OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

Contact: Andy Nielsen
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FOR RELEASE April 25, 2018

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

The County had local tax revenue of $26,375,571 for the year ended June 30, 2017, which included $1,468,946 in tax credits from the state. The County forwarded $18,286,160 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained $8,089,411 of the local tax revenue to finance County operations, a 0.6% decrease from the prior year. Other revenues included charges for service of $1,388,489, operating grants, contributions and restricted interest of $4,127,236, capital grants, contributions and restricted interest of $708,396, unrestricted investment earnings of $20,776, local option sales and services tax of $643,362, tax increment financing of $364,311, gain on disposition of capital assets of $111,249 and other general revenues of $216,075.

Expenses for County operations for the year ended June 30, 2017 totaled $17,952,416, a 29.6% increase over the prior year. Expenses included $6,374,215 for public safety and legal services, $5,906,493 for roads and transportation and $1,604,550 for administration.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at https://auditor.iowa.gov/reports/1710-0065-B00F.

# # #

MILLS COUNTY

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

JUNE 30, 2017

Table of Contents

Mills County

Officials

(Before January 2017)

Name	Title	Term Expires
Ronald E. Kohn	Board of Supervisors	Jan 2017
Lonnie Mayberry	Board of Supervisors	Jan 2019
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
Naeda Elliot (Appointed)	County Attorney	Nov 2016
Christina Govig	County Assessor	Jan 2022

(After January 2017)

Name	Title	Term Expires
Richard Crouch	Board of Supervisors	Jan 2019
Lonnie Mayberry	Board of Supervisors	Jan 2021
Carol Vinton	Board of Supervisors	Jan 2021
Carol Robertson	County Auditor	Jan 2021
Rebecca Killpack	County Treasurer	Resigned Feb 2018
Jill Ford (Appointed)	County Treasurer	Nov 2018
Lisa Tallman	County Recorder	Jan 2019
Eugene Goos	County Sheriff	Jan 2021
Naeda Elliot	County Attorney	Jan 2019
Christina Govig	County Assessor	Jan 2022

Mills County

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Independent Auditor's Report

To the Officials of Mills County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mills County, Iowa, as of and for the year ended June 30, 2017, 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, 2017 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 16 and 50 through 59 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, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 April 9, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Mills County's internal control over financial reporting and compliance.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

April 9, 2018

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, 2017. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 1.16%, or approximately $184,000, from fiscal year 2016 to fiscal year 2017. Tax increment financing collections increased approximately $203,000, operating grants, contributions and restricted interest decreased approximately $340,000 and capital grants, contributions and restricted interest decreased approximately $392,000 from fiscal year 2016 to fiscal year 2017.

- Program expenses of the County's governmental activities increased 29.58%, or approximately $4,099,000, in fiscal year 2017 compared to fiscal year 2016. Public safety and legal services increased approximately $3,137,000, primarily due to the purchase of communication equipment related to the new public safety facility, and roads and transportation expenses increased approximately $529,000.

- The County's net position decreased 9.7%, or approximately $2,283,000, from June 30, 2016 to June 30, 2017.

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.

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 2017 totaled approximately $21.3 million. The analysis that follows focuses on the changes in the net position of governmental activities.

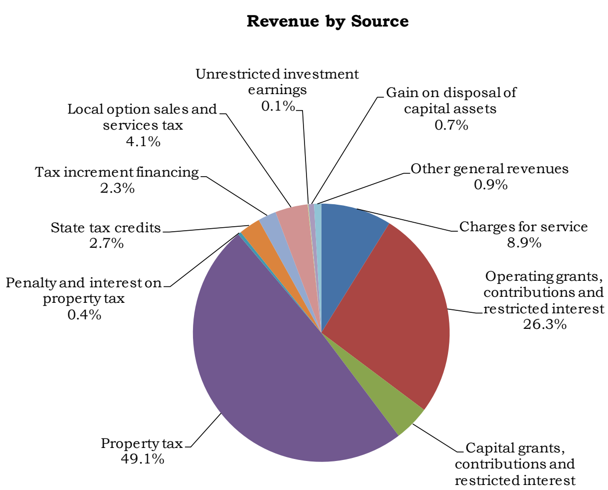
Net Position of Governmental Activities

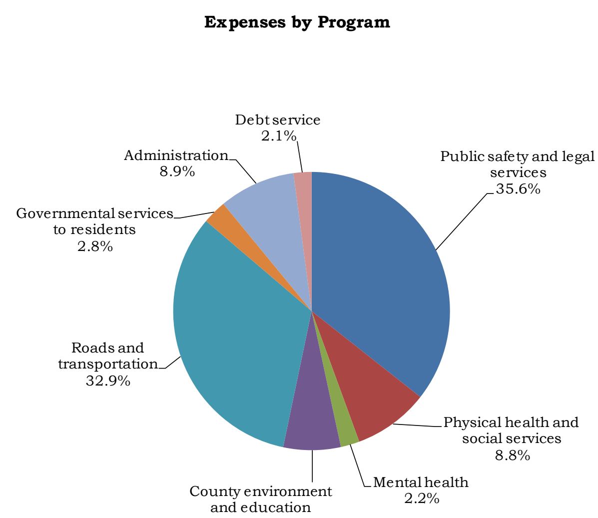
	June 30, 2017	June 30, 2016
Current and other assets	$ 24,876,802	16,817,715
Capital assets	25,700,407	25,559,374
Total assets	50,577,209	42,377,089
Deferred outflows of resources	1,368,259	644,605
Long-term liabilities	20,677,191	10,135,699
Other liabilities	349,862	796,212
Total liabilities	21,027,053	10,931,911
Deferred inflows of resources	9,520,531	8,483,788
Net position:		
Invested in capital assets	20,493,607	20,294,844
Restricted	6,222,789	5,913,866
Unrestricted	(5,393,512)	(2,602,715)
Total net position	$ 21,322,884	23,605,995

Net position of Mills County's governmental activities decreased 9.7% (approximately $21.3 million compared to approximately $23.6 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, decreased from a deficit balance of approximately $2,603,000 at June 30, 2016 to a deficit of approximately $5,394,000 at the end of this year, due primarily to public safety communication equipment purchased, which were less than the County's capitalization threshold, and equipment for other governmental entities in Mills County.

