



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

April 1, 2013

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Auditor of State David A. Vaudt today released an audit report on Mills County, Iowa.

The County had local tax revenue of \$23,364,831 for the year ended June 30, 2012, which included \$695,108 in tax credits from the state. The County forwarded \$17,393,575 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,971,256 of the local tax revenue to finance County operations, a less than one percent decrease from the prior year. Other revenues included charges for service of \$1,224,566, operating grants, contributions and restricted interest of \$4,473,979, unrestricted investment earnings of \$24,009, local option sales and services tax of \$516,513, tax increment financing of \$236,249, gain on disposition of capital assets of \$10,311 and other general revenues of \$176,074

Expenses for County operations totaled \$13,219,767, a 3.2% increase over the prior year. Expenses included \$4,699,915 for roads and transportation, \$3,020,978 for public safety and legal services and \$1,587,707 for mental health.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1210-0065-B00F.pdf>.

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MILLS COUNTY

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

JUNE 30, 2012

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Mills County

Officials

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

Mills County



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David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report

To the Officials of Mills County:

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, 2012, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Mills County's management. Our responsibility is to express opinions on these financial statements based on our audit.

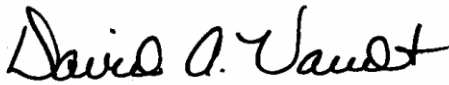
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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 at June 30, 2012, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

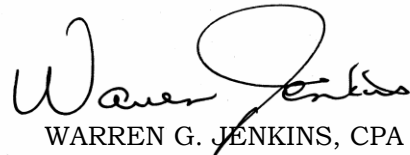
In accordance with Government Auditing Standards, we have also issued our report dated February 26, 2013 on our consideration of Mills County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 42 through 46 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 the 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (which are not presented herein) and expressed a qualified opinion on those financial statements due to the omission of general fixed assets. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 26, 2013

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, 2012, along with comparative data for the year ended June 30, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 7.1%, or approximately \$968,000, from fiscal year 2011 to fiscal year 2012. Capital grants, contributions and restricted interest decreased from approximately \$832,000 in fiscal year 2011 to \$0 in fiscal year 2012. Unrestricted grants and contributions decreased from approximately \$70,000 in fiscal year 2011 to approximately \$300 in fiscal year 2012 and tax increment financing increased from approximately \$98,000 in fiscal year 2011 to approximately \$236,000 in fiscal year 2012.
- Program expenses of the County's governmental activities increased 3.2%, or approximately \$404,000, in fiscal year 2012 compared to fiscal year 2011. Expenses for public safety and legal services increased the most, from approximately \$2,426,000 in fiscal year 2011 to approximately \$3,021,000 in fiscal year 2012. Mental health and county environment and education expenses increased approximately \$186,000 and \$114,000, respectively, while roads and transportation expenses decreased approximately \$485,000.
- The County's net assets decreased 3.5%, or approximately \$587,000, from June 30, 2011 to June 30, 2012.

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 Assets 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 statements provide financial information about activities for which Mills County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 periods.

The County's governmental activities are presented in the Statement of Net Assets 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 and 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads. 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 fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Mills County's net assets at the end of fiscal year 2012 totaled approximately \$16.4 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

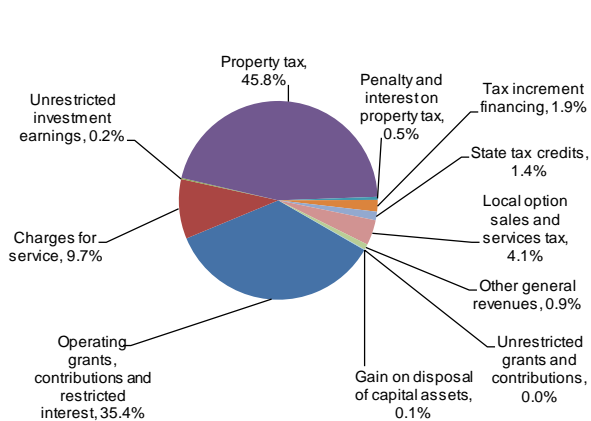
Net Assets of Governmental Activities		
	June 30,	
	2012	2011
Current and other assets	\$ 16,033,562	15,163,776
Capital assets	9,890,874	10,068,178
Total assets	<u>25,924,436</u>	<u>25,231,954</u>
Long-term liabilities	1,460,058	1,459,249
Other liabilities	8,106,250	6,827,767
Total liabilities	<u>9,566,308</u>	<u>8,287,016</u>
Net assets:		
Invested in capital assets	9,890,874	10,068,178
Restricted	4,414,086	4,328,976
Unrestricted	2,053,168	2,547,784
Total net assets	<u>\$ 16,358,128</u>	<u>16,944,938</u>

Net assets of Mills County's governmental activities decreased approximately 3.5% (approximately \$16.4 million compared to approximately \$16.9 million). The largest portion of the County's net assets are invested in capital assets (e.g. land, infrastructure, buildings and equipment). Next largest is restricted net assets, which represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets which can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, are \$2,053,168, which was a decrease of approximately \$495,000, or 19.4%, from June 30, 2011.

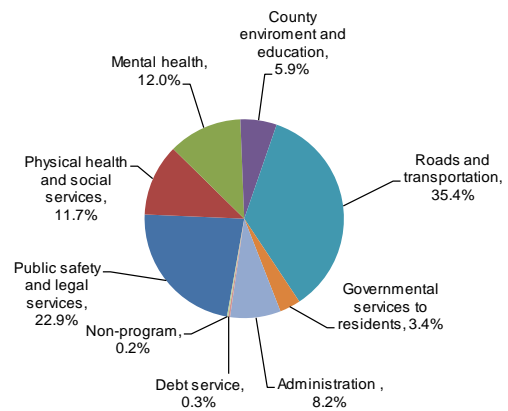
Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2012	2011
Revenues:		
Program revenues:		
Charges for service	\$ 1,224,566	1,084,875
Operating grants, contributions and restricted interest	4,473,979	4,674,825
Capital grants, contributions and restricted interest	-	831,981
General revenues:		
Property tax	5,789,205	5,831,158
Penalty and interest on property tax	64,917	68,722
Tax increment financing	236,249	98,324
State tax credits	182,051	182,198
Local option sales and services tax	516,513	406,971
Unrestricted grants and contributions	340	69,579
Unrestricted investment earnings	24,009	44,187
Gain on disposition of capital assets	10,311	236,160
Other general revenues	110,817	71,743
Total revenues	12,632,957	13,600,723
Program expenses:		
Public safety and legal services	3,020,978	2,426,336
Physical health and social services	1,547,818	1,567,183
Mental health	1,587,707	1,401,997
County environment and education	777,992	664,070
Roads and transportation	4,699,915	5,184,439
Governmental services to residents	448,426	430,894
Administration	1,081,708	1,104,727
Debt service	33,690	35,980
Non-program	21,533	-
Total expenses	13,219,767	12,815,626
Change in net assets	(586,810)	785,097
Net assets beginning of year	16,944,938	16,159,841
Net assets end of year	\$ 16,358,128	16,944,938

Revenues by Source



Expenses by Program



Mills County's net assets of governmental activities decreased approximately \$587,000 during the year. Revenues for governmental activities decreased approximately \$968,000 from the prior year.

