



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

Contact: Ernest Ruben
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FOR RELEASE

October 27, 2023

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

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$29,408,731 for the year ended June 30, 2022, a 25.3% decrease from the prior year. Expenses for County operations for the year ended June 30, 2022 totaled \$19,751,238, a 29.2% decrease from the prior year. The significant decrease in revenues is primarily due to decreased FEMA and CDBG reimbursements. The significant decrease in expenses is primarily due to projects related to the March 2019 flooding nearing completion.

AUDIT FINDINGS:

Sand reported eight findings relating to the receipt and expenditure of taxpayer funds. They are found on pages 90 through 97 of this report. The findings address issues such as a lack of segregation of duties, adjustments needed to properly record receivables, payables and capital asset additions in the County's financial statements, lack of current and delinquent property tax reconciliations, disbursements exceeding budgeted amounts and noncompliance with Chapter 403 of the Code of Iowa pertaining to the proper use of tax increment financing revenues. Sand provided the County with recommendations to address each of these findings.

All of the findings discussed above are repeated from the prior year. The County Board of Supervisors and other County officials have a fiduciary responsibility to provide oversight of the County's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's website at [Audit Reports – Auditor of State](#).

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MILLS COUNTY

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

JUNE 30, 2022

Mills County



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Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

September 22, 2023

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, 2022. 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 my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

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Mills County

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|----------------------|----------------------|---------------------|
| Richard Crouch | Board of Supervisors | Jan 2023 |
| Lonnie Mayberry | Board of Supervisors | Jan 2025 |
| Carol Vinton | Board of Supervisors | Jan 2025 |
| Carol Robertson | County Auditor | Jan 2025 |
| Jill Ford | County Treasurer | Jan 2023 |
| Lu Anne Christiansen | County Recorder | Jan 2023 |
| Travis Oetter | County Sheriff | Jan 2025 |
| Naeda Elliott | County Attorney | Jan 2023 |
| Christina Govig | County Assessor | Jan 2028 |



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Independent Auditor's Report

To the Officials of Mills County:

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Mills County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 14 to the financial statements, Mills County adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mills County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mills County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mills County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability (Asset), the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 8 through 15 and 60 through 69 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who 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 GAAS, 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.

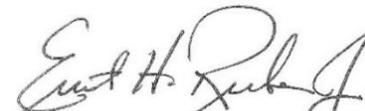
Supplementary Information

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, 2021 (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.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the supplementary information in Schedules 1 through 6 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 September 22, 2023 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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

September 22, 2023

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, 2022. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2022 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement (GASBS) No. 87, Leases, during fiscal year 2022. The implementation of this standard revised certain asset and liability accounts related to leases, however had no effect on the beginning net position for governmental activities.
- Revenues of the County's governmental activities decreased 25.3%, or approximately \$10,000,000, from fiscal year 2021 to fiscal year 2022. Operating grants, contributions and restricted interest decreased approximately \$8,067,000 due to less FEMA and CDBG reimbursements from the March 2019 flooding because recovery is near completion.
- Program expenses of the County's governmental activities decreased 29.2%, or approximately \$8,129,000, in fiscal year 2022 compared to fiscal year 2021. County environment and education expenses decreased approximately \$6,129,000, or 66.8%, and administration expenses decreased approximately \$715,000, or 19.0%. Both decreases were primarily due to decreased expenses related to the March 2019 flooding.
- The County's net position increased 24.2%, or approximately \$9,657,000, from June 30, 2021 to June 30, 2022.

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 (Custodial 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 (asset) 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 Custodial Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, 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 three 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) A proprietary fund accounts for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3) 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 Custodial 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 Net Position and a Statement of Changes in Fiduciary Net Position.

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 2022 totaled approximately \$49.6 million. The analysis that follows focuses on the changes in the net position of governmental activities.

| Net Position of Governmental Activities | | |
|---|----------------------|------------------------|
| | June 30, | |
| | 2022 | 2021 (Not Restated) |
| Current and other assets | \$ 28,726,621 | 25,654,563 |
| Capital assets | 48,036,372 | 41,911,057 |
| Total assets | <u>76,762,993</u> | <u>67,565,620</u> |
| Deferred outflows of resources | 924,264 | 1,314,750 |
| Long-term liabilities | 10,570,348 | 16,168,260 |
| Other liabilities | 1,870,247 | 1,072,686 |
| Total liabilities | <u>12,440,595</u> | <u>17,240,946</u> |
| Deferred inflows of resources | 15,672,918 | 11,723,173 |
| Net position: | | |
| Invested in capital assets | 41,051,567 | 34,281,885 |
| Restricted | 10,119,195 | 7,930,163 |
| Unrestricted | <u>(1,597,018)</u> | <u>(2,295,797)</u> |
| Total net position | <u>\$ 49,573,744</u> | <u>39,916,251</u> |

Net position of Mills County's governmental activities increased 24.2% (approximately \$49.6 million compared to approximately \$39.9 million).

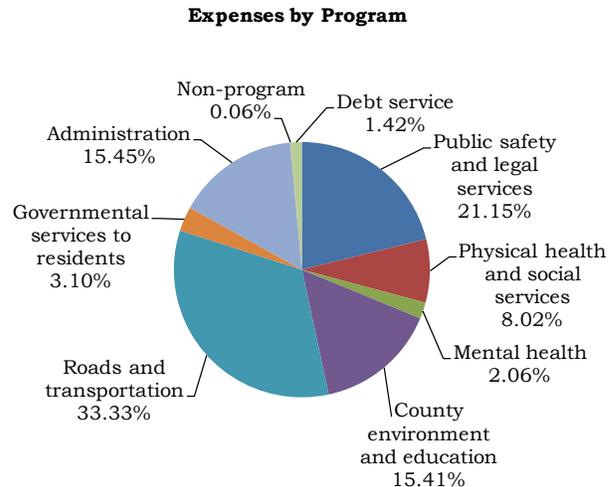
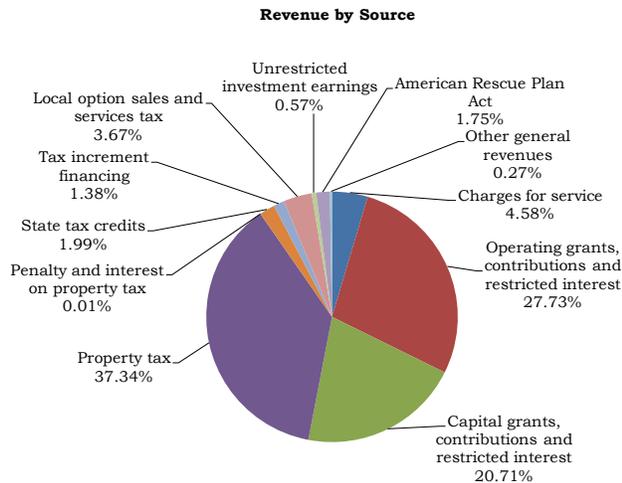
The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. This net position category increased approximately \$6,770,000, or 19.8%, over the prior year. This increase is primarily due to infrastructure contributed by the Iowa Department of Transportation.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category increased approximately \$2,189,000, or 27.6%, over the prior year. This increase in restricted net position resulted primarily from balances in the Special Revenue, Secondary Roads Fund and an increase in the supplemental levy balance.

Unrestricted net position, the part of net position which can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from a deficit balance of approximately \$2,296,000 at June 30, 2021 to a deficit of approximately \$1,597,000 at the end of this year. The deficit is attributed to the County reporting the net pension liability (asset) and total OPEB liability and for issuing debt for communication equipment not capitalized by the County.

Changes in Net Position of Governmental Activities

| | Year ended June 30, | |
|---|----------------------|------------------------|
| | 2022 | 2021 (Not Restated) |
| Revenues: | | |
| Program revenues: | | |
| Charges for service | \$ 1,347,242 | 1,862,434 |
| Operating grants, contributions and restricted interest | 8,154,842 | 16,221,637 |
| Capital grants, contributions and restricted interest | 6,090,850 | 8,239,513 |
| General revenues: | | |
| Property tax | 10,983,543 | 10,274,082 |
| Penalty and interest on property tax | 3,638 | 77,459 |
| State tax credits | 584,015 | 567,157 |
| Tax increment financing | 404,468 | 647,037 |
| Local option sales and services tax | 1,078,929 | 1,066,207 |
| Unrestricted investment earnings | 166,936 | 245,284 |
| Gain on disposal of capital assets | - | 165,949 |
| American Rescue Plan Act | 515,765 | - |
| Other general revenues | 78,503 | 19,584 |
| Total revenues | 29,408,731 | 39,386,343 |
| Program expenses: | | |
| Public safety and legal services | 4,178,125 | 4,394,436 |
| Physical health and social services | 1,585,024 | 1,711,485 |
| Mental health | 407,422 | 377,629 |
| County environment and education | 3,043,770 | 9,172,759 |
| Roads and transportation | 6,579,817 | 7,482,723 |
| Governmental services to residents | 612,604 | 667,524 |
| Administration | 3,051,972 | 3,766,555 |
| Non-program | 11,129 | 10,242 |
| Debt service | 281,375 | 296,836 |
| Total expenses | 19,751,238 | 27,880,189 |
| Change in net position | 9,657,493 | 11,506,154 |
| Net position beginning of year | 39,916,251 | 28,410,097 |
| Net position end of year | \$ 49,573,744 | 39,916,251 |



Mills County increased the rural services property tax levy rate by \$0.17789 per \$1,000 taxable valuation for fiscal year 2022 and increased the county-wide property tax levy rate \$0.25411 per \$1,000 of taxable valuation for the fiscal year 2022. The general supplemental levy rate increased \$0.31906 per \$1,000 of taxable valuation from fiscal year 2021 to fiscal year 2022. The mental health levy rate decreased \$0.05941 per \$1,000 of taxable valuation. The county-wide assessed property taxable valuation increased approximately \$22,000,000 from fiscal year 2021 to fiscal year 2022 and the rural assessed property taxable valuation increased approximately \$24,000,000 from fiscal year 2021 to fiscal year 2022. The debt service levy rate decreased \$0.00554 per \$1,000 of taxable valuation. The general basic levy remained at \$3.50000 per \$1,000 of taxable valuation. These changes resulted in an overall increase in property tax revenue of approximately \$709,000, or 6.9%, over the prior year.

Charges for service decreased approximately \$515,000, or 27.6%, due to a decrease in soil extractions performed during 2021 as a result of flooding in March 2019. Operating grants, contributions and restricted interest decreased approximately \$8,067,000, or 49.7%, due to less FEMA and CDBG reimbursements related to projects from the March 2019 flooding. Capital grants, contributions and restricted interest decreased approximately \$2,149,000, or 26.1%, due to less land purchased with federal grants as a result of the March 2019 flooding as the projects near completion.

The cost of all governmental activities this year was approximately \$19.8 million compared to approximately \$27.9 million last year. However, as shown in the Statement of Activities on page 21, the amount taxpayers ultimately financed for these activities was approximately \$4.2 million because some of the cost was paid by those who directly benefited from the programs (approximately \$1,347,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$14,246,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2022 from approximately \$26,324,000 to approximately \$15,593,000, primarily due to decreased federal funds.

INDIVIDUAL MAJOR FUND ANALYSIS

As Mills County completed the year, its governmental funds reported a combined fund balance of approximately \$13.6 million, an increase of approximately \$3.0 million over last year's total of approximately \$10.6 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 2022 with a balance of \$5,876,210. This is an increase of \$1,569,044 over the fiscal year 2021 ending balance. Revenues decreased approximately \$5,674,000 from fiscal year 2021, primarily due to a decrease in CDBG grant funding and flood recovery funds received for Spring 2019 flood damages received in 2021. Expenditures decreased approximately \$7,268,000 from fiscal year 2021, primarily due to a decrease in county environment and education for property acquisitions related to the CDBG disaster resiliency project.