Changes in Net Position of Governmental Activities

	Year ended June 30,	
	2017	2016
Revenues:		
Program revenues:		
Charges for service	$ 1,388,489	1,217,062
Operating grants, contributions and restricted interest	4,127,236	4,466,851
Capital grants, contributions and restricted interest	708,396	1,100,508
General revenues:		
Property tax	7,672,322	7,724,129
Penalty and interest on property tax	69,864	68,253
State tax credits	417,089	415,371
Tax increment financing	364,311	161,342
Local option sales and services tax	643,362	584,360
Unrestricted investment earnings	20,776	19,858
Gain on disposal of capital assets	111,249	38,950
Other general revenues	146,211	56,976
Total revenues	15,669,305	15,853,660
Program expenses:		
Public safety and legal services	6,374,215	3,237,120
Physical health and social services	1,582,801	1,698,511
Mental health	396,467	477,310
County environment and education	1,201,153	913,893
Roads and transportation	5,906,493	5,377,437
Governmental services to residents	505,879	511,767
Administration	1,604,550	1,429,917
Debt service	380,858	207,858
Total expenses	17,952,416	13,853,813
Change in net position	(2,283,111)	1,999,847
Net position beginning of year	23,605,995	21,606,148
Net position end of year	$ 21,322,884	23,605,995





Mills County did not change the rural services property tax levy rate for fiscal year 2017 and decreased the county-wide property tax levy rate $.2223 per $1,000 of taxable valuation for the fiscal year 2017. The general supplemental levy rate decreased $0.0487 per $1,000 of taxable valuation from fiscal year 2016 to fiscal year 2017. The mental health levy rate decreased $0.1736 per $1,000 of taxable valuation. The county-wide assessed property taxable valuation increased $19,079,323 from fiscal year 2016 to fiscal year 2017, the rural assessed property taxable valuation increased $15,017,547 from fiscal year 2016 to fiscal year 2017 and the debt service assessed property taxable valuation increased $27,163,355 from fiscal year 2016 to fiscal year 2017. The general basic levy in fiscal year 2017 remained the same as fiscal year 2016 at $3.50 per $1,000 of taxable valuation.

The cost of all governmental activities this year was approximately $18.0 million compared to approximately $13.9 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately $11.7 million because some of the cost was paid by those directly benefited from the programs (approximately $1,388,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately $4,836,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2017 from approximately $6,784,000 to approximately $6,224,000, primarily due to fewer assets contributed by the Iowa Department of Transportation (IDOT) and less federal revenue received in fiscal year 2017.

INDIVIDUAL MAJOR FUND ANALYSIS

As Mills County completed the year, its governmental funds reported a combined fund balance of approximately $15.2 million, an increase of approximately $7,268,000 over last year's total of approximately $7.9 million. The increase in fund balance is primarily attributable to the issuance of general obligation bonds during fiscal year 2017 to finance the acquisition of public safety and emergency services communication equipment and for a crossover refunding. 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 2017 with a balance of $2,914,462. This is an increase of $209,022 over the fiscal year 2016 ending balance. Revenues increased $162,952 over fiscal year 2016, primarily due to an increase in property and other county tax. Expenditures decreased approximately $379,000 from fiscal year 2016, primarily due to completion of the new conservation and nature education building during the fiscal year, with the majority of the construction occurring in fiscal year 2016.

Special Revenue, Mental Health Fund revenues totaled $343,771, a decrease of 30.84% from the prior year. Expenditures totaled $397,124, a decrease of approximately $94,000 from the prior year. The decrease in expenditures is due to an overall decrease in the amount of property tax collected and disbursed to the mental health region during the fiscal year. The Mental Health Fund balance decreased by approximately $53,000 from the prior year end to $108,909 at June 30, 2017.

The Special Revenue, Rural Services Fund ended fiscal year 2017 with a fund balance of $541,864 compared to the fiscal year 2016 ending fund balance of $442,138. Revenues increased $34,008 over fiscal year 2016, with property and other county tax increasing approximately $49,000 over fiscal year 2016 to fiscal year 2017. Expenditures decreased $54,161 from fiscal year 2016. The County made all budgeted transfers to the Special Revenue, Secondary Roads Fund, which was an increase of $144,321 over fiscal year 2016 to fiscal year 2017 from the Rural Services Fund.

The Special Revenue, Secondary Roads Fund ended fiscal year 2017 with a fund balance of $3,977,861 compared to the fiscal year 2016 ending fund balance of $3,667,041. As mentioned above, the Secondary Roads Fund received all of the budgeted transfers from the Special Revenue, Rural Services Fund in fiscal year 2017, which was an increase of approximately $144,000 over fiscal year 2016. Secondary Roads Fund revenues decreased $371,323 from the fiscal year 2016 amounts. Expenditures increased approximately $37,000 over fiscal year 2016, primarily due to an increase in bridge repair projects.

At year end, the Debt Service fund balance was $4,601,735 compared to the prior year ending fund balance of $17,696, an increase of $4,584,039. This increase was due to the County issuing $4,580,000 of general obligation county refunding bonds for a crossover refunding and reporting $4,574,803 of U.S. Treasury securities on deposit with escrow agent. In a crossover refunding, liabilities for both the old and new debt, as well as the U.S. Treasury securities on deposit with the escrow agent, are reported in the government-wide financial statements. However, only the U.S. Treasury securities are reported in the fund financial statements since the liabilities are not a fund liability. The bonds (old debt) will be called on June 1, 2020.

During the year ended June 30, 2017, the County issued $5,390,000 of general obligation county communication equipment bonds to purchase public safety and emergency services communication equipment. The proceeds from the bond issue were placed in the Capital Projects Fund to account for this activity. Approximately $2,263,000 of bond proceeds remained in the Capital Projects Fund at the end of the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, Mills County amended its budget four times. The first amendment was made on December 27, 2016 and resulted in an increase in budgeted receipts and disbursements for various items, including intergovernmental funding for mental health and Secondary Roads projects. The second amendment was made on March 7, 2017 and resulted in an increase in budgeted receipts and disbursements for various items, including an increase for miscellaneous receipts for county environmental and capital project activities. The third amendment was made on March 21, 2017, again to increase miscellaneous receipts to cover an increase in governmental services to residents and administration function disbursements. The final amendment was made on May 23, 2017 and miscellaneous receipts were increased to cover an increase in various functions.

The County's actual receipts were $580,802 more than the amended budget, a variance of 4.0%.

Total actual disbursements were $3,776,589 less than the amended budget, a variance of 17.1%. Actual disbursements for the capital projects and roads and transportation functions were under the amended budget by $2,148,412 and $826,410, respectively. This was primarily due to capital and roadway projects not progressing as anticipated. However, the debt service function was over budget by $27,685. This was due to the County not amending the budget for bond issuance costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, Mills County had approximately $25.7 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of $141,033, or .55%, over last year.

Capital Assets of Governmental Activities at Year End			
		June 30,	
		2017	2016
Land	$	1,006,704	1,006,704
Intangibles, road network		933,140	933,140
Construction in progress		-	1,066,041
Buildings		9,052,135	8,007,156
Improvements other than buildings		138,399	14,535
Equipment and vehicles		2,676,161	2,625,285
Infrastructure, other		11,893,868	11,906,513
Total	$	25,700,407	25,559,374
This year's major additions included:			
County Sheriff, Secondary Roads and Conservation vehicles and equipment	$	573,187	
Capital assets contributed by the Iowa Department of Transportation		423,151	
Nature Center		56,504	
County Engineer building addition and parking lot		250,554	
Total	$	1,303,396	

The County had depreciation expense of $1,257,757 in fiscal year 2017 and total accumulated depreciation of $9,216,223 at June 30, 2017.

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

Long-Term Debt

At June 30, 2017, Mills County had $15,566,800 of long-term debt outstanding compared to $5,952,400 of outstanding long-term debt at June 30, 2016.