Mills County decreased the property tax rate \$.0887 per \$1,000 of taxable valuation for the rural services levy and increased the property tax rate \$.07941 per \$1,000 of taxable valuation for the county-wide levy in fiscal year 2012. The general supplemental levy rate decreased \$.24033 per \$1,000 of taxable valuation from fiscal year 2011 to fiscal year 2012. The mental health levy rate decreased \$.02404 per \$1,000 of taxable valuation. The county-wide assessed property taxable valuation increased \$22,520,271 from fiscal year 2011 to fiscal year 2012 and the rural assessed property taxable valuation increased \$17,997,648 from fiscal year 2011 to fiscal year 2012. The general basic levy in fiscal year 2012 remained unchanged from fiscal year 2011 at \$3.50 per \$1,000 of taxable valuation.

The cost of all governmental activities this year was approximately \$13.2 million compared to approximately \$12.8 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers untimely financed for these activities was approximately \$7.5 million because some of the cost was paid by those directly benefited from the programs (approximately \$1,225,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$4,474,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2012 from approximately \$6,592,000 to approximately \$5,699,000, primarily due to receiving approximately \$832,000 of proceeds from a Wabash Trace grant and FEMA reimbursements in fiscal year 2011 for the 2008 flood.

INDIVIDUAL MAJOR FUND ANALYSIS

As Mills County completed the year, its governmental funds reported a combined fund balance of approximately \$7.75 million, a decrease of approximately \$423,000 from last year's total of approximately \$8.17 million. The decrease in fund balance is primarily attributable to the County trying to maintain a lower tax rate for the residents of the County with increased expenditures. 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 2012 with a balance of \$4,092,465. This was a decrease of \$763,760 from the fiscal year 2011 ending balance. Revenue decreased \$518,822 from fiscal year 2011, primarily due to a decrease in capital grants received in fiscal year 2011 for paving the Wabash Trace. Expenditures increased \$256,047 over fiscal year 2011, primarily due to E911 upgrades.

The County has continued to look for ways to effectively manage the cost of mental health services in the Special Revenue, Mental Health Fund. Fiscal year 2012 ended with a \$614,269 fund balance, which is a decrease of \$254,089 from fiscal year 2011. Revenues decreased \$17,894 from fiscal year 2011 to fiscal year 2012, primarily due to a decrease in intergovernmental revenue. Mills County also had an increase in mental health expenditures of \$185,710 from fiscal year 2011 to fiscal year 2012.

The Special Revenue, Rural Services Fund ended fiscal year 2012 with a \$114,024 fund balance compared to the fiscal year 2011 ending fund balance of \$293,462. Revenues increased \$3,253 from fiscal year 2011 to fiscal year 2012, with property and other county tax revenue decreasing from fiscal year 2011 to fiscal year 2012. Expenditures increased \$249 from fiscal year 2011. The County transferred all funds budgeted to the Special Revenue, Secondary Roads Fund, which increased from fiscal year 2011 to fiscal year 2012.

The Special Revenue, Secondary Roads Fund ended fiscal year 2012 with a \$1,858,038 fund balance compared to the fiscal year 2011 ending fund balance of \$1,302,866. As mentioned above, the Secondary Roads Fund received all the transfers budgeted in fiscal year 2012, which

was an increase of approximately \$170,000 over fiscal year 2011. Secondary Roads Fund revenue decreased \$389,839 from fiscal year 2011 to fiscal year 2012 due to a decrease in intergovernmental revenue, primarily due to capital grants received from FEMA in fiscal year 2011. Expenditures decreased \$1,015,191 from fiscal year 2011, primarily due to a decrease in roads and transportation function expenditures.

BUDGETARY HIGHLIGHTS

Over the course of the year, Mills County amended its budget four times. The first amendment was made on January 24, 2012 and resulted in an increase in budgeted revenues and disbursements related primarily to empowerment funding. The second amendment was made on February 28, 2012 and resulted in an increase in budgeted disbursements related primarily to E911 communications upgrades. The third amendment was made on March 13, 2012 and resulted in an increase in budgeted disbursements for the purchase of a new drug dog for the Sheriff's Department. The fourth amendment was made on May 29, 2012 and resulted in an increase in budgeted revenues and disbursements for various items, including: Conservation Department equipment purchases and related FEMA and insurance reimbursements, Sheriff's Department expenses incurred for patrol services during the River Riot and administrative costs for the Hastings Water Project.

The County's actual receipts were \$1,045,685 less than the amended budget, a variance of 7.7%. The variance resulted from the County receiving less property tax, intergovernmental and miscellaneous receipts than anticipated.

Total actual disbursements were \$3,044,307 less than the amended budget, a variance of 18.8%. Actual disbursements for the roads and transportation, the physical health and social services and the administration functions were under the amended budget by \$1,230,625, \$756,812 and \$268,940, respectively. This was primarily due to anticipating funding from FEMA and other grants that was not received. The administration function disbursements were less than the amended budget, primarily due to budgeted disbursements for the courthouse project that did not occur until fiscal year 2013.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, Mills County had approximately \$9.9 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of \$177,304, or 1.8%, from last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2012	2011
Land	\$ 843,378	843,378
Intangibles, road network	933,140	933,140
Buildings	1,018,468	775,667
Improvements other than buildings	33,912	38,756
Equipment and vehicles	2,112,453	2,359,080
Infrastructure, other	4,949,523	5,118,157
Total	\$ 9,890,874	10,068,178
This year's major additions included:		
County courthouse expansion	\$ 146,831	
County Sheriff, secondary roads and conservation vehicles	145,999	
Secondary Roads Department building	113,638	
Total	\$ 406,468	

The County had depreciation expense of \$714,820 in fiscal year 2012 and total accumulated depreciation of \$5,940,567 at June 30, 2012.

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

Long-Term Debt

At June 30, 2012, Mills County had \$795,000 of long-term debt outstanding relating to general obligation urban renewal bonds issued in fiscal year 2008 compared to \$865,000 of outstanding long-term debt at June 30, 2011.

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 \$63.3 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 2013 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 3.6% versus 4.2% a year ago. This compares with the State's unemployment rate of 5.1% and the national rate of 8%.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are approximately \$14,475,792, an increase of 6.1% from the final fiscal year 2012 budget. Property tax increased due to the fiscal year 2013 rate increase and increases in assessed valuations. Intergovernmental receipts increased as a result of the County's various grant programs. Mills County will use these increases in 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 \$923,000, primarily due to costs associated with the courthouse expansion project. The County has added no major new programs or initiatives to the fiscal year 2013 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by the close of fiscal year 2013.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Mills County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carol Robertson by email at crobertson@millscoia.us, by mail at the Mills County Auditor's Office, 418 Sharp Street, Glenwood, Iowa 51534 or by telephone at (712) 527-3146.