Special Revenue, Mental Health Fund revenues totaled \$324,157, a decrease of approximately \$59,000, or 15.5% from the prior year. Expenditures totaled \$450,436, an increase of approximately \$76,000, or 20.2%, over the prior year, primarily due to the elimination of this fund at June 30, 2022. The County was required by Senate File 619 to transfer the remaining fund balance to the Southwest Iowa Mental Health Region prior to June 30, 2022.

The Special Revenue, Rural Services Fund ended fiscal year 2022 with a fund balance of \$1,221,965 compared to the fiscal year 2021 ending fund balance of \$1,114,097. Revenues increased \$227,471 over fiscal year 2021, with property and other county tax increasing approximately \$246,000 as a result of the increased property valuation and a decrease in licenses and permits of approximately \$8,000. Expenditures decreased approximately \$6,000 from fiscal year 2021.

The Special Revenue, Secondary Roads Fund ended fiscal year 2022 with a fund balance of \$4,238,563 compared to the fiscal year 2021 ending fund balance of \$3,076,997. Secondary Roads Fund revenues decreased \$933,448 from the fiscal year 2021 amounts due to a decrease in soil extraction permits. Expenditures decreased \$2,034,531 from fiscal year 2021, primarily due to less expenditures for the construction of a new secondary roads shop.

At year end, the Debt Service fund balance was \$157,429 compared to the prior year ending fund balance of \$148,972, a decrease of \$8,457. The increase is due to the property tax revenues being slightly greater than the debt service payments during fiscal year 2022.

The Capital Projects Fund ended fiscal year 2022 with a fund balance of \$93,482 which is no change in fund balance from 2021. The County continues to use prior year bond proceeds for the purchase of emergency services communication equipment.

BUDGETARY HIGHLIGHTS

Over the course of the year, Mills County amended its budget two times. The first amendment was made on October 26, 2021 and resulted in an increase in budgeted intergovernmental receipts from ARPA funds and CDBG flood buyout reimbursements. Disbursements in the public safety and legal services, physical health and social services, county environment and education, government services to residents, administration and capital projects functions increased due to budgeted disbursements from the previous fiscal year that were carried forward to the current year, disbursements related to ARPA funds and CDBG flood buyout disbursements. The second amendment was made on June 21, 2022 and resulted in an increase to miscellaneous receipts for grant funds to support public health disbursements and sale proceeds from 2 sheriff vehicles. Disbursements in the public safety and legal services, physical health and social services and administration functions increased as a result of increased fuel costs, a new lock system for the jail and a disbursements payout of unused vacation balance for a retirement.

The County's actual receipts were \$13,048,221 less than the amended budget, a variance of 31.7%. The County received \$13,506,355 less than budgeted for intergovernmental revenues primarily related to spending less on property acquisitions related to the March 2019 flood damage, which reduced the amount of FEMA reimbursements received.

Total actual disbursements were \$19,683,876 less than the amended budget, a variance of 45.6%. Actual disbursements for the county environment and education and administration functions were under the amended budget by \$14,627,898 and \$3,287,856, respectively. This was primarily due to capital and disaster recovery projects wrapping up in 2022.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, Mills County had approximately \$48.0 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$6,091,009, or 14.5%, over last year.

| Capital Assets of Governmental Activities at Year End | | |
|--|----------------------|-------------------------|
| | June 30, | |
| | 2022 | 2021 (As Restated) * |
| Land | \$ 4,214,120 | 3,847,951 |
| Intangibles, road network | 933,140 | 933,140 |
| Construction in progress | 1,073,351 | 8,708,818 |
| Buildings | 13,520,744 | 8,615,244 |
| Improvements other than buildings | 115,577 | 118,204 |
| Equipment and vehicles | 4,330,156 | 2,755,895 |
| Right-to-use leased equipment | 16,982 | 34,306 |
| Infrastructure, other | 23,832,302 | 16,931,805 |
| Total | <u>\$ 48,036,372</u> | <u>41,945,363</u> |
| This year's major additions included: | | |
| Secondary roads, public health, IT and conservation vehicles and equipment | \$ 584,952 | |
| Capital assets contributed by other entities | 5,441,414 | |
| Land | 366,169 | |
| Courthouse improvements | 19,264 | |
| Fiber network improvements | 967,028 | |
| Jail control/intercom improvements | 59,089 | |
| Emergency management equipment upgrade | 107,637 | |
| Secondary roads shop | 269,243 | |
| Astro Building shop conversion | 172,185 | |
| Total | <u>\$ 7,986,981</u> | |

* Beginning capital assets were restated to implement GASB Statement No. 87, Leases.

The County had depreciation expense of \$1,890,070 in fiscal year 2022 and total accumulated depreciation of \$14,944,948 at June 30, 2022.

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

Long-Term Debt

At June 30, 2022, Mills County had \$9,522,884 of long-term debt outstanding compared to \$10,398,920 of outstanding long-term debt at June 30, 2021, as shown below.

| | Outstanding Debt of Governmental Activities at Year End | |
|--|---|-----------------------|
| | June 30, | |
| | 2022 | 2021 (As Restated) |
| Lease agreements | \$ 17,193 | 34,306 |
| Equipment purchase agreement | 55,691 | 69,614 |
| General obligation bonds | 7,985,000 | 8,605,000 |
| General obligation urban renewal revenue bonds | 1,465,000 | 1,690,000 |
| Total | \$ 9,522,884 | 10,398,920 |

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 \$83.0 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 2023 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County stands at 2.2% at June 30, 2022 versus 3.7% a year ago. This compares with the State's unemployment rate of 2.6% and the national rate of 3.6% at June 30, 2022.

These indicators were taken into account when adopting the budget for fiscal year 2023. Revenues in the operating budget are \$20,242,750, a decrease of 50.8% from the final fiscal year 2022 budget. Property tax slightly decreased due to a decrease in property tax rates for fiscal year 2023. Intergovernmental receipts decreased 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 decrease approximately \$18,070,000 from the final fiscal year 2022 budget, primarily due to an anticipated decrease in county environment and education disbursements related to the flood buyouts occurring in prior years. The County has added no major new programs or initiatives to the fiscal year 2023 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of fiscal year 2023.

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 Ami Peterson by email at apeterson@millscountyiowa.gov, by mail at the Mills County Auditor's Office, 418 Sharp Street, Glenwood, Iowa 51534 or by telephone at 712-527-3146.

Mills County

Basic Financial Statements

Exhibit A

Mills County
Statement of Net Position
June 30, 2022

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Cash, cash equivalents and pooled investments | \$ 14,635,326 |
| Receivables: | |
| Property tax: | |
| Delinquent | 29,626 |
| Succeeding year | 10,163,000 |
| Succeeding year tax increment financing | 803,000 |
| Interest and penalty on property tax | 78,855 |
| Accounts | 3,794 |
| Accrued interest | 15,849 |
| Opioid settlement | 381,320 |
| Due from other governments | 961,862 |
| Inventories | 461,990 |
| Prepaid insurance | 13,115 |
| Capital assets, not being depreciated | 6,220,611 |
| Capital assets, net of accumulated depreciated | 41,815,761 |
| Net pension asset | 1,178,884 |
| Total assets | <u>76,762,993</u> |
| Deferred Outflows of Resources | |
| Pension related deferred outflows | 901,908 |
| OPEB related deferred outflows | 22,356 |
| Total deferred outflows of resources | <u>924,264</u> |
| Liabilities | |
| Accounts payable | 602,012 |
| Accrued interest payable | 21,378 |
| Salaries and benefits payable | 246,659 |
| Due to other governments | 48,590 |
| Unearned revenues | 951,608 |
| Long-term liabilities: | |
| Portion due or payable within one year: | |
| Lease agreements | 11,183 |
| Equipment purchase agreement | 13,923 |
| General obligation bonds | 640,000 |
| General obligation urban renewal bonds | 230,000 |
| Compensated absences | 278,223 |
| Total OPEB liability | 28,480 |
| Portion due or payable after one year: | |
| Lease agreements | 6,010 |
| Equipment purchase agreement | 41,768 |
| General obligation bonds | 7,345,000 |
| General obligation urban renewal bonds | 1,235,000 |
| Compensated absences | 355,616 |
| Total OPEB liability | 385,145 |
| Total liabilities | <u>12,440,595</u> |

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Deferred Inflows of Resources | |
| Unavailable property tax revenue | 10,163,000 |
| Unavailable tax increment financing revenues | 803,000 |
| Pension related deferred inflows | 4,484,785 |
| OPEB related deferred inflows | <u>222,133</u> |
| Total deferred inflows of resources | <u>15,672,918</u> |
| Net Position | |
| Net investment in capital assets | 41,051,567 |
| Restricted for: | |
| Supplemental levy purposes | 2,230,449 |
| Rural services purposes | 1,188,390 |
| Secondary roads purposes | 3,970,114 |
| Debt service | 766,651 |
| Capital projects | 93,482 |
| Opioid abatement | 381,320 |
| Other purposes | 1,488,789 |
| Unrestricted | <u>(1,597,018)</u> |
| Total net position | <u>\$ 49,573,744</u> |

See notes to financial statements.

Mills County

Mills County

Statement of Activities

Year ended June 30, 2022

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position |
|---|----------------------|---------------------------|--|--|---|
| | Expenses | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest | |
| Functions/Programs: | | | | | |
| Governmental activities: | | | | | |
| Public safety and legal services | \$ 4,178,125 | 286,960 | 207,789 | - | (3,683,376) |
| Physical health and social services | 1,585,024 | 161,025 | 904,174 | 381,320 | (138,505) |
| Mental health | 407,422 | - | - | - | (407,422) |
| County environment and education | 3,043,770 | 239,481 | 3,209,665 | - | 405,376 |
| Roads and transportation | 6,579,817 | 148,018 | 3,794,871 | 5,343,361 | 2,706,433 |
| Governmental services to residents | 612,604 | 416,726 | - | - | (195,878) |
| Administration | 3,051,972 | 81,575 | 38,343 | 366,169 | (2,565,885) |
| Non-program | 11,129 | 13,457 | - | - | 2,328 |
| Debt service | 281,375 | - | - | - | (281,375) |
| Total | \$ 19,751,238 | 1,347,242 | 8,154,842 | 6,090,850 | (4,158,304) |
| General Revenues: | | | | | |
| Property and other county tax levied for: | | | | | |
| General purposes | | | | | 10,168,831 |
| Debt service | | | | | 814,712 |
| Penalty and interest on property tax | | | | | 3,638 |
| Tax increment financing | | | | | 404,468 |
| State tax credits | | | | | 584,015 |
| Local option sales and services tax | | | | | 1,078,929 |
| Unrestricted investment earnings | | | | | 166,936 |
| American Rescue Plan Act | | | | | 515,765 |
| Miscellaneous | | | | | 78,503 |
| Total general revenues | | | | | 13,815,797 |
| Change in net position | | | | | 9,657,493 |
| Net position beginning of year | | | | | 39,916,251 |
| Net position end of year | | | | | \$ 49,573,744 |

See notes to financial statements.

