



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

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Auditor of State

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NEWS RELEASE

FOR RELEASE

February 26, 2008

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

The County had local tax revenue of \$19,368,804 for the year ended June 30, 2007, which included \$717,059 in tax credits from the state. The County forwarded \$13,838,345 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,530,459 of the local tax revenue to finance County operations, a less than 1% increase over the prior year. Other revenues included charges for service of \$1,024,835, operating grants, contributions and restricted interest of \$3,863,062, capital grants, contributions and restricted interest of \$321,097, unrestricted investment earnings of \$196,271, local option sales and services tax of \$461,667 and other general revenues of \$190,477.

Expenses for County operations totaled \$11,045,848, a 2.4% increase over the prior year. Expenses included \$4,079,644 for roads and transportation, \$1,992,713 for public safety and legal services and \$1,566,324 for physical health and social services.

A copy of the 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/reports.htm>.

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MILLS COUNTY

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

JUNE 30, 2007

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Mills County

Officials

(Prior to January 2007)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Crouch	Board of Supervisors	Jan 2007
Joseph P. Blankenship	Board of Supervisors	Jan 2009
Ronald E. Kohn	Board of Supervisors	Jan 2009
Carol Robertson	County Auditor	Jan 2009
Janette Blackburn	County Treasurer	Jan 2007
Roberta Dashner	County Recorder	Jan 2007
Mack G. Taylor	County Sheriff	Jan 2009
Marci Prier	County Attorney	Jan 2007
Christina Govig	County Assessor	Jan 2010

(After January 2007)

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Joseph P. Blankenship	Board of Supervisors	Jan 2009
Ronald E. Kohn	Board of Supervisors	Jan 2009
Richard Crouch	Board of Supervisors	Jan 2011
Carol Robertson	County Auditor	Jan 2009
Janette Blackburn	County Treasurer	Jan 2011
Vicki McClintic	County Recorder	Jan 2011
Mack G. Taylor	County Sheriff	Jan 2009
Marci Prier	County Attorney	Jan 2011
Christina Govig	County Assessor	Jan 2010

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, 2007, 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.

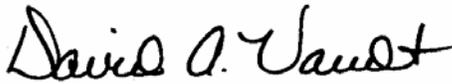
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2007, 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 January 23, 2008 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 and budgetary comparison information on pages 7 through 14 and 40 through 43 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 three years ended June 30, 2006 (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 two years ended June 30, 2002 (which are not presented herein) and expressed a qualified opinion 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

January 23, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mills County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007, along with comparative data for the year ended June 30, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Mills County's governmental activities revenues were \$11.8 million for fiscal year 2006 (FY06) and \$11.6 million for fiscal year 2007 (FY07). Local option sales and services tax and the County's Interstate 29/Highway 34 urban renewal revenue increased from \$514,171 in FY06 to \$642,154 in FY07.
- Mills County's governmental activities expenses increased 2.4%, or approximately \$257,000, from FY06 to FY07. Public safety and legal services, physical health and social services, mental health, county environment and education and roads and transportation expenses increased, while expenses for governmental services to residents and administration expenses decreased.
- The County's net assets increased 3.8%, or approximately \$542,000, from June 30, 2006 to June 30, 2007, due primarily to additions to infrastructure.

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 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.

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 programs benefiting the County.

REPORTING THE COUNTY AS A WHOLE:

The Statement of Net Assets and the Statement of Activities

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 and administration. Property tax and state and federal grants finance most of these activities.

REPORTING THE COUNTY BY FUNDS:

The Fund Financial Statements

The fund financial statements provide detailed information about individual, significant funds, not the County as a whole. Some funds are required to be established by Iowa law or by bond covenants. The County establishes other funds to help it control and manage money for particular purposes.

The County has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

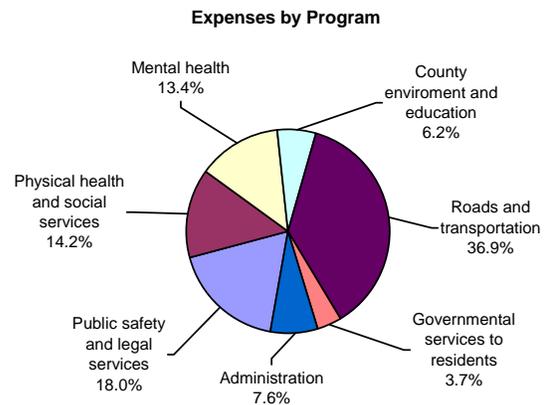
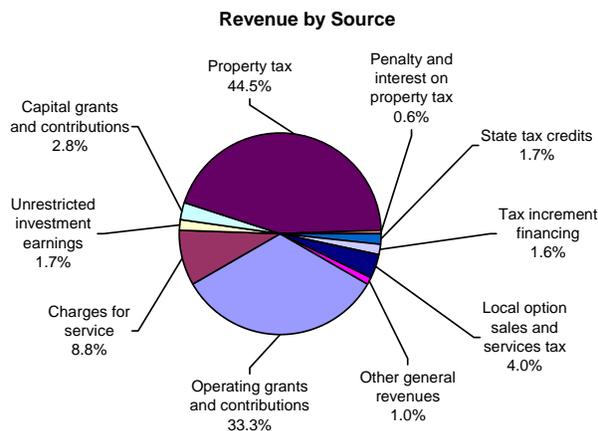
As noted earlier, net assets may serve over time as a useful indicator of financial position. Mills County's net assets at the end of FY07 totaled \$14.6 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2007	2006
Current and other assets	\$ 12,955,179	12,354,071
Capital assets	8,418,579	8,316,153
Total assets	<u>21,373,758</u>	<u>20,670,224</u>
Long-term liabilities	410,917	843,896
Other liabilities	6,330,677	5,736,184
Total liabilities	<u>6,741,594</u>	<u>6,580,080</u>
Net assets:		
Invested in capital assets	8,418,579	8,295,527
Restricted	3,750,226	4,195,476
Unrestricted	2,463,359	1,599,141
Total net assets	<u>\$ 14,632,164</u>	<u>14,090,144</u>

Net assets of Mills County governmental activities increased by approximately 3.8% (\$14.6 million compared to \$14.1 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 that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, are \$2,463,359, which was an increase of approximately \$864,000, or 54%, over June 30, 2006.

