

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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE

June 26, 2019

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on Mills County, Iowa.

The County had local tax revenue of \$28,410,993 for the year ended June 30, 2018, which included \$1,547,171 in tax credits from the state. The County forwarded \$18,945,777 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$9,465,216 of the local tax revenue to finance County operations, a 17% increase over the prior year. Other revenues included charges for service of \$1,399,432, operating grants, contributions and restricted interest of \$4,512,239, capital grants, contributions and restricted interest of \$457,368, unrestricted investment earnings of \$21,397, local option sales and services tax of \$601,806, tax increment financing of \$372,936, gain on disposition of capital assets of \$85,895 and other general revenues of \$97,614.

Expenses for County operations for the year ended June 30, 2018 totaled \$16,360,546, an 8.87% decrease from the prior year. Expenses included \$5,294,435 for roads and transportation, \$4,273,945 for public safety and legal services, and \$2,155,916 for physical health and social services.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

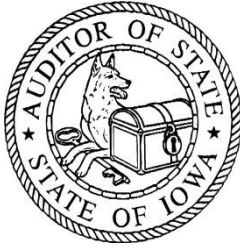
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MILLS COUNTY

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

JUNE 30, 2018

Mills County



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STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

June 13, 2019

Officials of Mills County
Glenwood, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Mills County for the year ended June 30, 2018. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of Mills County throughout the audit. If I or this office can be of any further assistance, please contact me or Marlys Gaston of my staff at 515-281-5834.

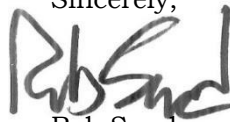
Sincerely,

Rob Sand
Auditor of State

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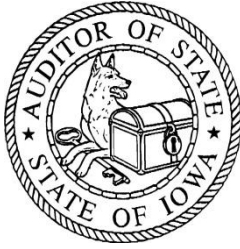
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Mills County

Officials

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

Mills County



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Independent Auditor's Report

To the Officials of Mills County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mills County, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Mills County as of June 30, 2018 and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 15 to the financial statements, Mills County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 9 through 16 and 52 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

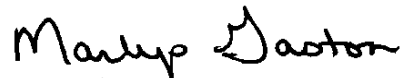
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mills County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 13, 2019 on our consideration of Mills County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Mills County's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

June 13, 2019

Mills County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mills County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities was restated by \$136,162 to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources and deferred inflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.
- Revenues of the County's governmental activities increased 8.58%, or approximately \$1,345,000, from fiscal year 2017 to fiscal year 2018. Property tax increase approximately \$1,317,000 and operating grants, contributions and restricted interest increased approximately \$385,000. Capital grants, contributions and restricted interest decreased approximately \$251,000 from fiscal year 2017 to fiscal year 2018.
- Program expenses of the County's governmental activities decreased 8.87%, or approximately \$1,592,000, in fiscal year 2018 compared to fiscal year 2017. Public safety and legal services decreased approximately \$2,100,000 primarily due to the purchase of communication equipment related to the new public safety facility made in fiscal year 2017, and physical health and social services expenses increased approximately \$573,000.
- The County's net position increased 3.1%, or approximately \$653,000, from June 30, 2017 to June 30, 2018, after restatement.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Mills County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Mills County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Mills County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

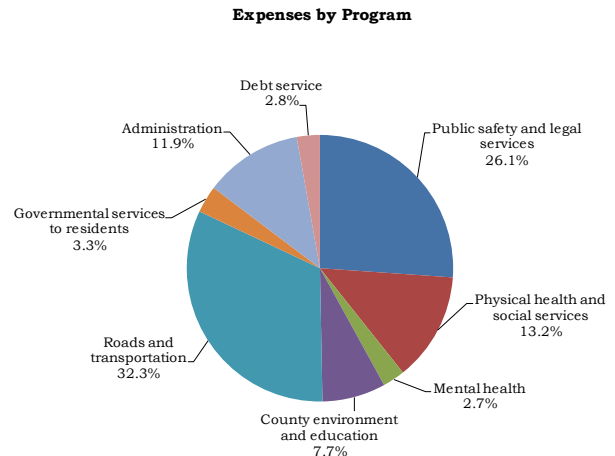
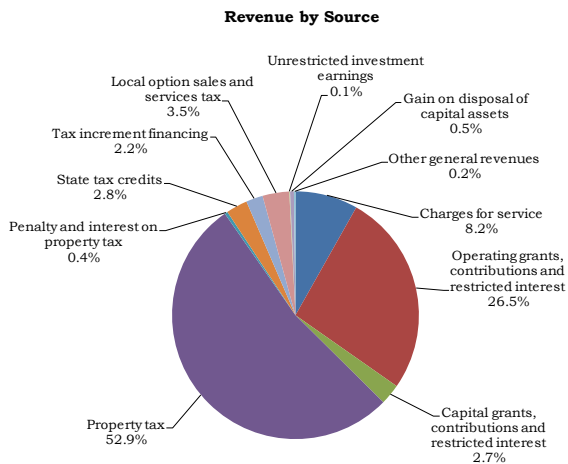
As noted earlier, net position may serve over time as a useful indicator of financial position. Mills County's net position at the end of fiscal year 2018 totaled approximately \$21.8 million. The analysis that follows focuses on the changes in the net position of governmental activities before restatement.

Net Position of Governmental Activities		
	June 30,	
	2018	2017 (Not Restated)
Current and other assets	\$ 27,144,859	24,876,802
Capital assets	25,411,376	25,700,407
Total assets	52,556,235	50,577,209
Deferred outflows of resources	1,560,204	1,368,259
Long-term liabilities	20,572,345	20,677,191
Other liabilities	513,871	349,862
Total liabilities	21,086,216	21,027,053
Deferred inflows of resources	11,190,144	9,520,531
Net position:		
Invested in capital assets	20,475,176	20,493,607
Restricted	7,634,399	6,222,789
Unrestricted	(6,269,496)	(5,393,512)
Total net position	\$ 21,840,079	21,322,884

Prior to restatement, net position of Mills County's governmental activities increased 2.4% (approximately \$21.8 million compared to approximately \$21.3 million). The largest portion of the County's net position is invested in capital assets (e.g. land, infrastructure, buildings and equipment), less the related debt. Next largest is restricted net position, which represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position which can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from a deficit balance of approximately \$5,394,000 at June 30, 2017 to a deficit of approximately \$7,827,000 at the end of this year, due primarily to an increase in OPEB and net pension liability amounts.

Changes in Net Position of Governmental Activities

	Year ended June 30,	
	2018	2017 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	\$ 1,399,432	1,388,489
Operating grants, contributions and restricted interest	4,512,239	4,127,236
Capital grants, contributions and restricted interest	457,368	708,396
General revenues:		
Property tax	8,988,858	7,672,322
Penalty and interest on property tax	63,452	69,864
State tax credits	476,358	417,089
Tax increment financing	372,936	364,311
Local option sales and services tax	601,806	643,362
Unrestricted investment earnings	21,397	20,776
Gain on disposal of capital assets	85,895	111,249
Other general revenues	34,162	146,211
Total revenues	17,013,903	15,669,305
Program expenses:		
Public safety and legal services	4,273,945	6,374,215
Physical health and social services	2,155,916	1,582,801
Mental health	448,359	396,467
County environment and education	1,253,446	1,201,153
Roads and transportation	5,294,435	5,906,493
Governmental services to residents	537,065	505,879
Administration	1,938,928	1,604,550
Debt service	458,452	380,858
Total expenses	16,360,546	17,952,416
Change in net position	653,357	(2,283,111)
Net position beginning of year, as restated	21,186,722	23,605,995
Net position end of year	\$ 21,840,079	21,322,884



Mills County increased the rural services property tax levy rate by \$0.31022 per \$1,000 taxable valuation for fiscal year 2018 and increased the county-wide property tax levy rate \$0.94271 per \$1,000 of taxable valuation for the fiscal year 2018. The general supplemental levy rate increased \$0.09597 per \$1,000 of taxable valuation from fiscal year 2017 to fiscal year 2018. The mental health levy rate increased \$0.09739 per \$1,000 of taxable valuation. The county-wide assessed property taxable valuation increased \$23,240,777 from fiscal year 2017 to fiscal year 2018, the rural assessed property taxable valuation increased \$22,117,639 from fiscal year 2017 to fiscal year 2018. The County levied for debt service in fiscal year 2018 but not in fiscal year 2017, thus increasing this levy \$0.55618 per \$1,000 of taxable valuation. The general basic levy in fiscal year 2018 increased \$0.19317 per \$1,000 of taxable valuation from fiscal year 2017 to 2018.

