



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

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**NEWS RELEASE**

FOR RELEASE

May 22, 2012

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$22,898,477 for the year ended June 30, 2011, which included \$699,891 in tax credits from the state. The County forwarded \$16,885,121 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$6,013,356 of the local tax revenue to finance County operations, a 4.9% decrease from the prior year. Other revenues included charges for service of \$1,084,875, operating grants, contributions and restricted interest of \$4,674,825, capital grants, contributions and restricted interest of \$831,981, unrestricted investment earnings of \$44,187, local option sales and services tax of \$406,971, tax increment financing of \$98,324, gain on disposal of capital assets of \$236,160 and other general revenues of \$210,044.

Expenses for County operations totaled \$12,815,626, a 3.9% increase over the prior year. Expenses included \$5,184,439 for roads and transportation, \$2,426,336 for public safety and legal services and \$1,567,183 for physical health and social services.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1110-0065-B00F.pdf>.

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**MILLS COUNTY**

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

**JUNE 30, 2011**

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**Mills County**

**Officials**

**(Before January 2011)**

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Richard Crouch	Board of Supervisors	Jan 2011
Joseph P. Blankenship	Board of Supervisors	Jan 2013
Ronald E. Kohn	Board of Supervisors	Jan 2013
Carol Robertson	County Auditor	Jan 2013
Janette Blackburn	County Treasurer	Jan 2011
Vicki McClintic	County Recorder	Jan 2011
Eugene Goos	County Sheriff	Jan 2013
Marci McClellan	County Attorney	Jan 2011
Christina Govig	County Assessor	Jan 2016

**(After January 2011)**

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

**Mills County**



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Independent Auditor's Report

To the Officials of Mills County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mills County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Mills County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Mills County at June 30, 2011, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 1, 2012 on our consideration of Mills County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 42 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mills County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (which are not presented herein) and expressed a qualified opinion on those financial statements due to the omission of general fixed assets. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2002 (which are not presented herein) and expressed qualified opinions on those financial statements due to the effects of the omission of general fixed assets and the omission of the materials and supplies inventories, pertaining primarily to the Secondary Roads Fund. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 1, 2012

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2011, along with comparative data for the year ended June 30, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2011 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 11.4%, or approximately \$1,393,000, from fiscal year 2010 to fiscal year 2011. Capital grants, contributions and restricted interest of approximately \$832,000 were received in fiscal year 2011. Charges for service increased from approximately \$989,000 in fiscal year 2010 to approximately \$1,085,000 in fiscal year 2011 and property tax increased from approximately \$5,535,000 in fiscal year 2010 to approximately \$5,831,000 in fiscal year 2011.
- Program expenses of the County's governmental activities increased 3.9%, or approximately \$478,000, in fiscal year 2011 compared to fiscal year 2010. Expenses for roads and transportation increased the most, from approximately \$4,897,000 in fiscal year 2010 to approximately \$5,184,000 in fiscal year 2011. Public safety and legal services and mental health expenses increased approximately \$183,000 and \$138,000, respectively, while administration expenses decreased approximately \$168,000.
- The County's net assets increased 4.9%, or approximately \$785,000, from June 30, 2010 to June 30, 2011.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

### *The Fund Financial Statements*

The County has two kinds of funds:

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

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

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

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. Mills County's net assets at the end of fiscal year 2011 totaled approximately \$16.9 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

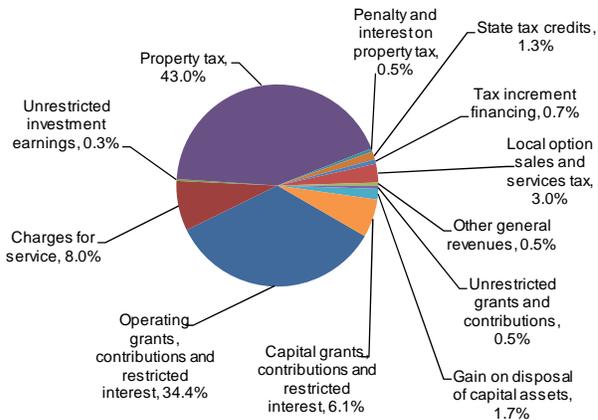
Net Assets of Governmental Activities		
	June 30,	
	2011	2010
Current and other assets	\$ 15,163,776	14,918,431
Capital assets	10,068,178	9,173,280
Total assets	<u>25,231,954</u>	<u>24,091,711</u>
Long-term liabilities	1,459,249	1,469,310
Other liabilities	6,827,767	6,462,560
Total liabilities	<u>8,287,016</u>	<u>7,931,870</u>
Net assets:		
Invested in capital assets	10,068,178	9,173,280
Restricted	4,328,976	4,181,930
Unrestricted	<u>2,547,784</u>	<u>2,804,631</u>
Total net assets	<u>\$ 16,944,938</u>	<u>16,159,841</u>

Net assets of Mills County's governmental activities increased approximately 4.9% (approximately \$16.9 million compared to approximately \$16.2 million). The largest portion of the County's net assets are invested in capital assets (e.g. land, infrastructure, buildings and equipment). Next largest is restricted net assets, which represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets which can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, are \$2,547,784, which was a decrease of approximately \$257,000, or 9.2%, from June 30, 2010.

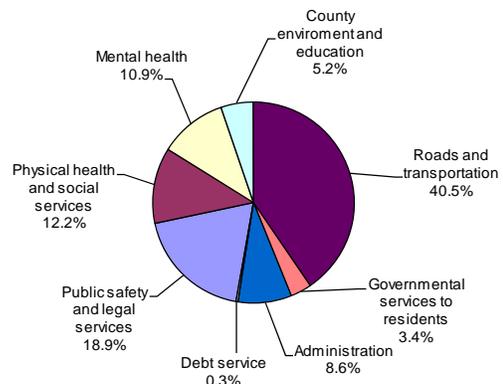
**Changes in Net Assets of Governmental Activities**

	Year ended June 30,	
	2011	2010
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 1,084,875	989,318
Operating grants, contributions and restricted interest	4,674,825	4,581,683
Capital grants, contributions and restricted interest	831,981	-
<b>General revenues:</b>		
Property tax	5,831,158	5,534,828
Penalty and interest on property tax	68,722	67,801
Tax increment financing	98,324	199,101
State tax credits	182,198	197,039
Local option sales and services tax	406,971	418,679
Unrestricted grants and contributions	69,579	45,235
Unrestricted investment earnings	44,187	72,131
Gain on disposal of capital assets	236,160	37,689
Other general revenues	71,743	64,637
<b>Total revenues</b>	<b>13,600,723</b>	<b>12,208,141</b>
<b>Program expenses:</b>		
Public safety and legal services	2,426,336	2,243,494
Physical health and social services	1,567,183	1,558,698
Mental health	1,401,997	1,263,742
County environment and education	664,070	638,624
Roads and transportation	5,184,439	4,897,254
Governmental services to residents	430,894	454,376
Administration	1,104,727	1,273,190
Debt service	35,980	-
Non-program	-	8,070
<b>Total expenses</b>	<b>12,815,626</b>	<b>12,337,448</b>
<b>Change in net assets</b>	<b>785,097</b>	<b>(129,307)</b>
<b>Net assets beginning of year</b>	<b>16,159,841</b>	<b>16,289,148</b>
<b>Net assets end of year</b>	<b>\$ 16,944,938</b>	<b>16,159,841</b>