Mills County
Balance Sheet
Governmental Funds

June 30, 2022

| | Special Revenue | | |
|---|----------------------|-------------------|--------------------|
| | General | Rural Services | Secondary Roads |
| Assets | | | |
| Cash, cash equivalents and pooled investments | \$ 6,751,266 | 1,228,814 | 3,921,016 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 18,385 | 8,960 | - |
| Succeeding year | 6,130,000 | 3,220,000 | - |
| Succeeding year tax increment financing | - | - | - |
| Interest and penalty on property tax | 78,855 | - | - |
| Accounts | 3,724 | - | 70 |
| Accrued interest | 15,849 | - | - |
| Opioid settlement | - | - | - |
| Advance to other funds | - | - | - |
| Due from other governments | 555,565 | 27,110 | 299,066 |
| Inventories | - | - | 461,990 |
| Prepaid insurance | 13,115 | - | - |
| Total assets | \$ 13,566,759 | 4,484,884 | 4,682,142 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 218,801 | 6,130 | 367,331 |
| Salaries and benefits payable | 147,324 | 25,220 | 73,135 |
| Due to other governments | 42,868 | 2,609 | 3,113 |
| Advance from other funds | - | - | - |
| Unearned revenues | 951,608 | - | - |
| Total liabilities | <u>1,360,601</u> | <u>33,959</u> | <u>443,579</u> |
| Deferred inflows of resources: | | | |
| Unavailable revenues: | | | |
| Succeeding year property tax | 6,130,000 | 3,220,000 | - |
| Succeeding year tax increment financing | - | - | - |
| Other | 199,948 | 8,960 | - |
| Total deferred inflows of resources | <u>6,329,948</u> | <u>3,228,960</u> | <u>-</u> |
| Fund balances: | | | |
| Nonspendable: | | | |
| Inventories | - | - | 461,990 |
| Prepays | 13,115 | - | - |
| Loan receivable | - | - | - |
| Restricted for: | | | |
| Supplemental levy purposes | 2,257,597 | - | - |
| Rural services purposes | - | 1,221,965 | - |
| Secondary roads purposes | - | - | 3,776,573 |
| Drainage warrants/drainage improvement certificates | - | - | - |
| Conservation land acquisition/capital improvements | 164,113 | - | - |
| Debt service | - | - | - |
| Capital projects | - | - | - |
| Opioid abatement | - | - | - |
| Other purposes | - | - | - |
| Unassigned | 3,441,385 | - | - |
| Total fund balances | <u>5,876,210</u> | <u>1,221,965</u> | <u>4,238,563</u> |
| Total liabilities, deferred inflows of resources and fund balances | \$ 13,566,759 | 4,484,884 | 4,682,142 |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor | Total |
|------------------|------------------|------------------|-------------------|
| 250,910 | 1 | 1,878,313 | 14,030,320 |
| 2,281 | - | - | 29,626 |
| 813,000 | - | - | 10,163,000 |
| - | - | 803,000 | 803,000 |
| - | - | - | 78,855 |
| - | - | - | 3,794 |
| - | - | - | 15,849 |
| - | - | 381,320 | 381,320 |
| - | 93,481 | - | 93,481 |
| - | - | 80,121 | 961,862 |
| - | - | - | 461,990 |
| - | - | - | 13,115 |
| <u>1,066,191</u> | <u>93,482</u> | <u>3,142,754</u> | <u>27,036,212</u> |
| - | - | 4,459 | 596,721 |
| - | - | 980 | 246,659 |
| - | - | - | 48,590 |
| 93,481 | - | - | 93,481 |
| - | - | - | 951,608 |
| <u>93,481</u> | <u>-</u> | <u>5,439</u> | <u>1,937,059</u> |
| 813,000 | - | - | 10,163,000 |
| - | - | 803,000 | 803,000 |
| 2,281 | - | 368,085 | 579,274 |
| <u>815,281</u> | <u>-</u> | <u>1,171,085</u> | <u>11,545,274</u> |
| - | - | - | 461,990 |
| - | - | - | 13,115 |
| - | 93,481 | - | 93,481 |
| - | - | - | 2,257,597 |
| - | - | - | 1,221,965 |
| - | - | - | 3,776,573 |
| - | - | 5,968 | 5,968 |
| - | - | - | 164,113 |
| 157,429 | - | 628,319 | 785,748 |
| - | 1 | - | 1 |
| - | - | 13,235 | 13,235 |
| - | - | 1,318,708 | 1,318,708 |
| - | - | - | 3,441,385 |
| <u>157,429</u> | <u>93,482</u> | <u>1,966,230</u> | <u>13,553,879</u> |
| <u>1,066,191</u> | <u>93,482</u> | <u>3,142,754</u> | <u>27,036,212</u> |

Mills County

Mills County

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

June 30, 2022

Total governmental fund balances (page 23) \$ 13,553,879

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 \$62,981,320 and the accumulated depreciation is \$14,944,948. 48,036,372

Other long-term assets are not available to pay current year expenditures, as follows:

| | | |
|-------------------------------|------------|-----------|
| Deferred inflows of resources | \$ 579,274 | |
| Net pension asset | 1,178,884 | 1,758,158 |

The Internal Service Fund is used by management to charge the costs of partial self-funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position. 599,715

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 | 924,264 | |
| Deferred inflows of resources | (4,706,918) | (3,782,654) |

Long-term liabilities, including general obligation bonds payable, general obligation urban renewal bonds payable, compensated absences payable, lease agreements payable, equipment purchase agreement payable, 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. (10,591,726)

Net position of governmental activities (page 19) \$ 49,573,744

See notes to financial statements.

Mills County

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

Year ended June 30, 2022

| | Special Revenue | | | |
|--|-----------------|---------------|----------------|-----------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Revenues: | | | | |
| Property and other county tax | \$ 6,466,112 | 307,144 | 3,399,295 | - |
| Tax increment financing | - | - | - | - |
| Local option sales and services tax | - | - | - | - |
| Interest and penalty on property tax | 66,641 | - | - | - |
| Intergovernmental | 7,514,999 | 17,013 | 232,527 | 4,430,493 |
| Licenses and permits | 6,415 | - | 172,246 | 87,200 |
| Charges for service | 508,209 | - | - | 22,121 |
| Use of money and property | 168,686 | - | - | - |
| Miscellaneous | 264,160 | - | 1,065 | 62,752 |
| Total revenues | 14,995,222 | 324,157 | 3,805,133 | 4,602,566 |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | 3,532,063 | - | 989,535 | - |
| Physical health and social services | 1,712,440 | - | 59,376 | - |
| Mental health | - | 450,436 | - | - |
| County environment and education | 3,577,121 | - | 259,673 | - |
| Roads and transportation | - | - | - | 6,309,590 |
| Governmental services to residents | 663,857 | - | 1,646 | - |
| Administration | 3,532,318 | - | - | - |
| Debt service | - | - | - | - |
| Capital projects | 171,598 | - | - | 2,824 |
| Total expenditures | 13,189,397 | 450,436 | 1,310,230 | 6,312,414 |
| Excess (deficiency) of revenues over (under) expenditures | 1,805,825 | (126,279) | 2,494,903 | (1,709,848) |
| Other financing sources (uses): | | | | |
| Sale of capital assets | 5,235 | - | - | - |
| Transfers in | - | - | - | 2,871,414 |
| Transfers out | (242,016) | - | (2,387,035) | - |
| Total other financing sources (uses) | (236,781) | - | (2,387,035) | 2,871,414 |
| Change in fund balances | 1,569,044 | (126,279) | 107,868 | 1,161,566 |
| Fund balances beginning of year | 4,307,166 | 126,279 | 1,114,097 | 3,076,997 |
| Fund balances end of year | \$ 5,876,210 | - | 1,221,965 | 4,238,563 |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor | Total |
|-----------------|---------------------|-----------|-------------|
| 815,207 | - | - | 10,987,758 |
| - | - | 404,468 | 404,468 |
| - | - | 1,078,929 | 1,078,929 |
| - | - | - | 66,641 |
| 44,820 | - | 22,474 | 12,262,326 |
| - | - | - | 265,861 |
| - | - | 3,694 | 534,024 |
| - | - | 73,841 | 242,527 |
| - | - | 14,053 | 342,030 |
| 860,027 | - | 1,597,459 | 26,184,564 |
| - | - | - | 4,521,598 |
| - | - | - | 1,771,816 |
| - | - | - | 450,436 |
| - | - | 711,151 | 4,547,945 |
| - | - | - | 6,309,590 |
| - | - | - | 665,503 |
| - | - | - | 3,532,318 |
| 851,570 | - | 276,918 | 1,128,488 |
| - | 107,637 | - | 282,059 |
| 851,570 | 107,637 | 988,069 | 23,209,753 |
| 8,457 | (107,637) | 609,390 | 2,974,811 |
| - | - | - | 5,235 |
| - | 107,637 | - | 2,979,051 |
| - | - | (350,000) | (2,979,051) |
| - | 107,637 | (350,000) | 5,235 |
| 8,457 | - | 259,390 | 2,980,046 |
| 148,972 | 93,482 | 1,706,840 | 10,573,833 |
| 157,429 | 93,482 | 1,966,230 | 13,553,879 |

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, 2022

Change in fund balances - Total governmental funds (page 27) \$ 2,980,046

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

| | | |
|---|--------------------|-----------|
| Expenditures for capital assets | \$ 3,062,058 | |
| Capital assets contributed by the Iowa Department of Transportation | 4,924,923 | |
| Depreciation expense | <u>(1,890,707)</u> | 6,096,274 |

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (5,265)

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 | (4,215) | |
| Other | <u>(1,709,998)</u> | (1,714,213) |

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. 876,036

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. 614,593

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 | 179,422 | |
| OPEB expense | (7,878) | |
| Pension expense | 503,698 | |
| Interest on long term debt | <u>2,113</u> | 677,355 |

The Internal Service Fund is used by management to charge the costs of partial self-funding of the County's employee health insurance benefit plan to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities. 132,667

Change in net position of governmental activities (page 21) \$ 9,657,493

See notes to financial statements.

Mills County
Statement of Net Position
Proprietary Fund
June 30, 2022

| | <u>Internal Service - Employee Group Health</u> |
|--------------------------------|---|
| Assets | |
| Cash and cash equivalents | \$ 605,006 |
| Liabilities | |
| Accounts payable | <u>5,291</u> |
| Net Position | |
| Restricted for employee health | <u>\$ 599,715</u> |

See notes to financial statements.

Mills County
Statement of Revenues, Expenses and
Changes in Fund Net Position
Proprietary Fund

Year ended June 30, 2022

| | <u>Internal Service - Employee Group Health</u> |
|-------------------------------------|---|
| Operating revenues: | |
| Reimbursements from operating funds | \$ 239,410 |
| Operating expenses: | |
| Medical claims | <u>106,743</u> |
| Operating income | 132,667 |
| Net position beginning of year | <u>467,048</u> |
| Net position end of year | <u>\$ 599,715</u> |

See notes to financial statements.

Mills County
Statement of Cash Flows
Proprietary Fund
June 30, 2022

| | Internal Service - Employee Group Health |
|---|--|
| Cash flows from operating activities: | |
| Cash received from operating fund reimbursements | \$ 239,410 |
| Cash paid to suppliers for services | (110,097) |
| Net cash provided by operating activities | 129,313 |
| Cash and cash equivalents beginning of year | 475,693 |
| Cash and cash equivalents end of year | \$ 605,006 |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 132,667 |
| Changes in liabilities: | |
| Accounts payable | (3,354) |
| Net cash provided by operating activities | \$ 129,313 |

See notes to financial statements.