Changes in Net Assets of Governmental Activities

	June 30,	
	2007	2006
Revenues:		
Program revenues:		
Charges for service	\$ 1,024,835	1,009,290
Operating grants and contributions	3,863,062	3,624,136
Capital grants and contributions	321,097	792,603
General revenues:		
Property tax	5,149,198	5,144,463
Penalty and interest on property tax	73,630	71,378
State tax credits	200,774	216,351
Tax increment financing	180,487	166,353
Local option sales and services tax	461,667	347,818
Grants and contributions not restricted	23,002	8,198
Unrestricted investment earnings	196,271	125,801
Other general revenues	93,845	273,287
Total revenues	11,587,868	11,779,678
Program expenses:		
Public safety and legal services	1,992,713	1,922,305
Physical health and social services	1,566,324	1,549,805
Mental health	1,481,046	1,387,408
County environment and education	685,267	365,792
Roads and transportation	4,079,644	3,751,172
Governmental services to residents	403,313	523,659
Administration	837,541	1,288,460
Total expenses	11,045,848	10,788,601
Increase in net assets	542,020	991,077
Net assets beginning of year	14,090,144	13,099,067
Net assets end of year	\$ 14,632,164	14,090,144



Mills County increased the property tax rate by \$.31 per \$1,000 of taxable valuation for the rural services levy and decreased the property tax rate by \$1.09 per \$1,000 of taxable valuation for the county-wide levy in FY07. The general supplemental levy rate decreased \$.005 per \$1,000 of taxable valuation from FY06 to FY07. The mental health levy rate decreased \$.09 per \$1,000 of taxable valuation. The county-wide assessed property taxable valuation increased

\$44,941,247 and the rural assessed property taxable valuation increased \$35,784,805 from FY06 to FY07. The County was able to lower the general basic levy again in FY07, to \$3.50 per \$1,000 of taxable valuation from the previous FY06 levy of \$4.50 per \$1,000 of taxable valuation due to the countywide increase in valuation.

INDIVIDUAL MAJOR FUND ANALYSIS

As Mills County completed the year, its governmental funds reported a combined fund balance of \$6.5 million, virtually unchanged from last year's total of \$6.5 million.

The General Fund, the operating fund for Mills County, ended FY07 with a balance of \$3,098,494. This was an increase of \$588,038 over the FY06 ending balance. Revenue decreased approximately \$288,000 from FY06 to FY07, primarily due to decreases in property and other county taxes and intergovernmental revenues and there was a decrease in expenditures in governmental services to residents.

Mills County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. Fiscal year 2007 ended with a \$341,832 fund balance, which was an increase of approximately \$73,000 over fiscal year 2006. Mills County levied the maximum allowable rate. The FY07 mental health levy rate was \$1.05848 per \$1,000 of taxable valuation and the FY06 levy rate was \$1.14897 per \$1,000 of taxable valuation.

The Rural Services Fund ended FY07 with a \$119,980 fund balance compared to the FY06 ending fund balance of \$112,018. Property and other county tax revenue for the Rural Services Fund increased \$236,365 from FY06 to FY07. Mills County increased the levy rate from \$3.05802 per \$1,000 of taxable valuation in FY06 to \$3.37061 per \$1,000 of taxable valuation in FY07. The increase in the rural services levy was due to moving a few more allowable expenditures to the Rural Services Fund, still trying to alleviate the stress on the General Fund expenditures and levy and also to provide for the \$400,000 settlement the County was required to pay as its portion of the Saddler Septic Settlement in November 2006. The County was fortunate it did not have to borrow the money, but several departments with budgets in the Rural Services Fund held back on some expenditures. The Secondary Roads Fund did not get the full transfer of dollars originally requested, but the County met the required percentage allowable so road use dollars were not taken away.

The Secondary Roads Fund ended FY07 with a \$2,447,637 fund balance compared to the FY06 ending fund balance of \$3,005,875. As mentioned above, the Secondary Roads Fund did not receive all of the transfer budgeted because the County used \$400,000 out of the Rural Services Fund to pay the settlement instead of borrowing funds. Secondary Roads Fund revenues increased from FY06 to FY07 due to intergovernmental revenues. The Secondary Roads Department purchased several pieces of equipment in FY07.

BUDGETARY HIGHLIGHTS

Over the course of the year, Mills County amended its budget once in May 2007 to accommodate the increase in public safety and legal services due to disbursements for expert witness fees and medical examiner fees in excess of the budgeted amount. The amendment was also to account for unexpected receipts and grant funds not in the budget for both public health and mental health services. The Conservation Department purchased a tractor mower this fiscal year as well. The County also installed a Party Stopper telephone line in cooperation with the local Safe Committee for the purpose of curbing under age drinking. These disbursements are reimbursed to the County through a grant from Juvenile Justice.

The County's receipts were \$118,890 more than budgeted, a variance of 1%. The most significant variances resulted from the County underestimating property and other county tax receipts and use of money and property receipts and overestimated intergovernmental receipts received.

Total disbursements were \$1,628,563 less than the final amended budget. Actual disbursements for the public safety and legal services, the roads and transportation and the capital projects functions were \$219,206, \$480,768 and \$187,121, respectively, less than budgeted. Public safety and legal services disbursements were less than budgeted primarily due housing fewer out-of-county prisoners than expected, not filling positions budgeted for and delaying disbursements for expert witness fees until the next year. Roads and transportation disbursements were less than budgeted primarily due to a mild winter, repair costs were less than expected and the Secondary Roads Department was down an employee from the previous year and the Engineer went to a part-time status while the County looked for a new County Engineer hired in March 2007. Capital projects disbursements were less than budgeted primarily due to not completing some planned bridge projects.

The County did not exceed the budgeted amounts in any of the function areas for the year ended June 30, 2007.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, Mills County had approximately \$8.4 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 approximately \$102,000, or 1.2%, over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2007	2006
Land	\$ 1,684,291	1,684,291
Construction in progress	299,185	227,631
Buildings	956,611	886,521
Improvements other than buildings	58,133	62,977
Equipment and vehicles	1,834,995	1,862,988
Infrastructure, other	3,585,364	3,591,745
Total	<u>\$ 8,418,579</u>	<u>8,316,153</u>
This year's major additions included:		
Infrastructure placed in service	\$ 116,528	
Conservation Department tractor/mower	12,500	
Courthouse renovation	121,603	
County Sheriff's vehicles	33,652	
Secondary Roads Department equipment	353,653	
Total	<u>\$ 637,936</u>	

The County had depreciation expense of \$592,064 in FY07 and total accumulated depreciation of \$3,949,780 at June 30, 2007.