Mills County

Basic Financial Statements

Exhibit A

Mills County
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 7,261,121
Receivables:	
Property tax:	
Delinquent	22,518
Succeeding year	7,439,000
Interest and penalty on property tax	56,017
Accounts	54,844
Accrued interest	2,268
Drainage assessments	416
Special assessments	11,078
Loan	180,000
Due from other governments	565,682
Inventories	417,151
Prepaid insurance	23,467
Capital assets - nondepreciable	1,969,369
Capital assets - depreciable (net)	7,921,505
Total assets	<u>25,924,436</u>
Liabilities	
Accounts payable	104,883
Salaries and benefits payable	207,282
Due to other governments	312,618
Deferred revenue:	
Succeeding year property tax	7,439,000
Other	42,467
Long-term liabilities:	
Portion due or payable within one year:	
General obligation urban renewal bonds	75,000
Compensated absences	261,097
Portion due or payable after one year:	
General obligation urban renewal bonds	720,000
Compensated absences	253,961
Net OPEB liability	150,000
Total liabilities	<u>9,566,308</u>
Net Assets	
Invested in capital assets	9,890,874
Restricted for:	
Supplemental levy purposes	1,094,947
Mental health purposes	586,844
Rural services purposes	114,024
Secondary roads purposes	1,660,655
Other purposes	957,616
Unrestricted	2,053,168
Total net assets	<u>\$ 16,358,128</u>

See notes to financial statements.

Mills County

Statement of Activities

Year ended June 30, 2012

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	
Functions/Programs:				
Governmental activities:				
Public safety and legal services	\$ 3,020,978	209,960	145,328	(2,665,690)
Physical health and social services	1,547,818	373,361	539,744	(634,713)
Mental health	1,587,707	-	727,690	(860,017)
County environment and education	777,992	158,068	31,880	(588,044)
Roads and transportation	4,699,915	68,475	3,001,871	(1,629,569)
Governmental services to residents	448,426	388,477	179	(59,770)
Administration	1,081,708	24,504	27,287	(1,029,917)
Debt service	33,690	-	-	(33,690)
Non-program	21,533	1,721	-	(19,812)
Total	\$13,219,767	1,224,566	4,473,979	(7,521,222)
General Revenues:				
Property and other county tax levied for general purposes				5,789,205
Penalty and interest on property tax				64,917
Tax increment financing				236,249
State tax credits				182,051
Local option sales and services tax				516,513
Grants and contributions not restricted to specific purpose				340
Unrestricted investment earnings				24,009
Gain on disposition of capital assets				10,311
Miscellaneous				110,817
Total general revenues				6,934,412
Change in net assets				(586,810)
Net assets beginning of year				16,944,938
Net assets end of year				\$ 16,358,128

See notes to financial statements.

Mills County
Balance Sheet
Governmental Funds

June 30, 2012

	Special		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 3,913,971	788,869	118,170
Receivables:			
Property tax:			
Delinquent	16,348	2,013	4,157
Succeeding year	4,744,000	584,000	1,719,000
Interest and penalty on property tax	56,017	-	-
Accounts	49,408	65	600
Accrued interest	2,257	-	-
Drainage assessments	-	-	-
Special assessments	-	-	-
Loan	180,000		
Due from other governments	112,916	116,548	5,919
Inventories	-	-	-
Prepaid insurance	23,467	-	-
Total assets	\$ 9,098,384	1,491,495	1,847,846
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 38,269	19,972	2,065
Salaries and benefits payable	132,536	-	7,102
Due to other governments	22,357	271,514	1,505
Deferred revenue:			
Succeeding year property tax	4,744,000	584,000	1,719,000
Other	68,757	1,740	4,150
Total liabilities	5,005,919	877,226	1,733,822
Fund balances:			
Nonspendable:			
Loan receivable	180,000	-	-
Inventories	-	-	-
Prepaid insurance	23,467	-	-
Restricted for:			
Supplemental levy purposes	1,103,149	-	-
Mental health purposes	-	614,269	-
Rural services purposes	-	-	114,024
Secondary roads purposes	-	-	-
Drainage warrants/drainage improvement certificates	-	-	-
Conservation land acquisition/capital improvements	189,555	-	-
Other purposes	-	-	-
Unassigned	2,596,294	-	-
Total fund balances	4,092,465	614,269	114,024
Total liabilities and fund balances	\$ 9,098,384	1,491,495	1,847,846

See notes to financial statements.

Revenue		
Secondary		
Roads	Nonmajor	Total
1,416,586	1,023,525	7,261,121
-	-	22,518
-	392,000	7,439,000
-	-	56,017
759	4,012	54,844
-	11	2,268
-	416	416
11,078	-	11,078
		180,000
268,113	62,186	565,682
417,151	-	417,151
-	-	23,467
<u>2,113,687</u>	<u>1,482,150</u>	<u>16,033,562</u>
42,612	1,965	104,883
65,618	2,026	207,282
1,082	16,160	312,618
-	392,000	7,439,000
146,337	-	220,984
<u>255,649</u>	<u>412,151</u>	<u>8,284,767</u>
-	-	180,000
417,151	-	417,151
-	-	23,467
-	-	1,103,149
-	-	614,269
-	-	114,024
1,440,887	-	1,440,887
-	3,990	3,990
-	-	189,555
-	1,066,009	1,066,009
-	-	2,596,294
<u>1,858,038</u>	<u>1,069,999</u>	<u>7,748,795</u>
<u>2,113,687</u>	<u>1,482,150</u>	<u>16,033,562</u>

Mills County

Mills County

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

June 30, 2012

Total governmental fund balances (page 19) \$ 7,748,795

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$15,831,441 and the accumulated depreciation is \$5,940,567. 9,890,874

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 178,517

Long-term liabilities, including general obligation urban renewal bonds payable, other postemployment benefits payable and compensated absences payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (1,460,058)

Net assets of governmental activities (page 16) \$ 16,358,128

See notes to financial statements.

Mills County

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

Year ended June 30, 2012

	General	Mental Health	Special Rural Services
Revenues:			
Property and other county tax	\$ 3,742,683	587,213	1,455,119
Local option sales and services tax	-	-	-
Tax increment financing	-	-	-
Interest and penalty on property tax	58,135	-	-
Intergovernmental	1,114,896	742,552	100,789
Licenses and permits	78,164	-	21,475
Charges for service	510,726	-	-
Use of money and property	30,891	-	-
Miscellaneous	75,746	3,853	-
Total revenues	5,611,241	1,333,618	1,577,383
Expenditures:			
Operating:			
Public safety and legal services	2,797,662	-	221,135
Physical health and social services	1,420,730	-	66,075
Mental health	-	1,587,707	-
County environment and education	360,376	-	63,886
Roads and transportation	-	-	-
Governmental services to residents	447,455	-	1,630
Administration	1,228,738	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	6,254,961	1,587,707	352,726
Excess (deficiency) of revenues over (under) expenditures	(643,720)	(254,089)	1,224,657
Other financing sources (uses):			
Sale of capital assets	5,190	-	-
Operating transfers in	-	-	-
Operating transfers out	(125,230)	-	(1,404,095)
Total other financing sources (uses)	(120,040)	-	(1,404,095)
Change in fund balances	(763,760)	(254,089)	(179,438)
Fund balances beginning of year	4,856,225	868,358	293,462
Fund balances end of year	\$ 4,092,465	614,269	114,024

See notes to financial statements.