**Revenues by Source**



**Expenses by Program**



Mills County's net assets of governmental activities increased approximately \$785,000 during the year. Revenues for governmental activities increased approximately \$1,393,000 over the prior year, with property tax revenue up from the prior year approximately \$296,000, or 5.35%

Mills County decreased the property tax rate \$.92129 per \$1,000 of taxable valuation for the rural services levy and increased the property tax rate \$.34092 per \$1,000 of taxable valuation for the county-wide levy in fiscal year 2011. The general supplemental levy rate increased \$.41543 per \$1,000 of taxable valuation from fiscal year 2010 to fiscal year 2011. The mental health levy rate decreased \$.07451 per \$1,000 of taxable valuation. The county-wide assessed property taxable valuation increased \$57,108,866 from fiscal year 2010 to fiscal year 2011 and the rural assessed property taxable valuation increased \$54,283,427 from fiscal year 2010 to fiscal year 2011. The general basic levy in fiscal year 2011 remained unchanged from fiscal year 2010 at \$3.50 per \$1,000 of taxable valuation.

The cost of all governmental activities this year was approximately \$12.8 million compared to approximately \$12.3 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers untimely financed for these activities was approximately \$6.2 million because some of the cost was paid by those directly benefited from the programs (approximately \$1,085,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$5,507,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in fiscal year 2011 from approximately \$5,571,000 to approximately \$6,592,000, primarily due to receiving approximately \$832,000 of proceeds from a Wabash Trace grant and FEMA reimbursements for the 2008 flood.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Mills County completed the year, its governmental funds reported a combined fund balance of approximately \$8.17 million, a decrease of approximately \$197,000 from last year's total of approximately \$8.37 million. The decrease in fund balance is primarily attributable to the County trying to maintain a lower tax base for the residents of the County with increased expenditures. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund, the operating fund for Mills County, ended fiscal year 2011 with a balance of \$4,856,225. This was an increase of \$31,149 from the fiscal year 2010 ending balance. Revenue increased \$905,755 over fiscal year 2010, primarily due to an increase in property and other county tax and capital grants received from ARRA grant funds for paving the Wabash Trace. Expenditures increased \$778,640 over fiscal year 2010, primarily due to an increase in capital projects.

The County has continued to look for ways to effectively manage the cost of mental health services in the Special Revenue, Mental Health Fund. Fiscal year 2011 ended with a \$868,358 fund balance, which was a decrease of \$50,485 from fiscal year 2010. Revenues decreased \$390,483 from fiscal year 2010 to fiscal year 2011, primarily due to a decrease in intergovernmental revenue. Mills County also had an increase in mental health expenditures of \$138,255 from fiscal year 2010 to fiscal year 2011.

The Special Revenue, Rural Services Fund ended fiscal year 2011 with a \$293,462 fund balance compared to the fiscal year 2010 ending fund balance of \$282,809. Revenues decreased \$312,229 from fiscal year 2010 to fiscal year 2011, with property and other county tax revenue decreasing from fiscal year 2010 to fiscal year 2011. Expenditures also decreased \$217,887 from fiscal year 2010. The County transferred all funds budgeted to the Special Revenue, Secondary Roads Fund, which decreased from fiscal year 2010 to fiscal year 2011.

The Special Revenue, Secondary Roads Fund ended fiscal year 2011 with a \$1,302,866 fund balance compared to the fiscal year 2010 ending fund balance of \$1,543,046. As mentioned above, the Secondary Roads Fund received all the transfers budgeted in fiscal year 2011, which was an increase of approximately \$83,000 over fiscal year 2010. Secondary Roads Fund revenue increased \$906,014 over fiscal year 2010 to fiscal year 2011 due to an increase in intergovernmental revenue, primarily due to capital grants received from FEMA. Expenditures increased \$502,340 over fiscal year 2010, primarily due to an increase in roads and transportation function expenditures.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Mills County amended its budget two times. The first amendment was made on October 12, 2010 and resulted in an increase in budgeted disbursements related primarily FEMA reimbursements. The second amendment was made on February 22, 2011 and resulted in an increase in budgeted disbursements related primarily to a loan to the County Assessor to assist with costs of re-appraisal.

The County's actual receipts were \$523,321 less than the amended budget, a variance of 3.7%. The variance resulted from the County receiving less intergovernmental receipts than anticipated.

Total actual disbursements were \$2,905,638 less than the amended budget, a variance of 17.6%. Actual disbursements for the roads and transportation, the capital projects and the mental health functions were under the amended budget by \$902,295, \$468,763 and \$417,253, respectively. This was primarily due to receiving FEMA funding at year end. The mental health function was less than the amended budget, primarily due to increased match being provided directly to vendors from the federal government.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, Mills County had approximately \$10.1 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 \$894,898, or 9.8%, over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2011	2010
Land	\$ 843,378	843,378
Intangibles, road network	933,140	933,140
Buildings	775,667	820,902
Improvements other than buildings	38,756	43,600
Equipment and vehicles	2,359,080	2,107,712
Infrastructure, other	5,118,157	4,424,548
Total	<u>\$ 10,068,178</u>	<u>9,173,280</u>
This year's major additions included:		
Wabash Trace paving	\$ 538,339	
Secondary Roads Department equipment	643,781	
Total	<u>\$ 1,182,120</u>	

The County had depreciation expense of \$693,743 in fiscal year 2011 and total accumulated depreciation of \$5,298,614 at June 30, 2011.

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

## **Long-Term Debt**

At June 30, 2011, Mills County had \$865,000 of long-term debt outstanding relating to general obligation urban renewal bonds issued in fiscal year 2008 compared to \$930,000 of outstanding long-term debt at June 30, 2010.