The County's fiscal year 2007 capital projects budget included \$500,000 for projects, principally for secondary roads projects. More detailed information about the County's capital assets is presented in Note 4 to financial statements.

Long-Term Debt

At June 30, 2007, Mills County had no long-term debt outstanding.

	Outstanding Debt of Governmental Activities at Year End	
	June 30,	
	2007	2006
Settlement payable	\$ -	400,000
Urban renewal tax increment revenue bond	-	46,312
Installment purchase agreements	-	20,626
Total	\$ -	466,938

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Mills County's constitutional debt limit is \$46.7 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 2008 budget, tax rates and fees charged for various County activities. One of those factors is the economy.

Mills County has been very fortunate to see continual growth in the local option sales and services tax (LOSST) revenues. The County has been able to continue with its present agreement for Community Betterment with the cities in the County and also with the YMCA. The County continues to use LOSST revenues wisely and assists with projects such as giving the Mills County Storehouse \$10,000 to help with the purchase of a new building. The Storehouse benefits many County residents. They are a non-profit agency so its Board secured a loan to purchase a building that would satisfy their growth. The County was also able to assist the Animal Shelter (ARFS) by allowing them to purchase a piece of ground that was owned by the County and to also contribute to their building fund so they may take care of animal control for the rural portions of the County as well as assisting cities in the County with animal control. The County contributed to the Glenwood Lake Park that benefits all of Mills County residents by assisting them with electrical upgrades and to make their playground safe according to standards. These are some examples of how the County has spent their LOSST revenues benefiting not only the members of the County, but also fall into the categories set forth in the resolution when this was voted upon.

The County paid off the urban renewal tax increment financing (TIF) rebate agreement for the waterline project to Feed Energy using TIF revenues in June 2006. The urban renewal TIF revenue bond was paid off with TIF revenues in June 2007. An engineering study will be paid for with a future TIF debt certification and sewer and water infrastructure will be paid with the proceeds of a general obligation TIF revenue bond. The County received a CDBG grant for a sewer for the unincorporated area of Mineola in the Spring of 2007 of \$173,000 and also applied for and was awarded a State Revolving Fund Planning and Development Loan of \$154,000. We will continue with this project and hope to have land purchased by 2008 for the lagoon site and hopefully by Spring of 2008 construction will begin on this project with Regional Water. Mills County also approved in November 2006 the Woodfield Urban Renewal Area which will be another fairly large housing development.

The Mills County Director of Veteran's Affairs received a \$10,000 grant in June 2007. This grant will assist the local director to develop a website to provide information about local and state veteran benefits and to send out a newsletter to the County Veteran residents who may not know about the services offered. A laptop computer was purchased for the Director so he may go to the homes of many of the veterans who may not drive or are not able to come to his office. There is hope throughout the County the Director will be able to meet the needs of the Veterans.

Mills County realized the need to continue to look at options to build a public safety center for Mills County since the idea of a regional facility was abandoned. The County secured land for this facility in September 2007 and took it to a vote of the residents of Mills County in October 2007 where it was voted down. The County will now reorganize the Committee and consider some other options in 2008.

Mills County continues to see increased real estate growth. With this growth, the County passed a Zoning Ordinance in July 2007 and gave the new County Engineer the duty to enforce this ordinance.

Mills County signed an installment contract for a 3 year period in June 2007 for County GIS Mapping in an amount of \$235,500. A lot of the actual work will not begin until FY08. The County will look at hiring a GIS/IT Coordinator for the 2008-2009 budget year to assist with the continuous upgrades and needs of the County.

Mills County will continually look for ways to keep expenditures down as much as possible and may continue to look at ways to take some of the burden off of the general basic levy by diverting programs in other areas where allowed by Code.

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 or by mail at the Mills County Auditor's Office, 418 Sharp Street, Glenwood, Iowa 51534 or by telephone at (712) 527-3146.

Basic Financial Statements

Exhibit A

Mills County
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 6,003,747
Receivables:	
Property tax:	
Delinquent	38,621
Succeeding year	5,891,000
Interest and penalty on property tax	65,651
Accounts	107,274
Accrued interest	25,135
Due from other governments	440,061
Inventories	356,786
Prepaid insurance	26,904
Capital assets - nondepreciable	1,983,476
Capital assets - depreciable (net)	6,435,103
	<u>21,373,758</u>
Total assets	<u>21,373,758</u>
Liabilities	
Accounts payable	155,252
Salaries and benefits payable	83,393
Due to other governments	201,032
Deferred revenue:	
Succeeding year property tax	5,891,000
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	233,629
Portion due or payable after one year:	
Compensated absences	177,288
	<u>6,741,594</u>
Total liabilities	<u>6,741,594</u>
Net Assets	
Invested in capital assets	8,418,579
Restricted for:	
Supplemental levy purposes	655,794
Mental health purposes	344,179
Secondary roads purposes	2,220,352
Other purposes	529,901
Unrestricted	2,463,359
	<u>14,632,164</u>
Total net assets	<u>\$ 14,632,164</u>

See notes to financial statements.

Mills County

Statement of Activities

Year ended June 30, 2007

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,992,713	198,653	83,562	-	(1,710,498)
Physical health and social services	1,566,324	471,916	598,780	-	(495,628)
Mental health	1,481,046	-	942,811	-	(538,235)
County environment and education	685,267	12,038	33,432	-	(639,797)
Roads and transportation	4,079,644	75,311	2,186,720	321,097	(1,496,516)
Governmental services to residents	403,313	259,054	1,211	-	(143,048)
Administration	837,541	7,863	16,546	-	(813,132)
Total	\$ 11,045,848	1,024,835	3,863,062	321,097	(5,836,854)
General Revenues:					
Property and other county tax levied for general purposes					5,149,198
Penalty and interest on property tax					73,630
State tax credits					200,774
Tax increment financing					180,487
Local option sales and services tax					461,667
Grants and contributions not restricted to specific purpose					23,002
Unrestricted investment earnings					196,271
Gain on disposition of capital assets					72,500
Miscellaneous					21,345
Total general revenues					6,378,874
Change in net assets					542,020
Net assets beginning of year					14,090,144
Net assets end of year					\$ 14,632,164

See notes to financial statements.