Outstanding Debt of Governmental Activities at Year End			
		June 30,	
		2017	2016
Capital lease purchase agreement	$	31,800	42,400
General obligation bonds		15,145,000	5,430,000
General obligation urban renewal revenue bonds		390,000	480,000
Total	$	15,566,800	5,952,400

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 $85.8 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Mills County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2018 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 2.8% versus 3.9% a year ago. This compares with the State's unemployment rate of 3.2% and the national rate of 4.4%.

These indicators were taken into account when adopting the budget for fiscal year 2018. Amounts available for appropriation in the operating budget are $16,089,448, an increase of 11.48% over the final fiscal year 2017 budget. Property tax increased due to an increase in both property tax rates and property valuations for fiscal year 2018. Intergovernmental receipts increased as a result of the County's various grant programs. Mills County will use these receipts to finance programs we currently offer and offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to increase approximately $4,900,000, primarily due to an anticipated increase in capital projects disbursements in the form of completing the acquisition of public safety and emergency services communication equipment. The County has added no major new programs or initiatives to the fiscal year 2018 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of fiscal year 2018.

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.

Basic Financial Statements

Mills County

Statement of Net Position

June 30, 2017

	Governmental Activities
Assets	
Cash and pooled investments	$ 9,843,213
U.S. Treasury securities on deposit with escrow agent	4,574,803
Receivables:	
Property tax:	
Delinquent	28,137
Succeeding year	9,300,000
Interest and penalty on property tax	107,180
Accounts	151,954
Drainage assessments	203
Due from other governments	510,671
Inventories	334,348
Prepaid insurance	26,293
Capital assets - nondepreciable	1,939,844
Capital assets - depreciable (net)	23,760,563
Total assets	50,577,209
Deferred Outflows of Resources	
Pension related deferred outflows	1,368,259
Liabilities	
Accounts payable	115,218
Accrued interest payable	107,694
Salaries and benefits payable	115,476
Due to other governments	11,474
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	10,600
General obligation bonds	460,000
General obligation urban renewal bonds	90,000
Compensated absences	343,087
Portion due or payable after one year:	
Capital lease purchase agreement	21,200
General obligation bonds	14,685,000
General obligation urban renewal bonds	300,000
Compensated absences	269,638
Net pension liability	4,181,666
Net OPEB liability	316,000
Total liabilities	21,027,053
Deferred Inflows of Resources	
Unavailable property tax revenue	9,300,000
Pension related deferred inflows	295,531
Total deferred inflows of resources	9,595,531
Net Position	
Net investment in capital assets	20,493,607
Restricted for:	
Supplemental levy purposes	1,444,878
Mental health purposes	110,165
Rural services purposes	534,421
Secondary roads purposes	3,588,230
Other purposes	545,095
Unrestricted	(5,393,512)
Total net position	$ 21,322,884

See notes to financial statements.

Mills County

Statement of Activities

Year ended June 30, 2017

	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	$ 6,374,215	235,783	223,462	-	(5,914,970)
Physical health and social services	1,582,801	381,864	643,484	-	(557,453)
Mental health	396,467	-	-	-	(396,467)
County environment and education	1,201,153	210,227	14,610	58,818	(917,498)
Roads and transportation	5,906,493	190,794	3,198,740	649,578	(1,867,381)
Governmental services to residents	505,879	313,438	-	-	(192,441)
Administration	1,604,550	56,383	22,096	-	(1,526,071)
Debt service	380,858	-	24,844	-	(356,014)
Total	$ 17,952,416	1,388,489	4,127,236	708,396	(11,728,295)
General Revenues:					
Property and other county tax levied for general purposes					7,672,322
Penalty and interest on property tax					69,864
Tax increment financing					364,311
State tax credits					417,089
Local option sales and services tax					643,362
Unrestricted investment earnings					20,776
Gain on disposition of capital assets					111,249
Miscellaneous					146,211
Total general revenues					9,445,184
Change in net position					(2,283,111)
Net position beginning of year					23,605,995
Net position end of year					$ 21,322,884

See notes to financial statements.

Mills County

Balance Sheet
Governmental Funds

June 30, 2017

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	$ 2,746,799	110,577	543,344	3,411,514
U.S. Treasury securities on deposit with escrow agent	-	-	-	-
Receivables:				
Property tax:				
Delinquent	19,831	1,256	7,044	-
Succeeding year	5,517,000	421,000	2,453,000	-
Interest and penalty on property tax	107,180	-	-	-
Accounts	151,954	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	134,754	-	7,605	317,034
Inventories	-	-	-	334,348
Prepaid insurance	26,293	-	-	-
Total assets	$ 8,703,811	532,833	3,010,993	4,062,896
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	$ 63,718	-	1,527	49,973
Salaries and benefits payable	71,028	1,668	6,798	34,940
Due to other governments	10,592	-	760	122
Total liabilities	145,338	1,668	9,085	85,035
Deferred inflows of resources:				
Unavailable revenues:				
Suceeding year property tax	5,517,000	421,000	2,453,000	-
Other	127,011	1,256	7,044	-
Total deferred inflows of resources	5,644,011	422,256	2,460,044	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	334,348
Prepaid insurance	26,293	-	-	-
Restricted for:				
Supplemental levy purposes	1,464,169	-	-	-
Mental health purposes	-	108,909	-	-
Rural services purposes	-	-	541,864	-
Secondary roads purposes	-	-	-	3,643,513
Drainage warrants/drainage improvement certificates	-	-	-	-
Conservation land acquisition/capital improvements	93,015	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Unassigned	1,330,985	-	-	-
Total fund balances	2,914,462	108,909	541,864	3,977,861
Total liabilities, deferred inflows of resources and fund balances	$ 8,703,811	532,833	3,010,993	4,062,896

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
26,932	2,262,592	741,455	9,843,213
4,574,803	-	-	4,574,803
-	-	6	28,137
516,000	-	393,000	9,300,000
-	-	-	107,180
-	-	-	151,954
-	-	203	203
-	-	51,278	510,671
-	-	-	334,348
-	-	-	26,293
5,117,735	2,262,592	1,185,942	24,876,802
-	-	-	115,218
-	-	1,042	115,476
-	-	-	11,474
-	-	1,042	242,168
516,000	-	393,000	9,300,000
-	-	209	135,520
516,000	-	393,209	9,435,520
-	-	-	334,348
-	-	-	26,293
-	-	-	1,464,169
-	-	-	108,909
-	-	-	541,864
-	-	-	3,643,513
-	-	8,340	8,340
-	-	-	93,015
4,601,735	-	-	4,601,735
-	2,262,592	-	2,262,592
-	-	783,351	783,351
-	-	-	1,330,985
4,601,735	2,262,592	791,691	15,199,114
5,117,735	2,262,592	1,185,942	24,876,802

Mills County

Mills County

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

June 30, 2017

Total governmental fund balances (page 21)		$ 15,199,114
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 $34,916,630 and the accumulated depreciation is $9,216,223.		25,700,407
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.		135,520
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	$ 1,368,259	
Deferred inflows of resources	(295,531)	1,072,728
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.		(20,784,885)
Net position of governmental activities (page 18)		$ 21,322,884

See notes to financial statements.