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 \$62.7 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Mills County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 4.2% versus 4.1% a year ago. This compares with the State's unemployment rate of 6.0% and the national rate of 9.0%.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are approximately \$13,065,094, a decrease of 5.6% from the final fiscal year 2011 budget. Property tax increased due to the fiscal year 2011 rate increase and increases in assessed valuations. Grant receipts decreased as a result of the County completing several projects and grants during fiscal year 2011. Mills County will use these increases in receipts to finance programs we currently offer and offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to increase approximately \$374,000, primarily due to increasing costs associated with roads. The County has added no major new programs or initiatives to the fiscal year 2012 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly increase by the close of fiscal year 2012.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

**Mills County**

## **Basic Financial Statements**

**Exhibit A**

Mills County  
Statement of Net Assets  
June 30, 2011

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 7,813,810
Receivables:	
Property tax:	
Delinquent	18,543
Succeeding year	6,024,000
Interest and penalty on property tax	48,432
Accounts	39,853
Accrued interest	4,846
Drainage assessments	475
Special assessments	20,775
Loan	200,000
Due from other governments	592,483
Inventories	371,733
Prepaid insurance	28,826
Capital assets - nondepreciable	1,776,518
Capital assets - depreciable (net)	8,291,660
<b>Total assets</b>	<u>25,231,954</u>
<b>Liabilities</b>	
Accounts payable	278,476
Salaries and benefits payable	177,695
Due to other governments	269,598
Deferred revenue:	
Succeeding year property tax	6,024,000
Other	77,998
Long-term liabilities:	
Portion due or payable within one year:	
General obligation urban renewal bonds	70,000
Compensated absences	255,765
Portion due or payable after one year:	
General obligation urban renewal bonds	795,000
Compensated absences	232,484
Net OPEB liability	106,000
<b>Total liabilities</b>	<u>8,287,016</u>
<b>Net Assets</b>	
Invested in capital assets	10,068,178
Restricted for:	
Supplemental levy purposes	1,253,823
Mental health purposes	855,254
Rural services purposes	293,462
Secondary roads purposes	1,117,119
Other purposes	809,318
Unrestricted	2,547,784
<b>Total net assets</b>	<u>\$ 16,944,938</u>

See notes to financial statements.

Mills County

Statement of Activities

Year ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest		Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 2,426,336	218,321	76,822	-	(2,131,193)
Physical health and social services	1,567,183	480,683	524,873	-	(561,627)
Mental health	1,401,997	-	738,331	-	(663,666)
County environment and education	664,070	8,862	25,271	618,092	(11,845)
Roads and transportation	5,184,439	67,390	3,290,713	213,889	(1,612,447)
Governmental services to residents	430,894	292,800	27	-	(138,067)
Administration	1,104,727	15,765	18,788	-	(1,070,174)
Debt service	35,980	-	-	-	(35,980)
Non-program	-	1,054	-	-	1,054
<b>Total</b>	<b>\$ 12,815,626</b>	<b>1,084,875</b>	<b>4,674,825</b>	<b>831,981</b>	<b>(6,223,945)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					5,831,158
Penalty and interest on property tax					68,722
Tax increment financing					98,324
State tax credits					182,198
Local option sales and services tax					406,971
Grants and contributions not restricted to specific purpose					69,579
Unrestricted investment earnings					44,187
Gain on disposal of capital assets					236,160
Miscellaneous					71,743
<b>Total general revenues</b>					<b>7,009,042</b>
Change in net assets					785,097
Net assets beginning of year					16,159,841
Net assets end of year					<b>\$ 16,944,938</b>

See notes to financial statements.

Mills County  
Balance Sheet  
Governmental Funds

June 30, 2011

	Special		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash and pooled investments	\$ 4,513,439	1,088,944	292,592
Receivables:			
Property tax:			
Delinquent	12,447	1,953	4,143
Succeeding year	3,734,000	586,000	1,445,000
Interest and penalty on property tax	48,432	-	-
Accounts	39,040	800	-
Accrued interest	4,823	-	-
Drainage assessments	-	-	-
Special assessments	-	-	-
Loan	200,000		
Due from other governments	219,108	62,919	10,977
Inventories	-	-	-
Prepaid insurance	28,826	-	-
<b>Total assets</b>	<b>\$ 8,800,115</b>	<b>1,740,616</b>	<b>1,752,712</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 35,108	21,940	2,249
Salaries and benefits payable	111,880	-	6,596
Due to other governments	4,318	262,633	1,999
Deferred revenue:			
Succeeding year property tax	3,734,000	586,000	1,445,000
Other	58,584	1,685	3,406
<b>Total liabilities</b>	<b>3,943,890</b>	<b>872,258</b>	<b>1,459,250</b>
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Loan receivable	180,000	-	-
Prepaid insurance	28,826	-	-
Restricted for:			
Supplemental levy purposes	1,251,114	-	-
Mental health purposes	-	868,358	-
Rural services purposes	-	-	293,462
Secondary roads purposes	-	-	-
Drainage warrants/drainage improvement certificates	-	-	-
Conservation land acquisition/capital improvements	188,395	-	-
Other purposes	-	-	-
Unassigned	3,207,890	-	-
<b>Total fund balances</b>	<b>4,856,225</b>	<b>868,358</b>	<b>293,462</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,800,115</b>	<b>1,740,616</b>	<b>1,752,712</b>

See notes to financial statements.

Revenue		
Secondary Roads	Nonmajor	Total
1,104,658	814,177	7,813,810
-	-	18,543
-	259,000	6,024,000
-	-	48,432
-	13	39,853
-	23	4,846
-	475	475
20,775	-	20,775
		200,000
260,932	38,547	592,483
371,733	-	371,733
-	-	28,826
<u>1,758,098</u>	<u>1,112,235</u>	<u>15,163,776</u>
218,729	450	278,476
58,275	944	177,695
-	648	269,598
-	259,000	6,024,000
178,228	-	241,903
<u>455,232</u>	<u>261,042</u>	<u>6,991,672</u>
371,733	-	371,733
-	-	180,000
-	-	28,826
-	-	1,251,114
-	-	868,358
-	-	293,462
931,133	-	931,133
-	2,269	2,269
-	-	188,395
-	848,924	848,924
-	-	3,207,890
<u>1,302,866</u>	<u>851,193</u>	<u>8,172,104</u>
<u>1,758,098</u>	<u>1,112,235</u>	<u>15,163,776</u>

**Mills County**

Mills County

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

June 30, 2011

**Total governmental fund balances (page 19)** \$ 8,172,104

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$15,366,792 and the accumulated depreciation is \$5,298,614. 10,068,178

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 163,905

Long-term liabilities, including general obligation urban renewal bonds payable, other postemployment benefits payable and compensated absences payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (1,459,249)

**Net assets of governmental activities (page 16)** \$ 16,944,938

See notes to financial statements.

Mills County

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

Year ended June 30, 2011

	General	Mental Health	Special Rural Services
Revenues:			
Property and other county tax	\$ 3,787,588	584,789	1,457,253
Local option sales and services tax	-	-	-
Tax increment financing	-	-	-
Interest and penalty on property tax	62,022	-	-
Intergovernmental	1,651,634	753,247	93,027
Licenses and permits	97,232	-	23,850
Charges for service	423,237	-	-
Use of money and property	47,204	-	-
Miscellaneous	61,146	13,476	-
Total revenues	6,130,063	1,351,512	1,574,130
Expenditures:			
Operating:			
Public safety and legal services	2,233,183	-	176,668
Physical health and social services	1,411,351	-	70,518
Mental health	-	1,401,997	-
County environment and education	368,053	-	51,909
Roads and transportation	-	-	-
Governmental services to residents	421,650	-	1,410
Administration	1,024,544	-	51,972
Debt service	-	-	-
Capital projects	540,133	-	-
Total expenditures	5,998,914	1,401,997	352,477
Excess (deficiency) of revenues over (under) expenditures	131,149	(50,485)	1,221,653
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(100,000)	-	(1,211,000)
Total other financing sources (uses)	(100,000)	-	(1,211,000)
Net change in fund balances	31,149	(50,485)	10,653
Fund balances beginning of year	4,825,076	918,843	282,809
Fund balances end of year	\$ 4,856,225	868,358	293,462

See notes to financial statements.