Mills County
Balance Sheet
Governmental Funds

June 30, 2007

	General	Mental Health	Special Rural Services
Assets			
Cash and pooled investments	\$ 2,962,956	558,337	125,304
Receivables:			
Property tax:			
Delinquent	16,975	2,781	4,593
Succeeding year	3,576,000	586,000	1,529,000
Interest and penalty on property tax	65,651	-	-
Accounts	92,336	13,223	-
Accrued interest	23,319	-	-
Due from other governments	67,773	1,821	6,152
Inventories	-	-	-
Prepaid insurance	26,904	-	-
Total assets	\$ 6,831,914	1,162,162	1,665,049
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 23,902	36,880	4,450
Salaries and benefits payable	48,243	-	6,751
Due to other governments	5,382	195,103	450
Deferred revenue:			
Succeeding year property tax	3,576,000	586,000	1,529,000
Other	79,893	2,347	4,418
Total liabilities	<u>3,733,420</u>	<u>820,330</u>	<u>1,545,069</u>
Fund balances:			
Reserved for supplemental levy purposes	676,193	-	-
Unreserved, reported in:			
General fund	2,422,301	-	-
Special revenue funds	-	341,832	119,980
Total fund balances	<u>3,098,494</u>	<u>341,832</u>	<u>119,980</u>
Total liabilities and fund balances	\$ 6,831,914	1,162,162	1,665,049

See notes to financial statements.

Revenue		
Secondary		
Roads	Nonmajor	Total
1,894,972	462,178	6,003,747
-	14,272	38,621
-	200,000	5,891,000
-	-	65,651
1,715	-	107,274
-	1,816	25,135
284,233	80,082	440,061
356,786	-	356,786
-	-	26,904
<u>2,537,706</u>	<u>758,348</u>	<u>12,955,179</u>
62,020	28,000	155,252
27,952	447	83,393
97	-	201,032
-	200,000	5,891,000
-	14,272	100,930
<u>90,069</u>	<u>242,719</u>	<u>6,431,607</u>
-	-	676,193
-	-	2,422,301
<u>2,447,637</u>	<u>515,629</u>	<u>3,425,078</u>
<u>2,447,637</u>	<u>515,629</u>	<u>6,523,572</u>
<u>2,537,706</u>	<u>758,348</u>	<u>12,955,179</u>

Mills County

Mills County

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

June 30, 2007

Total governmental fund balances (page 19)	\$ 6,523,572
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$12,368,359 and the accumulated depreciation is \$3,949,780.	8,418,579
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	100,930
Compensated absences payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(410,917)</u>
Net assets of governmental activities (page 16)	<u><u>\$ 14,632,164</u></u>

See notes to financial statements.

Mills County

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

Year ended June 30, 2007

	General	Special	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 3,196,539	587,706	1,352,585
Local option sales tax	-	-	-
Tax increment financing	-	-	-
Interest and penalty on property tax	69,965	-	-
Intergovernmental	1,224,332	961,768	107,969
Licenses and permits	8,079	-	45,250
Charges for service	383,486	-	-
Use of money and property	197,927	-	-
Miscellaneous	23,651	4,608	37
Total revenues	<u>5,103,979</u>	<u>1,554,082</u>	<u>1,505,841</u>
Expenditures:			
Operating:			
Public safety and legal services	1,640,948	-	327,121
Physical health and social services	1,418,236	-	83,824
Mental health	-	1,481,046	-
County environment and education	233,651	-	48,699
Roads and transportation	-	-	-
Governmental services to residents	396,310	-	1,760
Administration	806,796	-	400,000
Capital projects	-	-	-
Total expenditures	<u>4,495,941</u>	<u>1,481,046</u>	<u>861,404</u>
Excess (deficiency) of revenues over (under) expenditures	<u>608,038</u>	<u>73,036</u>	<u>644,437</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(20,000)	-	(636,475)
Total other financing sources (uses)	<u>(20,000)</u>	<u>-</u>	<u>(636,475)</u>
Net change in fund balances	588,038	73,036	7,962
Fund balances beginning of year	<u>2,510,456</u>	<u>268,796</u>	<u>112,018</u>
Fund balances end of year	<u>\$ 3,098,494</u>	<u>341,832</u>	<u>119,980</u>

See notes to financial statements.

Revenue		
Secondary		
Roads	Nonmajor	Total
-	-	5,136,830
-	461,667	461,667
-	180,487	180,487
-	-	69,965
2,477,514	80,692	4,852,275
4,520	-	57,849
28,938	4,130	416,554
-	7,709	205,636
89,777	-	118,073
<u>2,600,749</u>	<u>734,685</u>	<u>11,499,336</u>
-	-	1,968,069
-	51,480	1,553,540
-	-	1,481,046
-	450,412	732,762
3,846,016	-	3,846,016
-	854	398,924
-	-	1,206,796
321,600	-	321,600
<u>4,167,616</u>	<u>502,746</u>	<u>11,508,753</u>
(1,566,867)	231,939	(9,417)
1,008,629	10,000	1,018,629
-	(362,154)	(1,018,629)
<u>1,008,629</u>	<u>(352,154)</u>	-
(558,238)	(120,215)	(9,417)
<u>3,005,875</u>	<u>635,844</u>	<u>6,532,989</u>
<u>2,447,637</u>	<u>515,629</u>	<u>6,523,572</u>

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, 2007

Net change in fund balances - Total governmental funds (page 23) \$ (9,417)

***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	\$ 621,990	
Depreciation expense	(592,064)	29,926

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 of capital assets as revenue. 72,500

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	12,367	
Other	3,665	16,032

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. 466,938

Compensated absences 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. (33,959)

Change in net assets of governmental activities (page 17) \$ 542,020

See notes to financial statements.

Mills County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,945,142
Other County officials	26,987
Receivables:	
Property tax:	
Delinquent	74,177
Succeeding year	13,339,000
Accounts	58,543
Accrued interest	3,436
Succeeding year special assessments	133,180
Drainage assessments	40,262
Due from other governments	8,555
Total assets	15,629,282

Liabilities

Accounts payable	28,437
Salaries and benefits payable	8,774
Due to other governments	15,559,938
Trusts payable	11,861
Compensated absences	20,272
Total liabilities	15,629,282

Net assets	\$ -
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See notes to financial statements.