Mills County

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

Year ended June 30, 2017

	General	Special Revenue: Mental Health	Special Revenue: Rural Services	Special Revenue: Secondary Roads
Revenues:				
Property and other county tax	$ 5,140,676	325,603	2,205,445	-
Local option sales and services tax	-	-	-	-
Tax increment financing	-	-	-	-
Interest and penalty on property tax	64,784	-	-	-
Intergovernmental	1,421,870	18,168	156,690	3,452,064
Licenses and permits	140,326	-	33,833	153,684
Charges for service	503,110	-	-	10,213
Use of money and property	25,570	-	-	-
Miscellaneous	216,147	-	1,391	31,123
Total revenues	7,512,483	343,771	2,397,359	3,647,084
Expenditures:				
Operating:				
Public safety and legal services	3,051,888	-	246,638	-
Physical health and social services	1,481,149	-	78,373	-
Mental health	-	397,124	-	-
County environment and education	522,098	-	64,101	-
Roads and transportation	-	-	-	5,658,872
Governmental services to residents	489,210	-	1,393	-
Administration	1,504,490	-	-	-
Debt service	-	-	-	-
Capital projects	75,416	-	-	45,000
Total expenditures	7,124,251	397,124	390,505	5,703,872
Excess (deficiency) of revenues over (under) expenditures	388,232	(53,353)	2,006,854	(2,056,788)
Other financing sources (uses):				
General obligation bonds issued	-	-	-	-
Premium on general obligation bonds issued	-	-	-	-
Transfers in	-	-	-	2,367,608
Transfers out	(179,210)	-	(1,907,128)	-
Total other financing sources (uses)	(179,210)	-	(1,907,128)	2,367,608
Change in fund balances	209,022	(53,353)	99,726	310,820
Fund balances beginning of year	2,705,440	162,262	442,138	3,667,041
Fund balances end of year	$ 2,914,462	108,909	541,864	3,977,861

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
-	-	-	7,671,724
-	-	643,362	643,362
-	-	364,305	364,305
-	-	-	64,784
-	-	35,556	5,084,348
-	-	-	327,843
-	-	3,027	516,350
24,844	-	69,840	120,254
3,230	-	76	251,967
28,074	-	1,116,166	15,044,937
-	-	-	3,298,526
-	-	33,416	1,592,938
-	-	-	397,124
-	-	627,726	1,213,925
-	-	-	5,658,872
-	-	972	491,575
-	-	-	1,504,490
524,929	-	109,427	634,356
-	2,934,599	-	3,055,015
524,929	2,934,599	771,541	17,846,821
(496,855)	(2,934,599)	344,625	(2,801,884)
4,580,000	5,390,000	-	9,970,000
70,016	30,199	-	100,215
430,878	-	23,208	2,821,694
-	(430,878)	(304,478)	(2,821,694)
5,080,894	4,989,321	(281,270)	10,070,215
4,584,039	2,054,722	63,355	7,268,331
17,696	207,870	728,336	7,930,783
4,601,735	2,262,592	791,691	15,199,114

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, 2017

Change in fund balances - Total governmental funds (page 25)		$ 7,268,331
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	$ 880,245	
Assets contributed by the Iowa Department of Transportation	423,151	
Depreciation expense	(1,257,757)	45,639
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.		95,394
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	604	
Other	5,004	5,608
Proceeds from 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 issuances exceeded repayments as follows:		
Issued	(9,970,000)	
Repaid	355,600	(9,614,400)
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.		529,701
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	(840)	
Other postemployment benefits	(38,000)	
Pension expense	(483,042)	
Interest on long term debt	(91,502)	(613,384)
Change in net position of governmental activities (page 19)		$ (2,283,111)

See notes to financial statements.

Mills County

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2017

Assets	
Cash and pooled investments:	
County Treasurer	$ 3,323,381
Other County officials	16,860
Receivables:	
Property tax:	
Delinquent	69,149
Succeeding year	17,235,000
Special assessments	47,466
Drainage assessments	2,678
Total assets	20,694,534
Liabilities	
Accounts payable	27,257
Stamped warrants payable	20,419
Salaries and benefits payable	5,554
Due to other governments	20,605,534
Trusts payable	2,963
Compensated absences	32,807
Total liabilities	20,694,534
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 E-911 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.

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

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

Additionally, the County reports the following funds:

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, 2015 assessed property valuations; is for the tax accrual period July 1, 2016 through June 30, 2017 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2016.

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

<u>Drainage Assessments Receivable</u> – 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.

<u>Special Assessments Receivable</u> – 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.

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

<u>Inventories</u> – 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 acquired after July 1, 1980 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, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and contributions from the County after the measurement date but before the end of the County's reporting period.

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

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, 2017. 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 unrecognized items not yet credited to pension expense.

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. During the year ended June 30, 2017, disbursements exceeded the amount budgeted in the debt service function.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2017 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.

At June 30, 2017, an escrow agent held U.S. Treasury notes for the County with a carrying amount and fair value of $4,574,803, which mature through June 1, 2020.

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

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	$ 156,002
	Special Revenue:	
	Rural Services	1,907,128
	Local Option Sales	
	and Services Tax	304,478
		2,367,608
Recorders Record Management	General	23,208
Debt Service	Capital Projects	430,878
Total		$ 2,821,694

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,006,704	-	-	1,006,704
Intangibles, road network	933,140	-	-	933,140
Construction in progress	1,066,041	598,872	1,664,913	-
Total capital assets not being depreciated	3,005,885	598,872	1,664,913	1,939,844
Capital assets being depreciated:				
Buildings	9,327,511	1,261,762	-	10,589,273
Improvements other than buildings	96,888	131,337	-	228,225
Equipment and vehicles	7,554,394	649,717	424,527	7,779,584
Infrastructure	13,956,553	423,151	-	14,379,704
Total capital assets being depreciated	30,935,346	2,465,967	424,527	32,976,786
Less accumulated depreciation for:				
Buildings	1,320,355	216,783	-	1,537,138
Improvements other than buildings	82,353	7,473	-	89,826
Equipment and vehicles	4,929,109	597,705	423,391	5,103,423
Infrastructure	2,050,040	435,796	-	2,485,836
Total accumulated depreciation	8,381,857	1,257,757	423,391	9,216,223
Total capital assets being depreciated, net	22,553,489	1,208,210	1,136	23,760,563
Governmental activities capital assets, net	$ 25,559,374	1,807,082	1,666,049	25,700,407

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	$ 184,645
Physical health and social services	3,026
County environment and education	65,736
Roads and transportation	876,600
Governmental services to residents	11,795
Administration	115,955
Total depreciation expense - governmental activities	$ 1,257,757

Equipment costing $53,000 was purchased under a capital lease purchase agreement. Accumulated depreciation on this equipment totaled $21,200 at June 30, 2017.