Revenue		
Secondary		
Roads	Nonmajor	Total
-	-	5,829,630
-	406,971	406,971
-	98,324	98,324
-	-	62,022
3,465,040	72,761	6,035,709
11,075	-	132,157
14,209	3,479	440,925
-	80,132	127,336
75,671	4,054	154,347
3,565,995	665,721	13,287,421
-	63,602	2,473,453
-	-	1,481,869
-	-	1,401,997
-	209,489	629,451
5,353,500	-	5,353,500
-	791	423,851
-	-	1,076,516
-	100,980	100,980
2,675	-	542,808
5,356,175	374,862	13,484,425
(1,790,180)	290,859	(197,004)
1,550,000	-	1,550,000
-	(239,000)	(1,550,000)
1,550,000	(239,000)	-
(240,180)	51,859	(197,004)
1,543,046	799,334	8,369,108
1,302,866	851,193	8,172,104

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, 2011

**Net change in fund balances - Total governmental funds (page 23)** \$ (197,004)

**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 exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,352,481	
Depreciation expense	<u>(693,743)</u>	658,738

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 236,160

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

Property tax	1,528	
Other	<u>75,614</u>	77,142

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 65,000

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	(2,277)	
Other postemployment benefits	<u>(52,662)</u>	(54,939)

**Change in net assets of governmental activities (page 17)** \$ 785,097

See notes to financial statements.

Mills County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2011

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 1,793,748
Other County officials	28,621
Receivables:	
Property tax:	
Delinquent	56,147
Succeeding year	16,349,082
Accounts	88,346
Accrued interest	829
Special assessments	177,624
Drainage assessments	66
Due from other governments	173,333
<b>Total assets</b>	<b>18,667,796</b>

**Liabilities**

Accounts payable	25,304
Stamped warrants payable	5,125
Salaries and benefits payable	20,647
Due to other governments	18,558,973
Unearned FEMA grant revenue	1,148
Trusts payable	17,558
Compensated absences	39,041
<b>Total liabilities</b>	<b>18,667,796</b>

<b>Net assets</b>	<b>\$ -</b>
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See notes to financial statements.

Mills County

Notes to Financial Statements

June 30, 2011

**(1) Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only

when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

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

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

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

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

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

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The County’s deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 100,000
	Special Revenue:	
	Rural Services	1,211,000
	Local Option Sales and Services Tax	239,000
Total		\$ 1,550,000

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

**(4) Capital Assets**

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 843,378	-	-	843,378
Intangibles, road network	933,140	-	-	933,140
Construction in progress	-	319,023	319,023	-
Total capital assets not being depreciated	<u>1,776,518</u>	<u>-</u>	<u>-</u>	<u>1,776,518</u>
Capital assets being depreciated:				
Buildings	1,644,689	-	-	1,644,689
Improvements other than buildings	96,888	-	-	96,888
Equipment and vehicles	5,647,885	734,959	451,517	5,931,327
Infrastructure	5,060,009	857,361	-	5,917,370
Total capital assets being depreciated	<u>12,449,471</u>	<u>1,592,320</u>	<u>451,517</u>	<u>13,590,274</u>
Less accumulated depreciation for:				
Buildings	823,786	45,236	-	869,022
Improvements other than buildings	53,288	4,844	-	58,132
Equipment and vehicles	3,540,174	479,911	447,838	3,572,247
Infrastructure	635,461	163,752	-	799,213
Total accumulated depreciation	<u>5,052,709</u>	<u>693,743</u>	<u>447,838</u>	<u>5,298,614</u>
Total capital assets being depreciated, net	<u>7,396,762</u>	<u>898,577</u>	<u>3,679</u>	<u>8,291,660</u>
Governmental activities capital assets, net	<u>\$ 9,173,280</u>	<u>898,577</u>	<u>3,679</u>	<u>10,068,178</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 34,335
Physical health and social services	4,240
County environment and education	51,921
Roads and transportation	556,354
Governmental services to residents	2,698
Administration	44,195
Total depreciation expense - governmental activities	<u>\$ 693,743</u>

**(5) Due to Other Governments**

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

Fund	Description	Amount
General	Services	\$ 4,318
Special Revenue:		
Mental Health	Services	262,633
Rural Services	Services	1,999
Decategorization Grant	Services	648
Total for governmental funds		<u>\$ 269,598</u>
Agency:		
County Assessor	Collections	\$ 647,765
Schools		12,093,170
Community Colleges		598,360
Corporations		2,950,172
Auto License and Use Tax		362,255
Drainage Districts		735,587
All other		1,171,664
Total for agency funds		<u>\$ 18,558,973</u>

**(6) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	General Obligation Urban Renewal Bonds	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 930,000	485,972	53,338	1,469,310
Increases	-	377,480	60,662	438,142
Decreases	65,000	375,203	8,000	448,203
Balance end of year	<u>\$ 865,000</u>	<u>488,249</u>	<u>106,000</u>	<u>1,459,249</u>
Due within one year	<u>\$ 70,000</u>	<u>255,765</u>	-	<u>325,765</u>

### General Obligation Urban Renewal Bonds

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

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	3.60%	\$ 70,000	33,190	103,190
2013	3.65	75,000	30,670	105,670
2014	3.70	75,000	27,933	102,933
2015	3.75	80,000	25,158	105,158
2016	3.80	85,000	22,158	107,158
2017-2021	3.85-4.00	480,000	58,744	538,744
Total		\$ 865,000	197,853	1,062,853

During the year ended June 30, 2011, \$65,000 of bonds were retired and interest of \$35,530 was paid. The principal and interest is reported in the county environment and education function.

#### **(7) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$358,547, \$330,812 and \$301,560, respectively, equal to the required contributions for each year.

#### **(8) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2011 were \$118,278.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in the aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2011, no liability has been recorded in the County's financial statements. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any

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

**(9) Other Postemployment Benefits (OPEB)**

Plan Description – The County operates a single-employer retiree health benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 114 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

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

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

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 60,000
Interest on net OPEB obligation	2,000
Adjustment to annual required contribution	(1,338)
Annual OPEB cost	<u>60,662</u>
Contributions made	(8,000)
Increase in net OPEB obligation	<u>52,662</u>
Net OPEB obligation beginning of year	<u>53,338</u>
Net OPEB obligation end of year	<u><u>\$ 106,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the County contributed \$8,000 to the medical plan. Plan members eligible for benefits contributed \$15,420 or 66% of the premium cost.

