
Equipment and vehicles	2,625,285	2,617,868
Infrastructure, other	11,906,513	9,833,041
Total	$ 25,559,374	23,771,117
This year's major additions included:		
County Sheriff, Secondary Roads and Conservation vehicles and equipment	$ 603,896	
Capital assets contributed by the Iowa Department of Transportation	700,135	
Nature Center	881,437	
County Engineer building addition and land	184,984	
Total	$ 2,370,452	

The County had depreciation expense of $1,234,020 in fiscal year 2016 and total accumulated depreciation of $8,381,857 at June 30, 2016.

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

Long-Term Debt

At June 30, 2016, Mills County had $5,952,400 of long-term debt outstanding compared to $6,276,243 of outstanding long-term debt at June 30, 2015.

Outstanding Debt of Governmental Activities at Year End		
	June 30,	
	2016	2015
Capital lease purchase agreement	$ 42,400	31,243
General obligation bonds	5,430,000	5,680,000
General obligation urban renewal revenue bonds	480,000	565,000
Total	$ 5,952,400	6,276,243

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 $83.2 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Mills County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 3.9% versus 4.5% a year ago. This compares with the State's unemployment rate of 4.1% and the national rate of 4.9%.

These indicators were taken into account when adopting the budget for fiscal year 2017. Amounts available for appropriation in the operating budget are $14,288,183, a decrease of 3.07% from the final fiscal year 2016 budget. Property tax decreased due to a decrease in property valuations for fiscal year 2017. 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 $1,045,052, primarily due to reduced capital projects disbursements since the conservation and nature education building was mostly completed in fiscal year 2016. The County has added no major new programs or initiatives to the fiscal year 2017 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of fiscal year 2017.

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

Mills County

Statement of Net Position

June 30, 2016

	Governmental Activities
Assets	
Cash and pooled investments	$ 7,672,324
Receivables:	
Property tax:	
Delinquent	27,680
Succeeding year	7,977,000
Interest and penalty on property tax	102,179
Accounts	94,766
Drainage assessments	279
Due from other governments	564,650
Inventories	338,837
Prepaid insurance	40,000
Capital assets - nondepreciable	3,005,885
Capital assets - depreciable (net)	22,553,489
Total assets	42,377,089
Deferred Outflows of Resources	
Pension related deferred outflows	644,605
Liabilities	
Accounts payable	240,505
Accrued interest payable	16,192
Salaries and benefits payable	330,961
Due to other governments	208,554
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	10,600
General obligation bonds	255,000
General obligation urban renewal bonds	90,000
Compensated absences	324,049
Portion due or payable after one year:	
Capital lease purchase agreement	31,800
General obligation bonds	5,175,000
General obligation urban renewal bonds	390,000
Compensated absences	287,836
Net pension liability	3,293,414
Net OPEB liability	278,000
Total liabilities	10,931,911
Deferred Inflows of Resources	
Unavailable property tax revenue	7,977,000
Pension related deferred inflows	506,788
Total deferred inflows of resources	8,483,788
Net Position	
Net investment in capital assets	20,294,844
Restricted for:	
Supplemental levy purposes	1,354,554
Mental health purposes	163,494
Rural services purposes	434,200
Secondary roads purposes	3,283,327
Debt service	3,081
Other purposes	675,210
Unrestricted	(2,602,715)
Total net position	$ 23,605,995

See notes to financial statements.

Mills County

Statement of Activities

Year ended June 30, 2016

	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants, Contributions and Restricted Interest	Program Revenues: Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Position
Functions/Programs:					
Governmental activities:					
Public safety and legal services	$ 3,237,120	232,257	131,697	-	(2,873,166)
Physical health and social services	1,698,511	358,653	717,207	-	(622,651)
Mental health	477,310	-	-	-	(477,310)
County environment and education	892,359	199,975	103,999	18,172	(570,213)
Roads and transportation	5,377,437	95,655	3,493,734	1,082,336	(705,712)
Governmental services to residents	511,767	305,650	42	-	(206,075)
Administration	1,429,917	24,872	20,172	-	(1,384,873)
Debt service	207,858	-	-	-	(207,858)
Non-program	21,534	-	-	-	(21,534)
Total	$ 13,853,813	1,217,062	4,466,851	1,100,508	(7,069,392)
General Revenues:					
Property and other county tax levied for general purposes					7,724,129
Penalty and interest on property tax					68,253
Tax increment financing					161,342
State tax credits					415,371
Local option sales and services tax					584,360
Unrestricted investment earnings					19,858
Gain on disposition of capital assets					38,950
Miscellaneous					56,976
Total general revenues					9,069,239
Change in net position					1,999,847
Net position beginning of year					21,606,148
Net position end of year					$ 23,605,995

See notes to financial statements.