Mills County
Statement of Fiduciary Net Position
Custodial Funds

June 30, 2022

Assets

Cash and pooled investments:

| | |
|------------------------|--------------|
| County Treasurer | \$ 6,006,323 |
| Other County officials | 89,339 |

Receivables:

Property tax:

| | |
|----------------------------|----------------|
| Delinquent | 56,985 |
| Succeeding year | 22,556,000 |
| Special assessments | 10,267 |
| Drainage assessments | 36 |
| Due from other governments | <u>899,385</u> |

Total assets29,618,335**Liabilities**

| | |
|-------------------------------|---------------|
| Accounts payable | 28,958 |
| Stamped warrants payable | 112,966 |
| Salaries and benefits payable | 9,113 |
| Due to other governments | 719,579 |
| Trusts payable | 54,297 |
| Compensated absences | <u>21,203</u> |

Total liabilities946,116**Deferred Inflows of Resources**

| | |
|----------------------|-------------------|
| Unavailable revenues | <u>22,556,000</u> |
|----------------------|-------------------|

Net Position

| | |
|--|---------------------|
| Restricted for individuals, organizations and other governments | <u>\$ 6,116,219</u> |
|--|---------------------|

See notes to financial statements.

Mills County
Statement of Changes in Fiduciary Net Position
Custodial Funds

June 30, 2022

| | |
|------------------------------------|---------------------|
| Additions: | |
| Property and other county tax | \$ 20,812,533 |
| 911 surcharge | 226,817 |
| State tax credits | 1,302,543 |
| Office fees and collections | 631,500 |
| Auto licenses, use tax and postage | 7,019,116 |
| Assessments | 971,054 |
| Trusts | 749,765 |
| Miscellaneous | <u>2,501,812</u> |
| Total additions | <u>34,215,140</u> |
| Deductions: | |
| Agency remittances: | |
| To other funds | 713,575 |
| To other governments | 31,626,510 |
| Trusts paid out | <u>597,200</u> |
| Total deductions | <u>32,937,285</u> |
| Change in net position | 1,277,855 |
| Net position beginning of year | <u>4,838,364</u> |
| Net position end of year | <u>\$ 6,116,219</u> |

See notes to financial statements.

Mills County

Notes to Financial Statements

June 30, 2022

(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 relationship 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 Custodial 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.

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, proprietary 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:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Custodial 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, proprietary fund 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 lease agreements 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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, Cash Equivalents 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 and non-negotiable certificates of deposit which are stated at amortized cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

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 a 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, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2021.

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 a balance was still owed at June 30, 2022. 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 (except for intangible right-to-use lease assets, the measurement of which is discussed under “Leases” below) 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. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class. 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 |
| Right-to-use leased assets | 5,000 |

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, the right to use leased equipment and infrastructure are depreciated/amortized 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 |
| Right-to-use-leased assets | 2 - 20 |

Leases – Mills County is the lessee for a noncancellable lease of equipment. The County has recognized a lease liability and an intangible right-to-use asset (lease asset) in the government-wide financial statements. The County recognized lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how Mills County determines the discount rate it used to discount the expected lease payments to present value, lease term and lease payments.

Mills County uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and a purchase option price that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

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.

Unearned Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Unearned revenue in the government-wide and governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the County has not made a qualifying expenditure. Unearned revenue consists of unspent American Rescue Plan Act proceeds.

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, 2022. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund 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 (asset), 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 (asset) attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, 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, 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 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.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2022, disbursements exceeded the amounts budgeted in the mental health and debt service functions and disbursements in certain departments exceeded the amounts appropriated.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2022 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

| Transfer to | Transfer from | Amount |
|------------------|--|---------------------|
| Capital Projects | General | <u>\$ 107,637</u> |
| Special Revenue: | | |
| Secondary Roads | General | 134,379 |
| | Special Revenue: | |
| | Rural Services | 2,387,035 |
| | Local Option Sales and Services Tax | <u>350,000</u> |
| | | <u>2,871,414</u> |
| Total | | <u>\$ 2,979,051</u> |

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

| Receivable Fund | Payable Fund | Amount |
|------------------|--------------|------------------|
| Capital Projects | Debt Service | <u>\$ 93,481</u> |

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.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2022 was as follows:

| | Restated, Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---|--|------------|------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 3,847,951 | 366,169 | - | 4,214,120 |
| Intangibles, road network | 933,140 | - | - | 933,140 |
| Construction in progress | 8,708,818 | 6,486,795 | 14,122,262 | 1,073,351 |
| Total capital assets not being depreciated | 13,489,909 | 6,852,964 | 14,122,262 | 6,220,611 |
| Capital assets being depreciated: | | | | |
| Buildings | 11,024,171 | 5,233,916 | - | 16,258,087 |
| Improvements other than buildings | 228,225 | - | - | 228,225 |
| Equipment and vehicles | 8,885,718 | 2,287,147 | 87,474 | 11,085,391 |
| Right-to-use leased buildings | 10,319 | - | - | 10,319 |
| Right-to-use leased equipment | 23,987 | - | - | 23,987 |
| Infrastructure | 21,419,484 | 7,735,216 | - | 29,154,700 |
| Total capital assets being depreciated | 41,591,904 | 15,256,279 | 87,474 | 56,760,709 |
| Less accumulated depreciation for: | | | | |
| Buildings | 2,408,927 | 328,416 | - | 2,737,343 |
| Improvements other than buildings | 110,021 | 2,627 | - | 112,648 |
| Equipment and vehicles | 6,129,823 | 707,621 | 82,209 | 6,755,235 |
| Right-to-use leased assets | - | 17,324 | - | 17,324 |
| Infrastructure | 4,487,679 | 834,719 | - | 5,322,398 |
| Total accumulated depreciation | 13,136,450 | 1,890,707 | 82,209 | 14,944,948 |
| Total capital assets being depreciated, net | 28,455,454 | 13,365,572 | 5,265 | 41,815,761 |
| Governmental activities capital assets, net | \$ 41,945,363 | 20,218,536 | 14,127,527 | 48,036,372 |

Depreciation expense was charged to the following functions:

| | |
|--|---------------------|
| Governmental activities: | |
| Public safety and legal services | \$ 299,325 |
| Physical health and social services | 13,097 |
| County environment and education | 83,557 |
| Roads and transportation | 1,343,253 |
| Governmental services to residents | 13,198 |
| Administration | 138,277 |
| Total depreciation expense - governmental activities | <u>\$ 1,890,707</u> |

(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, 2022 is as follows:

| Fund | Description | Amount |
|------------------------------|-------------|-------------------|
| General | Services | \$ 42,868 |
| Special Revenue: | | |
| Rural Services | Services | 2,609 |
| Secondary Roads | Services | 3,113 |
| Total for governmental funds | | <u>\$ 48,590</u> |
| Custodial: | | |
| Schools | Collections | \$ 103,686 |
| Community Colleges | | 11,222 |
| Corporations | | 44,259 |
| Auto License and Use Tax | | 498,610 |
| All other | | 61,802 |
| Total for custodial funds | | <u>\$ 719,579</u> |

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2022 is as follows:

| | Lease Agreements | General Obligation Bonds | General Obligation Urban Renewal Bonds | Direct Borrowing Equipment Purchase Agreement | Compensated Absences | Net Pension Liability (Asset) | Total OPEB Liability | Total |
|---|---------------------|--------------------------------|---|---|-------------------------|--|----------------------------|------------|
| Balance beginning of year, as restated | \$ 34,306 | 8,605,000 | 1,690,000 | 69,614 | 813,261 | 4,482,218 | 508,167 | 16,202,566 |
| Increases | - | - | - | - | 281,778 | - | 79,873 | 361,651 |
| Decreases | 17,113 | 620,000 | 225,000 | 13,923 | 461,200 | 5,661,102 | 174,415 | 7,172,753 |
| Balance end of year | 17,193 | 7,985,000 | 1,465,000 | 55,691 | 633,839 | (1,178,884) | 413,625 | 9,391,464 |
| Due within one year | \$ 11,183 | 640,000 | 230,000 | 13,923 | 278,223 | - | 28,480 | 1,201,809 |

Lease Agreements

On September 20, 2017, the County entered into a lease agreement for a commercial residence for Veterans Affairs. An initial lease liability was recorded in the amount of \$10,319. The agreement requires monthly payments of \$700 over 60 months with an initial payment made October 1, 2017 with an implicit interest rate of 3.00% and the final payment due September 1, 2022. During the year ended June 30, 2022, the County paid principal of \$8,229 and interest of \$171.

On April 26, 2019, the County entered into a lease agreement for a copier for the Public Health department. An initial lease liability was recorded in the amount of \$11,167. The agreement requires monthly payments of \$342 over 60 months with an initial payment made May 26, 2019, with an implicit interest rate of 3.00% and the final payment due April 25, 2024. During the year ended June 30, 2022, the County paid principal of \$3,852 and interest of \$254.

On October 9, 2018, the County entered into a lease agreement for a copier for the Sheriff's Office. An initial lease liability was recorded in the amount of \$12,820. The agreement requires monthly payments of \$443 over 63 months with an initial payment made October 9, 2018, with an implicit interest rate of 3.00% and the final payment due December 1, 2023. During the year ended June 30, 2022, the County paid principal of \$5,032 and interest of \$284.

Future principal and interest lease payments as of June 30, 2022 are as follows:

| Year Ending June 30, | Veterans Affairs Building | | | Copier - Public Health | | |
|----------------------------|---------------------------|----------|-------|------------------------|----------|-------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2023 | \$ 2,090 | 10 | 2,100 | \$ 3,940 | 166 | 4,106 |
| 2024 | - | - | - | 3,375 | 47 | 3,422 |
| Total | \$ 2,090 | 10 | 2,100 | \$ 7,315 | 213 | 7,528 |

| Year Ending June 30, | Copier - Sheriff's Office | | | Total | | |
|----------------------------|---------------------------|----------|-------|-----------|----------|--------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2023 | \$ 5,153 | 163 | 5,316 | \$ 11,183 | 339 | 11,522 |
| 2024 | 2,635 | 23 | 2,658 | 6,010 | 70 | 6,080 |
| Total | \$ 7,788 | 186 | 7,974 | \$ 17,193 | 409 | 17,602 |

General Obligation Bonds

On October 26, 2016, the County issued \$4,580,000 of general obligation 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 were called on June 1, 2020. During the year ended June 30, 2022, the County paid principal of \$315,000 and interest of \$96,565 on the bonds.

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. During the year ended June 30, 2022, the County paid principal of \$305,000 and interest of \$134,005 on the bonds.

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

| Year Ending June 30, | Refunding | | | Communication Equipment | | |
|----------------------------|---------------------|---------------------|----------------|-------------------------|---------------------|----------------|
| | Issued Oct 26, 2016 | | | Issued Dec 29, 2016 | | |
| | Interest Rates | Principal | Interest | Interest Rates | Principal | Interest |
| 2023 | 3.00% | \$ 325,000 | 87,115 | 3.00% | \$ 315,000 | 124,855 |
| 2024 | 2.00 | 330,000 | 77,365 | 3.00 | 325,000 | 115,405 |
| 2025 | 2.00 | 340,000 | 70,765 | 3.00 | 335,000 | 105,655 |
| 2026 | 2.00 | 345,000 | 63,965 | 3.00 | 340,000 | 95,605 |
| 2027 | 2.00 | 350,000 | 57,065 | 3.00 | 355,000 | 85,405 |
| 2028-2032 | 2.05-2.35 | 1,870,000 | 174,433 | 3.00-3.30 | 1,930,000 | 259,715 |
| 2033 | 2.45 | 400,000 | 9,800 | 3.40 | 425,000 | 14,450 |
| Total | | <u>\$ 3,960,000</u> | <u>540,508</u> | | <u>\$ 4,025,000</u> | <u>801,090</u> |

| Year Ending June 30, | Total | | |
|----------------------------|---------------------|------------------|------------------|
| | Principal | Interest | Total |
| 2023 | \$ 640,000 | 211,970 | 851,970 |
| 2024 | 655,000 | 192,770 | 847,770 |
| 2025 | 675,000 | 176,420 | 851,420 |
| 2026 | 685,000 | 159,570 | 844,570 |
| 2027 | 705,000 | 142,470 | 847,470 |
| 2028-2032 | 3,800,000 | 434,148 | 4,234,148 |
| 2033 | 825,000 | 24,250 | 849,250 |
| Total | <u>\$ 7,985,000</u> | <u>1,341,598</u> | <u>9,326,598</u> |

General Obligation Urban Renewal Bonds

On October 23, 2018, the County issued \$2,250,000 of general obligation road improvement urban renewal bonds for the purpose of paying a portion of costs on an urban renewal project within the Highway 34/I-29 urban renewal area, consisting of the construction and improving county roads, with interest rates from 3.00% to 3.05% per annum. During the year ended June 30, 2022, the County paid principal of \$225,000 and interest of \$51,318 on the urban renewal bonds.