Mills County

Notes to Financial Statements

June 30, 2007

(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. The County has no component units which meet the Governmental Accounting Standards Board criteria.

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. 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 secondary roads 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 period or soon enough thereafter to pay liabilities of the current period. 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.

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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

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 in the Special Revenue Funds 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 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.

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

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

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

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. 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 period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. 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.

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, 2007. 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.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007 disbursements did not exceed the amounts budgeted by function.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2007 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 investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$522,444 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Public Agency Investment Trust are unrated for credit risk purposes.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 10,000
	Special Revenue:	
	Rural Services	636,475
	Local Option Sales and Services Tax	362,154
Conservation Land Acquisition	General	<u>10,000</u>
Total		<u><u>\$ 1,018,629</u></u>

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, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,684,291	-	-	1,684,291
Construction in progress	227,631	309,685	238,131	299,185
Total capital assets not being depreciated	<u>1,911,922</u>	<u>309,685</u>	<u>238,131</u>	<u>1,983,476</u>
Capital assets being depreciated:				
Buildings	1,523,086	121,603	-	1,644,689
Improvements other than buildings	96,888	-	-	96,888
Equipment and vehicles	4,620,584	399,805	188,587	4,831,802
Infrastructure	3,694,976	116,528	-	3,811,504
Total capital assets being depreciated	<u>9,935,534</u>	<u>637,936</u>	<u>188,587</u>	<u>10,384,883</u>
Less accumulated depreciation for:				
Buildings	636,565	51,513	-	688,078
Improvements other than buildings	33,911	4,844	-	38,755
Equipment and vehicles	2,757,596	412,798	173,587	2,996,807
Infrastructure	103,231	122,909	-	226,140
Total accumulated depreciation	<u>3,531,303</u>	<u>592,064</u>	<u>173,587</u>	<u>3,949,780</u>
Total capital assets being depreciated, net	<u>6,404,231</u>	<u>45,872</u>	<u>15,000</u>	<u>6,435,103</u>
Governmental activities capital assets, net	<u>\$ 8,316,153</u>	<u>355,557</u>	<u>253,131</u>	<u>8,418,579</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 49,371
Physical health and social services	4,592
County environment and education	21,939
Roads and transportation	463,255
Governmental services to residents	3,347
Administration	<u>49,560</u>
Total depreciation expense - governmental activities	<u>\$ 592,064</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	\$ 5,382
Special Revenue:		
Mental Health	Services	195,103
Rural Services	Services	450
Secondary Roads	Services	97
Total for governmental funds		<u>\$ 201,032</u>
Agency:		
County Assessor	Collections	\$ 448,310
Schools		10,118,473
Community Colleges		511,152
Corporations		2,390,408
Auto License and Use Tax		305,091
Drainage Districts		1,096,072
All other		690,432
Total for agency funds		<u>\$ 15,559,938</u>

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Settlement Payable	Urban Renewal Tax Increment Revenue Bond	Installment Purchase Agreements	Compen-sated Absences	Total
Balance beginning of year	\$ 400,000	46,312	20,626	376,958	843,896
Increases	-	-	-	361,823	361,823
Decreases	400,000	46,312	20,626	327,864	794,802
Balance end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>410,917</u>	<u>410,917</u>
Due within one year	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>233,629</u>	<u>233,629</u>

Urban Renewal Tax Increment Revenue Bond

On May 9, 2002, the County issued a \$150,000 urban renewal tax increment revenue bond. The bond bore interest at 7 percent per annum with final maturity on June 1, 2022. The bond proceeds were used to defray a portion of the costs of carrying out an urban renewal project in the Highway 34/I-29 Urban Renewal Area of the County.

During the year ended June 30, 2007, principal payments of \$46,312 and interest payments of \$2,338 were made by the County. The urban renewal tax increment revenue bond was paid off at June 30, 2007.

Installment Purchase Agreements

The County entered into installment purchase agreements to purchase computer equipment and related software and accessories with total historical costs of \$100,246.

Payments under the above installment purchase agreements totaled \$22,350 during the year ended June 30, 2007, including interest of \$1,724. The installment purchase agreements were paid off during the year ended June 30, 2007.

(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 3.70% of their annual covered salary and the County is required to contribute 5.75% 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, 2007, 2006 and 2005 were \$257,495, \$250,973 and \$234,364, respectively, equal to the required contributions for each year.

(8) Risk Management

Mills County is a member in 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 with over 556 members from 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 and inland marine. 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 300 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, 2007 were \$107,664.

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 \$5,000,000 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 \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

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, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, 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 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 capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual 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) Commitment

The County entered into a contract for \$235,500 for GIS Mapping. As of June 30, 2007, work had not begun and no costs had been incurred.

(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, 2007:

Additions:		
Federal grants and entitlements:		
Medicaid case management		\$ 289,281
Contributions from governmental units		<u>333,168</u>
Total additions		<u>622,449</u>
Deductions:		
Salaries	\$ 222,178	
Benefits	74,493	
Case management:		
Chronic mental illness	29,652	
Mental retardation	288,617	
Other	23,212	
Technical assistance	7,073	
Office supplies	2,062	
Telephone	1,824	
Travel and training	37,155	
Dues	312	
Equipment repair	4,671	
Equipment	<u>353</u>	<u>691,602</u>
Net		(69,153)
Balance beginning of year		<u>135,925</u>
Balance end of year		<u>\$ 66,772</u>

(11) Development Agreement

The County entered into a development agreement to assist in urban renewal projects. The County agreed to rebate 50% of the incremental tax paid by the developer to the bank on behalf of the developer in exchange for the construction of a 2.23 mile race track and a water line related to that development. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated in thirty-nine semi-annual payments beginning on June 1, 2003. The total to be paid by the County under this agreement is not to exceed \$180,000 plus interest at 7% per annum. During the year ended June 30, 2007, principal payments of \$77,286 and interest payments of \$5,182 were paid to the bank on behalf of the developer, for a cumulative total of \$180,000 for principal and \$43,043 for interest. This agreement was paid in full at June 30, 2007.