(5) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2017 is as follows:

Fund	Description	Amount
General	Services	$ 10,592
Special Revenue:		
Rural Services	Services	760
Secondary Roads	Services	122
Total for governmental funds		$ 11,474
Agency:		
County Assessor	Collections	$ 1,311,914
Schools		11,840,152
Community Colleges		1,204,487
Corporations		3,513,102
Auto License and Use Tax		386,798
Drainage Districts		1,175,108
All other		1,173,973
Total for agency funds		$ 20,605,534

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2017 is as follows:

	Storage Appliances Capital Lease Purchase Agreement	General Obligation Bonds	General Obligation Urban Renewal Bonds	Compensated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year	$ 42,400	5,430,000	480,000	611,885	3,293,414	278,000	10,135,699
Increases	-	9,970,000	-	323,921	888,252	51,000	11,233,173
Decreases	10,600	255,000	90,000	323,081	-	13,000	691,681
Balance end of year	$ 31,800	15,145,000	390,000	612,725	4,181,666	316,000	20,677,191
Due within one year	$ 10,600	460,000	90,000	343,087	-	-	903,687

Capital Lease Purchase Agreement

During fiscal year 2016, the County 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, 2017:

Year ending June 30,	Amount
2018	$ 10,600
2019	10,600
2020	10,600
	$ 31,800

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.

On October 26, 2016, the County issued $4,580,000 of general obligation county refunding bonds, with interest rates ranging from 2.05% to 3.00% per annum, for a crossover refunding of $4,380,000 of general obligation bonds dated September 1, 2013. The bonds will be called on June 1, 2020.

For the crossover refunding, the County entered into an escrow agreement whereby the proceeds from the general obligation county refunding bonds were converted into U.S. government securities. These securities were placed with an escrow agent to pay the principal and interest on the general obligation county refunding bonds (new debt) until the crossover refunding date. On the crossover date of June 1, 2020, the refunded general obligation bonds (old debt) will be paid using the amounts held by the escrow agent. From that point forward, the Debt Service Fund revenues will be used to pay the general obligation county refunding bonds (new debt). The transactions and balances of the escrow account are recorded by the County since the refunded debt is not considered extinguished.

The refunding was undertaken to reduce total debt service payments over the next 16 years by $301,006 and resulted in an economic gain of $244,490.

On December 29, 2016, the County issued $5,390,000 of general obligation county communication equipment bonds, with interest rates ranging from 3.00% to 3.40% per annum, for the purpose of purchasing public safety and emergency services communication equipment for the County and other governmental entities in Mills County.

Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending June 30,	Public Safety Center Issued Sept 1, 2013 Interest Rates	Principal	Interest	Refunding Issued Oct 26, 2016 Interest Rates	Principal	Interest
2018	2.00%	$ 260,000	170,278	3.00%	$ -	105,715
2019	2.00	265,000	165,077	3.00	-	105,715
2020	2.00	4,650,000	159,777	3.00	-	105,715
2021		-	-	3.00	305,000	105,715
2022		-	-	3.00	315,000	96,565
2023-2027		-	-	2.00-3.00	1,690,000	356,275
2028-2032		-	-	2.05-2.35	1,870,000	174,432
2033		-	-	2.45	400,000	9,800
Total		$ 5,175,000	495,132		4,580,000	1,059,932

Year Ending June 30,	Communication Equipment Issued Dec 9, 2016 Interest Rates	Principal	Interest	Total Principal	Interest	Total
2018	3.00%	$ 200,000	235,812	460,000	511,805	971,805
2019	3.00	280,000	159,805	545,000	430,597	975,597
2020	3.00	285,000	151,405	4,935,000	416,897	5,351,897
2021	3.00	295,000	142,855	600,000	248,570	848,570
2022	3.00	305,000	134,005	620,000	230,570	850,570
2023-2027	3.00	1,670,000	526,925	3,360,000	883,200	4,243,200
2028-2032	3.00-3.30	1,930,000	259,715	3,800,000	434,147	4,234,147
2033	3.40	425,000	14,450	825,000	24,250	849,250
Total		$ 5,390,000	1,624,972	15,145,000	3,180,036	18,325,036

During the year ended June 30, 2017, $255,000 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
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		$	390,000	39,816	429,816

During the year ended June 30, 2017, $90,000 of general obligation urban renewal bonds were retired.

(7) 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.

<u>Disability and Death Benefits</u> – 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.

<u>Contributions</u> – 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 2017, 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 9.63% of covered payroll, for a total rate of 19.26%. 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, 2017 were $529,701.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the County reported a liability of $4,181,666 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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, 2016, the County's proportion was 0.0664462%, which was a decrease of 0.0002156% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the County recognized pension expense of $483,042. At June 30, 2017, 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	$ 34,817	80,490
Changes of assumptions	60,105	14,393
Net difference between projected and actual earnings on IPERS' investments	739,417	-
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	4,219	200,648
County contributions subsequent to the measurement date	529,701	-
Total	$ 1,368,259	295,531

$529,701 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, 2018. 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
2018	$ 20,302
2019	20,302
2020	330,099
2021	184,933
2022	(12,609)
Total	$ 543,027

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 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, 2016 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%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
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	$ 7,299,714	4,181,666	1,152,178

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, 2017.

(8) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 104 active and 1 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, 2017, 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	11,000
Adjustment to annual required contribution	(11,000)
Annual OPEB cost	51,000
Contributions made	(13,000)
Increase in net OPEB obligation	38,000
Net OPEB obligation beginning of year	278,000
Net OPEB obligation end of year	$ 316,000

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, 2017.

For the year ended June 30, 2017, the County contributed $13,000 to the medical plan. Plan members eligible for benefits contributed $9,552, or 42% 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
2015	$ 48,000	37.5%	$ 240,000
2016	51,000	25.5	278,000
2017	51,000	25.5	316,000

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2016 through June 30, 2017, 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 $5,828,000 and the ratio of the UAAL to covered payroll was 6.91%. As of June 30, 2017, 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, 2016 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2016.

Projected claim costs of the medical plan are $796 per month for retirees less than age 65 and $1790 per month for spouses less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 753 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, 2017 were $129,809.

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 $500,000 per claim. Claims exceeding $500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to $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, 2017, no liability has been recorded in the County's financial statements. As of June 30, 2017, 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.

(10) Jointly Governed Organization

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

The following financial data is for the year ended June 30, 2017:

Additions:		
Federal grants and entitlements:		
Medicaid case management		$ 417
Contributions from governmental units		39,431
Total additions		39,848
Deductions:		
Salaries	$ 13,323	
Benefits	1,583	
Technical assistance	14	
Office supplies	2	14,922
Net		24,926
Balance beginning of year		158,556
Balance end of year		$ 183,482

(11) Development Agreement

The County entered into a development agreement to assist in an urban renewal project under Chapter 403 of the Code of Iowa. The County agreed to rebate 100% of the incremental property tax paid by the developer in exchange for construction of infrastructure by the developer. The incremental property tax received by the County from the developer will be rebated for a period of 11 years or until the total principal and interest have been paid, whichever occurs first. The total amount to be rebated is not to exceed $545,000, plus interest. During the year ended June 30, 2017, $3,269 of interest was paid and $63,889 was applied to principal, leaving an outstanding principal balance at June 30, 2017 of $384,046.