The cost of all governmental activities this year was approximately \$16.4 million compared to approximately \$18 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$10.0 million because some of the cost was paid by those who directly benefited from the programs (approximately \$1,399,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$4,970,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, increased in fiscal year 2018 from approximately \$6,224,000 to approximately \$6,369,000, primarily due to increased federal finds.

INDIVIDUAL MAJOR FUND ANALYSIS

As Mills County completed the year, its governmental funds reported a combined fund balance of approximately \$15.6 million, an increase of approximately \$449,000 over last year's total of approximately \$15.2 million. 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 2018 with a balance of \$3,320,160. This is an increase of \$405,698 over the fiscal year 2017 ending balance. Revenues increased \$1,035,239 over fiscal year 2017, primarily due to an increase in property and other county tax and intergovernmental revenue. Intergovernmental revenues increased due to receipt of a CDBG and hospital preparedness grant during fiscal year 2018. Expenditures increased approximately \$896,000 over fiscal year 2017, primarily due to an increase in physical health and social services and administration costs, both related to the CDBG and hospital preparedness grants.

Special Revenue, Mental Health Fund revenues totaled \$445,810, an increase of 29.7% over the prior year. Expenditures totaled \$441,846, an increase of approximately \$45,000 over the prior year. The increase in expenditures is due to an overall increase in the amount of property tax collected and disbursed to the mental health region during the fiscal year. The Mental Health Fund balance increased by approximately \$4,000 over the prior year end to \$112,873 at June 30, 2018.

The Special Revenue, Rural Services Fund ended fiscal year 2018 with a fund balance of \$717,640 compared to the fiscal year 2017 ending fund balance of \$541,864. Revenues increased \$302,552 over fiscal year 2017, with property and other county tax increasing approximately \$291,000 as a result of the increased levy. Expenditures increased \$160,530 over fiscal year 2017. The County made all budgeted transfers to the Special Revenue, Secondary Roads Fund, which was an increase of \$65,972 over fiscal year 2017.

The Special Revenue, Secondary Roads Fund ended fiscal year 2018 with a fund balance of \$5,017,788 compared to the fiscal year 2017 ending fund balance of \$3,977,861. As mentioned above, the Secondary Roads Fund received all of the budgeted transfers from the Special Revenue, Rural Services Fund in fiscal year 2018, which was an increase of \$65,972 over fiscal year 2017. Secondary Roads Fund revenues decreased \$194,670 from the fiscal year 2017 amounts. Expenditures decreased \$850,614 from fiscal year 2017, primarily due to a decrease in bridge repair projects.

At year end, the Debt Service fund balance was \$4,215,092 compared to the prior year ending fund balance of \$4,601,735, a decrease of \$386,643. This decrease was due to an increase in debt service payments made during fiscal year 2018. At June 30, 2018, the County is reporting \$4,510,326 in U.S. Treasury securities on deposit with escrow agent until the crossover date of June 1, 2020, when the old debt will be called.

During the year ended June 30, 2018, the County issued no new debt. The County continues to use prior year bond proceeds for the purchase of public safety and emergency services communication equipment. The Capital Projects Fund ended the year with a fund balance of \$1,557,049.

BUDGETARY HIGHLIGHTS

Over the course of the year, Mills County amended its budget two times. The first amendment was made on September 19, 2017 and resulted in an increase in budgeted receipts for the Community Development Block Grant (CDBG) program and budgeted disbursements for various items not previously budgeted, roads and transportation projects and the use of the CDBG funds. The second amendment was made on April 17, 2018, to increase licenses and permit and miscellaneous receipts to cover an increase in governmental services to residents and administration function disbursements and additional increases in budgeted disbursements for various items, including changes in insurance coverage and employee benefits.

The County's actual receipts were \$237,461 more than the amended budget, a variance of 1.4%.

Total actual disbursements were \$5,888,779 less than the amended budget, a variance of 26.7%. Actual disbursements for the capital projects and roads and transportation functions were under the amended budget by \$2,914,456 and \$2,048,649, respectively. This was primarily due to capital and roadway projects not progressing as anticipated. However, the debt service function was over budget by \$326,560. This was due to the County not amending the budget for bond payments as they came due.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, Mills County had approximately \$25.4 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 \$289,031, or 1.1%, from last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2018	2017
Land	\$ 1,310,290	1,006,704
Intangibles, road network	933,140	933,140
Buildings	8,835,353	9,052,135
Improvements other than buildings	130,928	138,399
Equipment and vehicles	2,743,595	2,676,161
Infrastructure, other	11,458,070	11,893,868
Total	<u>\$ 25,411,376</u>	<u>25,700,407</u>
This year's major additions included:		
County Sheriff, Secondary Roads and Conservation vehicles and equipment	\$ 688,145	
Conservation land and tower site land purchases	<u>303,586</u>	
Total	<u>\$ 991,731</u>	

The County had depreciation expense of \$1,280,762 in fiscal year 2018 and total accumulated depreciation of \$10,120,451 at June 30, 2018.

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

Long-Term Debt

At June 30, 2018, Mills County had \$15,006,200 of long-term debt outstanding compared to \$15,566,800 of outstanding long-term debt at June 30, 2017.

Outstanding Debt of Governmental Activities at Year End		
	June 30,	
	2018	2017
Capital lease purchase agreement	\$ 21,200	31,800
General obligation bonds	14,685,000	15,145,000
General obligation urban renewal revenue bonds	<u>300,000</u>	<u>390,000</u>
Total	<u>\$ 15,006,200</u>	<u>15,566,800</u>

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Mills County's constitutional debt limit is approximately \$83.1 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Mills County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2019 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 2.0% versus 2.8% a year ago. This compares with the State's unemployment rate of 2.7% and the national rate of 4.0%.