Mills County

Balance Sheet
Governmental Funds

June 30, 2016

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	$ 2,792,480	346,254	456,190	3,188,698
Receivables:				
Property tax:				
Delinquent	19,551	1,238	6,891	-
Succeeding year	5,115,000	324,000	2,164,000	-
Interest and penalty on property tax	102,179	-	-	-
Accounts	94,149	-	-	617
Drainage assessments	-	-	-	-
Due from other funds	24,770	-	-	-
Due from other governments	151,209	-	4,139	309,305
Inventories	-	-	-	338,837
Prepaid insurance	40,000	-	-	-
Total assets	$ 8,339,338	671,492	2,631,220	3,837,457
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ 160,978	-	3,324	73,635
Salaries and benefits payable	213,732	4,562	14,116	96,689
Due to other governments	22,629	179,436	800	92
Due to other funds	-	-	-	-
Total liabilities	397,339	183,998	18,240	170,416
Deferred inflows of resources:				
Unavailable revenues:				
Suceeding year property tax	5,115,000	324,000	2,164,000	-
Other	121,559	1,232	6,842	-
Total deferred inflows of resources	5,236,559	325,232	2,170,842	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	338,837
Prepaid insurance	40,000	-	-	-
Restricted for:				
Supplemental levy purposes	1,354,561	-	-	-
Mental health purposes	-	162,262	-	-
Rural services purposes	-	-	442,138	-
Secondary roads purposes	-	-	-	3,328,204
Drainage warrants/drainage improvement certificates	-	-	-	-
Conservation land acquisition/capital improvements	52,207	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Unassigned	1,258,672	-	-	-
Total fund balances	2,705,440	162,262	442,138	3,667,041
Total liabilities, deferred inflows of resources and fund balances	$ 8,339,338	671,492	2,631,220	3,837,457

See notes to financial statements.

Nonmajor	Total
888,702	7,672,324
-	27,680
374,000	7,977,000
-	102,179
-	94,766
279	279
-	24,770
99,997	564,650
-	338,837
-	40,000
1,362,978	16,842,485
2,568	240,505
1,862	330,961
5,597	208,554
24,770	24,770
34,797	804,790
374,000	7,977,000
279	129,912
374,279	8,106,912
-	338,837
-	40,000
-	1,354,561
-	162,262
-	442,138
-	3,328,204
8,564	8,564
-	52,207
17,696	17,696
207,870	207,870
744,542	744,542
(24,770)	1,233,902
953,902	7,930,783
1,362,978	16,842,485

Mills County

Mills County

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

June 30, 2016

Total governmental fund balances (page 21)		$ 7,930,783
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is $33,941,231 and the accumulated depreciation is $8,381,857.		25,559,374
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.		129,912
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	$ 644,605	
Deferred inflows of resources	(506,788)	137,817
Long-term liabilities, including capital lease purchase agreement payable, general obligation bonds payable, general obligation urban renewal bonds payable, compensated absences payable, other postemployment benefits payable, net pension liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.		(10,151,891)
Net position of governmental activities (page 18)		$ 23,605,995

See notes to financial statements.

Mills County

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

Year ended June 30, 2016

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	$ 5,095,012	470,601	2,156,634	-
Local option sales and services tax	-	-	-	-
Tax increment financing	-	-	-	-
Interest and penalty on property tax	54,095	-	-	-
Intergovernmental	1,438,091	26,471	167,077	3,907,410
Licenses and permits	124,989	-	39,640	49,736
Charges for service	416,946	-	-	14,444
Use of money and property	24,372	-	-	-
Miscellaneous	196,026	-	-	46,817
Total revenues	7,349,531	497,072	2,363,351	4,018,407
Expenditures:				
Operating:				
Public safety and legal services	2,882,390	-	285,107	-
Physical health and social services	1,595,185	-	90,356	-
Mental health	-	491,072	-	-
County environment and education	520,036	-	68,003	-
Roads and transportation	-	-	-	5,075,898
Governmental services to residents	494,529	-	1,200	-
Administration	1,401,177	-	-	-
Debt service	-	-	-	-
Capital projects	609,581	-	-	590,815
Total expenditures	7,502,898	491,072	444,666	5,666,713
Excess (deficiency) of revenues over (under) expenditures	(153,367)	6,000	1,918,685	(1,648,306)
Other financing sources (uses):				
Transfers in	-	-	-	2,220,485
Transfers out	(130,849)	-	(1,762,807)	-
Capital lease purchase agreement	53,000	-	-	-
Total other financing sources (uses)	(77,849)	-	(1,762,807)	2,220,485
Change in fund balances	(231,216)	6,000	155,878	572,179
Fund balances beginning of year	2,936,656	156,262	286,260	3,094,862
Fund balances end of year	$ 2,705,440	162,262	442,138	3,667,041

See notes to financial statements.

Nonmajor	Total
-	7,722,247
584,360	584,360
161,342	161,342
-	54,095
58,907	5,597,956
-	214,365
2,790	434,180
75,295	99,667
80	242,923
882,774	15,111,135
-	3,167,497
37,571	1,723,112
-	491,072
762,619	1,350,658
-	5,075,898
38,931	534,660
-	1,401,177
538,533	538,533
32,808	1,233,204
1,410,462	15,515,811
(527,688)	(404,676)
430,877	2,651,362
(757,706)	(2,651,362)
-	53,000
(326,829)	53,000
(854,517)	(351,676)
1,808,419	8,282,459
953,902	7,930,783

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, 2016

Change in fund balances - Total governmental funds (page 25)		$ (351,676)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:		
Expenditures for capital assets	$ 2,295,792	
Assets contributed by the Iowa Department of Transportation	700,135	
Depreciation expense	(1,234,020)	1,761,907
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.		26,350
Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:		
Property tax	1,882	
Other	14,158	16,040
Proceeds form issuing long-term liabilites provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issuaries as follows:		
Issued	(53,000)	
Repaid	376,843	323,843
The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position.		502,390
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	21,510	
Other postemployment benefits	(38,000)	
Pension expense	(258,192)	
Interest on long term debt	(4,325)	(279,007)
Change in net position of governmental activities (page 19)		$ 1,999,847

See notes to financial statements.