Revenue		
Secondary		
Roads	Nonmajor	Total
-	-	5,785,015
-	516,513	516,513
-	236,249	236,249
-	-	58,135
3,035,945	57,024	5,051,206
9,340	-	108,979
10,387	3,366	524,479
-	77,342	108,233
120,484	19,142	219,225
3,176,156	909,636	12,608,034
-	-	3,018,797
-	49,377	1,536,182
-	-	1,587,707
-	344,637	768,899
4,335,990	-	4,335,990
-	2,451	451,536
-	-	1,228,738
-	103,690	103,690
4,994	-	4,994
4,340,984	500,155	13,036,533
(1,164,828)	409,481	(428,499)
-	-	5,190
1,720,000	-	1,720,000
	(190,675)	(1,720,000)
1,720,000	(190,675)	5,190
555,172	218,806	(423,309)
1,302,866	851,193	8,172,104
1,858,038	1,069,999	7,748,795

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, 2012

Change in fund balances - Total governmental funds (page 23) \$ (423,309)

***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. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 527,205	
Depreciation expense	<u>(714,820)</u>	(187,615)

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.	10,311
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Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	4,190	
Other	<u>10,422</u>	14,612

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	70,000
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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	(26,809)	
Other postemployment benefits	<u>(44,000)</u>	<u>(70,809)</u>

Change in net assets of governmental activities (page 17) \$ (586,810)

See notes to financial statements.

Mills County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

Assets

Cash and pooled investments:	
County Treasurer	\$ 2,492,988
Other County officials	27,839
Receivables:	
Property tax:	
Delinquent	65,661
Succeeding year	16,892,000
Accounts	86,092
Accrued interest	611
Special assessments	123,230
Drainage assessments	9,754
Due from other governments	75,770
Total assets	<u>19,773,945</u>

Liabilities

Accounts payable	27,298
Stamped warrants payable	25,418
Salaries and benefits payable	23,921
Due to other governments	19,622,542
Unearned FEMA grant revenue	9,754
Trusts payable	29,535
Compensated absences	35,477
Total liabilities	<u>19,773,945</u>

Net assets

\$ -

See notes to financial statements.

Mills County

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation

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

The Statement of Net Assets presents the County’s nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories.

Invested in capital assets consists of capital assets, net of accumulated depreciation.

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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 assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

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

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

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

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

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

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in 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, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the debt service function.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 125,230
	Special Revenue:	
	Rural Services	1,404,095
	Local Option Sales and Services Tax	190,675
Total		\$ 1,720,000

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, 2012 was as follows:

	Balance			Balance
	Beginning			End
	of Year	Increases	Decreases	of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 843,378	-	-	843,378
Intangibles, road network	933,140	-	-	933,140
Construction in progress	-	192,851	-	192,851
Total capital assets not being depreciated	<u>1,776,518</u>	<u>192,851</u>	<u>-</u>	<u>1,969,369</u>
Capital assets being depreciated:				
Buildings	1,644,689	144,087	-	1,788,776
Improvements other than buildings	96,888	-	-	96,888
Equipment and vehicles	5,931,327	208,054	80,343	6,059,038
Infrastructure	5,917,370	-	-	5,917,370
Total capital assets being depreciated	<u>13,590,274</u>	<u>352,141</u>	<u>80,343</u>	<u>13,862,072</u>
Less accumulated depreciation for:				
Buildings	869,022	48,118	-	917,140
Improvements other than buildings	58,132	4,844	-	62,976
Equipment and vehicles	3,572,247	493,224	72,867	3,992,604
Infrastructure	799,213	168,634	-	967,847
Total accumulated depreciation	<u>5,298,614</u>	<u>714,820</u>	<u>72,867</u>	<u>5,940,567</u>
Total capital assets being depreciated, net	<u>8,291,660</u>	<u>(362,679)</u>	<u>7,476</u>	<u>7,921,505</u>
Governmental activities capital assets, net	<u>\$10,068,178</u>	<u>(169,828)</u>	<u>7,476</u>	<u>9,890,874</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 48,678
Physical health and social services	5,298
County environment and education	30,828
Roads and transportation	566,759
Governmental services to residents	1,225
Administration	62,032
Total depreciation expense - governmental activities	<u>\$ 714,820</u>

(5) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 22,357
Special Revenue:		
Mental Health	Services	271,514
Rural Services	Services	1,505
Secondary Roads	Services	1,082
Decategorization Grant	Services	15,946
County Conservation	Services	214
Total for governmental funds		<u>\$ 312,618</u>
Agency:		
County Assessor	Collections	\$ 652,602
Schools		12,359,739
Community Colleges		870,210
Corporations		3,030,572
Auto License and Use Tax		412,287
Drainage Districts		1,034,973
All other		1,262,159
Total for agency funds		<u>\$ 19,622,542</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	General Obligation Urban Renewal Bonds	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 865,000	488,249	106,000	1,459,249
Increases	-	381,726	58,000	439,726
Decreases	70,000	354,917	14,000	438,917
Balance end of year	<u>\$ 795,000</u>	<u>515,058</u>	<u>150,000</u>	<u>1,460,058</u>
Due within one year	<u>\$ 75,000</u>	<u>261,097</u>	<u>-</u>	<u>336,097</u>

General Obligation Urban Renewal Bonds

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	3.65%	\$ 75,000	30,670	105,670
2014	3.70	75,000	27,933	102,933
2015	3.75	80,000	25,158	105,158
2016	3.80	85,000	22,158	107,158
2017	3.85	90,000	18,928	108,928
2018-2021	3.90-4.00	390,000	39,816	429,816
Total		\$ 795,000	164,663	959,663

During the year ended June 30, 2012, \$70,000 of bonds were retired and interest of \$33,190 was paid. The principal and interest is reported in the debt service function.

(7) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$418,645, \$358,547 and \$330,812, respectively, equal to the required contributions for each year.

(8) 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 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150% of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2012 were \$114,462.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The County assumes liability for

any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 108 active, 3 retired and 1 COBRA 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, 2012, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 60,000
Interest on net OPEB obligation	2,000
Adjustment to annual required contribution	(4,000)
Annual OPEB cost	<u>58,000</u>
Contributions made	(14,000)
Increase in net OPEB obligation	<u>44,000</u>
Net OPEB obligation beginning of year	<u>106,000</u>
Net OPEB obligation end of year	<u><u>\$ 150,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the County contributed \$14,000 to the medical plan. Plan members eligible for benefits contributed \$46,344 or 77% of the premium cost.

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

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

Funded Status and Funding Progress – As of June 30, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$423,519, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$423,519. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,447,000 and the ratio of the UAAL to covered payroll was 9.5%. As of June 30, 2012, 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, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2010 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$597 per month for retirees less than age 65 and \$1,334 per month for spouses less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Jointly Governed Organization

Mills 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, 2012:

Additions:

Federal grants and entitlements:		
Medicaid case management		\$ 479,039
Contributions from governmental units		<u>502,991</u>
Total additions		<u>982,030</u>

Deductions:

Salaries	\$ 362,039	
Benefits	136,074	
Mental retardation case management	431,804	
Technical assistance	6,390	
Office supplies	5,321	
Telephone	3,430	
Travel and training	46,436	
Dues	100	
Rent	366	
Refunds	318	
Employee medical exams	405	
Equipment repair	<u>3,542</u>	<u>996,225</u>
Net		(14,195)
Balance beginning of year		<u>169,693</u>
Balance end of year		<u><u>\$ 155,498</u></u>

(11) Development Agreement

The County entered into a development agreement to assist in an urban renewal project under Chapter 403 of the Code of Iowa. The County agreed to rebate 100% of the incremental property tax paid by the developer in exchange for construction of infrastructure by the developer. The incremental property tax received by the County from the developer will be rebated for a period of 11 years or until the total principal and interest have been paid, whichever occurs first. The total amount rebated is not to exceed \$545,000, plus interest. The outstanding principal balance on the agreement at June 30, 2012 is \$545,000 since no payments have been made.