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

| Year Ending June 30, | Issued Oct 23, 2018 | | | |
|----------------------------|---------------------|--------------|----------|-----------|
| | Interest Rates | Principal | Interest | Total |
| 2023 | 3.00% | \$ 230,000 | 44,567 | 274,567 |
| 2024 | 3.05 | 235,000 | 37,668 | 272,668 |
| 2025 | 3.05 | 240,000 | 30,500 | 270,500 |
| 2026 | 3.05 | 245,000 | 23,180 | 268,180 |
| 2027 | 3.05 | 255,000 | 15,708 | 270,708 |
| 2028 | 3.05 | 260,000 | 7,930 | 267,930 |
| Total | | \$ 1,465,000 | 159,553 | 1,624,553 |

Equipment Purchase Agreement – Direct Borrowing

During the year ended June 30, 2022, the County entered into an interest free equipment purchase agreement to purchase 2 storage servers. The agreement is payable over 5 years with annual installments of \$13,923, with the final payment due by June 30, 2026. In the event of a default, certain remedies, including the payment of the remaining principal balance, may be required. During the year ended June 30, 2022, the County paid principal of \$13,923.

Future equipment purchase payments as of June 30, 2022 are as follows:

| Year Ending June 30, | Storage Servers |
|----------------------------|--------------------|
| 2023 | \$ 13,923 |
| 2024 | 13,923 |
| 2025 | 13,923 |
| 2026 | 13,922 |
| Total | \$ 55,691 |

(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 2022, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 9.01% of covered payroll, for a total rate of 18.02%. Protection occupation members contributed 6.21% of covered payroll and the County contributed 9.31% of covered payroll, for a total rate of 15.52%.

The County's contributions to IPERS for the year ended June 30, 2022 were \$614,593.

Net Pension Asset, Pension Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the County had an asset of \$1,178,884 for its proportionate share of the collective net pension asset. The overall plan net pension asset was measured as of June 30, 2021. The total plan pension liability used in its calculation of the overall plan net pension asset was determined by an actuarial valuation as of that date. The County's proportion of the overall plan net pension asset was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the County's proportion of the overall plan net pension asset was 0.341481%, which was an increase of 0.277675% over its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the County recognized pension expense (reduction) of \$(503,698). At June 30, 2022, 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 | \$ 155,944 | 73,109 |
| Changes of assumptions | 70,707 | 39,872 |
| Net difference between projected and actual earnings on IPERS' investments | - | 4,271,386 |
| Changes in proportion and differences between County contributions and the County's proportionate share of contributions | 60,664 | 100,418 |
| County contributions subsequent to the measurement date | 614,593 | - |
| Total | <u>\$ 901,908</u> | <u>4,484,785</u> |

\$614,593 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 (asset) in the year ending June 30, 2023. 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 |
|----------------------------|-----------------------|
| 2023 | \$ (1,062,107) |
| 2024 | (1,039,586) |
| 2025 | (961,348) |
| 2026 | (1,149,311) |
| 2027 | 14,882 |
| Total | <u>\$ (4,197,470)</u> |

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability (asset) in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

| | |
|--|---|
| 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, 2021 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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 geometric 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 | 22.0% | 4.43% |
| International equity | 17.5 | 6.01 |
| Global smart beta equity | 6.0 | 5.10 |
| Core plus fixed income | 26.0 | 0.29 |
| Public credit | 4.0 | 2.08 |
| Cash | 1.0 | (0.25) |
| Private equity | 13.0 | 9.51 |
| Private real assets | 7.5 | 4.63 |
| Private credit | 3.0 | 2.87 |
| Total | <u>100.0%</u> | |

Discount Rate – The discount rate used to measure the total pension liability (asset) 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 (asset).

Sensitivity of the County's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability (asset) 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 (asset) | \$ 2,759,159 | (1,178,884) | (4,478,070) |

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, 2022.

(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 and prescription drug 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, 2022, the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 4 |
| Active employees | <u>124</u> |
| Total | <u>128</u> |

Total OPEB Liability – The County’s total OPEB liability of \$413,625 was measured as of June 30, 2022, and it was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2022 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, 2022) | 2.60% per annum. |
| Rates of salary increase | 3.25% per annum, including |
| (effective June 30, 2022) | inflation. |
| Discount rate | 4.09% compounded annually, |
| (effective June 30, 2022) | including inflation. |
| Healthcare cost trend rate | 7.50% initial rate decreasing by .5% |
| (effective June 30, 2022) | annually to an ultimate rate of 4.50%. |

Discount Rate – The discount rate used to measure the total OPEB liability was 4.09% 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 Public Plan 2010 tables. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

Changes in the Total OPEB Liability

| | <u>Total OPEB Liability</u> |
|--|---------------------------------|
| Total OPEB liability beginning of year | \$ 508,167 |
| Changes for the year: | |
| Service cost | 67,669 |
| Interest | 12,204 |
| Differences between expected and actual experiences | (96,645) |
| Changes in assumptions | (40,450) |
| Benefit payments | (37,320) |
| Net changes | <u>(94,542)</u> |
| Total OPEB liability end of year | <u>\$ 413,625</u> |

Changes of assumptions reflect a change in the discount rate from 2.19% in fiscal year 2021 to 4.09% in fiscal year 2022.

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 (3.09%) or 1% higher (5.09%) than the current discount rate.

| | 1% Decrease (3.09%) | Discount Rate (4.09%) | 1% Increase (5.09%) |
|----------------------|---------------------------|-----------------------------|---------------------------|
| Total OPEB liability | \$ 442,630 | 413,625 | 386,265 |

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 if it were calculated using healthcare cost trend rates that are 1% lower (6.50%) or 1% higher (8.50%) than the current healthcare cost trend rates.

| | 1% Decrease (6.50%) | Healthcare Cost Trend Rate (7.50%) | 1% Increase (8.50%) |
|----------------------|---------------------------|---|---------------------------|
| Total OPEB liability | \$ 366,266 | 413,625 | 469,432 |

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2022, the County recognized OPEB expense of \$7,878. At June 30, 2022, 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 | \$ - | 186,177 |
| Changes in assumptions | 22,356 | 35,956 |
| Total | \$ 22,356 | 222,133 |

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 |
|----------------------------|---------------------|
| 2023 | \$ (34,675) |
| 2024 | (34,675) |
| 2025 | (25,841) |
| 2026 | (25,842) |
| 2027 | (27,221) |
| Thereafter | (51,523) |
| | \$ (199,777) |

(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 794 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, employment practices liability, public officials liability and police professional liability. 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, 2022 were \$169,249.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, employment practices, 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, 2022, no liability has been recorded in the County's financial statements. As of June 30, 2022, 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) Employee Group Health Fund

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by County contributions and is administered through a service agreement with Secure Benefits Systems. The agreement is renewable on an annual basis. The deductible for single and family coverage for a calendar year was \$500 and \$1,000, respectively. After the deductible is met, the County will pay directly or reimburse any eligible employee for 60% (80% of any in-network physician) of any additional claims for services covered by the contract, but subject to the deductible or co-insurance provisions of the contract. An employee's maximum payment during any calendar year for deductibles and co-insurance was \$1,000 for single coverage and \$2,000 for family coverage. After an employee has reached the maximum deductible and co-insurance, the County will pay directly or reimburse the employee for 100% of any additional claims for services covered by the contract, but subject to deductible or co-insurance provisions of the contract, up to \$6,350 for single coverage and \$12,700 for family coverage.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative service agreement, monthly payments of service fees and claims processed are paid to Secure Benefits Systems from the Employee Group Health Fund. The County's contribution to the fund for the year ended June 30, 2022 was \$239,410.

The amounts payable from the Employee Group Health Fund at June 30, 2022 for incurred but not reported (IBNR) and reported but not paid claims has not been determined since the County has not obtained and it is not required to obtain an actuarial opinion. These amounts are not expected to be material to the financial statements.

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

Southwest Iowa MHDS Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa, 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, 2022, as follows:

| | | |
|---------------------------------------|----------------|----------------|
| Revenues: | | |
| Property and other county tax | | \$ 307,144 |
| Intergovernmental revenues: | | |
| State tax credits | | <u>17,013</u> |
| Total revenues | | 324,157 |
| Expenditures: | | |
| General administration: | | |
| Direct administration | \$ 105,630 | |
| Distribution to regional fiscal agent | <u>344,806</u> | <u>450,436</u> |
| Excess of expenditures over revenues | | (126,279) |
| Fund balance beginning of year | | <u>126,279</u> |
| Fund balance end of year | | <u>\$ -</u> |

(13) Opioid Litigation Settlement

The State of Iowa along with other states settled claims that certain prescription drug companies and pharmaceutical distributors engaged in misleading and fraudulent conduct in the marketing and sale of opioids and failed to monitor for, detect and prevent diversion of the drugs. The County also settled the same claims and related claims. Due to its settlement of these claims, the County will receive payment from the Defendant companies over the next seventeen years. The County is required to use the funds for activities to remediate the opioid crisis and treat or mitigate opioid use disorder and related disorders through prevention, harm reduction, treatment and recovery services.

(14) Accounting Change

Governmental Accounting Standards Board Statement No. 87, Leases was implemented during fiscal year 2022. The new requirements require the reporting of certain lease assets and liabilities which were previously not reported. The result of these changes had no effect on the beginning net position.

| | Capital Assets | Long-term Liabilities Lease Agreements |
|--|----------------------|---|
| Balances June 30, 2021, as previously reported | \$ 41,911,057 | - |
| Change to implement GASBS No. 87 | 34,306 | 34,306 |
| Balances July 1, 2021, as restated | <u>\$ 41,945,363</u> | <u>34,306</u> |

(15) Prospective Accounting Change

Governmental Accounting Standards Board Statement has issued Statement No. 96, Subscription-Based Information Technology Arrangements. This statement will be implemented for the fiscal year ending June 30, 2023. The revised requirements of this statement will require reporting of the right to use another party's information technology software alone or in combination with tangible capital assets that are not currently reported.