Mills County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2016

Assets	
Cash and pooled investments:	
County Treasurer	$ 2,927,468
Other County officials	25,125
Receivables:	
Property tax:	
Delinquent	68,346
Succeeding year	16,575,000
Special assessments	72,700
Drainage assessments	3,359
Total assets	19,671,998
Liabilities	
Accounts payable	9,688
Stamped warrants payable	21,100
Salaries and benefits payable	28,997
Due to other governments	19,567,662
Trusts payable	4,624
Compensated absences	39,927
Total liabilities	19,671,998
Net position	$ -

See notes to financial statements.

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position 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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

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

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. 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 Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary roads construction and maintenance.

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is 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, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2015.

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 more than 15 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 and Due to Other Funds – As of June 30, 2016, the Special Revenue, County Recorder's Records Management Fund had overspent its general ledger cash balance. The fund financial statements report the funds implicitly borrowed from the General Fund.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. 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
Intangibles	5 - 20

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

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

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, 2016. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, 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.

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

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although, certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets 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 and the unamortized portion of the net difference between projected and actual earnings on IPERS' investments.

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, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	County Recorder's	
	Records Management	$ 24,770

This balance resulted from the implicit borrowing by the Special Revenue, County Recorder's Records Management Fund from the General Fund to cover the cash overdraft.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	$ 130,849
	Special Revenue:	
	Rural Services	1,762,807
	Local Option Sales	
	and Services Tax	326,829
		2,220,485
Debt Service	Capital Projects	430,877
Total		$ 2,651,362

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 881,704	125,000	-	1,006,704
Intangibles, road network	933,140	-	-	933,140
Construction in progress	6,716,875	2,209,598	7,860,432	1,066,041
Total capital assets not being depreciated	8,531,719	2,334,598	7,860,432	3,005,885
Capital assets being depreciated:				
Buildings	3,897,917	5,429,594	-	9,327,511
Improvements other than buildings	96,888	-	-	96,888
Equipment and vehicles	7,148,255	656,895	250,756	7,554,394
Infrastructure	11,465,731	2,490,822	-	13,956,553
Total capital assets being depreciated	22,608,791	8,577,311	250,756	30,935,346
Less accumulated depreciation for:				
Buildings	1,128,808	191,547	-	1,320,355
Improvements other than buildings	77,508	4,845	-	82,353
Equipment and vehicles	4,530,387	620,278	221,556	4,929,109
Infrastructure	1,632,690	417,350	-	2,050,040
Total accumulated depreciation	7,369,393	1,234,020	221,556	8,381,857
Total capital assets being depreciated, net	15,239,398	7,343,291	29,200	22,553,489
Governmental activities capital assets, net	$23,771,117	9,677,889	7,889,632	25,559,374

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	$ 198,595
Physical health and social services	4,084
County environment and education	43,429
Roads and transportation	838,628
Governmental services to residents	11,795
Administration	137,489
Total depreciation expense - governmental activities	$ 1,234,020

Equipment costing $53,000 was purchased under a capital lease purchase agreement. Accumulated depreciation on this equipment totaled $10,600 at June 30, 2016.

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2016 is as follows:

Fund	Description	Amount
General	Services	$ 22,629
Special Revenue:		
Mental Health	Services	179,436
Rural Services	Services	800
Secondary Roads	Services	92
Decategorization Grant	Services	5,597
Total for governmental funds		$ 208,554
Agency:		
County Assessor	Collections	$ 1,180,897
Schools		11,347,476
Community Colleges		1,362,646
Corporations		3,105,444
Auto License and Use Tax		366,929
Drainage Districts		1,152,420
All other		1,051,850
Total for agency funds		$ 19,567,662

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

	Voting Equipment Capital Lease Purchase Agreement	Storage Appliances Capital Lease Purchase Agreement	General Obligation Bonds	General Obligation Urban Renewal Bonds	Compen-sated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year	$ 31,243	-	5,680,000	565,000	633,395	2,670,124	240,000	9,819,762
Increases	-	53,000	-	-	322,417	623,290	51,000	1,049,707
Decreases	31,243	10,600	250,000	85,000	343,927	-	13,000	733,770
Balance end of year	$ -	42,400	5,430,000	480,000	611,885	3,293,414	278,000	10,135,699
Due within one year	$ -	10,600	255,000	90,000	324,049	-	-	679,649

Capital Lease Purchase Agreement

The County has entered into an interest free capital lease purchase agreement to purchase information technology storage appliances with a historical cost of $53,000. The following is a schedule of the future minimum lease payments under the agreement in effect at June 30, 2016:

Year ending June 30,	Amount
2017	$ 10,600
2018	10,600
2019	10,600
2020	10,600
	$ 42,400

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	Principal	Interest	Total
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	2.00	270,000	159,777	429,777
2021	2.25	280,000	154,377	434,377
2022-2026	3.00-3.30	1,505,000	652,477	2,157,477
2027-2031	3.50-4.05	1,780,000	382,923	2,162,923
2032-2033	4.15	815,000	51,045	866,045
Total		$ 5,430,000	1,911,332	7,341,332

During the year ended June 30, 2016, $250,000 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
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	4.00	100,000	8,200	108,200
2021	4.00	105,000	4,200	109,200
Total		$ 480,000	58,744	538,744

During the year ended June 30, 2016, $85,000 of general obligation urban renewal bonds were retired.

(8) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

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

The formula used to calculate a sheriff's, deputy's and protection occupation member's monthly IPERS benefit includes:

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

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

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

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

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

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll, for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.88% of covered payroll, for a total rate of 19.76%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2016 were $502,390.