(12) Loan Receivable

The County has entered into an interest free loan agreement with the Mills County Conference Board and Mills County Assessor. Under the agreement, the Conference Board is to make scheduled principal payments. The principal payments from the Conference Board are credited to the General Fund. The following is a schedule of future loan payments.

Year Ending June 30,	Amount
2013	\$ 80,000
2014	<u>100,000</u>
Total	<u><u>\$ 180,000</u></u>

(13) Early Childhood Iowa Area Board

Mills County is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the Area Board. The Area Board's financial data for the year ended June 30, 2012 is as follows:

	Early Childhood Fund	School Ready Fund	Total
Additions:			
State of Iowa grants:			
Early childhood	\$ 73,161	-	73,161
Family support and parent education	-	212,738	212,738
Preschool support for low-income families	-	93,407	93,407
Quality improvement	-	42,460	42,460
Allocation for administration	-	11,479	11,479
Other grant programs	-	22,539	22,539
Total additions	<u>73,161</u>	<u>382,623</u>	<u>455,784</u>
Deductions:			
Program services:			
Early childhood	70,840	-	70,840
Family support and parent education	-	217,696	217,696
Preschool support for low income families	-	71,919	71,919
Quality improvement	-	31,714	31,714
Other program services	-	41,383	41,383
Total program services	<u>70,840</u>	<u>362,712</u>	<u>433,552</u>
Administration	<u>3,658</u>	<u>11,463</u>	<u>15,121</u>
Total deductions	<u>74,498</u>	<u>374,175</u>	<u>448,673</u>
Net change in fund balance	(1,337)	8,448	7,111
Fund balance beginning of year	<u>11,158</u>	<u>59,323</u>	<u>70,481</u>
Fund balance end of year	<u>\$ 9,821</u>	<u>67,771</u>	<u>77,592</u>

Findings related to the operations of the Early Childhood Iowa Area Board are included as items II-H-12, II-I-12 and II-J-12 in the Schedule of Findings and Questioned Costs.

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, 2012

	Actual	Funds not Required to be Budgeted	Actual
Receipts:			
Property and other county tax	\$ 6,533,701	-	6,533,701
Interest and penalty on property tax	57,332	-	57,332
Intergovernmental	5,041,878	-	5,041,878
Licenses and permits	106,429	-	106,429
Charges for service	538,702	-	538,702
Use of money and property	111,417	-	111,417
Miscellaneous	210,242	1,780	208,462
Total receipts	12,599,701	1,780	12,597,921
Disbursements:			
Public safety and legal services	3,002,337	-	3,002,337
Physical health and social services	1,515,264	-	1,515,264
Mental health	1,580,794	-	1,580,794
County environment and education	763,988	-	763,988
Roads and transportation	4,549,103	-	4,549,103
Governmental services to residents	449,914	-	449,914
Administration	1,207,496	-	1,207,496
Debt service	103,690	-	103,690
Capital projects	4,994	-	4,994
Total disbursements	13,177,580	-	13,177,580
Excess (deficiency) of receipts over (under) disbursements	(577,879)	1,780	(579,659)
Other financing sources, net	25,190	-	25,190
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(552,689)	1,780	(554,469)
Balance beginning of year	7,813,810	1,794	7,812,016
Balance end of year	\$ 7,261,121	3,574	7,257,547

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual Variance
6,831,785	6,831,785	(298,084)
62,200	62,200	(4,868)
5,319,944	5,360,413	(318,535)
173,950	173,950	(67,521)
410,405	418,155	120,547
137,007	140,035	(28,618)
128,803	657,068	(448,606)
13,064,094	13,643,606	(1,045,685)
2,672,148	3,146,955	144,618
1,663,268	2,272,076	756,812
1,776,873	1,776,873	196,079
941,949	964,176	200,188
5,779,728	5,779,728	1,230,625
472,053	472,053	22,139
1,470,582	1,476,436	268,940
103,590	103,590	(100)
230,000	230,000	225,006
15,110,191	16,221,887	3,044,307
(2,046,097)	(2,578,281)	1,998,622
5,000	5,000	20,190
(2,041,097)	(2,573,281)	2,018,812
6,816,002	6,816,002	996,014
4,774,905	4,242,721	3,014,826

Mills County
Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 12,599,701	8,333	12,608,034
Expenditures	13,177,580	(141,047)	13,036,533
Net	(577,879)	149,380	(428,499)
Other financing sources, net	25,190	(20,000)	5,190
Beginning fund balances	7,813,810	358,294	8,172,104
Ending fund balances	\$ 7,261,121	487,674	7,748,795

See accompanying independent auditor's report.

Mills County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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 and the Special Revenue Funds. 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 \$1,111,696. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the debt service function.

Mills County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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

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

See accompanying independent auditor's report.

Supplementary Information

Mills County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2012

	Local Option Sales and Services Tax	Resource Enhance- ment and Protection	County Recorder's Records Management	Special Urban Renewal Revenue
Assets				
Cash and pooled investments	\$ 448,449	98,548	19,799	303,903
Receivables:				
Succeeding year property tax	-	-	-	392,000
Accounts	-	6	1	-
Accrued interest	-	11	-	-
Drainage assessments	-	-	-	-
Due from other governments	41,919	-	293	-
Total assets	\$ 490,368	98,565	20,093	695,903
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	-	-	1,965
Salaries and benefits payable	-	-	-	-
Due to other governments	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	392,000
Total liabilities	-	-	-	393,965
Fund balances:				
Restricted for:				
Drainage warrants/drainage improvement certificates	-	-	-	-
Other purposes	490,368	98,565	20,093	301,938
Total fund balances	490,368	98,565	20,093	301,938
Total liabilities and fund balances	\$ 490,368	98,565	20,093	695,903

See accompanying independent auditor's report.

Revenue			
Decategorization Grant	County Conservation	Drainage District	Total
19,565	129,687	3,574	1,023,525
-	-	-	392,000
4,005	-	-	4,012
-	-	-	11
-	-	416	416
19,974	-	-	62,186
43,544	129,687	3,990	1,482,150
-	-	-	1,965
949	1,077	-	2,026
15,946	214	-	16,160
-	-	-	392,000
16,895	1,291	-	412,151
-	-	3,990	3,990
26,649	128,396	-	1,066,009
26,649	128,396	3,990	1,069,999
43,544	129,687	3,990	1,482,150

Mills County

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

Year ended June 30, 2012

				Special
	Local Option Sales and Services Tax	Resource Enhance- ment and Protection	County Recorder's Records Management	Urban Renewal Revenue
Revenues:				
Local option sales and services tax	\$ 516,513	-	-	-
Tax increment financing	-	-	-	236,249
Intergovernmental	-	11,064	-	-
Charges for service	-	-	3,366	-
Use of money and property	-	203	11	-
Miscellaneous	11,690	-	-	-
Total revenues	528,203	11,267	3,377	236,249
Expenditures:				
Operating:				
Physical health and social services	-	-	-	-
County environment and education	261,447	-	-	60,774
Governmental services to residents	-	-	2,451	-
Debt service	-	-	-	103,690
Total expenditures	261,447	-	2,451	164,464
Excess (deficiency) of revenues over (under) expenditures	266,756	11,267	926	71,785
Other financing uses:				
Operating transfers out	(190,675)	-	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	76,081	11,267	926	71,785
Fund balances beginning of year	414,287	87,298	19,167	230,153
Fund balances end of year	\$ 490,368	98,565	20,093	301,938

See accompanying independent auditor's report.