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

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

Funded Status and Funding Progress – As of June 30, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$423,519, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$423,519. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,832,000 and the ratio of the UAAL to covered payroll was 8.77%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$574 per month for retirees less than age 65 and \$1,285 per month for spouses less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(10) Jointly Governed Organization**

Mills County participates in the Rolling Prairie Case Management Board, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Other Agency Funds because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2011:

Additions:		
Federal grants and entitlements:		
Medicaid case management		\$ 426,526
Contributions from governmental units		512,069
Total additions		<u>938,595</u>
Deductions:		
Salaries	\$ 308,680	
Benefits	112,757	
Case management:		
Chronic mental illness	24,975	
Mental retardation	408,954	
Technical assistance	6,402	
Office supplies	4,867	
Telephone	3,728	
Travel and training	32,226	
Dues	198	
Equipment repair	1,540	
	<u>904,327</u>	
Net		34,268
Balance beginning of year		<u>135,425</u>
Balance end of year		<u><u>\$ 169,693</u></u>

**(11) Development Agreement**

The County entered into a development agreement to assist in an urban renewal project under Chapter 403 of the Code of Iowa. The County agreed to rebate 100% of the incremental property tax paid by the developer in exchange for construction of infrastructure by the developer. The incremental property tax received by the County from the developer will be rebated for a period of 11 years or until the total principal and interest has been paid, whichever occurs first. The total amount rebated is not to exceed \$545,000, plus interest. The outstanding principal balance on the agreement at June 30, 2011 is \$545,000 since no payments have been made.

**(12) Loan Receivable**

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

Year Ended June 30,	Amount
2012	\$ 20,000
2013	80,000
2014	100,000
Total	<u>\$ 200,000</u>

**(13) Related Party Transactions**

During fiscal year 2011, the Plattville Drainage District disbursed a total of \$18,719 of Public Assistance Grants program funds to Lincoln Farm and Fleet for the purchase of fuel. Lincoln Farm and Fleet is owned and operated by Mark Lincoln, brother of Dennis Lincoln, Board of Trustees Chair, and Larry Lincoln, member of the Board of Trustees.

In addition, John Lincoln is a temporary employee hired by the District who is a cousin of Dennis Lincoln and is owed \$384 at June 30, 2011.

**(14) Special Investigation**

Mills County requested the Office of Auditor of State perform a special investigation of the County as a result of concerns identified. The special investigation is being performed for the period January 1, 2005 through March 15, 2011.

Copies of the special investigation will be filed with the Mills County Attorney's Office, the Division of Criminal Investigation and the Attorney General's Office when completed.

**(15) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	General	Special Revenue Conservation Land Acquisition
Balances June 30, 2010, as previously reported	\$ 4,675,130	149,946
Change in fund type classification per implementation of GASB Statement No. 54	149,946	(149,946)
Balances July 1, 2010, as restated	<u>\$ 4,825,076</u>	<u>-</u>

**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, 2011

	Actual	Funds not Required to be Budgeted	Actual
<b>Receipts:</b>			
Property and other county tax	\$ 6,367,387	-	6,367,387
Interest and penalty on property tax	62,068	-	62,068
Intergovernmental	6,144,702	-	6,144,702
Licenses and permits	132,157	-	132,157
Charges for service	434,286	-	434,286
Use of money and property	128,351	-	128,351
Miscellaneous	154,340	1,113	153,227
Total receipts	13,423,291	1,113	13,422,178
<b>Disbursements:</b>			
Public safety and legal services	2,408,351	-	2,408,351
Physical health and social services	1,545,463	-	1,545,463
Mental health	1,354,396	-	1,354,396
County environment and education	629,692	-	629,692
Roads and transportation	5,272,181	-	5,272,181
Governmental services to residents	422,020	-	422,020
Administration	1,083,625	-	1,083,625
Non-program	200,000	-	200,000
Debt service	100,980	-	100,980
Capital projects	543,764	-	543,764
Total disbursements	13,560,472	-	13,560,472
Excess (deficiency) of receipts over (under) disbursements	(137,181)	1,113	(138,294)
Balance beginning of year	7,950,991	681	7,950,310
Balance end of year	\$ 7,813,810	1,794	7,812,016

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Actual
		Variance
6,329,559	6,322,468	44,919
62,200	62,200	(132)
6,669,325	6,773,326	(628,624)
158,950	158,950	(26,793)
397,205	397,205	37,081
88,567	88,567	39,784
142,783	142,783	10,444
<u>13,848,589</u>	<u>13,945,499</u>	<u>(523,321)</u>
2,522,883	2,561,683	153,332
1,653,962	1,691,114	145,651
1,771,649	1,771,649	417,253
911,284	978,669	348,977
4,854,278	6,174,476	902,295
456,290	456,290	34,270
1,448,297	1,515,172	431,547
-	200,000	-
104,530	104,530	3,550
1,012,527	1,012,527	468,763
<u>14,735,700</u>	<u>16,466,110</u>	<u>2,905,638</u>
(887,111)	(2,520,611)	2,382,317
<u>6,665,434</u>	<u>6,665,434</u>	<u>1,284,876</u>
<u>5,778,323</u>	<u>4,144,823</u>	<u>3,667,193</u>

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Mills County  
Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 13,423,291	(135,870)	13,287,421
Expenditures	13,560,472	(76,047)	13,484,425
Net	(137,181)	(59,823)	(197,004)
Beginning fund balances	7,950,991	418,117	8,369,108
Ending fund balances	\$ 7,813,810	358,294	8,172,104

See accompanying independent auditor's report.

Mills County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,730,410. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2011, disbursements did not exceed the amounts budgeted.

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Mills County

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

Required Supplementary Information

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Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 424	424	0.00%	\$ 4,493	9.44%
2011	July 1, 2009	-	424	424	0.00	4,832	8.77

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

See accompanying independent auditor's report.

**Other Supplementary Information**

Mills County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2011

	Local Option Sales and Services Tax	Resource Enhance- ment and Protection	County Recorder's Records Management	Special Urban Renewal Revenue
<b>Assets</b>				
Cash and pooled investments	\$ 377,010	87,264	18,893	230,153
Receivables:				
Succeeding year property tax	-	-	-	259,000
Accounts	-	11	2	-
Accrued interest	-	23	-	-
Drainage assessments	-	-	-	-
Due from other governments	37,627	-	272	-
<b>Total assets</b>	<b>\$ 414,637</b>	<b>87,298</b>	<b>19,167</b>	<b>489,153</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 350	-	-	-
Salaries and benefits payable	-	-	-	-
Due to other governments	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	259,000
Total liabilities	350	-	-	259,000
Fund balances:				
Restricted for:				
Drainage warrants/drainage improvement certificates	-	-	-	-
Other purposes	414,287	87,298	19,167	230,153
Total fund balances	414,287	87,298	19,167	230,153
<b>Total liabilities and fund balances</b>	<b>\$ 414,637</b>	<b>87,298</b>	<b>19,167</b>	<b>489,153</b>

See accompanying independent auditor's report.