<u>Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u> - At June 30, 2016, the County reported a liability of $3,293,414 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the County's proportion was 0.0666618%, which was a decrease of 0.0006652% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized pension expense of $258,192. At June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 49,335	25,765
Changes of assumptions	89,904	20,281
Net difference between projected and actual earnings on IPERS' investments	-	340,291
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	2,976	120,451
County contributions subsequent to the measurement date	502,390	-
Total	$ 644,605	506,788

$502,390 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2017	$ (168,730)
2018	(168,730)
2019	(168,730)
2020	145,029
2021	(3,412)
Total	$ (364,573)

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability	$ 6,355,050	3,293,414	711,366

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

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2016.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 104 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	$ 51,000
Interest on net OPEB obligation	10,000
Adjustment to annual required contribution	(10,000)
Annual OPEB cost	51,000
Contributions made	(13,000)
Increase in net OPEB obligation	38,000
Net OPEB obligation beginning of year	240,000
Net OPEB obligation end of year	$ 278,000

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, 2016.

For the year ended June 30, 2016, the County contributed $13,000 to the medical plan. Plan members eligible for benefits contributed $21,630, or 62% 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
2014	$ 48,000	37.5%	$ 210,000
2015	48,000	37.5	240,000
2016	51,000	25.5	278,000

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was approximately $403,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $403,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately $4,566,000 and the ratio of the UAAL to covered payroll was 8.83%. As of June 30, 2016, 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, 2015 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 9.5%. 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 RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2015 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2015.

Projected claim costs of the medical plan are $721 per month for retirees less than age 65 and $1,620 per month for spouses less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 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.

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

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2016 were $123,001.

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 $250,000 each occurrence, each location. Property risks exceeding $250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty 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, 2016, no liability has been recorded in the County's financial statements. As of June 30, 2016, settled claims have not exceeded the Pool or reinsurance coverage since the Pool's inception.

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

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

(11) 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, 2016:

Additions:		
Federal grants and entitlements:		
Medicaid case management		$ 286,603
Contributions from governmental units		43,372
Total additions		329,975
Deductions:		
Salaries	$ 262,785	
Benefits	84,477	
Intellectual disabilities case management	85	
Technical assistance	6,120	
Office supplies	1,258	
Telephone	639	
Travel and training	12,569	
Equipment repair	518	368,451
Net		(38,476)
Balance beginning of year		197,032
Balance end of year		$ 158,556

(12) Development Agreement

The County entered into a development agreement to assist in an urban renewal project under Chapter 403 of the Code of Iowa. The County agreed to rebate 100% of the incremental property tax paid by the developer in exchange for construction of infrastructure by the developer. The incremental property tax received by the County from the developer will be rebated for a period of 11 years or until the total principal and interest have been paid, whichever occurs first. The total amount to be rebated is not to exceed $545,000, plus interest. During the year ended June 30, 2016, $44,771 was applied to principal, leaving an outstanding principal balance at June 30, 2016 of $447,935.

(13) County Financial Information Included in the Southwest Iowa MHDS Region

Southwest Iowa MHDS Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 1, 2014, includes the following member counties: Cass County, Fremont County, Harrison County, Mills County, Monona County, Montgomery County, Page County, Pottawattamie County and Shelby County. The financial activity of the County's Special Revenue, Mental Health Fund is included in the Southwest Iowa MHDS Region for the year ended June 30, 2016, as follows:

Revenues:		
Property and other county tax		$ 470,601
Intergovernmental revenues:		
State tax credits	$ 26,460	
Payments in lieu of taxes	11	26,471
Total revenues		497,072
Expenditures:		
General administration:		
Direct administration	86,347	
Distribution to regional fiscal agent	404,725	491,072
Excess of revenues over expenditures		6,000
Fund balance beginning of year		156,262
Fund balance end of year		$ 162,262

(14) Deficit Balance

The Special Revenue, Recorder's Records Management Fund had a deficit balance of $24,770 at June 30, 2016. The County is investigating alternatives to eliminate the deficit, which include future cost savings measures and/or anticipated receipts.

(15) Subsequent Events

In October 2016, the County issued $4,580,000 of general obligation county refunding bonds to crossover refund the general obligation county public safety center bonds dated September 1, 2013. In December 2016, the County issued $5,390,000 of general obligation county communication equipment bonds to finance the acquisition of public safety and emergency services communication equipment.

(16) New Accounting Pronouncement

Mills County adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

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, 2016

	Actual	Funds not Required to be Budgeted	Actual
Receipts:			
Property and other county tax	$ 8,468,183	-	8,468,183
Interest and penalty on property tax	54,470	-	54,470
Intergovernmental	5,559,622	-	5,559,622
Licenses and permits	214,230	-	214,230
Charges for service	436,270	-	436,270
Use of money and property	100,606	-	100,606
Miscellaneous	239,231	80	239,151
Total receipts	15,072,612	80	15,072,532
Disbursements:			
Public safety and legal services	3,139,183	-	3,139,183
Physical health and social services	1,724,686	-	1,724,686
Mental health	312,132	-	312,132
County environment and education	1,373,698	550	1,373,148
Roads and transportation	5,131,828	-	5,131,828
Governmental services to residents	530,940	-	530,940
Administration	1,333,773	-	1,333,773
Debt service	538,533	-	538,533
Capital projects	1,182,630	-	1,182,630
Total disbursements	15,267,403	550	15,266,853
Excess (deficiency) of receipts over (under) disbursements	(194,791)	(470)	(194,321)
Other financing sources, net	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(194,791)	(470)	(194,321)
Balance beginning of year	7,867,115	9,034	7,858,081
Balance end of year	$ 7,672,324	8,564	7,663,760