Revenue			
Decategorization Grant	County Conservation	Drainage District	Total
-	-	-	516,513
-	-	-	236,249
45,960	-	-	57,024
-	-	-	3,366
-	77,128	-	77,342
5,731	-	1,721	19,142
51,691	77,128	1,721	909,636
49,377	-	-	49,377
-	22,416	-	344,637
-	-	-	2,451
-	-	-	103,690
49,377	22,416	-	500,155
2,314	54,712	1,721	409,481
-	-	-	(190,675)
2,314	54,712	1,721	218,806
24,335	73,684	2,269	851,193
26,649	128,396	3,990	1,069,999

Mills County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	4,050	157,769	259,420	13,301
Other County officials	27,839	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	660	1,777	42,319	2,909
Succeeding year	-	192,000	516,000	12,058,000	854,000
Accounts	(769)	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Drainage assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 27,070	196,710	675,546	12,359,739	870,210
Liabilities					
Accounts payable	\$ -	-	3,895	-	-
Stamped warrants payable	-	-	-	-	-
Salaries and benefits payable	-	-	7,411	-	-
Due to other governments	(2,465)	196,710	652,602	12,359,739	870,210
Unearned FEMA grant revenue	-	-	-	-	-
Trusts payable	29,535	-	-	-	-
Compensated absences	-	-	11,638	-	-
Total liabilities	\$ 27,070	196,710	675,546	12,359,739	870,210

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Drainage Districts	City Special Assessments	Other	Total
50,354	6,083	412,287	1,068,790	5,409	515,525	2,492,988
-	-	-	-	-	-	27,839
17,218	769	-	-	-	9	65,661
2,963,000	306,000	-	-	-	3,000	16,892,000
-	-	-	-	-	86,861	86,092
-	-	-	488	-	123	611
-	-	-	-	123,230	-	123,230
-	-	-	9,754	-	-	9,754
-	-	-	-	-	75,770	75,770
3,030,572	312,852	412,287	1,079,032	128,639	681,288	19,773,945
-	-	-	8,887	-	14,516	27,298
-	-	-	25,418	-	-	25,418
-	-	-	-	-	16,510	23,921
3,030,572	312,852	412,287	1,034,973	128,639	626,423	19,622,542
-	-	-	9,754	-	-	9,754
-	-	-	-	-	-	29,535
-	-	-	-	-	23,839	35,477
3,030,572	312,852	412,287	1,079,032	128,639	681,288	19,773,945

Mills County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 28,679	187,200	668,165	12,093,170	598,360
Additions:					
Property and other county tax	-	192,850	516,956	12,077,297	856,001
E911 surcharges	-	-	-	-	-
State tax credits	-	5,832	15,364	370,834	18,559
Drivers license fees	-	-	-	-	-
Office fees and collections	305,142	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	306,336	-	-	-	-
Miscellaneous	-	58	154	3,957	185
Total additions	611,478	198,740	532,474	12,452,088	874,745
Deductions:					
Agency remittances:					
To other funds	173,608	-	-	-	-
To other governments	126,840	189,230	525,093	12,185,519	602,895
Trusts paid out	312,639	-	-	-	-
Total deductions	613,087	189,230	525,093	12,185,519	602,895
Balances end of year	\$ 27,070	196,710	675,546	12,359,739	870,210

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Drainage Districts	City Special Assess- ments	Other	Total
2,950,172	288,742	362,255	766,391	182,078	547,709	18,672,921
2,929,740	307,674	-	-	-	-	16,880,518
-	-	-	-	-	527,228	527,228
94,021	8,375	-	-	-	72	513,057
-	-	-	-	-	-	-
-	-	-	-	-	4,190	309,332
-	-	4,785,782	-	-	-	4,785,782
-	-	-	273,329	-	383,669	656,998
-	-	-	-	-	-	306,336
3,288	-	-	470,845	-	1,722,359	2,200,846
3,027,049	316,049	4,785,782	744,174	-	2,637,518	26,180,097
-	-	290,347	-	-	-	463,955
2,946,649	291,939	4,445,403	406,115	53,439	2,503,939	24,277,061
-	-	-	-	-	-	312,639
2,946,649	291,939	4,735,750	406,115	53,439	2,503,939	25,053,655
3,030,572	312,852	412,287	1,104,450	128,639	681,288	19,799,363

Mills County

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

For the Last Ten Years

	2012	2011	2010	2009
Revenues:				
Property and other county tax	\$ 5,785,015	5,829,630	5,533,676	5,901,680
Local option sales and services tax	516,513	406,971	418,679	446,670
Tax increment financing	236,249	98,324	197,039	209,865
Interest and penalty on property tax	58,135	62,022	64,921	74,311
Intergovernmental	5,051,206	6,035,709	5,269,080	5,264,779
Licenses and permits	108,979	132,157	126,243	95,701
Charges for service	524,479	440,925	387,235	420,547
Use of money and property	108,233	127,336	76,719	192,208
Miscellaneous	219,225	154,347	137,050	417,523
Total	\$ 12,608,034	13,287,421	12,210,642	13,023,284
Expenditures:				
Operating:				
Public safety and legal services	\$ 3,018,797	2,473,453	2,181,402	2,059,957
Physical health and social services	1,536,182	1,481,869	1,542,707	1,619,650
Mental health	1,587,707	1,401,997	1,263,742	1,436,988
County environment and education	768,899	629,451	681,949	548,126
Roads and transportation	4,335,990	5,353,500	4,849,650	4,317,783
Governmental services to residents	451,536	423,851	448,367	440,000
Administration	1,228,738	1,076,516	1,240,416	1,125,819
Non-program	-	-	8,070	6,590
Debt service	103,690	100,980	-	-
Capital projects	4,994	542,808	5,141	62,340
Total	\$ 13,036,533	13,484,425	12,221,444	11,617,253

See accompanying independent auditor's report.