Revenue				
Decategorization Grant	County Conservation	Drainage District		Total
25,379	73,684	1,794		814,177
-	-	-		259,000
-	-	-		13
-	-	-		23
-	-	475		475
648	-	-		38,547
26,027	73,684	2,269		1,112,235
100	-	-		450
944	-	-		944
648	-	-		648
-	-	-		259,000
1,692	-	-		261,042
-	-	2,269		2,269
24,335	73,684	-		848,924
24,335	73,684	2,269		851,193
26,027	73,684	2,269		1,112,235

Mills County

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

Year ended June 30, 2011

	Local Option Sales and Services Tax	Resource Enhance- ment and Protection	County Recorder's Records Management	Special Urban Renewal Revenue
<b>Revenues:</b>				
Local option sales and services tax	\$ 406,971	-	-	-
Tax increment financing	-	-	-	98,324
Intergovernmental	-	13,860	-	-
Charges for service	-	-	3,479	-
Use of money and property	-	352	27	-
Miscellaneous	-	-	-	-
Total revenues	406,971	14,212	3,506	98,324
<b>Expenditures:</b>				
Operating:				
Physical health and social services	-	-	-	-
County environment and education	143,374	-	-	60,046
Governmental services to residents	-	-	791	-
Debt service	-	-	-	100,980
Total expenditures	143,374	-	791	161,026
Excess (deficiency) of revenues over (under) expenditures	263,597	14,212	2,715	(62,702)
<b>Other financing uses:</b>				
Operating transfers out	(239,000)	-	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	24,597	14,212	2,715	(62,702)
Fund balances beginning of year	389,690	73,086	16,452	292,855
Fund balances end of year	\$ 414,287	87,298	19,167	230,153

See accompanying independent auditor's report.

Revenue				
Decategorization Grant	County Conservation	Drainage District		Total
-	-	-		406,971
-	-	-		98,324
58,901	-	-		72,761
-	-	-		3,479
-	79,753	-		80,132
3,000	-	1,054		4,054
61,901	79,753	1,054		665,721
63,602	-	-		63,602
-	6,069	-		209,489
-	-	-		791
-	-	-		100,980
63,602	6,069	-		374,862
(1,701)	73,684	1,054		290,859
-	-	-		(239,000)
(1,701)	73,684	1,054		51,859
26,036	-	1,215		799,334
24,335	73,684	2,269		851,193

Mills County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	2,585	180,546	177,507	8,415
Other County officials	28,621	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	615	1,619	39,663	1,945
Succeeding year	-	184,000	486,000	11,876,000	588,000
Accounts	58	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Drainage assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 28,679</b>	<b>187,200</b>	<b>668,165</b>	<b>12,093,170</b>	<b>598,360</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	61	-	-
Stamped warrants payable	-	-	-	-	-
Salaries and benefits payable	-	-	6,505	-	-
Due to other governments	11,121	187,200	647,765	12,093,170	598,360
Unearned FEMA grant revenue	-	-	-	-	-
Trusts payable	17,558	-	-	-	-
Compensated absences	-	-	13,834	-	-
<b>Total liabilities</b>	<b>\$ 28,679</b>	<b>187,200</b>	<b>668,165</b>	<b>12,093,170</b>	<b>598,360</b>

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Drainage Districts	City Special Assessments	Other	Total
68,772	2,845	362,255	714,033	4,454	272,336	1,793,748
-	-	-	-	-	-	28,621
11,400	897	-	-	-	8	56,147
2,870,000	285,000	-	-	-	60,082	16,349,082
-	-	-	-	-	88,288	88,346
-	-	-	757	-	72	829
-	-	-	-	177,624	-	177,624
-	-	-	66	-	-	66
-	-	-	46,410	-	126,923	173,333
<b>2,950,172</b>	<b>288,742</b>	<b>362,255</b>	<b>761,266</b>	<b>182,078</b>	<b>547,709</b>	<b>18,667,796</b>
-	-	-	19,406	-	5,837	25,304
-	-	-	5,125	-	-	5,125
-	-	-	-	-	14,142	20,647
2,950,172	288,742	362,255	735,587	182,078	502,523	18,558,973
-	-	-	1,148	-	-	1,148
-	-	-	-	-	-	17,558
-	-	-	-	-	25,207	39,041
<b>2,950,172</b>	<b>288,742</b>	<b>362,255</b>	<b>761,266</b>	<b>182,078</b>	<b>547,709</b>	<b>18,667,796</b>

Mills County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2011

	Agricultural				
	County Offices	Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 22,902	171,037	584,146	12,274,030	573,456
Additions:					
Property and other county tax	-	184,914	488,960	11,915,717	590,348
E911 surcharges	-	-	-	-	-
State tax credits	-	5,376	10,417	381,992	17,949
Drivers license fees	-	-	-	-	-
Office fees and collections	319,457	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	177,282	-	-	-	-
Miscellaneous	-	-	200,725	-	-
Total additions	496,739	190,290	700,102	12,297,709	608,297
Deductions:					
Agency remittances:					
To other funds	193,430	-	-	-	-
To other governments	126,242	174,127	616,083	12,478,569	583,393
Trusts paid out	171,290	-	-	-	-
Total deductions	490,962	174,127	616,083	12,478,569	583,393
Balances end of year	\$ 28,679	187,200	668,165	12,093,170	598,360

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Drainage Districts	City Special Assess- ments	Other	Total
2,850,297	268,010	364,982	730,124	211,689	498,785	18,549,458
2,842,712	286,392	-	-	-	58,385	16,367,428
-	-	-	-	-	93,828	93,828
94,299	7,584	-	-	-	76	517,693
-	-	56,990	-	-	-	56,990
-	-	-	-	-	9,551	329,008
-	-	4,153,087	-	-	-	4,153,087
-	-	-	98,792	24,061	7,074	129,927
-	-	-	-	-	-	177,282
-	-	-	248,548	-	1,319,434	1,768,707
2,937,011	293,976	4,210,077	347,340	24,061	1,488,348	23,593,950
-	-	172,468	-	-	-	365,898
2,837,136	273,244	4,040,336	311,073	53,672	1,439,424	22,933,299
-	-	-	-	-	-	171,290
2,837,136	273,244	4,212,804	311,073	53,672	1,439,424	23,470,487
2,950,172	288,742	362,255	766,391	182,078	547,709	18,672,921

Mills County

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

For the Last Ten Years

	Modified Accrual			
	2011	2010	2009	2008
<b>Revenues:</b>				
Property and other county tax	\$ 5,829,630	5,533,676	5,901,680	5,724,908
Local option sales and services tax	406,971	418,679	446,670	423,977
Tax increment financing	98,324	197,039	209,865	210,868
Interest and penalty on property tax	62,022	64,921	74,311	59,488
Intergovernmental	6,035,709	5,269,080	5,264,779	5,424,442
Licenses and permits	132,157	126,243	95,701	52,039
Charges for service	440,925	387,235	420,547	442,920
Use of money and property	127,336	76,719	192,208	208,813
Miscellaneous	154,347	137,050	417,523	271,641
<b>Total</b>	<b>\$ 13,287,421</b>	<b>12,210,642</b>	<b>13,023,284</b>	<b>12,819,096</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 2,473,453	2,181,402	2,059,957	2,008,550
Physical health and social services	1,481,869	1,542,707	1,619,650	1,731,452
Mental health	1,401,997	1,263,742	1,436,988	1,627,881
County environment and education	629,451	681,949	548,126	1,795,132
Roads and transportation	5,353,500	4,849,650	4,317,783	4,013,652
Governmental services to residents	423,851	448,367	440,000	433,234
Administration	1,076,516	1,240,416	1,125,819	840,129
Non-program	-	8,070	6,590	-
Debt service	100,980	-	-	-
Capital projects	542,808	5,141	62,340	1,025,954
<b>Total</b>	<b>\$ 13,484,425</b>	<b>12,221,444</b>	<b>11,617,253</b>	<b>13,475,984</b>

See accompanying independent auditor's report.