(12) Litigation

The County is involved in several legal matters as of June 30, 2007. The probability of loss, if any, is undeterminable.

(13) Subsequent Event

On October 1, 2007 the County issued \$1,115,000 of general obligation urban renewal county purpose 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.

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, 2007

	Actual	Budgeted Original
Receipts:		
Property and other county tax	\$ 5,738,591	5,679,370
Interest and penalty on property tax	69,999	61,390
Intergovernmental	4,708,159	4,509,740
Licenses and permits	55,939	60,450
Charges for service	408,860	399,605
Use of money and property	191,654	104,406
Miscellaneous	113,551	77,938
Total receipts	<u>11,286,753</u>	<u>10,892,899</u>
Disbursements:		
Public safety and legal services	2,006,466	2,198,250
Physical health and social services	1,554,676	1,678,542
Mental health	1,456,265	1,347,118
County environment and education	709,546	1,070,765
Roads and transportation	3,871,532	4,352,300
Governmental services to residents	399,024	416,140
Administration	1,207,524	925,991
Capital projects	312,879	500,000
Total disbursements	<u>11,517,912</u>	<u>12,489,106</u>
Deficiency of receipts under disbursements	(231,159)	(1,596,207)
Balance beginning of year	6,234,906	3,635,985
Balance end of year	<u>\$ 6,003,747</u>	<u>2,039,778</u>

See accompanying independent auditor's report.

Amounts	Final to
Final	Actual Variance
5,679,370	59,221
61,390	8,609
4,767,835	(59,676)
60,450	(4,511)
399,605	9,255
121,275	70,379
77,938	35,613
<u>11,167,863</u>	<u>118,890</u>
2,225,672	219,206
1,678,542	123,866
1,564,806	108,541
1,084,968	375,422
4,352,300	480,768
413,796	14,772
1,326,391	118,867
500,000	187,121
<u>13,146,475</u>	<u>1,628,563</u>
(1,978,612)	1,747,453
<u>3,635,985</u>	<u>2,598,921</u>
<u>1,657,373</u>	<u>4,346,374</u>

Mills County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 11,286,753	212,583	11,499,336
Expenditures	11,517,912	(9,159)	11,508,753
Net	(231,159)	221,742	(9,417)
Beginning fund balances	6,234,906	298,083	6,532,989
Ending fund balances	\$ 6,003,747	519,825	6,523,572

See accompanying independent auditor's report.

Mills County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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 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 10 major classes of expenditures known as functions, not by fund. These 10 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, one budget amendment increased budgeted disbursements by \$657,369. The budget amendment is 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, 2007, disbursements did not exceed the amounts budgeted by function.

Mills County

Other Supplementary Information

Mills County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2007

	Local Option Sales and Services Tax	Resource Enhance- ment and Protection	Special County Recorder's Records Management
Assets			
Cash and pooled investments	\$ 110,926	31,155	13,521
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accrued interest	-	267	-
Due from other governments	71,204	2,957	-
Total assets	\$ 182,130	34,379	13,521
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 15,635	-	-
Salaries and benefits payable	-	-	-
Deferred revenue:			
Succeeding year property tax	-	-	-
Other	-	-	-
Total liabilities	15,635	-	-
Fund equity:			
Unreserved fund balances	166,495	34,379	13,521
Total liabilities and fund equity	\$ 182,130	34,379	13,521

See accompanying independent auditor's report.

Revenue				
Urban Renewal Revenue	Decategorization Grant	Conservation Land Acquisition		Total
134,161	26,597	145,818		462,178
14,272	-	-		14,272
200,000	-	-		200,000
-	-	1,549		1,816
-	5,921	-		80,082
348,433	32,518	147,367		758,348
12,277	88	-		28,000
-	447	-		447
200,000	-	-		200,000
14,272	-	-		14,272
226,549	535	-		242,719
121,884	31,983	147,367		515,629
348,433	32,518	147,367		758,348

Mills County

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

Year ended June 30, 2007

	Local Option Sales and Services Tax	Resource Enhance- ment and Protection	Special County Recorder's Records Management
Revenues:			
Local option sales and services tax	\$ 461,667	-	-
Tax increment financing	-	-	-
Intergovernmental	-	15,834	-
Charges for service	-	-	4,130
Use of money and property	-	696	111
Total revenues	<u>461,667</u>	<u>16,530</u>	<u>4,241</u>
Expenditures:			
Operating:			
Physical health and social services	-	-	-
County environment and education	307,331	-	-
Governmental services to residents	-	-	854
Total expenditures	<u>307,331</u>	<u>-</u>	<u>854</u>
Excess of revenues over expenditures	<u>154,336</u>	<u>16,530</u>	<u>3,387</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(362,154)	-	-
Total other financing sources (uses)	<u>(362,154)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(207,818)	16,530	3,387
Fund balances beginning of year	<u>374,313</u>	<u>17,849</u>	<u>10,134</u>
Fund balances end of year	<u>\$ 166,495</u>	<u>34,379</u>	<u>13,521</u>

See accompanying independent auditor's report.

Revenue			
Urban Renewal Revenue	Decategorization Grant	Conservation Land Acquisition	Total
-	-	-	461,667
180,487	-	-	180,487
-	64,858	-	80,692
-	-	-	4,130
-	-	6,902	7,709
180,487	64,858	6,902	734,685
-	51,480	-	51,480
143,081	-	-	450,412
-	-	-	854
143,081	51,480	-	502,746
37,406	13,378	6,902	231,939
-	-	10,000	10,000
-	-	-	(362,154)
-	-	10,000	(352,154)
37,406	13,378	16,902	(120,215)
84,478	18,605	130,465	635,844
121,884	31,983	147,367	515,629

Mills County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,857	182,504	154,882	5,765
Other County officials	26,987	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	524	1,300	50,591	2,387
Succeeding year	-	110,000	274,000	9,913,000	503,000
Accounts	180	-	-	-	-
Accrued interest	-	-	-	-	-
Succeeding year special assessments	-	-	-	-	-
Drainage assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 27,167	112,381	457,804	10,118,473	511,152
Liabilities					
Accounts payable	\$ -	-	1,520	-	-
Salaries and benefits payable	-	-	2,893	-	-
Due to other governments	15,306	112,381	448,310	10,118,473	511,152
Trusts payable	11,861	-	-	-	-
Compensated absences	-	-	5,081	-	-
Total liabilities	\$ 27,167	112,381	457,804	10,118,473	511,152