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
5,724,908	5,136,830	5,142,550	5,061,577	4,692,704	4,176,656
423,977	461,667	347,818	341,655	460,483	231,893
210,868	180,487	166,353	151,893	81,669	21,389
59,488	69,965	59,729	67,080	64,520	58,961
5,424,442	4,852,275	4,759,740	4,986,813	4,956,091	5,080,119
52,039	57,849	43,714	53,025	41,557	22,341
442,920	416,554	415,490	411,805	423,211	377,699
208,813	205,636	129,524	91,453	69,780	92,446
271,641	118,073	116,027	626,241	153,442	85,203
12,819,096	11,499,336	11,180,945	11,791,542	10,943,457	10,146,707
2,008,550	1,968,069	1,954,695	1,845,844	1,844,744	1,757,748
1,731,452	1,553,540	1,540,540	1,530,878	1,519,960	1,576,721
1,627,881	1,481,046	1,387,408	1,345,167	1,256,362	1,291,039
1,795,132	732,762	558,373	480,879	446,864	394,689
4,013,652	3,846,016	3,781,208	3,708,503	3,659,910	3,023,542
433,234	398,924	519,019	403,113	410,654	358,154
840,129	1,206,796	861,420	892,000	868,287	928,735
-	-	-	-	-	-
-	-	-	-	-	-
1,025,954	321,600	148,344	757,372	66,871	175,531
13,475,984	11,508,753	10,751,007	10,963,756	10,073,652	9,506,159

Schedule 6

Mills County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
Department of the Interior:			
Payments in Lieu of Taxes	15.226		\$ 9,009
Department of Justice:			
Organized Crime Drug Enforcement Task Forces	16.000	WC-IAS-0104	771
Total direct			9,780
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		10,254
U.S. Department of Justice:			
City of Council Bluffs:			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	09 JAG/ARRA-16473	45,922
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BRS-CO(65)--60-65	28,208
U.S. Environmental Protection Agency:			
Iowa Department of Public Health:			
State Indoor Radon Grants	66.032	MOU-2012-RC-13	2,500
U.S. Department of Health and Human Services:			
Southwest 8 Senior Services:			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		7,385
Visiting Nurse Association:			
Public Health Emergency Preparedness	93.069		1,084 *
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5881BT65	15,532
Public Health Emergency Preparedness	93.069	5881BT365	11,584
Public Health Emergency Preparedness	93.069	5882BT65	14,954
			42,070 *
Immunization Grants	93.268	5881I455	1,342
Immunization Grants	93.268	5882I455	4,032
			5,374
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5881OB22	10,686
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	93.531	5882HP15	34,087
Prevent Child Abuse Iowa:			
Promoting Safe and Stable Families	93.556		15,892
Temporary Assistance for Needy Families	93.558		2,804

Mills County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2012

Indirect:

U.S. Department of Health and Human Services:

Family Inc.:

Maternal and Child Health Services

Block Grant to the States	93,994		2,925
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Iowa Department of Human Services:

Human Services Administrative Reimbursements:

Refugee and Entrant Assistance - State

Administered Programs	93,566		19
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Child Care Mandatory and Matching Funds

of the Child Care and Development Fund	93,596		2,283
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Foster Care - Title IV-E	93,658		3,744
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Adoption Assistance	93,659		1,093
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Children's Health Insurance Program	93,767		36
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Medical Assistance Program	93,778		9,634
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Social Services Block Grant	93,667		3,285
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Social Services Block Grant	93,667		57,958
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			61,243
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U.S. Department of Homeland Security:

Iowa Department of Public Defense:

Iowa Homeland Security and Emergency

Management Division:

Disaster Grants - Public Assistance

(Presidentially Declared Disasters)	97,036	FEMA-IA-DR1763	266,100
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Disaster Grants - Public Assistance	97,036	FEMA-IA-DR1998	391,209
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Disaster Grants - Public Assistance	97,036	FEMA-IA-DR1930	56,219
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(Presidentially Declared Disasters)			713,528
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Emergency Management Performance Grants	97,042	EMPG-12-PT-65	24,926
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Southwest Iowa Planning Council:

Homeland Security Grant Program

	97,067	2009-SS-T9-0034.001	2,871 **
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Story County

Homeland Security Grant Program

	97,067	2010-SS-T0-0031-01/02/03	1,888 **
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Total indirect			1,030,456
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Total			\$ 1,040,236
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* Total for CFDA Number 93.069 is \$43,154.

** Total for CFDA Number 97.067 is \$4,759, (includes \$4,759 of non-cash awards).

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

See accompanying independent auditor's report.

Mills County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

To the Officials of Mills County:

We have audited 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, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 26, 2013. 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.

Internal Control Over Financial Reporting

Management of Mills County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Mills County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mills County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 through II-E-12 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 deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-F-12 through II-J-12 to be significant deficiencies.

Compliance and Other Matters

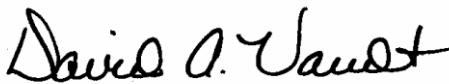
As part of obtaining reasonable assurance about whether Mills County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 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 identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Mills County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mills County and other parties to whom Mills County may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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.



DAVID A. VAUDT, CPA
Auditor of State

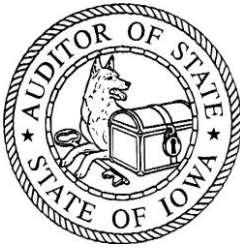


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 26, 2013

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133**

Mills County



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David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

To the Officials of Mills County:

Compliance

We have audited Mills County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2012. Mills County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Mills County's management. Our responsibility is to express an opinion on Mills County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mills County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Mills County's compliance with those requirements.

In our opinion, Mills County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

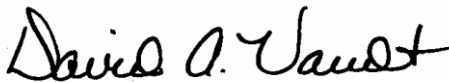
The management of Mills County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Mills County's internal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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance we consider to be material weaknesses.


A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-12 and III-B-12 to be material weaknesses.

Mills County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Mills County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mills County and other parties to whom Mills County may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 26, 2013

Mills County
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters).
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Mills County did not qualify as a low-risk auditee.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-12 Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

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

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

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Responses –

Treasurer – Due to our small staff, our options to segregate duties is sometimes limited. I will review office procedures and attempt to maximize internal control and whenever possible use other personnel, including elected officials, to add control measures.

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

Ag Extension – The Extension Council Treasurer has reviewed the reconciliation statements in the past, but she has now begun initialing and dating the statements she reviews. An employee separate from the bookkeeper verifies the amount of money to be deposited and physically makes the deposit at the bank.

Conclusions – Responses accepted.

- II-B-12 Financial Reporting – During the audit, we identified material amounts of receivables and payables not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

Response – The County Auditor, with direction from the State Auditor's Office, will try to make sure that the proper coding is done in the software to make sure the receivables and payables are accounted for and properly classified.

Conclusion – Response accepted.

- II-C-12 Bank Reconciliations – Reconciliations of the Treasurer's general ledger account to the bank were not performed monthly, which resulted in variances between the accounts at June 30, 2012. Resulting variances were not properly investigated and resolved in a timely manner. Additionally the reconciliation was not reviewed by an independent person.

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 evidenced by the signature or initials of the independent reviewer and the date of review.

Response – Since working with the auditors on this year's audit, I have come up with a process to do a bank reconciliation monthly to watch for differences and resolve any issues quickly.

Conclusion – Response accepted.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

II-D-12 Delinquent Tax Reconciliation – A delinquent tax reconciliation was not completed or prepared timely.

Recommendation – A delinquent tax reconciliation should be prepared as soon after year end as possible to ensure the property tax billing, collection, posting and recording system is working properly. Also, this would ensure any problems or errors would be identified and resolved timely.

Response – I will in the future consult with my mentor and Solutions to come up with a delinquent tax reconciliation to be prepared in a timely manner after year end.

Conclusion – Response accepted.

II-E-12 Secondary Roads Payroll – Timesheets supporting FEMA worksheets did not document which FEMA disaster project should be charged for hours incurred.

Recommendation – The timesheets supporting FEMA worksheets should document the project to be charged for hours incurred.