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual
Original	Final	Variance
8,503,622	8,503,622	(35,439)
57,606	57,606	(3,136)
4,742,535	4,939,535	620,087
193,850	194,850	19,380
492,569	492,569	(56,299)
99,669	132,669	(32,063)
132,399	419,899	(180,748)
14,222,250	14,740,750	331,782
3,422,814	3,475,601	336,418
1,743,706	1,913,220	188,534
491,568	491,568	179,436
1,400,501	1,457,634	84,486
5,525,230	6,037,230	905,402
545,679	577,679	46,739
1,435,397	1,443,132	109,359
537,933	538,533	-
560,000	1,243,933	61,303
15,662,828	17,178,530	1,911,677
(1,440,578)	(2,437,780)	2,243,459
8,000	2,475,785	(2,475,785)
(1,432,578)	38,005	(232,326)
4,621,159	4,621,159	3,236,922
3,188,581	4,659,164	3,004,596

Mills County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2016

	Governmental Funds		
	Cash Basis	Accrual Adjust-ments	Modified Accrual Basis
Revenues	$ 15,072,612	38,523	15,111,135
Expenditures	15,267,403	248,408	15,515,811
Net	(194,791)	(209,885)	(404,676)
Other financing sources, net	-	53,000	53,000
Beginning fund balances	7,867,115	415,344	8,282,459
Ending fund balances	$ 7,672,324	258,459	7,930,783

See accompanying independent auditor's report.

Mills County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2016

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 $1,515,702. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2016, the County's disbursements did not exceed the amounts budgeted by function.

Mills County

Mills County

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

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

Required Supplementary Information

	2016	2015
County's proportion of the net pension liability	0.0666618%	0.0673270%
County's proportionate share of the net pension liability	$ 3,293	2,670
County's covered-employee payroll	$ 5,450	5,290
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.42%	50.47%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

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

See accompanying independent auditor's report.

Mills County

Schedule of County Contributions

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

Required Supplementary Information

	2016	2015	2014	2013
Statutorily required contribution	$ 502	500	478	460
Contributions in relation to the statutorily required contribution	(502)	(500)	(478)	(460)
Contribution deficiency (excess)	$ -	-	-	-
County's covered-employee payroll	$ 5,519	5,450	5,290	5,189
Contributions as a percentage of covered-employee payroll	9.10%	9.17%	9.04%	8.86%

* County's covered-employee payroll information was not readily available.
Therefore, contributions as a percentage of payroll could not be calculated.

See accompanying independent auditor's report.

2012	2011	2010	2009	2008	2007
419	359	331	302	280	257
(419)	(359)	(331)	(302)	(280)	(257)
-	-	-	-	-	-
5,021	*	4,837	4,610	*	*
8.34%	*	6.84%	6.55%	*	*

Changes of benefit terms:

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

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

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

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

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

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

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

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
2015	July 1, 2012	-	396	396	0.00	4,548	8.71
2016	July 1, 2015	-	403	403	0.00	4,566	8.83

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

See accompanying independent auditor's report.

Mills County

Supplementary Information

Mills County

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2016

				Special
	Local Option Sales and Services Tax	Resource Enhance-ment and Protection	County Recorder's Records Management	Urban Renewal Revenue
Assets				
Cash and pooled investments	$ 323,738	11,224	-	129,786
Receivables:				
Succeeding year property tax	-	-	-	374,000
Drainage assessments	-	-	-	-
Due from other governments	96,711	-	-	-
Total assets	$ 420,449	11,224	-	503,786
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ 1,568	-	-	-
Salaries and benefits payable	-	-	-	-
Due to other governments	-	-	-	-
Due to other funds	-	-	24,770	-
Total liabilities	1,568	-	24,770	-
Deferred inflows of resources:				
Unavailable revenues:				
Suceeding year property tax	-	-	-	374,000
Other	-	-	-	-
Total deferred inflows of resources	-	-	-	374,000
Fund balances:				
Restricted for:				
Drainage warrants/drainage improvement certificates	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	418,881	11,224	-	129,786
Unassigned	-	-	(24,770)	-
Total fund balances	418,881	11,224	(24,770)	129,786
Total liabilities, deferred inflows of resources and fund balances	$ 420,449	11,224	-	503,786

See accompanying independent auditor's report.

Revenue					
Decategorization Grant	County Conservation	Drainage District	Debt Service	Capital Projects	Total
33,885	155,939	8,564	17,696	207,870	888,702
-	-	-	-	-	374,000
-	-	279	-	-	279
3,286	-	-	-	-	99,997
37,171	155,939	8,843	17,696	207,870	1,362,978
1,000	-	-	-	-	2,568
-	1,862	-	-	-	1,862
5,597	-	-	-	-	5,597
-	-	-	-	-	24,770
6,597	1,862	-	-	-	34,797
-	-	-	-	-	374,000
-	-	279	-	-	279
-	-	279	-	-	374,279
-	-	8,564	-	-	8,564
-	-	-	17,696	-	17,696
-	-	-	-	207,870	207,870
30,574	154,077	-	-	-	744,542
-	-	-	-	-	(24,770)
30,574	154,077	8,564	17,696	207,870	953,902
37,171	155,939	8,843	17,696	207,870	1,362,978

Mills County

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

Year ended June 30, 2016

	Special			
	Local Option Sales and Services Tax	Resource Enhance-ment and Protection	County Recorder's Records Management	Urban Renewal Revenue
Revenues:				
Local option sales and services tax	$ 584,360	-	-	-
Tax increment financing	-	-	-	161,342
Intergovernmental	-	14,348	-	8,923
Charges for service	-	-	2,790	-
Use of money and property	-	109	22	-
Miscellaneous	-	-	-	-
Total revenues	584,360	14,457	2,812	170,265
Expenditures:				
Operating:				
Physical health and social services	-	-	-	-
County environment and education	456,919	118,784	-	57,043
Governmental services to residents	-	-	38,931	-
Debt service	-	-	-	107,656
Capital projects	-	-	-	-
Total expenditures	456,919	118,784	38,931	164,699
Excess (deficiency) of revenues over (under) expenditures	127,441	(104,327)	(36,119)	5,566
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(326,829)	-	-	-
Total other financing sources (uses)	(326,829)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(199,388)	(104,327)	(36,119)	5,566
Fund balances beginning of year	618,269	115,551	11,349	124,220
Fund balances end of year	$ 418,881	11,224	(24,770)	129,786

See accompanying independent auditor’s report.