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Drainage Districts	City Special Assessments	Other	Total
39,664	2,807	305,091	1,052,640	8,242	191,690	1,945,142
-	-	-	-	-	-	26,987
18,744	621	-	-	-	10	74,177
2,332,000	205,000	-	-	-	2,000	13,339,000
-	-	-	-	-	58,363	58,543
-	-	-	3,170	-	266	3,436
-	-	-	-	133,180	-	133,180
-	-	-	40,262	-	-	40,262
-	-	-	-	-	8,555	8,555
2,390,408	208,428	305,091	1,096,072	141,422	260,884	15,629,282
-	-	-	-	-	26,917	28,437
-	-	-	-	-	5,881	8,774
2,390,408	208,428	305,091	1,096,072	141,422	212,895	15,559,938
-	-	-	-	-	-	11,861
-	-	-	-	-	15,191	20,272
2,390,408	208,428	305,091	1,096,072	141,422	260,884	15,629,282

Mills County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 17,682	117,685	414,149	9,450,236	365,953
Additions:					
Property and other county tax	-	110,527	275,550	9,941,827	505,479
E911 surcharges	-	-	-	-	-
State tax credits	-	4,616	10,888	367,504	14,335
Drivers license fees	-	-	-	-	-
Office fees and collections	334,782	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	72,016	-	-	-	-
Miscellaneous	-	-	4,561	-	-
Total additions	406,798	115,143	290,999	10,309,331	519,814
Deductions:					
Agency remittances:					
To other funds	189,343	-	-	-	-
To other governments	142,347	120,447	247,344	9,641,094	374,615
Trusts paid out	65,623	-	-	-	-
Total deductions	397,313	120,447	247,344	9,641,094	374,615
Balances end of year	\$ 27,167	112,381	457,804	10,118,473	511,152

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Drainage Districts	City Special Assess- ments	Other	Total
2,456,393	192,173	274,162	977,670	193,249	273,944	14,733,296
2,279,209	207,253	-	-	-	2,215	13,322,060
-	-	-	-	-	88,795	88,795
111,829	7,024	-	-	-	89	516,285
-	-	29,228	-	-	-	29,228
-	-	-	-	-	195	334,977
-	-	-	-	-	4,130	4,130
-	-	3,479,091	-	-	-	3,479,091
-	-	-	105,947	7,921	29,965	143,833
-	-	-	-	-	320,476	392,492
-	-	-	72,148	-	749,744	826,453
2,391,038	214,277	3,508,319	178,095	7,921	1,195,609	19,137,344
-	-	128,009	-	-	-	317,352
2,457,023	198,022	3,349,381	59,693	59,748	888,193	17,537,907
-	-	-	-	-	320,476	386,099
2,457,023	198,022	3,477,390	59,693	59,748	1,208,669	18,241,358
2,390,408	208,428	305,091	1,096,072	141,422	260,884	15,629,282

Mills County

Mills County
 Schedule of Revenues By Source and Expenditures By Function -
 All Governmental Funds
 For the Last Seven Years

	Modified Accrual Basis						
	2007	2006	2005	2004	2003	2002	2001
Revenues:							
Property and other county tax	\$ 5,136,830	5,142,550	5,061,577	4,692,704	4,176,656	3,852,699	3,623,625
Local option sales tax	461,667	347,818	341,655	460,483	231,893	114,197	-
Tax increment financing	180,487	166,353	151,893	81,669	21,389	-	-
Interest and penalty on property tax	69,965	59,729	67,080	64,520	58,961	64,648	52,016
Intergovernmental	4,852,275	4,759,740	4,986,813	4,956,091	5,080,119	4,681,784	4,703,172
Licenses and permits	57,849	43,714	53,025	41,557	22,341	22,679	20,707
Charges for service	416,554	415,490	411,805	423,211	377,699	331,182	320,568
Use of money and property	205,636	129,524	91,453	69,780	92,446	148,357	188,656
Miscellaneous	118,073	116,027	626,241	153,442	85,203	168,704	134,242
Total	\$ 11,499,336	11,180,945	11,791,542	10,943,457	10,146,707	9,384,250	9,042,986
Expenditures:							
Operating:							
Public safety and legal services	\$ 1,968,069	1,954,695	1,845,844	1,844,744	1,757,748	1,681,567	1,563,369
Physical health and social services	1,553,540	1,540,540	1,530,878	1,519,960	1,576,721	1,749,326	1,598,200
Mental health	1,481,046	1,387,408	1,345,167	1,256,362	1,291,039	1,301,181	1,317,824
County environment and education	732,762	558,373	480,879	446,864	394,689	463,264	242,103
Roads and transportation	3,846,016	3,781,208	3,708,503	3,659,910	3,023,542	3,248,746	3,060,082
Governmental services to residents	398,924	519,019	403,113	410,654	358,154	359,565	300,839
Administration	1,206,796	861,420	892,000	868,287	928,735	768,968	805,641
Capital projects	321,600	148,344	757,372	66,871	175,531	106,470	234,842
Total	\$ 11,508,753	10,751,007	10,963,756	10,073,652	9,506,159	9,679,087	9,122,900

See accompanying independent auditor's report.

Schedule 6

Mills County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture: Wildlife Habitat Incentive Program	10.914		\$ 2,448
Indirect:			
U.S. Department of Agriculture: Iowa Department of Human Services: Human Services Administrative Reimbursements: State Administrative Matching Grants for Food Stamp Program	10.561		6,813
Hungry Canyons Alliance: Soil and Water Conservation	10.902		20,865
U.S. Department of the Interior: Hungry Canyons Alliance: Challenge Cost Share	15.642	79-06-CCB-1	349
U.S. Department of Justice: City of Council Bluffs: Edward Byrne Memorial Justice Assistance Grant Program	16.738	06-A01	34,955
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction Highway Planning and Construction	20.205 20.205	BROS-CO65(66) -- 8J-65 BROS-CO65(68) -- 8J-65	52,704 186,644 239,348
U.S. Elections Assistance Commission: Woodbury County: Help America Vote Act Requirements Payments	90.401		1,100
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: National Family Caregiver Support	93.044 93.052		2,888 430
Taylor County: Immunization Grants Immunization Grants	93.268 93.268	5886I419 5887I419	1,135 2,228 3,363
Visiting Nurses Association of Pottawattamie County: Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283		38,860