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, 2022

| | Actual | Funds not Required to be Budgeted | Net |
|---|---------------|---|------------|
| Receipts: | | | |
| Property and other county tax | \$ 12,517,870 | - | 12,517,870 |
| Interest and penalty on property tax | 66,669 | - | 66,669 |
| Intergovernmental | 14,101,671 | - | 14,101,671 |
| Licenses and permits | 249,176 | - | 249,176 |
| Charges for service | 529,497 | - | 529,497 |
| Use of money and property | 284,015 | - | 284,015 |
| Miscellaneous | 355,308 | - | 355,308 |
| Total receipts | 28,104,206 | - | 28,104,206 |
| Disbursements: | | | |
| Public safety and legal services | 4,512,667 | - | 4,512,667 |
| Physical health and social services | 1,742,823 | - | 1,742,823 |
| Mental health | 453,459 | - | 453,459 |
| County environment and education | 4,656,365 | 1,400 | 4,654,965 |
| Roads and transportation | 6,488,584 | - | 6,488,584 |
| Governmental services to residents | 661,531 | - | 661,531 |
| Administration | 3,557,251 | - | 3,557,251 |
| Debt service | 1,128,488 | - | 1,128,488 |
| Capital projects | 282,060 | - | 282,060 |
| Total disbursements | 23,483,228 | 1,400 | 23,481,828 |
| Excess (deficiency) of receipts over (under) disbursements | 4,620,978 | (1,400) | 4,622,378 |
| Other financing sources, net | 5,235 | - | 5,235 |
| Change in balances | 4,626,213 | (1,400) | 4,627,613 |
| Balance beginning of year | 9,404,107 | 7,768 | 9,396,339 |
| Balance end of year | \$ 14,030,320 | 6,368 | 14,023,952 |

See accompanying independent auditor's report.

| Budgeted Amounts | | Final to |
|------------------|-------------|--------------|
| Original | Final | Actual |
| | | Variance |
| 12,220,771 | 12,220,771 | 297,099 |
| 26,734 | 26,734 | 39,935 |
| 24,111,816 | 27,608,026 | (13,506,355) |
| 356,850 | 356,850 | (107,674) |
| 436,375 | 436,375 | 93,122 |
| 115,125 | 115,125 | 168,890 |
| 220,931 | 388,546 | (33,238) |
| 37,488,602 | 41,152,427 | (13,048,221) |
| 4,732,511 | 4,923,096 | 410,429 |
| 1,967,766 | 2,142,604 | 399,781 |
| 347,507 | 347,507 | (105,952) |
| 17,254,026 | 19,282,863 | 14,627,898 |
| 7,038,225 | 7,038,225 | 549,641 |
| 739,277 | 764,277 | 102,746 |
| 5,374,550 | 6,845,107 | 3,287,856 |
| 1,128,388 | 1,128,388 | (100) |
| 586,000 | 693,637 | 411,577 |
| 39,168,250 | 43,165,704 | 19,683,876 |
| (1,679,648) | (2,013,277) | 6,635,655 |
| - | 15,523 | (10,288) |
| (1,679,648) | (1,997,754) | 6,625,367 |
| 7,341,993 | 7,341,993 | 2,054,346 |
| 5,662,345 | 5,344,239 | 8,679,713 |

Mills County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2022

| | <u>Governmental Funds</u> | | |
|------------------------------|---------------------------|--------------------|-------------------|
| | <u>Cash</u> | <u>Accrual</u> | <u>Modified</u> |
| | <u>Basis</u> | <u>Adjustments</u> | <u>Accrual</u> |
| | | | <u>Basis</u> |
| Revenues | \$ 28,104,206 | (1,919,642) | 26,184,564 |
| Expenditures | 23,483,228 | (273,475) | 23,209,753 |
| Net | 4,620,978 | (1,646,167) | 2,974,811 |
| Other financing sources, net | 5,235 | - | 5,235 |
| Beginning fund balances | 9,404,107 | 1,169,726 | 10,573,833 |
| Ending fund balances | <u>\$ 14,030,320</u> | <u>(476,441)</u> | <u>13,553,879</u> |

See accompanying independent auditor's report.

Mills County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2022

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, the Internal Service Fund and Custodial 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 \$3,997,454. 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 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, 2022, disbursements exceeded the amounts budgeted in the mental health and the debt service functions and disbursements in certain departments exceeded the amounts appropriated.

Mills County

Schedule of the County's Proportionate Share of the Net Pension Liability (Asset)

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

Required Supplementary Information

| | 2022 | 2021 | 2020 | 2019 |
|--|--------------|-----------|-----------|-----------|
| County's proportion of the net pension liability (asset) | 0.341481% ** | 0.063806% | 0.063314% | 0.063629% |
| County's proportionate share of the net pension liability (asset) | \$ (1,179) | 4,482 | 3,666 | 4,027 |
| County's covered payroll | \$ 6,339 | 6,126 | 6,167 | 5,876 |
| County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | -18.60% | 73.16% | 59.45% | 68.53% |
| IPERS' net position as a percentage of the total pension liability (asset) | 100.81% | 82.90% | 85.45% | 83.62% |

* 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.

** Overall plan net pension asset

See accompanying independent auditor's report.

| 2018 | 2017 | 2016 | 2015 |
|-----------|----------|----------|----------|
| 0.067529% | 0.66446% | 0.66662% | 0.67327% |
| 4,498 | 4,182 | 3,293 | 2,670 |
| 5,828 | 5,519 | 5,450 | 5,290 |
| 77.18% | 75.77% | 60.42% | 50.47% |
| 82.21% | 81.82% | 85.19% | 87.61% |

Mills County

Schedule of County Contributions

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

Required Supplementary Information

| | 2022 | 2021 | 2020 | 2019 |
|---|----------|-------|-------|-------|
| Statutorily required contribution | \$ 615 | 598 | 581 | 588 |
| Contributions in relation to the statutorily required contribution | (615) | (598) | (581) | (588) |
| Contribution deficiency (excess) | \$ - | - | - | - |
| County's covered payroll | \$ 6,557 | 6,339 | 6,126 | 6,167 |
| Contributions as a percentage of covered payroll | 9.38% | 9.43% | 9.48% | 9.53% |

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

See accompanying independent auditor's report.

| 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|-------|-------|-------|-------|-------|-------|
| 532 | 530 | 502 | 500 | 478 | 460 |
| (532) | (530) | (502) | (500) | (478) | (460) |
| - | - | - | - | - | - |
| 5,876 | 5,828 | 5,519 | 5,450 | 5,290 | 5,189 |
| 9.05% | 9.09% | 9.10% | 9.17% | 9.04% | 8.86% |

Mills County

Notes to Required Supplementary Information – Pension Liability (Asset)

Year ended June 30, 2022

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

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.

Mills County

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

For the Last Five Years
Required Supplementary Information

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|--------------|-----------|-----------|-----------|-----------|
| Service cost | \$ 67,669 | 63,340 | 57,786 | 53,399 | 43,805 |
| Interest cost | 12,204 | 14,202 | 19,265 | 18,484 | 17,358 |
| Difference between expected and actual experiences | (96,645) | (40,996) | (78,573) | - | (67,467) |
| Changes in assumptions | (40,450) | 14,820 | 5,925 | 11,039 | 5,629 |
| Benefit payments | (37,320) | (27,355) | (22,443) | (9,817) | (22,396) |
| Net change in total OPEB liability | (94,542) | 24,011 | (18,040) | 73,105 | (23,071) |
| Total OPEB liability beginning of year | 508,167 | 484,156 | 502,196 | 429,091 | 452,162 |
| Total OPEB liability end of year | \$ 413,625 | 508,167 | 484,156 | 502,196 | 429,091 |
| Covered-employee payroll | \$ 6,372,214 | 6,522,403 | 5,600,608 | 5,663,498 | 5,485,228 |
| Total OPEB liability as a percentage of covered-employee payroll | 6.5% | 7.8% | 8.6% | 8.9% | 7.8% |

See accompanying independent auditor's report.

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

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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, 2022 | 4.09% |
| Year ended June 30, 2021 | 2.19% |
| Year ended June 30, 2020 | 2.66% |
| Year ended June 30, 2019 | 3.51% |
| 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, 2022

| | | | Special |
|---|--|--|---|
| | Local Option Sales and Services Tax | Resource Enhancement and Protection | County Recorder's Records Management |
| Assets | | | |
| Cash, cash equivalents and pooled investments | \$ 870,740 | 52,484 | 11,927 |
| Receivables: | | | |
| Succeeding year tax increment financing | - | - | - |
| Opioid settlement | - | - | - |
| Due from other governments | 80,121 | - | - |
| Total assets | \$ 950,861 | 52,484 | 11,927 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | |
| Liabilities | | | |
| Accounts Payable | \$ 4,059 | - | - |
| Salaries and benefits payable | - | - | - |
| Total liabilities | 4,059 | - | - |
| Deferred inflows of resources: | | | |
| Unavailable revenues: | | | |
| Succeeding year tax increment financing | - | - | - |
| Other | - | - | - |
| Total deferred inflows of resources | - | - | - |
| Fund balances: | | | |
| Restricted for: | | | |
| Drainage warrants/drainage improvement certificates | - | - | - |
| Debt service | - | - | - |
| Opioid abatement | - | - | - |
| Other purposes | 946,802 | 52,484 | 11,927 |
| Total fund balances | 946,802 | 52,484 | 11,927 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 950,861 | 52,484 | 11,927 |

See accompanying independent auditor's report.

| Revenue | | | | |
|-----------------------------|------------------------|----------------------|--|------------------|
| Urban Renewal Revenue | County Conservation | Drainage District | Local Government Opioid Abatement | Total |
| 628,319 | 308,475 | 6,368 | - | 1,878,313 |
| 803,000 | - | - | - | 803,000 |
| - | - | - | 381,320 | 381,320 |
| - | - | - | - | 80,121 |
| 1,431,319 | 308,475 | 6,368 | 381,320 | 3,142,754 |
| - | - | 400 | - | 4,459 |
| - | 980 | - | - | 980 |
| - | 980 | 400 | - | 5,439 |
| 803,000 | - | - | - | 803,000 |
| - | - | - | 368,085 | 368,085 |
| 803,000 | - | - | 368,085 | 1,171,085 |
| - | - | 5,968 | - | 5,968 |
| 628,319 | - | - | - | 628,319 |
| - | - | - | 13,235 | 13,235 |
| - | 307,495 | - | - | 1,318,708 |
| 628,319 | 307,495 | 5,968 | 13,235 | 1,966,230 |
| 1,431,319 | 308,475 | 6,368 | 381,320 | 3,142,754 |

Mills County

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

Year ended June 30, 2022

| | Special | | |
|--|--|--|---|
| | Local Option Sales and Services Tax | Resource Enhancement and Protection | County Recorder's Records Management |
| Revenues: | | | |
| Local option sales and services tax | \$ 1,078,929 | - | - |
| Tax increment financing | - | - | - |
| Intergovernmental | - | 10,326 | - |
| Charges for service | - | - | 3,694 |
| Use of money and property | - | - | - |
| Miscellaneous | - | - | - |
| Total revenues | <u>1,078,929</u> | <u>10,326</u> | <u>3,694</u> |
| Expenditures: | | | |
| Operating: | | | |
| County environment and education | 671,972 | 375 | - |
| Debt service | - | - | - |
| Total expenditures | <u>671,972</u> | <u>375</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | 406,957 | 9,951 | 3,694 |
| Other financing sources (uses): | | | |
| Transfers out | <u>(350,000)</u> | - | - |
| Change in fund balances | 56,957 | 9,951 | 3,694 |
| Fund balances beginning of year | <u>889,845</u> | <u>42,533</u> | <u>8,233</u> |
| Fund balances end of year | <u>\$ 946,802</u> | <u>52,484</u> | <u>11,927</u> |

See accompanying independent auditor's report.

| Revenue | | | | |
|-----------------------------|------------------------|----------------------|--|-----------|
| Urban Renewal Revenue | County Conservation | Drainage District | Local Government Opioid Abatement | Total |
| - | - | - | - | 1,078,929 |
| 404,468 | - | - | - | 404,468 |
| 12,148 | - | - | - | 22,474 |
| - | - | - | - | 3,694 |
| - | 73,841 | - | - | 73,841 |
| - | 818 | - | 13,235 | 14,053 |
| 416,616 | 74,659 | - | 13,235 | 1,597,459 |
| - | 37,404 | 1,400 | - | 711,151 |
| 276,918 | - | - | - | 276,918 |
| 276,918 | 37,404 | 1,400 | - | 988,069 |
| 139,698 | 37,255 | (1,400) | 13,235 | 609,390 |
| - | - | - | - | (350,000) |
| 139,698 | 37,255 | (1,400) | 13,235 | 259,390 |
| 488,621 | 270,240 | 7,368 | - | 1,706,840 |
| 628,319 | 307,495 | 5,968 | 13,235 | 1,966,230 |