(12) Tax Abatements

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

County Tax Abatements

The County provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the County enters into agreements with developers which require the County, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the County as part of these agreements.

For the year ended June 30, 2017, the County abated $28,154 of property tax under the urban renewal and economic development projects.

Tax Abatements of Other Entities

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2017 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Glenwood	Urban renewal and economic development projects	$ 44,567
	Other tax abatement program	$ 250

(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, 2017, as follows:

Revenues:		
Property and other county tax		$ 325,603
Intergovernmental revenues:		
State tax credits		18,168
Total revenues		343,771
Expenditures:		
General administration:		
Direct administration	97,124	
Distribution to regional fiscal agent	300,000	397,124
Excess of expenditures over revenues		(53,353)
Fund balance beginning of year		162,262
Fund balance end of year		$ 108,909

(14) New Accounting Pronouncement

The County adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about the County's tax abatements and tax abatements of other entities which impact the County.

(15) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the County's other postemployment benefits.

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, 2017

	Actual	Funds not Required to be Budgeted	Actual
Receipts:			
Property and other county tax	$ 8,724,970	-	8,724,970
Interest and penalty on property tax	64,863	-	64,863
Intergovernmental	5,055,419	-	5,055,419
Licenses and permits	327,174	-	327,174
Charges for service	502,830	-	502,830
Use of money and property	94,553	-	94,553
Miscellaneous	244,075	76	243,999
Total receipts	15,013,884	76	15,013,808
Disbursements:			
Public safety and legal services	3,377,038	-	3,377,038
Physical health and social services	1,678,568	-	1,678,568
Mental health	579,454	-	579,454
County environment and education	1,244,191	300	1,243,891
Roads and transportation	5,704,838	-	5,704,838
Governmental services to residents	504,007	-	504,007
Administration	1,538,441	-	1,538,441
Debt service	567,990	-	567,990
Capital projects	3,105,588	-	3,105,588
Total disbursements	18,300,115	300	18,299,815
Excess (deficiency) of receipts over (under) disbursements	(3,286,231)	(224)	(3,286,007)
Other financing sources, net	5,457,120	-	5,457,120
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,170,889	(224)	2,171,113
Balance beginning of year	7,672,324	8,564	7,663,760
Balance end of year	$ 9,843,213	8,340	9,834,873

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual
Original	Final	Variance
8,627,430	8,627,430	97,540
57,606	57,606	7,257
4,743,787	4,788,610	266,809
218,300	218,300	108,874
465,385	465,385	37,445
97,654	97,654	(3,101)
78,021	178,021	65,978
14,288,183	14,433,006	580,802
3,522,532	3,538,350	161,312
1,775,099	1,826,980	148,412
400,801	580,238	784
1,357,365	1,563,091	319,200
5,851,248	6,531,248	826,410
510,027	520,746	16,739
1,621,101	1,721,446	183,005
540,305	540,305	(27,685)
555,000	5,254,000	2,148,412
16,133,478	22,076,404	3,776,589
(1,845,295)	(7,643,398)	4,357,391
8,000	7,832,728	(2,375,608)
(1,837,295)	189,330	1,981,783
6,409,848	6,409,848	1,253,912
4,572,553	6,599,178	3,235,695

Mills County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2017

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 15,013,884	31,053	15,044,937
Expenditures	18,300,115	(453,294)	17,846,821
Net	(3,286,231)	484,347	(2,801,884)
Other financing sources, net	5,457,120	4,613,095	10,070,215
Beginning fund balances	7,672,324	258,459	7,930,783
Ending fund balances	$ 9,843,213	5,355,901	15,199,114

See accompanying independent auditor's report.

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, four budget amendments increased budgeted disbursements by $5,942,926. 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 E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2017, disbursements exceeded the amount budgeted in the debt service 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 Three Years*
(In Thousands)

Required Supplementary Information

	2017	2016	2015
County's proportion of the net pension liability	0.0664462%	0.0666618%	0.0673270%
County's proportionate share of the net pension liability	$ 4,182	3,293	2,670
County's covered-employee payroll	$ 5,519	5,450	5,290
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	75.77%	60.42%	50.47%
IPERS' net position as a percentage of the total pension liability	81.82%	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

		2017	2016	2015	2014
Statutorily required contribution	$	530	502	500	478
Contributions in relation to the statutorily required contribution		(530)	(502)	(500)	(478)
Contribution deficiency (excess)	$	-	-	-	-
County's covered-employee payroll	$	5,828	5,519	5,450	5,290
Contributions as a percentage of covered-employee payroll		9.09%	9.10%	9.17%	9.04%

* 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.

2013	2012	2011	2010	2009	2008
460	419	359	331	302	280
(460)	(419)	(359)	(331)	(302)	(280)
-	-	-	-	-	-
5,189	5,021	*	4,837	4,610	*
8.86%	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 (unfunded actuarial liability) 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.

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
2017	July 1, 2015	-	403	403	0.00	5,828	6.91

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

See accompanying independent auditor's report.

Mills County

Supplementary Information

Mills County

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2017

		Special	
	Local Option Sales and Services Tax	Resource Enhancement and Protection	County Recorder's Records Management
Assets			
Cash and pooled investments	$ 208,668	3,266	507
Receivables:			
Delinquent	-	-	-
Succeeding year property tax	-	-	-
Drainage assessments	-	-	-
Due from other governments	51,278	-	-
Total assets	$ 259,946	3,266	507
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Salaries and benefits payable	$ -	-	-
Total liabilities	-	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Suceeding year property tax	-	-	-
Other	-	-	-
Total deferred inflows of resources	-	-	-
Fund balances:			
Restricted for:			
Drainage warrants/drainage improvement certificates	-	-	-
Other purposes	259,946	3,266	507
Total fund balances	259,946	3,266	507
Total liabilities, deferred inflows of resources and fund balances	$ 259,946	3,266	507

See accompanying independent auditor's report.

Revenue			
Urban Renewal Revenue	County Conservation	Drainage District	Total
335,663	185,011	8,340	741,455
6	-	-	6
393,000	-	-	393,000
-	-	203	203
-	-	-	51,278
728,669	185,011	8,543	1,185,942
-	1,042	-	1,042
-	1,042	-	1,042
393,000	-	-	393,000
6	-	203	209
393,006	-	203	393,209
-	-	8,340	8,340
335,663	183,969	-	783,351
335,663	183,969	8,340	791,691
728,669	185,011	8,543	1,185,942

Mills County

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

Year ended June 30, 2017

	Special		
	Local Option Sales and Services Tax	Resource Enhancement and Protection	County Recorder's Records Management
Revenues:			
Local option sales and services tax	$ 643,362	-	-
Tax increment financing	-	-	-
Intergovernmental	-	14,557	-
Charges for service	-	-	3,027
Use of money and property	-	38	14
Miscellaneous	-	-	-
Total revenues	643,362	14,595	3,041
Expenditures:			
Operating:			
Physical health and social services	-	-	-
County environment and education	497,819	22,553	-
Governmental services to residents	-	-	972
Debt service	-	-	-
Total expenditures	497,819	22,553	972
Excess (deficiency) of revenues over (under) expenditures	145,543	(7,958)	2,069
Other financing sources (uses):			
Transfers in	-	-	23,208
Transfers out	(304,478)	-	-
Total other financing sources (uses)	(304,478)	-	23,208
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(158,935)	(7,958)	25,277
Fund balances beginning of year	418,881	11,224	(24,770)
Fund balances end of year	$ 259,946	3,266	507

See accompanying independent auditor’s report.