These indicators were taken into account when adopting the budget for fiscal year 2019. Amounts available for appropriation in the operating budget are \$19,437,677, an increase of 17.4% over the final fiscal year 2018 budget. Property tax increased due to an increase in both property tax rates and property valuations for fiscal year 2019. Intergovernmental receipts increased as a result of the County's various grant programs. Mills County will use these receipts to finance programs we currently offer and offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to increase approximately \$682,000, primarily due to an anticipated increase in public safety and legal services disbursements in the form of increased salaries and the acquisition of public safety and emergency services communication equipment. The County has added no major new programs or initiatives to the fiscal year 2019 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of fiscal year 2019.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Mills County
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash and pooled investments	\$ 10,518,947
U.S. Treasury securities on deposit with escrow agent	4,510,326
Receivables:	
Property tax:	
Delinquent	36,273
Succeeding year	10,427,000
Succeeding year tax increment financing	435,000
Interest and penalty on property tax	121,975
Accounts	1,062
Due from other governments	728,690
Inventories	346,586
Prepaid insurance	19,000
Capital assets - nondepreciable	2,243,430
Capital assets - depreciable (net)	23,167,946
Total assets	52,556,235
Deferred Outflows of Resources	
Pension related deferred outflows	1,555,379
OPEB related deferred outflows	4,825
Total deferred outflows of resources	1,560,204
Liabilities	
Accounts payable	284,707
Accrued interest payable	36,879
Salaries and benefits payable	124,951
Due to other governments	67,334
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	10,600
General obligation bonds	545,000
General obligation urban renewal bonds	95,000
Compensated absences	387,375
Portion due or payable after one year:	
Capital lease purchase agreement	10,600
General obligation bonds	14,140,000
General obligation urban renewal bonds	205,000
Compensated absences	251,428
Net pension liability	4,498,251
Total OPEB liability	429,091
Total liabilities	21,086,216
Deferred Inflows of Resources	
Unavailable property tax revenue	10,427,000
Unavailable tax increment financing revenues	435,000
Pension related deferred inflows	270,315
OPEB related deferred inflows	57,829
Total deferred inflows of resources	11,190,144
Net Position	
Net investment in capital assets	20,475,176
Restricted for:	
Supplemental levy purposes	1,595,117
Mental health purposes	109,496
Rural services purposes	705,752
Secondary roads purposes	4,705,717
Debt service	81,360
Other purposes	436,957
Unrestricted	(6,269,496)
Total net position	\$ 21,840,079

See notes to financial statements.

Mills County

Statement of Activities

Year ended June 30, 2018

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 4,273,945	292,370	361,523	-	(3,620,052)
Physical health and social services	2,155,916	367,447	1,196,714	-	(591,755)
Mental health	448,359	-	-	-	(448,359)
County environment and education	1,253,446	213,600	10,908	117,186	(911,752)
Roads and transportation	5,294,435	195,548	2,896,133	340,182	(1,862,572)
Governmental services to residents	537,065	301,363	34	-	(235,668)
Administration	1,938,928	29,104	5,689	-	(1,904,135)
Debt service	458,452	-	41,238	-	(417,214)
Total	\$ 16,360,546	1,399,432	4,512,239	457,368	(9,991,507)
General Revenues:					
Property and other county tax levied for:					
General purposes					8,469,124
Debt service					519,734
Penalty and interest on property tax					63,452
Tax increment financing					372,936
State tax credits					476,358
Local option sales and services tax					601,806
Unrestricted investment earnings					21,397
Gain on disposition of capital assets					85,895
Miscellaneous					34,162
Total general revenues					10,644,864
Change in net position					653,357
Net position beginning of year, as restated					21,186,722
Net position end of year					\$ 21,840,079

See notes to financial statements.

Mills County
Balance Sheet
Governmental Funds

June 30, 2018

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 3,213,886	114,595	723,440	4,547,211
U.S. Treasury securities on deposit with escrow agent	-	-	-	-
Receivables:				
Property tax:				
Delinquent	23,616	1,801	8,708	-
Succeeding year	6,012,000	298,000	2,783,000	-
Succeeding year tax increment financing	-	-	-	-
Interest and penalty on property tax	121,975	-	-	-
Accounts	1,062	-	-	-
Advance to other funds	-	-	-	-
Due from other governments	431,395	-	9,974	237,133
Inventories	-	-	-	346,586
Prepaid insurance	19,000	-	-	-
Total assets	\$ 9,822,934	414,396	3,525,122	5,130,930
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 202,506	-	4,246	77,955
Salaries and benefits payable	78,378	-	10,413	35,056
Due to other governments	64,363	1,725	1,115	131
Advance from other funds	-	-	-	-
Total liabilities	345,247	1,725	15,774	113,142
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	6,012,000	298,000	2,783,000	-
Succeeding year tax increment financing	-	-	-	-
Other	145,527	1,798	8,708	-
Total deferred inflows of resources	6,157,527	299,798	2,791,708	-
Fund balances:				
Nonspendable:				
Inventories	-	-	-	346,586
Prepaid insurance	19,000	-	-	-
Restricted for:				
Supplemental levy purposes	1,574,427	-	-	-
Mental health purposes	-	112,873	-	-
Rural services purposes	-	-	717,640	-
Secondary roads purposes	-	-	-	4,671,202
Drainage warrants/drainage improvement certificates	-	-	-	-
Conservation land acquisition/capital improvements	113,701	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Unassigned	1,613,032	-	-	-
Total fund balances	3,320,160	112,873	717,640	5,017,788
Total liabilities, deferred inflows of resources and fund balances	\$ 9,822,934	414,396	3,525,122	5,130,930

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
9,746	1,252,069	658,000	10,518,947
4,510,326	-	-	4,510,326
2,148	-	-	36,273
1,334,000	-	-	10,427,000
-	-	435,000	435,000
-	-	-	121,975
-	-	-	1,062
-	304,980	-	304,980
-	-	50,188	728,690
-	-	-	346,586
-	-	-	19,000
5,856,220	1,557,049	1,143,188	27,449,839
-	-	-	284,707
-	-	1,104	124,951
-	-	-	67,334
304,980	-	-	304,980
304,980	-	1,104	781,972
1,334,000	-	-	10,427,000
-	-	435,000	435,000
2,148	-	-	158,181
1,336,148	-	435,000	11,020,181
-	-	-	346,586
-	-	-	19,000
-	-	-	1,574,427
-	-	-	112,873
-	-	-	717,640
-	-	-	4,671,202
-	-	8,168	8,168
-	-	-	113,701
4,215,092	-	382,356	4,597,448
-	1,557,049	-	1,557,049
-	-	316,560	316,560
-	-	-	1,613,032
4,215,092	1,557,049	707,084	15,647,686
5,856,220	1,557,049	1,143,188	27,449,839

Mills County

Mills County

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

June 30, 2018

Total governmental fund balances (page 21) \$ 15,647,686

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$35,531,827 and the accumulated depreciation is \$10,120,451. 25,411,376

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 158,181

Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 1,560,204	
Deferred inflows of resources	<u>(328,144)</u>	1,232,060

Long-term liabilities, including capital lease purchase agreement payable, general obligation bonds payable, general obligation urban renewal bonds payable, compensated absences payable, net pension liability, total OPEB liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (20,609,224)

Net position of governmental activities (page 18) \$ 21,840,079

See notes to financial statements.

Mills County

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

Year ended June 30, 2018

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 5,543,735	422,823	2,496,613	-
Local option sales and services tax	-	-	-	-
Tax increment financing	-	-	-	-
Interest and penalty on property tax	48,683	-	-	-
Intergovernmental	1,959,435	22,987	167,128	3,265,776
Licenses and permits	144,695	-	33,025	139,129
Charges for service	466,385	-	-	26,958
Use of money and property	26,391	-	-	-
Miscellaneous	358,398	-	3,145	20,551
Total revenues	8,547,722	445,810	2,699,911	3,452,414
Expenditures:				
Operating:				
Public safety and legal services	3,048,166	-	400,575	-
Physical health and social services	2,040,618	-	77,955	-
Mental health	-	441,846	-	-
County environment and education	610,219	-	71,325	-
Roads and transportation	-	-	-	4,853,258
Governmental services to residents	495,358	-	1,180	-
Administration	1,820,808	-	-	-
Debt service	-	-	-	-
Capital projects	5,000	-	-	-
Total expenditures	8,020,169	441,846	551,035	4,853,258
Excess (deficiency) of revenues over (under) expenditures	527,553	3,964	2,148,876	(1,400,844)
Other financing sources (uses):				
Sale of capital assets	15,145	-	-	-
Transfers in	-	-	-	2,440,771
Transfers out	(137,000)	-	(1,973,100)	-
Total other financing sources (uses)	(121,855)	-	(1,973,100)	2,440,771
Change in fund balances	405,698	3,964	175,776	1,039,927
Fund balances beginning of year	2,914,462	108,909	541,864	3,977,861
Fund balances end of year	\$ 3,320,160	112,873	717,640	5,017,788