Mills County
Combining Schedule of Fiduciary Net Position
Custodial Funds

June 30, 2022

| | County Offices | Agricultural Extension Education | County Assessor | Schools |
|--|-------------------|--|--------------------|-------------------|
| Assets | | | | |
| Cash, cash equivalents and pooled investments: | | | | |
| County Treasurer | \$ - | 1,860 | 842,242 | 103,686 |
| Other County officials | 89,339 | - | - | - |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | - | 722 | 1,230 | 37,256 |
| Succeeding year | - | 257,000 | 443,000 | 15,985,000 |
| Special assessments | - | - | - | - |
| Drainage assessments | - | - | - | - |
| Due from other governments | - | - | - | - |
| Total assets | 89,339 | 259,582 | 1,286,472 | 16,125,942 |
| Liabilities | | | | |
| Accounts payable | - | - | 94 | - |
| Stamped warrants payable | - | - | - | - |
| Salaries and benefits payable | - | - | 6,489 | - |
| Due to other governments | 35,042 | 1,860 | - | 103,686 |
| Trusts payable | 54,297 | - | - | - |
| Compensated absences | - | - | 18,287 | - |
| Total liabilities | 89,339 | 1,860 | 24,870 | 103,686 |
| Deferred Inflows of Resources | | | | |
| Unavailable revenues | - | 257,000 | 443,000 | 15,985,000 |
| Net Position | | | | |
| Restricted for individuals, organizations and other governments | \$ - | 722 | 818,602 | 37,256 |

See accompanying independent auditor's report.

| Community Colleges | Corporations | Townships | Auto License and Use Tax | Drainage Districts | City Special Assessments | Other | Total |
|--------------------|------------------|----------------|--------------------------|--------------------|--------------------------|----------------|-------------------|
| 11,222 | 44,259 | 2,426 | 498,610 | 3,805,169 | 2,607 | 694,242 | 6,006,323 |
| - | - | - | - | - | - | - | 89,339 |
| 4,356 | 12,127 | 1,286 | - | - | - | 8 | 56,985 |
| 1,500,000 | 3,874,000 | 494,000 | - | - | - | 3,000 | 22,556,000 |
| - | - | - | - | - | 10,267 | - | 10,267 |
| - | - | - | - | 36 | - | - | 36 |
| - | - | - | - | 887,336 | - | 12,049 | 899,385 |
| 1,515,578 | 3,930,386 | 497,712 | 498,610 | 4,692,541 | 12,874 | 709,299 | 29,618,335 |
| - | - | - | - | - | - | 28,864 | 28,958 |
| - | - | - | - | 112,966 | - | - | 112,966 |
| - | - | - | - | - | - | 2,624 | 9,113 |
| 11,222 | 44,259 | 2,426 | 498,610 | - | 2,607 | 19,867 | 719,579 |
| - | - | - | - | - | - | - | 54,297 |
| - | - | - | - | - | - | 2,916 | 21,203 |
| 11,222 | 44,259 | 2,426 | 498,610 | 112,966 | 2,607 | 54,271 | 946,116 |
| 1,500,000 | 3,874,000 | 494,000 | - | - | - | 3,000 | 22,556,000 |
| 4,356 | 12,127 | 1,286 | - | 4,579,575 | 10,267 | 652,028 | 6,116,219 |

Mills County

Combining Schedule of Changes in Fiduciary Net Position
Custodial Funds

Year ended June 30, 2022

| | County Offices | Agricultural Extension Education | County Assessor | Schools |
|------------------------------------|-------------------|--|--------------------|------------|
| Assets and Liabilities | | | | |
| Additions: | | | | |
| Property and other county tax | \$ - | 253,723 | 432,386 | 14,636,572 |
| 911 surcharges | - | - | - | - |
| State tax credits | - | 14,060 | 23,964 | 833,612 |
| Office fees and collections | 627,806 | - | - | - |
| Auto licenses, use tax and postage | - | - | - | - |
| Assessments | - | - | - | - |
| Trusts | 749,765 | - | - | - |
| Miscellaneous | - | - | 395 | - |
| Total additions | 1,377,571 | 267,783 | 456,745 | 15,470,184 |
| Deductions: | | | | |
| Agency remittances: | | | | |
| To other funds | 463,871 | - | - | - |
| To other governments | 316,500 | 267,938 | 407,529 | 15,480,862 |
| Trusts paid out | 597,200 | - | - | - |
| Total deductions | 1,377,571 | 267,938 | 407,529 | 15,480,862 |
| Changes in net position | - | (155) | 49,216 | (10,678) |
| Net position beginning of year | - | 877 | 769,386 | 47,934 |
| Net position end of year | \$ - | 722 | 818,602 | 37,256 |

See accompanying independent auditor's report.

| Community Colleges | Corporations | Townships | Auto License and Use Tax | Drainage Districts | City Special Assessments | Other | Total |
|--------------------|--------------|-----------|--------------------------|--------------------|--------------------------|-----------|------------|
| 1,540,076 | 3,459,116 | 461,094 | - | - | - | 29,566 | 20,812,533 |
| - | - | - | - | - | - | 226,817 | 226,817 |
| 85,099 | 323,673 | 21,983 | - | - | - | 152 | 1,302,543 |
| - | - | - | - | - | - | 3,694 | 631,500 |
| - | - | - | 7,019,116 | - | - | - | 7,019,116 |
| - | - | - | - | 616,366 | 74,778 | 279,910 | 971,054 |
| - | - | - | - | - | - | - | 749,765 |
| - | 45 | - | - | 2,033,403 | - | 467,969 | 2,501,812 |
| 1,625,175 | 3,782,834 | 483,077 | 7,019,116 | 2,649,769 | 74,778 | 1,008,108 | 34,215,140 |
| - | - | - | 249,704 | - | - | - | 713,575 |
| 1,625,506 | 3,788,820 | 483,050 | 6,769,412 | 1,396,332 | 96,962 | 993,599 | 31,626,510 |
| - | - | - | - | - | - | - | 597,200 |
| 1,625,506 | 3,788,820 | 483,050 | 7,019,116 | 1,396,332 | 96,962 | 993,599 | 32,937,285 |
| (331) | (5,986) | 27 | - | 1,253,437 | (22,184) | 14,509 | 1,277,855 |
| 4,687 | 18,113 | 1,259 | - | 3,326,138 | 32,451 | 637,519 | 4,838,364 |
| 4,356 | 12,127 | 1,286 | - | 4,579,575 | 10,267 | 652,028 | 6,116,219 |

Mills County

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

For the Last Ten Years

| | 2022 | 2021 | 2020 | 2019 |
|--------------------------------------|----------------------|-------------------|-------------------|-------------------|
| Revenues: | | | | |
| Property and other county tax | \$ 10,987,758 | 10,341,730 | 9,895,606 | 10,560,141 |
| Tax increment financing | 404,468 | 648,403 | 515,402 | 428,068 |
| Local option sales and services tax | 1,078,929 | 1,066,207 | 851,356 | 728,308 |
| Interest and penalty on property tax | 66,641 | 92,102 | 27,154 | 57,062 |
| Intergovernmental | 12,262,326 | 18,538,786 | 7,912,161 | 5,760,921 |
| Licenses and permits | 265,861 | 917,177 | 548,930 | 185,363 |
| Charges for service | 534,024 | 540,151 | 476,727 | 501,053 |
| Use of money and property | 242,527 | 319,601 | 287,622 | 172,173 |
| Miscellaneous | 342,030 | 456,183 | 444,673 | 1,069,084 |
| Total | \$ 26,184,564 | 32,920,340 | 20,959,631 | 19,462,173 |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | \$ 4,521,598 | 4,297,139 | 3,713,341 | 4,068,024 |
| Physical health and social services | 1,771,816 | 1,743,658 | 2,208,394 | 2,090,923 |
| Mental health | 450,436 | 374,848 | 275,734 | 313,895 |
| County environment and education | 4,547,945 | 12,011,087 | 1,681,133 | 1,739,420 |
| Roads and transportation | 6,309,590 | 8,346,945 | 9,467,708 | 6,018,775 |
| Governmental services to residents | 665,503 | 675,144 | 585,576 | 538,717 |
| Administration | 3,532,318 | 3,747,798 | 2,486,285 | 2,011,619 |
| Debt service | 1,128,488 | 1,212,038 | 1,340,716 | 1,296,099 |
| Capital projects | 282,059 | 383,392 | 504,669 | 3,249,037 |
| Total | \$ 23,209,753 | 32,792,049 | 22,263,556 | 21,326,509 |

See accompanying independent auditor's report.

| 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|------------|------------|------------|------------|------------|------------|
| 8,980,757 | 7,671,724 | 7,722,247 | 7,624,136 | 7,177,383 | 7,111,905 |
| 372,942 | 364,305 | 161,342 | 268,005 | 331,333 | 327,346 |
| 601,806 | 643,362 | 584,360 | 619,091 | 681,917 | 582,008 |
| 48,683 | 64,784 | 54,095 | 60,206 | 55,716 | 57,438 |
| 5,473,533 | 5,084,348 | 5,597,956 | 4,987,426 | 4,768,950 | 4,023,918 |
| 316,849 | 327,843 | 214,365 | 269,393 | 145,625 | 152,074 |
| 496,126 | 516,350 | 434,180 | 454,886 | 440,482 | 586,775 |
| 132,354 | 120,254 | 99,667 | 107,617 | 99,148 | 97,548 |
| 382,297 | 251,967 | 242,923 | 271,703 | 196,523 | 283,602 |
| 16,805,347 | 15,044,937 | 15,111,135 | 14,662,463 | 13,897,077 | 13,222,614 |
| 3,448,741 | 3,298,526 | 3,167,497 | 2,921,757 | 2,605,007 | 2,743,769 |
| 2,118,573 | 1,592,938 | 1,723,112 | 1,643,560 | 1,573,212 | 1,464,118 |
| 441,846 | 397,124 | 491,072 | 2,064,325 | 190,359 | 220,272 |
| 1,363,054 | 1,213,925 | 1,350,658 | 814,524 | 1,658,505 | 758,330 |
| 4,853,258 | 5,658,872 | 5,075,898 | 4,555,966 | 4,647,326 | 4,873,610 |
| 535,830 | 491,575 | 534,660 | 519,112 | 478,780 | 609,265 |
| 1,820,808 | 1,504,490 | 1,401,177 | 1,336,065 | 1,169,434 | 1,419,687 |
| 1,079,267 | 634,356 | 538,533 | 535,436 | 522,265 | 106,170 |
| 710,543 | 3,055,015 | 1,233,204 | 1,775,918 | 4,415,035 | 1,757,272 |
| 16,371,920 | 17,846,821 | 15,515,811 | 16,166,663 | 17,259,923 | 13,952,493 |