Revenue				
Urban Renewal Revenue	Decategorization Grant	County Conservation	Drainage District	Total
-	-	-	-	643,362
364,305	-	-	-	364,305
18,157	2,842	-	-	35,556
-	-	-	-	3,027
-	-	69,788	-	69,840
-	-	-	76	76
382,462	2,842	69,788	76	1,116,166
-	33,416	-	-	33,416
67,158	-	39,896	300	627,726
-	-	-	-	972
109,427	-	-	-	109,427
176,585	33,416	39,896	300	771,541
205,877	(30,574)	29,892	(224)	344,625
-	-	-	-	23,208
-	-	-	-	(304,478)
-	-	-	-	(281,270)
205,877	(30,574)	29,892	(224)	63,355
129,786	30,574	154,077	8,564	728,336
335,663	-	183,969	8,340	791,691

Mills County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	$ -	3,694	900,307	188,972	22,324
Other County officials	16,860	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	858	1,620	44,180	5,163
Succeeding year	-	228,000	428,000	11,607,000	1,177,000
Special assessments	-	-	-	-	-
Drainage assessments	-	-	-	-	-
Total assets	$ 16,860	232,552	1,329,927	11,840,152	1,204,487
Liabilities					
Accounts payable	$ -	-	1,204	-	-
Stamped warrants payable	-	-	-	-	-
Salaries and benefits payable	-	-	3,365	-	-
Due to other governments	13,897	232,552	1,311,914	11,840,152	1,204,487
Trusts payable	2,963	-	-	-	-
Compensated absences	-	-	13,444	-	-
Total liabilities	$ 16,860	232,552	1,329,927	11,840,152	1,204,487

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Drainage Districts	City Special Assessments	Other	Total
96,959	4,378	386,798	1,192,849	13,297	513,803	3,323,381
-	-	-	-	-	-	16,860
16,143	1,174	-	-	-	11	69,149
3,400,000	392,000	-	-	-	3,000	17,235,000
-	-	-	-	47,466	-	47,466
-	-	-	2,678	-	-	2,678
3,513,102	397,552	386,798	1,195,527	60,763	516,814	20,694,534
-	-	-	-	-	26,053	27,257
-	-	-	20,419	-	-	20,419
-	-	-	-	-	2,189	5,554
3,513,102	397,552	386,798	1,175,108	60,763	469,209	20,605,534
-	-	-	-	-	-	2,963
-	-	-	-	-	19,363	32,807
3,513,102	397,552	386,798	1,195,527	60,763	516,814	20,694,534

Mills County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2017

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	$ 25,125	224,154	1,197,125	11,347,476	1,362,646
Additions:					
Property and other county tax	-	229,419	430,025	11,642,437	1,182,903
E-911 surcharges	-	-	-	-	-
State tax credits	-	12,410	23,435	637,924	75,391
Office fees and collections	413,364	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	704,542	-	-	-	-
Miscellaneous	1,242	-	201	-	-
Total additions	1,119,148	241,829	453,661	12,280,361	1,258,294
Deductions:					
Agency remittances:					
To other funds	263,783	-	-	-	-
To other governments	157,427	233,431	320,859	11,787,685	1,416,453
Trusts paid out	706,203	-	-	-	-
Total deductions	1,127,413	233,431	320,859	11,787,685	1,416,453
Balances end of year	$ 16,860	232,552	1,329,927	11,840,152	1,204,487

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Drainage Districts	City Special Assessments	Other	Total
3,105,444	363,118	366,929	1,204,308	77,215	419,558	19,693,098
3,276,528	397,699	-	-	-	75,292	17,234,303
-	-	-	-	-	261,372	261,372
286,501	16,034	-	-	-	162	1,051,857
-	-	-	-	-	3,027	416,391
-	-	5,517,420	-	-	-	5,517,420
-	-	-	411,368	18,861	192,801	623,030
-	-	-	-	-	-	704,542
149	-	-	2,116	-	305,228	308,936
3,563,178	413,733	5,517,420	413,484	18,861	837,882	26,117,851
-	-	201,525	-	-	-	465,308
3,155,520	379,299	5,296,026	401,846	35,313	738,649	23,922,508
-	-	-	-	-	1,977	708,180
3,155,520	379,299	5,497,551	401,846	35,313	740,626	25,095,996
3,513,102	397,552	386,798	1,215,946	60,763	516,814	20,714,953

Mills County

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

For the Last Ten Years

	2017	2016	2015	Modified 2014
Revenues:				
Property and other county tax	$ 7,671,724	7,722,247	7,624,136	7,177,383
Local option sales and services tax	643,362	584,360	619,091	681,917
Tax increment financing	364,305	161,342	268,005	331,333
Interest and penalty on property tax	64,784	54,095	60,206	55,716
Intergovernmental	5,084,348	5,597,956	4,987,426	4,768,950
Licenses and permits	327,843	214,365	269,393	145,625
Charges for service	516,350	434,180	454,886	440,482
Use of money and property	120,254	99,667	107,617	99,148
Miscellaneous	251,967	242,923	271,703	196,523
Total	$ 15,044,937	15,111,135	14,662,463	13,897,077
Expenditures:				
Operating:				
Public safety and legal services	$ 3,298,526	3,167,497	2,921,757	2,605,007
Physical health and social services	1,592,938	1,723,112	1,643,560	1,573,212
Mental health	397,124	491,072	2,064,325	190,359
County environment and education	1,213,925	1,350,658	814,524	1,658,505
Roads and transportation	5,658,872	5,075,898	4,555,966	4,647,326
Governmental services to residents	491,575	534,660	519,112	478,780
Administration	1,504,490	1,401,177	1,336,065	1,169,434
Non-program	-	-	-	-
Debt service	634,356	538,533	535,436	522,265
Capital projects	3,055,015	1,233,204	1,775,918	4,415,035
Total	$ 17,846,821	15,515,811	16,166,663	17,259,923

See accompanying independent auditor's report.