Basis					
2007	2006	2005	2004	2003	2002
5,136,830	5,142,550	5,061,577	4,692,704	4,176,656	3,852,699
461,667	347,818	341,655	460,483	231,893	114,197
180,487	166,353	151,893	81,669	21,389	-
69,965	59,729	67,080	64,520	58,961	64,648
4,852,275	4,759,740	4,986,813	4,956,091	5,080,119	4,681,784
57,849	43,714	53,025	41,557	22,341	22,679
416,554	415,490	411,805	423,211	377,699	331,182
205,636	129,524	91,453	69,780	92,446	148,357
118,073	116,027	626,241	153,442	85,203	168,704
<b>11,499,336</b>	<b>11,180,945</b>	<b>11,791,542</b>	<b>10,943,457</b>	<b>10,146,707</b>	<b>9,384,250</b>
1,968,069	1,954,695	1,845,844	1,844,744	1,757,748	1,681,567
1,553,540	1,540,540	1,530,878	1,519,960	1,576,721	1,749,326
1,481,046	1,387,408	1,345,167	1,256,362	1,291,039	1,301,181
732,762	558,373	480,879	446,864	394,689	463,264
3,846,016	3,781,208	3,708,503	3,659,910	3,023,542	3,248,746
398,924	519,019	403,113	410,654	358,154	359,565
1,206,796	861,420	892,000	868,287	928,735	768,968
-	-	-	-	-	-
-	-	-	-	-	-
321,600	148,344	757,372	66,871	175,531	106,470
<b>11,508,753</b>	<b>10,751,007</b>	<b>10,963,756</b>	<b>10,073,652</b>	<b>9,506,159</b>	<b>9,679,087</b>

**Schedule 6**

Mills County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture:			
Natural Resources Conservation Service:			
Emergency Watershed Protection Program	10.923	69-6114-9-66	\$ 149,513
Department of Justice:			
Bulletproof Vest Partnership Program	16.607	NIJ # XT2-9	726
Total direct			<u>150,239</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the			
Supplemental Nutritional Assistance Program	10.561		<u>9,756</u>
U.S. Department of Justice:			
City of Council Bluffs:			
Recovery Act - Edward Byrne Memorial Justice			
Assistance Grant (JAG) Program/Grants			
to States and Territories	16.803	09 JAG/ARRA-220	<u>47,570</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Recreational Trails Program	20.219		<u>538,339</u>
U.S. Department of Health and Human Services:			
Southwest 8 Senior Services:			
Special Programs for the Aging - Title III, Part B -			
Grants for Supportive Services and Senior Centers	93.044		<u>15,600</u>
National Family Caregiver Support, Title III, Part E	93.052		<u>6,000</u>
Visiting Nurse Association:			
Public Health Emergency Preparedness	93.069		<u>1,947 *</u>
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5889BT22	13,671
Public Health Emergency Preparedness	93.069	5880BT65	11,365
			<u>25,036 *</u>
Immunization Grants	93.268	5888I455	1,326
Immunization Grants	93.268	5889I450	4,590
			<u>5,916</u>
Centers for Disease Control and Prevention -			
Investigations and Technical Assistance	93.283	5880OB22	<u>15,314</u>
ARRA - Immunization	93.712	5880I455	<u>1,082</u>
Prevent Child Abuse Iowa:			
Promoting Safe and Stable Families	93.556		<u>6,885</u>
Temporary Assistance for Needy Families	93.558		<u>1,215</u>

Mills County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Health and Human Services:			
University of Iowa:			
Maternal and Child Health Services Block Grant to the States	93.994		4,769 **
Family Inc.:			
Maternal and Child Health Services Block Grant to the States	93.994		2,054 **
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered Programs	93.566		7
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		2,407
Foster Care - Title IV-E	93.658		3,866
Adoption Assistance	93.659		940
Children's Health Insurance Program	93.767		46
Medical Assistance Program	93.778		9,390
Social Services Block Grant	93.667		3,353
Social Services Block Grant	93.667		59,456
			62,809
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-IA-DR1988	40,950
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-IA-DR1763	653,626
			694,576
Emergency Management Performance Grants	97.042		12,490
Homeland Security Grant Program	97.067	2007-GE-T7-0032-004	2,131
Total indirect			1,470,145
Total			\$ 1,620,384

\* Total for CFDA Number 93.069 is \$26,983.

\*\* Total for CFDA Number 93.994 is \$6,823.

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

See accompanying independent auditor's report.

**Mills County**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

David A. Vaudt, CPA  
Auditor of State

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

To the Officials of Mills County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mills County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated May 1, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-11 through II-E-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-F-11 through II-H-11 to be significant deficiencies.

## Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 1, 2012

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

**Mills County**



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David A. Vaudt, CPA  
Auditor of State

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

To the Officials of Mills County:

Compliance

We have audited Mills County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Mills County's major federal programs for the year ended June 30, 2011. Mills County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Mills County's management. Our responsibility is to express an opinion on Mills County's compliance based on our audit.

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

In our opinion, Mills County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-11 and III-B-11 to be material weaknesses.

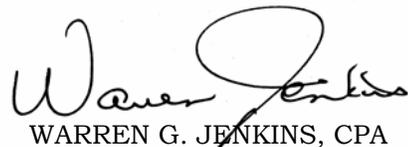
A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-C-11 to be a significant deficiency.

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 1, 2012

Mills County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency and material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
  - CFDA Number 20.219 – Recreational Trails Program
  - CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Mills County did not qualify as a low-risk auditee.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-11 Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.	Treasurer and Recorder
(2) Bank accounts are not reconciled at the end of each month by an individual who does not sign checks, handle or record cash.	Recorder
(3) A listing of cash and checks received is not prepared.	Recorder
(4) Checks are not signed by an individual who does not otherwise participate in the preparation of the checks. The checks and the supporting documentation are not reviewed for propriety prior to signing.	Recorder
(5) Collection, deposit preparation and reconciliation functions are not segregated from the recording and accounting for cash receipts.	Recorder and Conservation
(6) The change fund is not the responsibility of one individual.	Treasurer
(7) No independent review of initial listing to deposit.	Treasurer

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

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Responses –

Treasurer – Since taking office in January 2011, I have been the person to open the mail and distribute to the areas of my office to be processed. Due to the small staff, our options to segregate duties is sometimes limited. In my absence, my Tax Deputy opens the mail. I 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.

Recorder and 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 where possible.

Conclusions – Responses accepted.

- II-B-11 Financial Reporting – During the audit, we identified material amounts of receivables and payables not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

Response – The County will continue to implement practices to ensure we include all receivables and payables in the County's financial statements.