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
517,586	-	-	8,980,757
-	-	601,806	601,806
-	-	372,942	372,942
-	-	-	48,683
28,087	-	30,120	5,473,533
-	-	-	316,849
-	-	2,783	496,126
41,238	-	64,725	132,354
-	-	203	382,297
586,911	-	1,072,579	16,805,347
-	-	-	3,448,741
-	-	-	2,118,573
-	-	-	441,846
-	-	681,510	1,363,054
-	-	-	4,853,258
-	-	39,292	535,830
-	-	-	1,820,808
973,554	-	105,713	1,079,267
-	705,543	-	710,543
973,554	705,543	826,515	16,371,920
(386,643)	(705,543)	246,064	433,427
-	-	-	15,145
-	-	37,000	2,477,771
-	-	(367,671)	(2,477,771)
-	-	(330,671)	15,145
(386,643)	(705,543)	(84,607)	448,572
4,601,735	2,262,592	791,691	15,199,114
4,215,092	1,557,049	707,084	15,647,686

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, 2018

Change in fund balances - Total governmental funds (page 25) \$ 448,572

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. Deprecation expense exceeded capital outlay expenditures and contributed capital assets in the current year, as follows:

Expenditures for capital assets	\$ 820,981	
Assets contributed through donations	100,000	
Depreciation expense	<u>(1,280,762)</u>	(359,781)

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. 70,750

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

Property tax	8,101	
Other	<u>14,560</u>	22,661

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 560,600

The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 531,842

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	(26,078)	
OPEB expense	(29,933)	
Pension expense	(636,091)	
Interest on long term debt	<u>70,815</u>	<u>(621,287)</u>

Change in net position of governmental activities (page 19) **\$ 653,357**

See notes to financial statements.

Mills County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

Assets

Cash and pooled investments:

County Treasurer \$ 3,207,716

Other County officials 23,187

Receivables:

Property tax:

Delinquent 77,833

Succeeding year 17,747,000

Special assessments 42,638

Drainage assessments 1,927

Total assets 21,100,301

Liabilities

Accounts payable 9,720

Stamped warrants payable 73,896

Salaries and benefits payable 6,595

Due to other governments 20,978,878

Trusts payable 3,033

Compensated absences 28,179

Total liabilities 21,100,301

Net position \$ -

See notes to financial statements.

Mills County

Notes to Financial Statements

June 30, 2018

(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 911 Service Board and Rolling Prairie Case Management Board. Financial transactions of these organizations are included in the County’s financial statements only to the extent of the County’s fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the programs. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax and tax increment financing receivables represent 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 and tax increment financing receivables have been recorded, the related revenue is reported as deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which they are levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2017.

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. Drainage assessments receivable represent assessments which are due and payable but have not been collected and remaining assessments which are payable but not yet due.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not more than 15 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected. Special assessments receivable represents remaining assessments which are payable but not yet due.

Advance to and Advance from Other Funds – During the year ended June 30, 2018, the Debt Service Fund borrowed funds from the Capital Projects Fund and the balance was still owed at June 30, 2018. Therefore, the balances of the interfund activity have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

Asset Class	Estimated Useful lives (In Years)
Buildings	40 - 50
Improvements	20 - 50
Infrastructure	30 - 50
Equipment	2 - 20
Vehicles	3 - 10
Intangibles	5 - 20

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2018. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the Mills County's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although, certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied, unrecognized items not yet charged to pension and OPEB expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

Fund Balance – 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, 2018, disbursements exceeded the amount budgeted in the debt service function.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2018 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

At June 30, 2018, an escrow agent held U.S. Treasury notes for the County with a carrying amount and fair value of \$4,510,326, which mature through June 1, 2020.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 100,000
	Special Revenue:	
	Rural Services	1,973,100
	Local Option Sales and Services Tax	367,671
		2,440,771
Recorders Record Management	General	37,000
Total		\$ 2,477,771

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

(4) Advance to and Advance from Other Funds

During the year ended June 30, 2018, the Debt Service Fund borrowed \$277,295 from the Capital Projects Fund to make the necessary debt service payments on the County's general obligation debt. The County did not hold the public hearing required by Chapter 331.479 of the Code of Iowa in order to approve this borrowing. In addition, a correcting entry was made for reporting purposes for a \$27,685 error which the County had not corrected at June 30, 2018. Therefore, this is included in the advance to and advance from other funds balance of \$304,980 reported at June 30, 2018.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,006,704	303,586	-	1,310,290
Intangibles, road network	933,140	-	-	933,140
Total capital assets not being depreciated	1,939,844	303,586	-	2,243,430
Capital assets being depreciated:				
Buildings	10,589,273	-	-	10,589,273
Improvements other than buildings	228,225	-	-	228,225
Equipment and vehicles	7,779,584	688,145	376,534	8,091,195
Infrastructure	14,379,704	-	-	14,379,704
Total capital assets being depreciated	32,976,786	688,145	376,534	33,288,397
Less accumulated depreciation for:				
Buildings	1,537,138	216,782	-	1,753,920
Improvements other than buildings	89,826	7,471	-	97,297
Equipment and vehicles	5,103,423	620,711	376,534	5,347,600
Infrastructure	2,485,836	435,798	-	2,921,634
Total accumulated depreciation	9,216,223	1,280,762	376,534	10,120,451
Total capital assets being depreciated, net	23,760,563	(592,617)	-	23,167,946
Governmental activities capital assets, net	\$ 25,700,407	(289,031)	-	25,411,376

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 188,633
Physical health and social services		1,882
County environment and education		93,294
Roads and transportation		867,474
Governmental services to residents		11,795
Administration		<u>117,684</u>
Total depreciation expense - governmental activities		<u>\$ 1,280,762</u>

Equipment costing \$53,000 was purchased under a capital lease purchase agreement. Accumulated depreciation on this equipment totaled \$31,800 at June 30, 2018.

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2018 is as follows:

Fund	Description	Amount
General	Services	\$ 64,363
Special Revenue:		
Mental Health		1,725
Rural Services	Services	1,115
Secondary Roads	Services	<u>131</u>
Total for governmental funds		<u>\$ 67,334</u>
Agency:		
County Assessor	Collections	\$ 1,224,357
Schools		12,288,342
Community Colleges		1,214,421
Corporations		3,449,385
Auto License and Use Tax		455,604
Drainage Districts		1,178,510
All other		<u>1,168,259</u>
Total for agency funds		<u>\$ 20,978,878</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	Storage Appliances Capital Lease Purchase Agreement	General Obligation Bonds	General Obligation Urban Renewal Bonds	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year, as restated	\$ 31,800	15,145,000	390,000	612,725	4,181,666	452,162	20,813,353
Increases	-	-	-	436,100	316,585	-	752,685
Decreases	10,600	460,000	90,000	410,022	-	23,071	993,693
Balance end of year	<u>\$ 21,200</u>	<u>14,685,000</u>	<u>300,000</u>	<u>638,803</u>	<u>4,498,251</u>	<u>429,091</u>	<u>20,572,345</u>
Due within one year	\$ 10,600	545,000	95,000	387,375	-	-	1,037,975

Capital Lease Purchase Agreement

During fiscal year 2016, the County entered into an interest free capital lease purchase agreement to purchase information technology storage appliances with a historical cost of \$53,000. The following is a schedule of the future minimum lease payments under the agreement in effect at June 30, 2018:

Year ending June 30,	Amount
2019	\$ 10,600
2020	10,600
	\$ 21,200

General Obligation Bonds

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

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

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

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

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

Year Ending June 30,	Public Safety Center			Refunding		
	Issued Sept 1, 2013			Issued Oct 26, 2016		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2019	2.00%	\$ 265,000	165,077	3.00%	\$ -	105,715
2020	2.00	4,650,000	159,777	3.00	-	105,715
2021		-	-	3.00	305,000	105,715
2022		-	-	3.00	315,000	96,565
2023		-	-	3.00	325,000	87,115
2024-2028		-	-	2.00-2.05	1,725,000	319,225
2029-2033		-	-	2.05-2.45	1,910,000	134,167
Total		\$ 4,915,000	324,854		\$ 4,580,000	954,217

Year Ending June 30,	Communication Equipment			Total		
	Issued Dec 9, 2016					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2019	3.00%	\$ 280,000	159,805	545,000	430,597	975,597
2020	3.00	285,000	151,405	4,935,000	416,897	5,351,897
2021	3.00	295,000	142,855	600,000	248,570	848,570
2022	3.00	305,000	134,005	620,000	230,570	850,570
2023	3.00	315,000	124,855	640,000	211,970	851,970
2024-2028	3.00	1,720,000	476,825	3,445,000	796,050	4,241,050
2029-2033	3.00-3.40	1,990,000	199,410	3,900,000	333,577	4,233,577
Total		\$ 5,190,000	1,389,160	14,685,000	2,668,231	17,353,231

During the year ended June 30, 2018, \$460,000 of general obligation bonds were retired.

General Obligation Urban Renewal Bonds

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

Year ending June 30,	Interest Rates	Interest		Total
		Principal	Interest	
2019	3.90%	\$ 95,000	11,953	106,953
2020	4.00	100,000	8,200	108,200
2021	4.00	105,000	4,200	109,200
Total		\$ 300,000	24,353	324,353

During the year ended June 30, 2018, \$90,000 of general obligation urban renewal bonds were retired.

(8) Pension Plan

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

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

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

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

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

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

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

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

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

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

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The

actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll, for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.38% of covered payroll, for a total rate of 18.76%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2018 were \$531,842.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the County reported a liability of \$4,498,251 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the County's proportion was 0.067529%, which was an increase of 0.001083% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the County recognized pension expense of \$636,091. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 56,833	59,339
Changes of assumptions	926,300	8,388
Net difference between projected and actual earnings on IPERS' investments	-	58,636
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	40,404	143,952
County contributions subsequent to the measurement date	531,842	-
Total	<u>\$ 1,555,379</u>	<u>270,315</u>

\$531,842 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2019	\$ 59,507
2020	374,163
2021	226,607
2022	25,700
2023	67,245
Total	<u>\$ 753,222</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement as follows:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 8,027,918	4,498,251	1,535,257

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

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2018.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Mills County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>117</u>
Total	<u><u>117</u></u>

Total OPEB Liability – The County's total OPEB liability of \$429,091 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2018)	2.60% per annum.
Rates of salary increase (effective June 30, 2018)	3.25% per annum, including inflation.
Discount rate (effective June 30, 2018)	3.87% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	9.00% initial rate decreasing by .5% annually to an ultimate rate of 5.00%.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.87% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year, as restated	\$ 452,162
Changes for the year:	
Service cost	43,805
Interest	17,358
Differences between expected and actual experiences	(67,467)
Changes in assumptions	5,629
Benefit payments	(22,396)
Net changes	(23,071)
Total OPEB liability end of year	\$ 429,091

Changes of assumptions reflect a change in the discount rate from 3.58% in fiscal year 2017 to 3.87% in fiscal year 2018.

Sensitivity of the County’s Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current discount rate.

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 456,577	429,091	402,853

Sensitivity of the County’s Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County’s total OPEB liability would be it were calculated using healthcare cost trend rates that are 1% lower (8.00%) or 1% higher (10.00%) than the current healthcare cost trend rates.

	1% Decrease (8.00%)	Healthcare Cost Trend Rate (9.00%)	1% Increase (10.00%)
Total OPEB liability	\$ 384,082	429,091	481,262

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the County recognized OPEB expense of \$29,933. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	57,829
Changes in assumptions	4,825	-
Total	<u>\$ 4,825</u>	<u>57,829</u>

The amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30,	Amount
2019	\$ (8,834)
2020	(8,834)
2021	(8,834)
2022	(8,834)
2023	(8,834)
Thereafter	<u>(8,834)</u>
	<u>\$ (53,004)</u>

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 775 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member’s annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool’s general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

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

The County’s property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County’s contributions to the Pool for the year ended June 30, 2018 were \$142,597.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

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

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2018, no liability has been recorded in the County's financial statements. As of June 30, 2018, settled claims have not exceeded the Pool or reinsurance coverage since the Pool's inception.

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

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

(11) Jointly Governed Organization

The County participates in the Rolling Prairie Case Management Board, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. During the year ended June 30, 2018, the Rolling Prairie Case Management Board was dissolved and the remaining balance in the account was paid back to the General Fund.

The following financial data is for the year ended June 30, 2018:

Additions		\$	-
Deductions:			
Payment to General Fund	\$ 166,329		
Medical payment	<u>17,153</u>		<u>183,482</u>
Net			(183,482)
Balance beginning of year			<u>183,482</u>
Balance end of year		\$	<u>-</u>

(12) Development Agreement

The County entered into a development agreement to assist in an urban renewal project under Chapter 403 of the Code of Iowa. The County agreed to rebate 100% of the incremental property tax paid by the developer in exchange for construction of infrastructure by the developer. The incremental property tax received by the County from the developer will be rebated for a period of 11 years or until the total principal and interest have been paid, whichever occurs first. The total amount to be rebated is not to exceed \$545,000, plus interest. During the year ended June 30, 2018, \$74,419 was applied to principal, leaving an outstanding principal balance at June 30, 2018 of \$309,627.

(13) Tax Abatements

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

County Tax Abatements

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

For the year ended June 30, 2018, the County abated \$32,675 of property tax under the urban renewal and economic development projects.

Tax Abatements of Other Entities

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2018 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Glenwood	Urban renewal and economic development projects	\$ 49,007
	Other tax abatement program	222

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

Southwest Iowa MHDS Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E and Chapter 331.390 of the Code of Iowa, includes the following member counties: Cass County, Fremont County, Harrison County, Mills County, Monona County, Montgomery County, Page County, Pottawattamie County and Shelby County. The financial activity of the County’s Special Revenue, Mental Health Fund is included in the Southwest Iowa MHDS Region for the year ended June 30, 2018, as follows:

Revenues:		
Property and other county tax		\$ 422,823
Intergovernmental revenues:		
State tax credits		<u>22,987</u>
Total revenues		445,810
Expenditures:		
General administration:		
Direct administration	100,434	
Distribution to regional fiscal agent	<u>341,412</u>	<u>441,846</u>
Excess of expenditures over revenues		3,964
Fund balance beginning of year		<u>108,909</u>
Fund balance end of year		<u><u>\$ 112,873</u></u>

(15) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	<u>Governmental Activities</u>
Net position June 30, 2017, as previously reported	\$ 21,322,884
Net OPEB obligation measured under previous standards	316,000
Total OPEB liability at June 30, 2017	<u>(452,162)</u>
Net position July 1, 2017, as restated	<u>\$ 21,186,722</u>

(16) Subsequent Event

In July 2018, the County approved entering into a General Obligation Guarantee Agreement in an amount not to exceed \$2,200,000 for the purpose of providing security for a portion of a loan Glen Haven Home, Inc. expects to receive from the United States Department of Agriculture – Rural Development.