Revenue					
Decategorization Grant	County Conservation	Drainage District	Debt Service	Capital Projects	Total
-	-	-	-	-	584,360
-	-	-	-	-	161,342
35,636	-	-	-	-	58,907
-	-	-	-	-	2,790
-	75,164	-	-	-	75,295
-	-	80	-	-	80
35,636	75,164	80	-	-	882,774
37,571	-	-	-	-	37,571
-	129,323	550	-	-	762,619
-	-	-	-	-	38,931
-	-	-	430,877	-	538,533
-	-	-	-	32,808	32,808
37,571	129,323	550	430,877	32,808	1,410,462
(1,935)	(54,159)	(470)	(430,877)	(32,808)	(527,688)
-	-	-	430,877		430,877
-	-	-	-	(430,877)	(757,706)
-	-	-	430,877	(430,877)	(326,829)
(1,935)	(54,159)	(470)	-	(463,685)	(854,517)
32,509	208,236	9,034	17,696	671,555	1,808,419
30,574	154,077	8,564	17,696	207,870	953,902

Mills County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2016

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	$ -	2,308	777,528	117,136	10,556
Other County officials	25,125	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	846	1,597	43,340	5,090
Succeeding year	-	221,000	418,000	11,187,000	1,347,000
Special assessments	-	-	-	-	-
Drainage assessments	-	-	-	-	-
Total assets	$ 25,125	224,154	1,197,125	11,347,476	1,362,646
Liabilities					
Accounts payable	$ -	-	-	-	-
Stamped warrants payable	-	-	-	-	-
Salaries and benefits payable	-	-	8,097	-	-
Due to other governments	20,501	224,154	1,180,897	11,347,476	1,362,646
Trusts payable	4,624	-	-	-	-
Compensated absences	-	-	8,131	-	-
Total liabilities	$ 25,125	224,154	1,197,125	11,347,476	1,362,646

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Drainage Districts	City Special Assessments	Other	Total
49,103	2,997	366,929	1,179,849	4,515	416,547	2,927,468
-	-	-	-	-	-	25,125
16,341	1,121	-	-	-	11	68,346
3,040,000	359,000	-	-	-	3,000	16,575,000
-	-	-	-	72,700	-	72,700
-	-	-	3,359	-	-	3,359
3,105,444	363,118	366,929	1,183,208	77,215	419,558	19,671,998
-	-	-	9,688	-	-	9,688
-	-	-	21,100	-	-	21,100
-	-	-	-	-	20,900	28,997
3,105,444	363,118	366,929	1,152,420	77,215	366,862	19,567,662
-	-	-	-	-	-	4,624
-	-	-	-	-	31,796	39,927
3,105,444	363,118	366,929	1,183,208	77,215	419,558	19,671,998

Mills County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2016

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	$ 18,915	217,532	1,085,045	11,214,452	1,004,993
Additions:					
Property and other county tax	-	222,439	420,407	11,227,640	1,352,514
E911 surcharges	-	-	-	-	-
State tax credits	-	12,165	30,627	634,506	55,937
Office fees and collections	374,163	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	147,525	-	-	-	-
Miscellaneous	1,001	5	45	-	23
Total additions	522,689	234,609	451,079	11,862,146	1,408,474
Deductions:					
Agency remittances:					
To other funds	227,914	-	-	-	-
To other governments	143,035	227,987	338,999	11,729,122	1,050,821
Trusts paid out	145,530	-	-	-	-
Total deductions	516,479	227,987	338,999	11,729,122	1,050,821
Balances end of year	$ 25,125	224,154	1,197,125	11,347,476	1,362,646

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Drainage Districts	City Special Assess-ments	Other	Total
3,088,174	351,901	423,093	1,071,989	79,864	432,206	18,988,164
2,944,490	364,325	-	-	-	73,410	16,605,225
-	-	-	-	-	205,075	205,075
278,395	15,773	-	-	-	161	1,027,564
-	-	-	-	-	2,790	376,953
-	-	5,196,047	-	-	-	5,196,047
-	-	-	304,448	36,916	224,345	565,709
-	-	-	-	-	-	147,525
-	-	-	13	-	580,082	581,169
3,222,885	380,098	5,196,047	304,461	36,916	1,085,863	24,705,267
-	-	185,957	-	-	-	413,871
3,205,615	368,881	5,066,254	172,142	39,565	1,096,403	23,438,824
-	-	-	-	-	2,108	147,638
3,205,615	368,881	5,252,211	172,142	39,565	1,098,511	24,000,333
3,105,444	363,118	366,929	1,204,308	77,215	419,558	19,693,098