Response – For the timesheets with supporting FEMA work, the foreman will be instructed to include either a project number or, at a minimum, the individual road project being charged so we can determine within the office which project worksheet the work is to be attributed to.

Conclusion – Response accepted.

II-F-12 Planning and Zoning – Fees are collected for various applications, permits and inspections done by the planning and zoning department. Payments for these fees are collected and forwarded to the County Treasurer by JAS Consulting, which is under contract to collect the payments and deposit them with the County. The following were noted:

- (a) Responsibilities for receipt collection, deposit preparation and depositing are not segregated from those of recording and accounting for receipts.
- (b) The County does not have written procedures for preparing a monthly reconciliation between the monthly collection support and the transactions in the County's accounting system.

Recommendation – The County should review the planning and zoning receipting process and develop policies and procedures to ensure proper segregation of duties. Written procedures for the reconciliation between the monthly collection support and the transactions in the County's accounting system should be developed to ensure all collections are receipted and accounted for.

Response – Independent review of the Building and Safety Department fee collection, receipts and invoicing is accomplished by the County Engineer and documented on the monthly report. The County Engineer will provide email and written documentation of independent review to be filed by the County Auditor's Office.

Conclusion – Response accepted.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

II-G-12 Tax Increment Financing (TIF) – The County Auditor does not prepare a reconciliation for each TIF District to reconcile the TIF tax remitted with the amount of debt certified.

Recommendation – The County should prepare a reconciliation for each city to reconcile the yearly TIF tax remitted with the amount of debt certified.

Response – The County Auditor will prepare a TIF reconciliation report to identify TIF payments for cities and counties to ensure TIF taxes will not exceed the amount of debt certified. County Auditor will also file the required annual report with the Department of Management.

Conclusion – Response accepted.

II-H-12 Separation of Funds – Per the Fiscal Agent Agreement with the Empowerment Board (Boost 4 Families), the County, as the fiscal agent, is to account for the School Ready Fund and the Early Childhood Fund in separate Agency Funds. The County accounted for the School Ready and Early Childhood Funds in the Decategorization Special Revenue Fund. Amounts were corrected for financial reporting purposes.

Recommendation – The County should ensure it is following all requirements of the fiscal agent agreement.

Response – The County will not be handling these funds any longer as they will be going through another agency for reimbursement. The County did track funds by identifying each project with a unique project number within the Decategorization Special Revenue Fund.

Conclusion – Response accepted.

II-I-12 Empowerment Timesheets – The Empowerment Board Coordinator splits her time between School Ready, Early Childhood and various other County Decategorization grant programs. The Coordinator does not fill out a timesheet and no other supporting documentation is kept for the Coordinator's time spent on the different programs.

Recommendation – The Coordinator should keep a timesheet tracking time spent on different programs or a time study should be completed. Timesheets should be signed by the employee as well as reviewed and approved by a supervisor.

Response – Beginning in SFY13, per Early Childhood Iowa's (ECI) Levels of Excellence guidance, a daily and weekly time study is maintained by the Director to track activities related to the following funding sources:

- Boost4Families ECI School Ready funds (estimated use of 40% of time)
- Corner Counties ECI School Ready Funds (estimated use of 50% of time)
- Cass, Mills, Montgomery Decategorization (estimated use of 10% of time)

Beginning immediately, this time study will be shared monthly with the Boost4Families and Corner Counties ECI Boards' Finance Committees for review.

Conclusion – Response accepted.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

II-J-12 Early Childhood Iowa Annual Financial Report – Section 256I.8 of the Code of Iowa states, in part, the Empowerment Board shall “submit an annual report on the effectiveness of the community plan in addressing school readiness and children’s health and safety needs to the state board and to the local government bodies in the area.” The annual report template is provided on the Early Childhood Iowa website maintained by the Department of Management.

The annual report submitted for fiscal year 2012 did not reconcile to the Board’s financial activity. The ending fund balances reported in the Annual Financial Report for fiscal year 2012 were overstated \$455 for the Early Childhood Fund and overstated \$6,206 for the School Ready Fund.

Recommendation – The Board should review and reconcile the annual report with the fiscal agent’s general ledger and balances per the year end bank statements adjusted for outstanding accruals and make appropriate corrections for the annual report.

Response – Corrected amounts for the SFY12 Annual Report, based on the State Auditors year-end statements for funds disbursed and received through Mills County, was presented to the Boost4Families Board on November 15, 2012 for review and approval for resubmission to the Department of Management and Early Childhood Iowa by December 1, 2012.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 97.036: Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Pass-through Agency Number: 1763 DR IA, 1930 DR IA, 1998 DR IA

Federal Award Year: 2010, 2011

U.S. Department of Homeland Security

Passed through the Iowa Department of Public Defense – Iowa Homeland Security and Emergency Management Division

III-A-12 Drainage District Project Files – Project files for FEMA projects were incomplete. Items missing included approved project worksheets, progress reports, claims, invoices or other documentation to support expenditures.

Recommendation – Project files for FEMA projects should be maintained up to date and include all required documentation. Claims, invoices or other documentation to support project expenditures should also be maintained.

Response and Corrective Action Planned – Although I am unaware as to which specific drainage district(s) the above comment pertains, all documentation for any and all FEMA/Iowa Homeland Security Emergency Management Division Drainage and Levee District Projects shall include all approved project worksheets, progress reports, claims, invoices, and other supporting documentation which concerns expenditures made on behalf of the particular drainage or levee district. Will Utter of Iowa Homeland Security has been updating our files from January 28 through today's date to ensure compliance, proper procedure, and to remedy any deficiencies which may exist.

Conclusion – Response accepted.

III-B-12 Secondary Roads Department Payroll – Timesheets supporting FEMA worksheets did not document which FEMA disaster project should be charged for hours incurred. Procedures are not in place to verify the accuracy of the force account labor and equipment charges. See item II-E-12.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 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 – We will amend the budget when required in the future.

Conclusion – Response accepted.

IV-B-12 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979 were noted.

IV-C-12 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-12 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
C. Lyle Mayberry, Jr., brother of County engineer, owner of Land Surveying Services	Surveying	\$ 3,385
Tevis Langel, son of Public Health Office Manager, Independent contractor	Moving	81
Roefeld Cleaning Services, owner is the nephew of Public Health Administrator	Cleaning services	1,280
Karen O'Dell, sister of Public Health Administrator, Independent contractor	CPR class	4,223
Mike Lynes, husband of Public Health Supervisor, Independent contractor	Family centered services	1,435
Sidney Flowers, daughter of Public Health Secretary, Independent contractor	Moving and painting	720

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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

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

Response - The County has contacted the County Attorney's office for guidance on this matter and he does not deem them to be an issue but will continue to monitor activity and advise if he has concerns.

Conclusion - Response accepted.

IV-E-12 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-12 Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.

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

IV-H-12 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-12 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.

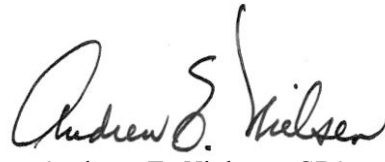
Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.

Mills County

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Jenny M. Podrebarac, Senior Auditor
Karie A. Meisgeier, CPA, Staff Auditor
Brooke A. Robb, Staff Auditor
Adam B. Bartz, Assistant Auditor
Alex D. Wiehs, Auditor Intern

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State