Mills County

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, 2018

	Actual	Funds not Required to be Budgeted	Actual
Receipts:			
Property and other county tax	\$ 9,956,553	-	9,956,553
Interest and penalty on property tax	48,657	-	48,657
Intergovernmental	5,424,105	-	5,424,105
Licenses and permits	315,683	-	315,683
Charges for service	497,136	-	497,136
Use of money and property	91,101	-	91,101
Miscellaneous	462,376	203	462,173
Total receipts	16,795,611	203	16,795,408
Disbursements:			
Public safety and legal services	3,442,734	-	3,442,734
Physical health and social services	1,943,668	-	1,943,668
Mental health	441,789	-	441,789
County environment and education	1,356,650	375	1,356,275
Roads and transportation	4,936,083	-	4,936,083
Governmental services to residents	535,809	-	535,809
Administration	1,794,194	-	1,794,194
Nonprogram Current	-	-	-
Debt service	973,551	-	973,551
Capital projects	710,544	-	710,544
Total disbursements	16,135,022	375	16,134,647
Excess (deficiency) of receipts over (under) disbursements	660,589	(172)	660,761
Other financing sources, net	15,145	-	15,145
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	675,734	(172)	675,906
Balance beginning of year	9,843,213	8,340	9,834,873
Balance end of year	\$ 10,518,947	8,168	10,510,779

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
10,073,948	10,073,948	(117,395)
55,848	55,848	(7,191)
5,155,297	5,595,896	(171,791)
217,800	228,200	87,483
430,563	430,563	66,573
85,654	85,654	5,447
70,338	87,838	374,335
16,089,448	16,557,947	237,461
3,624,724	3,671,399	228,665
2,132,472	2,192,472	248,804
441,987	441,987	198
1,580,359	1,629,144	272,869
6,784,732	6,984,732	2,048,649
569,647	581,375	45,566
1,632,349	2,103,392	309,198
-	146,934	146,934
646,991	646,991	(326,560)
3,620,000	3,625,000	2,914,456
21,033,261	22,023,426	5,888,779
(4,943,813)	(5,465,479)	6,126,240
-	(5,000)	20,145
(4,943,813)	(5,470,479)	6,146,385
9,018,709	9,018,709	816,164
4,074,896	3,548,230	6,962,549

Mills County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2018

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 16,795,611	9,736	16,805,347
Expenditures	16,135,022	236,898	16,371,920
Net	660,589	(227,162)	433,427
Other financing sources, net	15,145	-	15,145
Beginning fund balances	9,843,213	5,355,901	15,199,114
Ending fund balances	<u>\$ 10,518,947</u>	<u>5,128,739</u>	<u>15,647,686</u>

See accompanying independent auditor's report.

Mills County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2018

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$990,165. 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 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2018, disbursements exceeded the amount budgeted in the debt service function.

Mills County

Mills County

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

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

Required Supplementary Information

	2018	2017	2016	2015
County's proportion of the net pension liability	0.067529%	0.66446%	0.66662%	0.67327%
County's proportionate share of the net pension liability	\$ 4,498	4,182	3,293	2,670
County's covered payroll	\$ 5,828	5,519	5,450	5,290
County's proportionate share of the net pension liability as a percentage of its covered payroll	77.18%	75.77%	60.42%	50.47%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

Mills County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 532	530	502	500
Contributions in relation to the statutorily required contribution	<u>(532)</u>	<u>(530)</u>	<u>(502)</u>	<u>(500)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 5,876	5,828	5,519	5,450
Contributions as a percentage of covered payroll	9.05%	9.09%	9.10%	9.17%

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

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
478	460	419	359	331	302
(478)	(460)	(419)	(359)	(331)	(302)
-	-	-	-	-	-
5,290	5,189	5,021	*	4,837	4,610
9.04%	8.86%	8.34%	*	6.84%	6.55%

Mills County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2018

Changes of benefit terms:

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

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

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

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

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

Mills County

Schedule of Changes in the County's
Total OPEB Liability, Related Ratios and Notes

For the Current Year
Required Supplementary Information

	<u>2018</u>
Service cost	\$ 43,805
Interest cost	17,358
Difference between expected and actual experiences	(67,467)
Changes in assumptions	5,629
Benefit payments	<u>(22,396)</u>
Net change in total OPEB liability	<u>(23,071)</u>
Total OPEB liability beginning of year, as restated	<u>452,162</u>
Total OPEB liability end of year	<u>\$ 429,091</u>
Covered-employee payroll	\$ 5,485,228
Total OPEB liability as a percentage of covered-employee payroll	7.8%

Notes to Schedule of Changes in the County's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2018	3.87%
Year ended June 30, 2017	3.58%

Mills County

Supplementary Information

Mills County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2018

	Local Option Sales and Services Tax	Resource Enhancement and Protection	Special County Recorder's Records Management
Assets			
Cash and pooled investments	\$ 51,578	13,374	998
Receivables:			
Succeeding year tax increment financing	-	-	-
Due from other governments	50,188	-	-
Total assets	\$ 101,766	13,374	998
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Salaries and benefits payable	\$ -	-	-
Total liabilities	-	-	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year tax increment financing	-	-	-
Fund balances:			
Restricted for:			
Drainage warrants/drainage improvement certificates	-	-	-
Debt service	-	-	-
Other purposes	101,766	13,374	998
Total fund balances	101,766	13,374	998
Total liabilities, deferred inflows of resources and fund balances	\$ 101,766	13,374	998

See accompanying independent auditor's report.

Revenue			
Urban Renewal Revenue	County Conservation	Drainage District	Total
382,356	201,526	8,168	658,000
435,000	-	-	435,000
-	-	-	50,188
<u>817,356</u>	<u>201,526</u>	<u>8,168</u>	<u>1,143,188</u>
-	1,104	-	1,104
-	1,104	-	1,104
<u>435,000</u>	-	-	<u>435,000</u>
-	-	8,168	8,168
382,356	-	-	382,356
-	200,422	-	316,560
<u>382,356</u>	<u>200,422</u>	<u>8,168</u>	<u>707,084</u>
<u>817,356</u>	<u>201,526</u>	<u>8,168</u>	<u>1,143,188</u>

Mills County

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

Year ended June 30, 2018

	Local Option Sales and Services Tax	Resource Enhancement and Protection	Special County Recorder's Records Management
Revenues:			
Local option sales and services tax	\$ 601,806	-	-
Tax increment financing	-	-	-
Intergovernmental	-	10,908	-
Charges for service	-	-	2,783
Use of money and property	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>601,806</u>	<u>10,908</u>	<u>2,783</u>
Expenditures:			
Operating:			
County environment and education	392,315	800	-
Governmental services to residents	-	-	39,292
Debt service	-	-	-
Total expenditures	<u>392,315</u>	<u>800</u>	<u>39,292</u>
Excess (deficiency) of revenues over (under) expenditures	<u>209,491</u>	<u>10,108</u>	<u>(36,509)</u>
Other financing sources (uses):			
Transfers in	-	-	37,000
Transfers out	<u>(367,671)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(367,671)</u>	<u>-</u>	<u>37,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(158,180)	10,108	491
Fund balances beginning of year	<u>259,946</u>	<u>3,266</u>	<u>507</u>
Fund balances end of year	<u>\$ 101,766</u>	<u>13,374</u>	<u>998</u>

See accompanying independent auditor's report.