Mills County

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

For the Last Ten Years

	2016	2015	2014	2013
Revenues:				
Property and other county tax	$ 7,722,247	7,624,136	7,177,383	7,111,905
Local option sales and services tax	584,360	619,091	681,917	582,008
Tax increment financing	161,342	268,005	331,333	327,346
Interest and penalty on property tax	54,095	60,206	55,716	57,438
Intergovernmental	5,597,956	4,987,426	4,768,950	4,023,918
Licenses and permits	214,365	269,393	145,625	152,074
Charges for service	434,180	454,886	440,482	586,775
Use of money and property	99,667	107,617	99,148	97,548
Miscellaneous	242,923	271,703	196,523	283,602
Total	15,111,135	14,662,463	13,897,077	13,222,614
Expenditures:				
Operating:				
Public safety and legal services	$ 3,167,497	2,921,757	2,605,007	2,743,769
Physical health and social services	1,723,112	1,643,560	1,573,212	1,464,118
Mental health	491,072	2,064,325	190,359	220,272
County environment and education	1,350,658	814,524	1,658,505	758,330
Roads and transportation	5,075,898	4,555,966	4,647,326	4,873,610
Governmental services to residents	534,660	519,112	478,780	609,265
Administration	1,401,177	1,336,065	1,169,434	1,419,687
Non-program	-	-	-	-
Debt service	538,533	535,436	522,265	106,170
Capital projects	1,233,204	1,775,918	4,415,035	1,757,272
Total	15,515,811	16,166,663	17,259,923	13,952,493

See accompanying independent auditor’s report

Modified Accrual Basis					
2012	2011	2010	2009	2008	2007
5,785,015	5,829,630	5,533,676	5,901,680	5,724,908	5,136,830
516,513	406,971	418,679	446,670	423,977	461,667
236,249	98,324	197,039	209,865	210,868	180,487
58,135	62,022	64,921	74,311	59,488	69,965
5,051,206	6,035,709	5,269,080	5,264,779	5,424,442	4,852,275
108,979	132,157	126,243	95,701	52,039	57,849
524,479	440,925	387,235	420,547	442,920	416,554
108,233	127,336	76,719	192,208	208,813	205,636
163,646	154,347	137,050	417,523	271,641	118,073
12,552,455	13,287,421	12,210,642	13,023,284	12,819,096	11,499,336
3,018,797	2,473,453	2,181,402	2,059,957	2,008,550	1,968,069
1,536,182	1,481,869	1,542,707	1,619,650	1,731,452	1,553,540
1,587,707	1,401,997	1,263,742	1,436,988	1,627,881	1,481,046
768,899	629,451	681,949	548,126	1,795,132	732,762
4,335,990	5,353,500	4,849,650	4,317,783	4,013,652	3,846,016
451,536	423,851	448,367	440,000	433,234	398,924
1,354,660	1,076,516	1,240,416	1,125,819	840,129	1,206,796
-	-	8,070	6,590	-	-
103,690	100,980	-	-	-	-
4,994	542,808	5,141	62,340	1,025,954	321,600
13,162,455	13,484,425	12,221,444	11,617,253	13,475,984	11,508,753

Mills County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

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		$ 10,029
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		11,110
U.S. Department of Justice:			
City of Council Bluffs:			
Edward Byrne Memorial Justice Assitance Grant Program	16.783		30,858
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BRS-CO65(97)-8J-65	472,652
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	16-402-M0OP, Task 30-30-00	4,221
U.S. Environmental Protection Agency:			
Iowa Department of Public Health:			
State Indoor Radon Grants	66.032	5886RC04	2,700
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		15,859
Iowa Department of Public Health:			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	5886BT37	160,462
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	5886BT217	31,500
			191,962
Immunization Cooperative Agreements	93.268	5885I455	795
Immunization Cooperative Agreements	93.268	5886I455	2,477
			3,272
PPHF - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - financed in part by Prevention and Public Health Funds	93.539	5885I455	1,636

Mills County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2016

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
Prevent Child Abuse Iowa:			
Promoting Safe and Stable Families	93.556		31,697
Temporary Assistance for Needy Families	93.558		5,420
Child Abuse and Neglect State Grants	93.669		216
Family Inc.:			
Maternal and Child Health Services Block Grant to the States	93.994		3,593
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered Programs	93.566		32
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		2,946
Foster Care - Title IV-E	93.658		4,163
Adoption Assistance	93.659		1,450
Social Services Block Grant	93.667		3,482
Children's Health Insurance Program	93.767		79
Medical Assistance Program	93.778		21,096
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Emergency Management Performance Grants	97.042	EMPG-15-PT-65	6,678
Emergency Management Performance Grants	97.042	EMPG-16-PT-65	15,749
			22,427
Total indirect			830,871
Total			$ 840,900

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Mills County under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Mills County, it is not intended to and does not represent the financial position, changes in financial position or cash flows of Mills County.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Mills County has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

Mills County

OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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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, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 2, 2017.

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 a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-16 through II-C-16 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 items II-D-16 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, 2016 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 results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

February 2, 2017

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

Mills County

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STATE OF IOWA

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Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

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) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2016. Mills County's major federal program is 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 program 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 Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of Mills County's compliance.

Opinion on the 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 its major federal program for the year ended June 30, 2016.

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 program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 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 material weaknesses. However, material weaknesses may exist that were not 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

February 2, 2017

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2016

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 program were noted.

e) An unmodified opinion was issued on compliance with requirements applicable to the major program.

f) The audit did not disclose audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.515.

g) The major program was CFDA Number 20.205 – Highway Planning and Construction.

h) The dollar threshold used to distinguish between Type A and Type B programs was $750,000.

i) Mills County did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-16 Segregation of Duties

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

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

		Applicable Offices
(1)	Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	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 Ag Extension
(3)	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
(4)	Collection, deposit preparation and reconciliation functions are not segregated from the recording and accounting for cash receipts.	Conservation
(5)	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

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

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

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

Responses –

Treasurer – I have asked the Auditor to review our bank reconciliations every month and initial and date them.