Schedule 6

Mills County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2022

| Grantor/Program | Assistance Listing Number | Pass-through Entity Identifying Number | Program Expenditures |
|--|---------------------------------|---|-------------------------|
| U.S. Department of Agriculture: | | | |
| Passed through Iowa Department of Human Services: | | | |
| Human Services Administrative Reimbursements: | | | |
| SNAP Cluster: | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 00002129047 | \$ 14,376 |
| Total U.S. Department of Agriculture | | | <u>14,376</u> |
| U.S. Department of Housing and Urban Development: | | | |
| Passed through Iowa Economic Development Authority: | | | |
| Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii | 14.228 | 19-DRMB-004 | 319,705 |
| CDBG - Disaster Recovery Grants - Pub. L. No 113-2 Cluster: | | | |
| National Disaster Resilience Competition (CDBG-NDR) | 14.272 | 13-NDRI-008 | 1,164,973 |
| Total U.S. Department of Housing and Urban Development | | | <u>1,484,678</u> |
| U.S. Department of Justice: | | | |
| Passed through Iowa Economic Development Authority: | | | |
| Juvenile Mentoring Program | 16.726 | 19OJJDP-06-008 | 3,946 |
| Passed through Iowa Department of Public Safety - Governor's Traffic Safety Bureau: | | | |
| Highway Safety Cluster: | | | |
| State and Community Highway Safety | 20.600 | PAP 21-402-MOPT, Task 70-10-00 | 100 |
| State and Community Highway Safety | 20.600 | PAP 22-402-MOPT, Task 87-30-00 | 2,436 |
| | | | <u>2,536</u> |
| Total U.S. Department of Justice | | | <u>6,482</u> |
| U.S. Department of the Treasury: | | | |
| COVID-19, Coronavirus State and Local Fiscal Recovery Funds | 21.027 | FY22 | 515,765 |
| Total U.S. Department of the Treasury | | | <u>515,765</u> |
| U.S. Election Assistance Commission: | | | |
| Passed through Iowa Secretary of State: | | | |
| HAVA Election Security Grants | 90.404 | 365-2321-HAVACYBER | 10,000 |
| Total U.S. Election Assistance Commission | | | <u>10,000</u> |
| U.S. Department of Health and Human Services: | | | |
| Passed through Iowa Department of Public Health: | | | |
| Public Health Emergency Preparedness | 93.069 | 5881BT07-E | 232,057 |
| Immunization Cooperative Agreements | 93.268 | 5880I461 | 7,020 |
| COVID-19, Immunization Cooperative Agreements | 93.268 | 5885BT465 | 50,917 |
| | | | <u>57,937</u> |
| Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | 93.323 | 5885BT465 | 47,114 |
| COVID 19 - Public Health Emergency Response: | | | |
| Cooperative Agreement for Emergency Response: | | | |
| Public Health Crisis Response | 93.354 | 5885BT465 | 17,242 |
| The National Cardiovascular Health Program | 93.426 | 5882CD24 | 2,000 |
| National Bioterrorism Hospital Preparedness Program | 93.889 | 5881BHP15 | 105,182 |

Mills County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2022

| Grantor/Program | Assistance Listing Number | Pass-through Entity Identifying Number | Program Expenditures |
|--|---------------------------------|---|-------------------------|
| Passed through Iowa Department of Human Services: | | | |
| Human Services Administrative Reimbursements: | | | |
| Title IV-E Prevention Program | 93.472 | 00002129047 | 510 |
| Refugee and Entrant Assistance - State/Replacement Designee Administered Programs | 93.566 | 00002129047 | 17 |
| CCDF Cluster: | | | |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 00002129047 | 3,750 |
| Foster Care - Title IV-E | 93.658 | 00002129047 | 3,833 |
| Adoption Assistance | 93.659 | 00002129047 | 2,096 |
| Social Services Block Grant | 93.667 | 00002129047 | 3,914 |
| Children's Health Insurance Program | 93.767 | 00002129047 | 297 |
| Medicaid Cluster: | | | |
| Medical Assistance Program | 93.778 | 00002129047 | 16,948 |
| Total U.S. Department of Health and Human Services | | | 492,897 |
| U.S. Department of Homeland Security: | | | |
| Passed through Iowa Department of Homeland Security and Emergency Management Division | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | FEMA 4421 DRIA | 644,924 |
| Hazard Mitigation Grant | 97.039 | HMPG 4421 DRIA | 112,510 |
| Total U.S. Department of Homeland Security | | | 757,434 |
| Total | | | \$ 3,281,632 |

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, 2022. 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 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.



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

Rob Sand
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 auditing standards generally accepted in the United States of America 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, 2022, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 22, 2023.

Report on 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 (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mills County's internal control. Accordingly, we do not express an opinion on the effectiveness of Mills County's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that 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 2022-001 and 2022-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that 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 2022-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mills County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 noncompliance or other matters which 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 Mills County's operations for the year ended June 30, 2022 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Mills 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 Findings

Government Auditing Standards requires the auditor to perform limited procedures on Mills County's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Mills County's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.


Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

September 22, 2023

Mills County



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STATE OF IOWA

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

To the Officials of Mills County:

Report on Compliance for Each Major Federal Program

Opinion on each Major Federal Program

We have audited Mills County, Iowa's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on Mills County's major federal programs for the year ended June 30, 2022. Mills County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Mills County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Mills County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Mills County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Mills County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Mills County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence judgement made by a reasonable user of the report on compliance about Mills County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Mills County's compliance with the compliance requirements referred to above and performing other such procedures as we considered necessary in the circumstances.
- Obtain an understanding of Mills County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Mills County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance we identified during the audit.

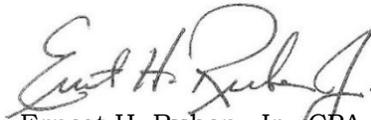
Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

September 22, 2023

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

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 programs were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major programs were as follows:
 - Assistance Listing Number 14.228 – Community Development Grants/State's Program and Non-Entitlement Grants in Hawaii
 - Assistance Listing Number 21.027 – COVID-19, Coronavirus State and Local Fiscal Recovery Funds
 - Assistance Listing Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$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, 2022

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2022-001 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. That independent opener should list checks received in the mail, then forward the mail to the accounting personnel for processing. Later, the independent mail opener should trace receipts from the listing to proper recording in the accounting records and proper deposit. | Treasurer |
| (2) Bank accounts are not reconciled at the end of each month by an individual who does not sign checks, handle or record cash. | Treasurer |
| (3) Collection, deposit preparation and reconciliation functions are not segregated from the recording and accounting for cash receipts. | Conservation |
| (4) 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, 2022

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. These independent reviews should be documented by the signature or initials of the reviewer and the date of the review.

Responses –

Treasurer – We have a limited staff and have cross-trained so everyone in our office handles cash and or checks. Everyone can now do motor vehicle. Four can do everything and two can do simple renewals. Everyone can take in taxes. Three can do everything and three can take in regular taxes. For driver’s license, three can issue. Again, with the incoming mail, everyone in the office takes in checks in one department or another. The Treasurer or Tax Deputy checks the deposits every morning, re-adds the cash and checks and the check total, then re-adds the deposit slip and initials.

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.

2022-002 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, payables and capital asset additions were not properly recorded in the County’s financial statements. In addition, material errors in the accrual classification of receivables and payables were identified. Adjustments were subsequently made by the County to properly include and classify these amounts in the financial statements.

Cause – County policies do not require, and procedures have not been established to require independent review of year-end cut-off and capital asset 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.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

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

Response – As a new auditor, appointed August 1, 2023, I will have our office learn the procedures which need to be implemented and ensure all future receivables, payables and capital assets are handled properly.

Conclusion – Response accepted.

2022-003 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. In addition, amounts on the delinquent tax reconciliation were not supported.

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 or supported, 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 and amounts on the reconciliations should be supported.

Response – I have struggled with this since I took office as there were no notes or information on how to do it. I have visited with other Treasurer’s about their reporting form. The state auditor in 2021 was able to find a form from a different county, but I have had trouble finding the items I need to put on the form. I think a simpler form would be better, but I think 2023 is now correct.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

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 programs were noted.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Part IV: Other Findings Related to Required Statutory Reporting:

2022-A Certified Budget – Disbursements during the year ended June 30, 2022 exceeded the amounts budgeted in the mental health and debt service functions. In addition, disbursements in certain departments exceeded the amounts appropriated.

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.

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

Response – As a new auditor, I understand that appropriations should be made prior to any disbursements happening. Our office and other departments will have a better awareness of the budgets approved and not allow increases and decreases to happen prior to needed amendments. Thus, no disbursement will be made until amendment(s) have been approved.

Conclusion – Response accepted.

2022-B 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.

2022-C Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees exceeded set reimbursement rate.

2022-D 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 | \$ 125 |
| Julie Lynes, Public Health Supervisor, husband is an independent contractor | Family centered services facilitator | 765 |
| Diana Crouch, daughter of County Board of Supervisor | Election worker | 187 |
| Lacey Jackson, granddaughter of County Auditor | Election worker | 134 |

These 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 \$6,000 during the fiscal year.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

- 2022-E Restricted Donor Activity – No transactions were noted between the County, County officials, or County employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- 2022-F 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.
- 2022-G Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 2022-H 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.
- 2022-I 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).
- 2022-J Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Department of Management on or before December 1. However, the Levy Authority Summary included beginning cash balance and ending cash balances which did not reconcile to the County's Special Revenue, Urban Renewal Revenue Fund. The reported total tax increment financing debt outstanding was understated.

Recommendation – The County should ensure the amounts reported on the Levy Authority Summary agree with the County's records.

Response – As a new auditor, I will ensure the County's records agree with the Levy Authority Summary. I understand the importance of making sure the reported amounts agree when reporting and will work to gain a better understanding of TIF.

Conclusion – Response accepted.

- 2022-K Tax Increment Financing (TIF) – For the year ended June 30, 2022, 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.

Response – As a new auditor I have reached out to individuals with a lot more experience and knowledge on TIF. With their help and guidance, I will bring our information current and learn how to maintain information in the proper manner.

Conclusion – Response accepted.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

2022-L 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, 2022, the County has not set aside any funds for LMI housing assistance. Per Chapter 403.22(3)(d) of the Code of Iowa, the County may use any other sources which are legally available to provide LMI assistance.

Recommendation – The County should investigate alternatives to comply with the LMI set aside requirement per Chapter 403.22(3) of the Code of Iowa. If necessary, other potential sources of funds may be used to meet the low and moderate income family housing assistance requirement.

Response – As a new auditor, I understand the LMI for the TIF wasn’t placed in a proper fund. I will investigate with the County Attorney the best way to remedy this situation and make sure our county comes into compliance.

Conclusion – Response accepted.

2022-M Tax Increment Financing – During the year ended June 30, 2008, the County entered into a development agreement with Oak Ranch Development, LLC that called for the County to make two payments a year starting on December 1, 2009 for eleven fiscal years ending on June 1, 2020 or until the total amount of principal and interest has been paid, whichever occurs first. The County continued to collect TIF for this agreement in fiscal year 2021 and 2022 after the agreement had ended. Per discussion with County personnel, TIF collections continued in order to meet the LMI set aside requirement, noted in Comment 2022-L above. The County also made two additional payments to the developer in fiscal year 2021 after the agreement ended.

Recommendation – As noted in Comment 2022-L, because the development agreement ended, the County should investigate alternatives to comply with the LMI set-aside utilizing other potential sources of funds. Also, because the period of the development agreement ended, the County should seek reimbursement from the developer for any payments made after the agreement ended.

Response – I have discussed with the former auditor the situation that occurred with Oak Ranch Development LLC TIF collections. I will investigate with the County Attorney the proper way to correct the situation and come into compliance.

Conclusion – Response accepted.

Mills County

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy
Jennifer L. Wall, CPA, Manager
Stephen J. Hoffman, Senior Auditor II
Ronica H. Drury, Staff Auditor
Kerillos M. Hana, Staff Auditor
Christopher L. Poague, Staff Auditor
Kelsey R. Sauer, Staff Auditor
Hunter W. Penton, Assistant Auditor