Revenue				
Urban Renewal Revenue	County Conservation	Drainage District		Total
-	-	-		601,806
372,942	-	-		372,942
19,212	-	-		30,120
-	-	-		2,783
-	64,725	-		64,725
-	-	203		203
392,154	64,725	203		1,072,579
239,748	48,272	375		681,510
-	-	-		39,292
105,713	-	-		105,713
345,461	48,272	375		826,515
46,693	16,453	(172)		246,064
-	-	-		37,000
-	-	-		(367,671)
-	-	-		(330,671)
46,693	16,453	(172)		(84,607)
335,663	183,969	8,340		791,691
382,356	200,422	8,168		707,084

Mills County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,463	908,692	74,288	7,456
Other County officials	23,187	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	974	1,834	50,054	4,965
Succeeding year	-	231,000	332,000	12,164,000	1,202,000
Special assessments	-	-	-	-	-
Drainage assessments	-	-	-	-	-
Total assets	\$ 23,187	233,437	1,242,526	12,288,342	1,214,421
Liabilities					
Accounts payable	\$ -	-	-	-	-
Stamped warrants payable	-	-	-	-	-
Salaries and benefits payable	-	-	4,331	-	-
Due to other governments	20,154	233,437	1,224,357	12,288,342	1,214,421
Trusts payable	3,033	-	-	-	-
Compensated absences	-	-	13,838	-	-
Total liabilities	\$ 23,187	233,437	1,242,526	12,288,342	1,214,421

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Drainage Districts	City Special Assessments	Other	Total
7,774	1,765	455,604	1,250,479	4,064	496,131	3,207,716
-	-	-	-	-	-	23,187
18,611	1,383	-	-	-	12	77,833
3,423,000	392,000	-	-	-	3,000	17,747,000
-	-	-	-	42,638	-	42,638
-	-	-	1,927	-	-	1,927
3,449,385	395,148	455,604	1,252,406	46,702	499,143	21,100,301
-	-	-	-	-	9,720	9,720
-	-	-	73,896	-	-	73,896
-	-	-	-	-	2,264	6,595
3,449,385	395,148	455,604	1,178,510	46,702	472,818	20,978,878
-	-	-	-	-	-	3,033
-	-	-	-	-	14,341	28,179
3,449,385	395,148	455,604	1,252,406	46,702	499,143	21,100,301

Mills County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 16,860	232,552	1,329,927	11,840,152	1,204,487
Additions:					
Property and other county tax	-	231,761	334,702	12,206,756	1,206,456
911 surcharges	-	-	-	-	-
State tax credits	-	12,431	23,404	644,132	64,181
Office fees and collections	413,874	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	648,956	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	1,062,830	244,192	358,106	12,850,888	1,270,637
Deductions:					
Agency remittances:					
To other funds	263,304	-	-	-	-
To other governments	144,314	243,307	445,507	12,402,698	1,260,703
Trusts paid out	648,885	-	-	-	-
Total deductions	1,056,503	243,307	445,507	12,402,698	1,260,703
Balances end of year	\$ 23,187	233,437	1,242,526	12,288,342	1,214,421

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Drainage Districts	City Special Assessments	Other	Total
3,513,102	397,552	386,798	1,215,946	60,763	516,814	20,714,953
3,288,756	397,500	-	-	-	209,033	17,874,964
-	-	-	-	-	375,605	375,605
309,394	17,118	-	-	-	153	1,070,813
-	-	-	-	-	2,783	416,657
-	-	5,877,471	-	-	-	5,877,471
-	-	-	356,637	26,848	316,571	700,056
-	-	-	-	-	-	648,956
225	-	-	2,131	-	261,582	263,938
3,598,375	414,618	5,877,471	358,768	26,848	1,165,727	27,228,460
-	-	215,468	-	-	-	478,772
3,662,092	417,022	5,593,197	248,412	40,909	1,181,384	25,639,545
-	-	-	-	-	2,014	650,899
3,662,092	417,022	5,808,665	248,412	40,909	1,183,398	26,769,216
3,449,385	395,148	455,604	1,326,302	46,702	499,143	21,174,197

Mills County

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

For the Last Ten Years

	2018	2017	2016	Modified 2015
Revenues:				
Property and other county tax	\$ 8,980,757	7,671,724	7,722,247	7,624,136
Local option sales and services tax	601,806	643,362	584,360	619,091
Tax increment financing	372,942	364,305	161,342	268,005
Interest and penalty on property tax	48,683	64,784	54,095	60,206
Intergovernmental	5,473,533	5,084,348	5,597,956	4,987,426
Licenses and permits	316,849	327,843	214,365	269,393
Charges for service	496,126	516,350	434,180	454,886
Use of money and property	132,354	120,254	99,667	107,617
Miscellaneous	382,297	251,967	242,923	271,703
Total	\$ 16,805,347	15,044,937	15,111,135	14,662,463
Expenditures:				
Operating:				
Public safety and legal services	\$ 3,448,741	3,298,526	3,167,497	2,921,757
Physical health and social services	2,118,573	1,592,938	1,723,112	1,643,560
Mental health	441,846	397,124	491,072	2,064,325
County environment and education	1,363,054	1,213,925	1,350,658	814,524
Roads and transportation	4,853,258	5,658,872	5,075,898	4,555,966
Governmental services to residents	535,830	491,575	534,660	519,112
Administration	1,820,808	1,504,490	1,401,177	1,336,065
Non-program	-	-	-	-
Debt service	1,079,267	634,356	538,533	535,436
Capital projects	710,543	3,055,015	1,233,204	1,775,918
Total	\$ 16,371,920	17,846,821	15,515,811	16,166,663

See accompanying independent auditor's report.

Accrual Basis					
2014	2013	2012	2011	2010	2009
7,177,383	7,111,905	5,785,015	5,829,630	5,533,676	5,901,680
681,917	582,008	516,513	406,971	418,679	446,670
331,333	327,346	236,249	98,324	197,039	209,865
55,716	57,438	58,135	62,022	64,921	74,311
4,768,950	4,023,918	5,051,206	6,035,709	5,269,080	5,264,779
145,625	152,074	108,979	132,157	126,243	95,701
440,482	586,775	524,479	440,925	387,235	420,547
99,148	97,548	108,233	127,336	76,719	192,208
196,523	283,602	163,646	154,347	137,050	417,523
13,897,077	13,222,614	12,552,455	13,287,421	12,210,642	13,023,284
2,605,007	2,743,769	3,018,797	2,473,453	2,181,402	2,059,957
1,573,212	1,464,118	1,536,182	1,481,869	1,542,707	1,619,650
190,359	220,272	1,587,707	1,401,997	1,263,742	1,436,988
1,658,505	758,330	768,899	629,451	681,949	548,126
4,647,326	4,873,610	4,335,990	5,353,500	4,849,650	4,317,783
478,780	609,265	451,536	423,851	448,367	440,000
1,169,434	1,419,687	1,354,660	1,076,516	1,240,416	1,125,819
-	-	-	-	8,070	6,590
522,265	106,170	103,690	100,980	-	-
4,415,035	1,757,272	4,994	542,808	5,141	62,340
17,259,923	13,952,493	13,162,455	13,484,425	12,221,444	11,617,253

Mills County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

Grantor/Program	CFDA Number	Pass-through Entity Identifying Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
SNAP Cluster:			
State Administrative Matching Grants for the Supplement Nutrition Assistance Program	10.561		\$ 12,062
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	13-NDRI-008	307,769
U.S. Department of Transportation:			
Iowa Department of Public Safety - Governor's Traffic Safety Bureau:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	PAP 19-402-MOOP, Task 30-80-00	4,415
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements			
	93.074	5888BT07	444,981
Immunization Cooperative Agreements	93.268	58881455	4,253
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered Programs			
	93.566		17
CCDF Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		3,275
Foster Care - Title IV-E	93.658		4,411
Adoption Assistance	93.659		1,421
Social Services Block Grant	93.667		3,600
Children's Health Insurance Program	93.767		89
Medicaid Cluster:			
Medical Assistance Program	93.778		19,601
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Emergency Management Performance Grants	97.042	EMPG-17-PT-65	24,519
Total			\$ 830,413

Mills County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

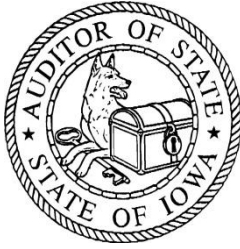
Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Mills County under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Mills County, it is not intended to and does not present the financial position, changes in financial position or cash flows of Mills County.