Conclusion – Response accepted.

- II-C-11 County Treasurer – Monthly reconciliations of the Treasurer's general ledger account to the bank did not properly include all reconciling items, which resulted in variances between the accounts. Resulting variances were not properly investigated and resolved in a timely manner. Additionally the reconciliation was not reviewed by an independent person.

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

Response – We are now reconciling the monthly General Ledger to the Banking and Investment Balance Sheet with other supporting documentation. By comparing this each month, any discrepancies can be resolved quickly. Marilee can be the person to review the reconciliation.

Conclusion – Response accepted.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- II-D-11 Plattville Drainage District Payroll – Timesheets were not prepared and filed by temporary employees hired by the Plattville Drainage District (District) for emergency work. A work log was prepared and maintained by the District Trustee Chairperson to support hours worked based on observations. The hourly rate of pay approved at the September 7, 2011 meeting does not agree with the hourly rate approved in the project worksheet.

Additionally, the District made fuel purchases during the year totaling \$18,719 from Lincoln Farm and Home which is owned by the brother of two of the three Trustee Board members. The District has not properly documented the reason for not bidding the annual fuel contract to ensure no conflict of interest exists.

Recommendation – Timesheets should be prepared by all employees and submitted to the Trustee Board. The timesheets should be signed by the employee and reviewed and signed by the employee’s immediate supervisor prior to submission. Reimbursement requests should be limited to incurred and paid project expenditures. Also, the District should document the reason for fuel vendor selection and consult legal counsel to determine the disposition of this matter.

Response – Drainage Trustees took action on March 14, 2012 to adopt a resolution to implement standard policies and procedures for future emergency events to address the identified concerns.

Conclusion – Response accepted.

- II-E-11 Secondary Roads Payroll – Timesheets for supervisory positions of the Secondary Roads Department were not signed and dated by a Department supervisor indicating review and approval. In addition, timesheets supporting FEMA worksheets did not document which FEMA disaster project should be charged for hours incurred.

Recommendation – The County should ensure timesheets are properly reviewed and approved for all County employees. Evidence of review should be indicated by initials or signature of the supervisor or department head and the date of the review. In addition, the timesheets supporting FEMA worksheets should document the project to be charged for hours incurred.

Response – Timesheets are signed as of January 2012 by the County Engineer for all engineering, administration and management personnel. For the timesheets with supporting FEMA work, the foreman will be instructed to include either a project number or, at a minimum, the individual road project being charged so we can determine within the office which project worksheet the work is to be attributed to.

Conclusion – Response accepted.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

II-F-11 Planning and Zoning - Fees are collected for various applications, permits and inspections done by the planning and zoning department. Payments for these fees are collected and forwarded to the County Treasurer by JAS Consulting, which is under contract to collect the payments and deposit them with the County. The following were noted:

- (a) Responsibilities for receipt collection, deposit preparation and deposit function are not segregated from those of recording and accounting for receipts.
- (b) The County does not have written procedures for preparing a monthly reconciliation between the monthly collection support and the transactions in the County's accounting system. In addition, there was no documentation of an independent review of the current reconciliation being performed.

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

Response - Independent review of the Building and Safety Department fee collection, receipts and invoicing is accomplished by the County Engineer. In the past, documentation of the review has been provided via email to the County Auditor's Office. After further consultation with the State Auditor's Office, the County Engineer will provide email and written documentation of independent review to be filed by the County Auditor's Office.

Conclusion - Response accepted.

II-G-11 Tax Increment Financing - The County Auditor does not prepare a reconciliation for each TIF District to reconcile the TIF tax remitted with the amount of debt certified.

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

Response - The County Auditor will prepare a TIF reconciliation report to identify TIF payments for cities and counties to ensure TIF taxes will not exceed the amount of debt certified.

Conclusion - Response accepted.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

II-H-11 Secondary Roads Inventory – The Secondary Roads Department maintained inventory for various miscellaneous items totaling \$62,225 at June 30, 2011. These inventory items were last counted in 2005, with the balance adjusted annually for financial statement presentation.

Recommendation – The Secondary Roads Department should establish procedures to periodically perform a count of miscellaneous inventory reported for financial statement purposes.

Response – The Department will develop a policy establishing procedures to perform a count of miscellaneous inventory. While that policy is under development, the County Engineer intends to provide a complete count of miscellaneous inventory to coincide with the next annual inventory in July 2012.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

A special investigation is being performed covering the period January 1, 2005 through March 15, 2011.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**INTERNAL CONTROL DEFICIENCY:**

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

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

**Federal Award Year: 2010, 2011**

**U.S. Department of Homeland Security**

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

- III-A-11 Plattville Drainage District Payroll – Timesheets for the Plattville Drainage District were not prepared and filed by employees hired by the District. Procedures are not in place to verify the accuracy of the force account labor and equipment charges. See item II-D-11.
- III-B-11 Secondary Roads Department Payroll – Timesheets for supervisory positions of the Secondary Roads Department were not signed and dated by a Department supervisor indicating review and approval. Procedures are not in place to verify the accuracy of the force account labor and equipment charges. See item II-E-11.
- III-C-11 Cash Management – In accordance with the State of Iowa Public Assistance Plan, the County may request an advance of federal funds on large FEMA projects provided the funds are expended within 60 days of receipt. The County requested and received advances totaling \$375,000 for project worksheet 8964. The County had unexpended proceeds of \$107,773 of the advance for more than 60 days.

Recommendation – The County should implement procedures to ensure FEMA funds received in advance are expended within 60 days. The County should contact the Iowa Homeland Security and Emergency Management Division to determine the disposition of this matter.

Response and Corrective Action Planned – The County will implement procedures April 18, 2012 to ensure FEMA advance funds are expended within 60 days. Our intention for this project was to expend the funds within the original timeframe. However, the contractor ran into difficulty with early winter weather and the project progress went extremely slow. We will make every effort to make sure any advance payments in the future are expended within the required dates.

Conclusion – Response accepted.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.

IV-B-11 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979 were noted.

IV-C-11 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-11 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
C. Lyle Mayberry, Jr., brother of County engineer, owner of Land Surveying Company	Surveying services	\$ 1,002
Kelsey Langel, daughter of Public Health Office Manager, Independent contractor	Temporary receptionist	65
Rhonda White, daughter of General Relief Veterans' Affairs Director, Independent contractor	Cleaning services	230
Karen O'Dell, sister of Public Health Administrator, Independent contractor	CPR class	3,540
Walker Langel, son of Public Health Office Manager, Independent contractor	Building maintenance	20

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

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

Response – The County will work with the County Attorney to resolve any conflict of interest concerns.

Conclusion – Response accepted.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

- IV-E-11 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-H-11 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-11 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2011 for the County Extension Office did not exceed the amount budgeted.

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Mills County

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager  
Brett M. Zeller, Senior Auditor  
Samantha J. Brincks, CPA, Staff Auditor  
Brandon J. Vogel, Assistant Auditor  
Adam B. Bartz, Assistant Auditor  
Brooke A. Lytle, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State