Accrual Basis					
2013	2012	2011	2010	2009	2008
7,111,905	5,785,015	5,829,630	5,533,676	5,901,680	5,724,908
582,008	516,513	406,971	418,679	446,670	423,977
327,346	236,249	98,324	197,039	209,865	210,868
57,438	58,135	62,022	64,921	74,311	59,488
4,023,918	5,051,206	6,035,709	5,269,080	5,264,779	5,424,442
152,074	108,979	132,157	126,243	95,701	52,039
586,775	524,479	440,925	387,235	420,547	442,920
97,548	108,233	127,336	76,719	192,208	208,813
283,602	163,646	154,347	137,050	417,523	271,641
13,222,614	12,552,455	13,287,421	12,210,642	13,023,284	12,819,096
2,743,769	3,018,797	2,473,453	2,181,402	2,059,957	2,008,550
1,464,118	1,536,182	1,481,869	1,542,707	1,619,650	1,731,452
220,272	1,587,707	1,401,997	1,263,742	1,436,988	1,627,881
758,330	768,899	629,451	681,949	548,126	1,795,132
4,873,610	4,335,990	5,353,500	4,849,650	4,317,783	4,013,652
609,265	451,536	423,851	448,367	440,000	433,234
1,419,687	1,354,660	1,076,516	1,240,416	1,125,819	840,129
-	-	-	8,070	6,590	-
106,170	103,690	100,980	-	-	-
1,757,272	4,994	542,808	5,141	62,340	1,025,954
13,952,493	13,162,455	13,484,425	12,221,444	11,617,253	13,475,984

Mills County

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Mary Mosiman, CPA
Auditor of State

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

To the Officials of 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, 2017, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 9, 2018.

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 have not been identified. However, as described in the accompanying Schedule of Findings, 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 the accompanying Schedule of Findings as items (A) through (C) to be material weaknesses.

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mills County's Responses to the Findings

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

Purpose of this Report

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

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

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

April 9, 2018

<u>Findings Related to the Financial Statements</u>:

INTERNAL CONTROL DEFICIENCIES:

(A) 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. This is a repeat comment for each of the officials.

Responses –

Treasurer – We have set procedures in place which we will have the County Auditor review and initial the bank reconciliations and date them. Staff is only five but we try to separate the duties as much as possible.

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.

(B) 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. Also, several balances reported on the cash annual financial report (AFR) did not agree with the County's records.

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 and the cash AFR 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. The County should also establish procedures to ensure the cash AFR agrees with the County's records. Portions of this comment are a repeat of the prior year comment.

Response – The County will make sure the payables and receivables are coded appropriately so they can be put on the financial statement without error. The County will also make sure the cash AFR agrees to the County records.

Conclusion – Response accepted.

(C) 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, 2017. 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. This is a repeat comment.

Response – The monthly bank statements are currently being reconciled daily and the County Auditor's office will review and initial monthly. We will continue to make a concerted effort that all funds will be reconciled either daily or monthly as we receive them.

Conclusion – Response accepted.

(D) 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. This is a repeat comment.

Response – In moving forward a concerted effort will be made to make sure the reports are pulled in timely fashion so the State Auditor's will have what they need when performing the audit.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

(1) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amount budgeted in the debt service function.

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

Response – A bond was sold and there were other fees associated with the sale which were not budgeted. The budget should have been amended to modify the debt service function to pay these fees. The County will make sure an amendment will be done if this should happen again before these disbursements are made.

Conclusion – Response accepted.

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

(3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees exceeded set reimbursement rate.

(4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Carol Vinton, Board of Supervisors, father-in-law is owner of Vinton Fertilizer & Equipment, Inc.	Chemicals/Herbicide/ Pathway	$ 4,406
Karen O'Dell, sister of Public Health Director, Independent contractor	Training instruction	2,295
Mike Lynes, husband of Public Health Supervisor, independent contractor	Family centered services	1,230
Sara Ingoldsby, daughter of Election Assistant	Election Worker	340
Kathren M. Dix, mother of Treasurer	Election Worker	320
Joanne Kohn, Wife of Board of Supervisors	Election Worker	170
John Ingoldsby, husband of Election Assistant	Election Worker	75
Hannah York, daughter of Deputy Sheriff and County Attorney office manager	Election Worker	60
Zoe England, daughter of Sheriff's Deputy	Tobacco Compliance Checks	25

The transactions with Vinton Fertilizer & Equipment Inc. and Karen O'Dell may represent conflicts of interest since the total transactions were greater than $1,500 during the fiscal year, as defined by Chapter 331.342(2)(j) of the Code of Iowa.

The remainder of the transactions do not appear to represent conflicts of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa, since the total transactions with each individual were less than $1,500 during the fiscal year.

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

Response – The Secondary Roads Department will obtain competitive written bids for the purchase of chemicals/herbicides from all local entities which would sell these products, since Supervisor Vinton is the Daughter-in-law of the owner of Vinton Equipment. The County has used this business for many years prior to Supervisor Vinton being elected. The County will show due diligence in obtaining competitive bids before purchasing these items. The Public Health Department will obtain competitive bids in writing from other training instructors before authorizing the Sister of the Director to do this training.

Conclusion – Response acknowledged. The County should consult legal counsel to determine the disposition of this matter.

(5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

(6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

(7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

(8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

(9) 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, 2017 for the County Extension Office did not exceed the amount budgeted in Exhibits A or B.

(10) Tax Increment Financing (TIF) – For the year ended June 30, 2017, 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 County Auditor will have a completed authorized form for reconciliation of the County TIF receipts and TIF debt of the urban renewal outstanding debt.

Conclusion – Response accepted.

(11) 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, 2017, 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 – This project did not originally get set up for LMI set aside and it was determined by legal counsel that the County would not be able to catch up the amount because the debt will not make maximum payoff before the debt is paid off. The time will end. There wasn't enough value to properly pay off the rebate.

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

(12) Mills County Economic Development Foundation, Inc. – During the year ended June 30, 2017, the Glenwood/Mills County Economic Development Foundation, Inc. was renamed as the Mills County Economic Development Foundation, Inc. (Foundation). The by-laws stated the Foundation will be under the guidance of the Mills County Board of Supervisors. In addition, the Executive Director became an employee of the County on July 1, 2016. Therefore, all of the financial activity of the Foundation should have been included in the County's financial activity and the County's annual budget.

The County's records do include the salary and benefits of the Executive Director along with certain administrative expenditures. The Foundation maintains a separate bank account which includes the County's contribution to the Foundation, interest and other funding from private sources. The Foundation does maintain financial records to report the revenues and expenditures related to the Foundation. Since a separate bank account was maintained, certain financial activity of the Foundation was not included in the County's financial records or budget. In addition, all invoices and supporting documentation were not paid through normal County procedures including Board of Supervisors review and approval.

Recommendation – The County should ensure all financial activity of the Foundation is included in the County's financial records and budget and all invoices and supporting documentation are reviewed and approved by the Board of Supervisors.

Response – It was determined by the County that since the Mills County Economic Development Foundation Director was a County employee and in the position, it would make the Economic Development Department subject to all open meetings and finances and transactions available to the public. In order for the need to keep issues confidential for development or those interested in developing in the County, it would be in the best interest for development that the Director would be employed by the Mills County Economic Development Foundation rather than the County. The County will terminate the Economic Development Department and the Director position and the Economic Development Director will become an employee of the Foundation. The County will provide funding to the Foundation to assist with economic development for the County and widening the tax base.

Conclusion – Response accepted.

Staff

This audit was performed by:

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