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

Indirect Cost Rate – Mills County has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

Mills County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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

To the Officials of Mills County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mills County, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 13, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-18 through II-C-18 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-D-18 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mills County's Responses to the Findings

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

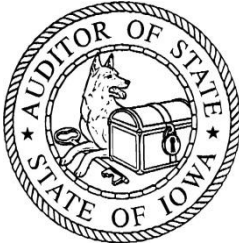
Purpose of this Report

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

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


Marlys K. Gaston, CPA
Deputy Auditor of State

June 13, 2019



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

To the Officials of Mills County:

Report on Compliance for Each Major Federal Program

We have audited Mills County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2018. Mills County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Mills County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mills County's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Mills County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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


Marlys K. Gaston, CPA
Deputy Auditor of State

June 13, 2019

Mills County
Schedule of Findings and Questioned Costs
Year ended June 30, 2018

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no instances of non-compliance which were required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was CFDA Number 93.074 – Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Mills County did not qualify as a low-risk auditee.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-18 Segregation of Duties

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

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

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

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

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

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

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

Responses –

Treasurer – We are a small office with three people signing checks. We try to have someone else reconcile the day when another person signs the checks. Our office is not cross trained (something we are working on at this time) so it is extremely difficult to have someone else balance the day. We do try to segregate the duties, so we have a checks and balance system in place.

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

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

Conservation – Due to limited staffing, our options are limited. However, we will review office procedures and attempt to maximize the best internal control, and whenever possible, use other personnel, including elected officials to add control measures. We are currently trying the use of Employee A to empty the camp post, Employee B to record the camping money and Employee C to deposit the money. This may not work in all situations due to limited staffing on weekends but will try our best in most situations.

Conclusion – Responses acknowledged. Each office should continue to review and monitor control activities to obtain the maximum internal control possible.

II-B-18 Financial Reporting

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

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

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

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

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

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

Response – The County will make sure the payables and receivables are identified, coded and properly reported in the County’s financial statements.

Conclusion – Response accepted.

II-C-18 Bank Reconciliations

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

Condition – Reconciliations of the Treasurer’s general ledger to the bank were not performed monthly, which resulted in variances at June 30, 2018. The resulting variances were not properly investigated and resolved in a timely manner.

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

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

Recommendation – Monthly bank reconciliations should be performed and variances between book and bank balances should be investigated and resolved in a timely manner to improve financial accountability and control. In addition, the reconciliations should be reviewed by an independent person and should be documented by the signature or initials of the independent reviewer and the date of review.

Response – The County Auditor’s Office checks our bank statements at the end of each month when we reconcile our monthly statements. We have struggled with investments as interest had not been added to the accounts for several years. I am in the process of trying to combine several CDs so we do not have the magnitude when trying to reconcile each month. I am also implementing having the interest on CDs roll into the CD instead of receiving a physical check. We still have a balancing account that we had to use years ago to try to get us into balance. I need to talk to Solutions (our software company) to see what we can do with the account.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

We are trying to get on top of several things banking and investment wise which have been sorely neglected. It is a work in progress. As I stated above we are trying to combine CDs in an attempt streamline our investments.

Conclusion – Response accepted.

II-D-18 Current and Delinquent Property Tax Reconciliations

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

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

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

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

Recommendation – Current and delinquent property tax reconciliations should be prepared timely. This is a repeat comment.

Response – I have been in contact with other County Treasurers on the delinquent report. I am trying to come up with an efficient way to track our delinquent taxes. As a new Treasurer there were several things that I was not aware that we needed to do.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-18 Certified Budget – Disbursements during the year ended June 30, 2018 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 – The County will make sure an amendment is done before disbursements exceed the budget.

Conclusion – Response accepted.

IV-B-18 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-18 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees exceeded set reimbursement rate.

IV-D-18 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Carol Vinton, Board of Supervisors, father-in-law is owner of Vinton Fertilizer & Equipment, Inc.	Chemicals/Herbicide/ Pathway	\$ 4,486
Julie Lynes, Public Health Supervisor, husband is an independent contractor	Family centered services	1,385
Sara Ingoldsby, daughter of Election Assistant	Election Worker	919
John Ingoldsby, husband of Election Assistant	Election Worker	654
Kathren M. Dix, mother of former Treasurer	Election Worker	483
Karen O'Dell, sister of Public Health Director, Independent contractor	Training instruction	430
Lacey Jackson, granddaughter of County Auditor	Election Worker	25

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

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

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

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

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

Conclusion – Response accepted.

IV-E-18 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-18 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-18 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-18 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-18 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, 2018 for the County Extension Office did not exceed the amount budgeted in Exhibits A or B.

IV-J-18 Tax Increment Financing (TIF) – For the year ended June 30, 2018, the County Auditor did not prepare a reconciliation for each urban renewal area within each City which reconciles TIF receipts with total outstanding TIF debt.

Recommendation – In accordance with Chapter 403.19(6)(a)(1) of the Code of Iowa, the County Auditor is, “to provide for the division of taxes in each subsequent year without further certification until the amount of the loans, advances, indebtedness, or bonds is paid to the special fund.” To assist in meeting this requirement, the County Auditor should prepare a reconciliation of each urban renewal area's TIF receipts and TIF debt certified.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Response – The County Auditor will have a completed authorized form for reconciliation of the TIF receipts and TIF debt of the urban renewal outstanding debt.

Conclusion – Response accepted.

- IV-K-18 Tax Increment Financing – LMI Set Aside – The County’s development agreement provides for a 37.2% set aside for low and moderate income (LMI) housing assistance. As of June 30, 2018, the County has not set aside any funds for LMI housing assistance.

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

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

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

- IV-L-18 Noncurrent Advance To/From Other Funds – On May 29, 2018, the Board approved an advance from the Capital Projects Fund to the Debt Service Fund. However, the County did not publish notice of or hold a public hearing prior to authorizing the advance as noncurrent debt as required by Chapters 331.478 and 331.479 of the Code of Iowa.

Recommendation – The County should comply with Chapters 331.478 and 331.479 of the Code of Iowa when entering into future noncurrent debt obligations.

Response – The County will make sure a public hearing is set up and held for future compliance under Chapters 331.478 and 331.479 of the Code of Iowa.

Conclusion – Response accepted.

- IV-M-18 Tax Increment Financing – Chapter 403.19(10)(b) of the Code of Iowa provides moneys in the Special Revenue, Tax Increment Financing (TIF) Fund shall not be used for any purpose except for the payment of loans, advances, indebtedness or bonds which qualify for payment from the TIF Fund. During the year ended June 30, 2018, the County paid \$165,329 of project costs from the TIF Fund. These costs do not represent TIF obligations and, accordingly, are not an allowable use of tax increment financing receipts.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Recommendation – The County should reimburse the TIF Fund from an allowable fund, such as the General Fund, for the project costs. If disbursements are for a qualified TIF project, the County may approve an advance (interfund loan) from the General Fund to the TIF Fund and certify the advance as a TIF obligation for future collection of TIF receipts and reimbursement to the General Fund to repay the advance.

Response – The County will make sure that proper understanding of the TIF laws under Chapter 403.19(10(b) of the Code of Iowa will be followed in the future.

Conclusion – Response accepted.

Mills County

Staff

This audit was performed by:

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