Due to our small staff of five, there are times when the deputies or myself or a combination of us are out of the office at the same time. In that case, there are times the person collecting the money, as well as making the deposit could be the same person. We do try very hard to keep those things separate when we have a full staff, as we understand the importance of the check and balances.

The change fund custodian is most often the Treasurer. In my absence, it becomes the job of the driver's license deputy.

Recorder – With a small staff of two full time and one part-time employees, it is very difficult to completely segregate duties, especially when one full time person is absent. We have utilized another office to review our monthly reconciliation. We have a good checks and balance system in place with our limited resources and employees.

Ag Extension – The Extension Council Treasurer will sign off on the reconciliation report that is approved by council at monthly meetings.

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 trying 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-16 Financial Reporting

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

Condition – Material amounts of receivables and payables were not properly recorded in the County's financial statements. Additionally, material errors in accrual classification of receivables and payables were identified. Adjustments were subsequently made by the County to properly include and classify these amounts in the financial statements.

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

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

Recommendation – The County should establish procedures to ensure all receivables and payables are identified and properly reported in the County's financial statements and accrual classifications are proper.

Response – The County will try to make sure they identify the correct codes so they can be classified properly for the County's financial report.

Conclusion – Response accepted.

II-C-16 Bank Reconciliations

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

Condition – 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, 2016. The resulting variances were not properly investigated and resolved in a timely manner.

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

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

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 – As I have taken over more of the office and accounting procedures due to a retired employee this fiscal year, I have learned more about our accounting system. I did have to spend time verifying prior accounting entries because of a variance. It was found the deposits all verified, but some of the entries into the accounting system were not made. I have worked with our software company to find these omissions. With the variance, it has been difficult to know what an accurate starting amount should be.

My driver's license deputy and I have worked with Solutions, Inc. to learn the system in turn keeping the accounts balanced online daily and the statements the day we get them from the bank. Along with the statement reconciliations, the Auditor will review the bank reconciliations and initial them. This will be done on a monthly basis.

Conclusion – Response accepted.

II-D-16 Current and Delinquent Property Tax Reconciliations

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

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

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

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

Recommendation – Current and delinquent property tax reconciliations should be prepared timely.

Response – I have a better understanding of this recording as well from working with my software company and know what reports are necessary to complete this report for the audit.

I can run the necessary reports on a monthly basis so for the next audit, I will prepare this after running month end and the complete spreadsheet for the audit will be ready right away.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

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 program were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-16 Certified Budget – Disbursements during the year ended June 30, 2016 did not exceeded the amounts budgeted by function.

IV-B-16 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-16 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees exceeded set reimbursement rate.

IV-D-16 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike Lynes, husband of Public Health Supervisor, Independent contractor	Family centered services	$ 1,210

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

IV-E-16 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.

IV-F-16 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-16 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-16 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-16 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, 2016 for the County Extension Office exceeded the amount budgeted by $4,889.

Recommendation – The budget should have been amended in sufficient amount in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – When we published the budget amendment, we inadvertently used the original budgeted amount from FY15 ($274,377) instead of the FY16 amount of $305,000. The amendment of $30,000 was to offset a grant that was not included in the original budget. If we had used the correct amount, the amended amount would have been $335,000, covering all of the disbursements.

Conclusion – Response accepted.

IV-J-16 Tax Increment Financing (TIF) – For the year ended June 30, 2016, 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 – In accordance with Chapter 403.19(6)(a)(1) of the Code of Iowa, the County Auditor is, "to provide for the division of taxes in each subsequent year without further certification until the amount of the loans, advances, indebtedness, or bonds is paid to the special fund." To assist in meeting this requirement, the County Auditor should prepare a reconciliation of each urban renewal area's TIF receipts and TIF debt certified.

Response – The Auditor is now using the correct TIF reconciliation forms and working with the City to make sure all information is correct and up to date.

Conclusion – Response accepted.

IV-K-16 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 by 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.

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

Response – The Auditor will make sure debt is certified before collecting funds for other projects in that TIF area or anywhere else.

Conclusion – Response accepted.

IV-L-16 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, 2016, 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 did consult legal counsel and it was determined there would not be enough funds from this TIF area to set aside to comply with the LMI requirement. The County will make sure proper funds will be set up if there is an LMI requirement in the future.

Conclusion – Response acknowledged. Chapter 403.22(3) of the Code of Iowa provides other potential sources of funds to meet the low and moderate income family housing assistance requirement. The County should investigate alternatives to comply with this code section.

IV-M-16 Annual Urban Renewal Report – The Annual Urban Renewal Report was not certified to the Iowa Department of Management on or before December 1. In addition, the amount of TIF debt outstanding was understated.

Recommendation – The County should ensure the debt amounts reported on the Levy Authority Summary are accurate and agree with the County's records and the Annual Urban Renewal Report is certified to the Iowa Department of Management on or before December 1.

Response – There was confusion on this TIF rebate agreement because we were calculating on what the developer had also paid down on the debt and not just what the County was paying toward the TIF. This has now been corrected to reflect the County contributions only. The report will be certified by December 1 in the future.

Conclusion – Response accepted.

IV-N-16 Financial Condition – The Special Revenue, County Recorder's Records Management Fund had a deficit balance of $24,770 at June 30, 2016.

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

Response – We will investigate alternatives to eliminate this deficit. We are also taking steps with all Departments to make sure this does not happen again.

Conclusion – Response accepted.

Mills County

Staff

This audit was performed by:

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