Mills County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2007

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Iowa Department of Human Services: Promoting Safe and Stable Families	93.556		15,000
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		9,253
Refugee and Entrant Assistance - State Administered Programs	93.566		16
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		2,050
Foster Care - Title IV-E	93.658		5,081
Adoption Assistance	93.659		1,031
State Children's Insurance Program	93.767		62
Medical Assistance Program	93.778		12,057
Social Services Block Grant	93.667		6,082
Social Services Block Grant	93.667		55,044
			<u>61,126</u>
Ringold County:			
Maternal and Child Health Services Block Grant to the States	93.994	5886MC07	1,034
Maternal and Child Health Services Block Grant to the States	93.994	5887MH25	4,011
			<u>5,045</u>
Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
State Domestic Preparedness Equipment Support Program	97.004		40,191
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-IA-DR1705	40,742
Emergency Management Performance Grants	97.042		16,126
Pre-Disaster Mitigation	97.047	PDMC-PL-07-IA-2205-006	9,900
Total indirect			<u>566,651</u>
Total			<u>\$ 569,099</u>

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 on 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, 2007, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 23, 2008. 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

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 purposes of expressing our opinions on the financial statements, but not for the purposes of expressing our 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Mills County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Mills County's financial statements that is more than inconsequential will not be prevented or detected by Mills County's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Mill's County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-07 and II-C-07 are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 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 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. This report 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

January 23, 2008

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

Mills County



OFFICE OF AUDITOR OF STATE
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Independent Auditor's Report on Compliance with Requirements
Applicable to 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 the compliance of Mills County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. 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 are 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 are applicable to each of its major federal programs for the year ended June 30, 2007.

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, 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 would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance we consider to be significant deficiencies and a deficiency we consider to be a material weakness.

A control deficiency in the County's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-07 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-07 to be a material weakness.

Mills County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusion on the County's response, we did not audit Mills County's response and, accordingly, we express no opinion on it.

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. This report 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

January 23, 2008

Mills County
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over one of the major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA Number 20.205 – Highway Planning and Construction and CFDA Number 93.667 – Social Services Block Grant.
- (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, 2007

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-07 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. A listing of cash and checks received is not prepared.	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.	Treasurer and Recorder
(3) Checks are not signed by an individual who does not otherwise participate in the preparation of the checks. In addition, collection, deposit preparation and reconciliation functions are not segregated from the recording and accounting for cash receipts.	Recorder

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. The official should utilize current personnel or other County employees to provide additional control through review of financial transactions, reconciliations and reports.

Responses:

County Treasurer – We keep a cash book on all cash and pick out several checks that come through and list them. We then check them back to see when they get deposited. I am trying not to write as many checks so that I can reconcile the month end but at busy times it is almost impossible.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

County Recorder – At day end we compare the daily cash listing, checks received, and documents recorded with cash register tapes, the hand written fee book and computer generated reports. We feel we have an excellent comparison of checks and balances. In a small office all workers are required to know and do all duties as they are not segregated. The utilization of current personnel is maximized and will be reviewed for additional controls, as requested.

Conclusions:

County Treasurer – Response accepted.

County Recorder – Response acknowledged. Operating procedures should be reviewed to obtain the maximum internal control possible in the circumstances, including the segregation of items identified above by utilizing current personnel or other County employees.

II-B-07 Information Systems – The County does not have a written disaster recovery plan which includes the computer system and equipment.

Recommendation – The County should develop a written disaster recovery plan which includes the computer system and equipment.

Response – The County is in the process of writing this plan and will be in compliance by the next audit.

Conclusion – Response accepted.

II-C-07 Financial Reporting – During the audit, we identified a material amount of payables for the Secondary Roads Fund not recorded in the County's financial statements. An adjustment was subsequently made by the County to properly include the amount in the financial statements.

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

Response – The delivery date was not filled in correctly, which caused the system to not recognize the accrual. We will perform a quality control check on the accruals in the future to ensure this does not happen again.

Conclusion – Response accepted

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCY:

CFDA Number 20.205: Highway Planning and Construction
Pass-through Agency Number: BROS-CO65(68) - - 8J-65
Federal Award Year: 2007
U.S. Department of Transportation
Passed through the Iowa Department of Transportation

III-A-07 Financial Reporting – During the audit, we identified a material amount of payables for the Secondary Roads Fund not recorded in the County’s financial statements. An adjustment was subsequently made by the County to properly include the amount in the financial statements.

Recommendation – The County should implement procedures to ensure all payables are identified and included in the County’s financial statements.

Response – The delivery date was not filled in correctly, which caused the system to not recognize the accrual. We will perform a quality control check on the accruals in the future to ensure this does not happen again.

Conclusion – Response accepted

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted by function.

IV-B-07 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-07 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-07 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Rhonda Letuli, daughter of General Relief/Veterans’ Affairs Director	Cleaning service	\$ 225

In accordance with Chapter 331.342(10) of the Code of Iowa, the above transactions with Rhonda Letuli do not appear to represent a conflict of interest since the total transactions were less than \$1,500 during the fiscal year.

IV-E-07 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-07 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not, except as follows:

Although claims were published, the purpose was not properly published as required by Chapter 349.18 of the Code of Iowa.

Recommendation – The County should ensure all board proceedings and claims are properly published as required.

Response – The Auditor’s Office will make the proper notification of purpose for the respective claims to be published.

Conclusion – Response accepted.

IV-G-07 Deposits and Investments – Except as noted, 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.

The interest rate on three certificates of deposit did not meet the minimum rate of interest set by the State Rate Setting Committee.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Recommendation – Public fund time certificates of deposits, when renewed, shall be renewed at a rate of interest which conforms with current rates for public funds on date of renewal. The County should seek reimbursement of the additional interest due on these certificates of deposit. In addition, the County should be aware of the current allowable rates to ensure the minimum allowable rate is received for all investments.

Response – We have talked to the bank on these certificates and they have told us they will meet the rate for public funds.

Conclusion – Response accepted.

IV-H-07 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-07 County Ordinances – The County Board of Supervisors last completed a compilation of County ordinances in October 1999. Chapter 331.302(9) of the Code of Iowa requires the Board to compile a code of ordinances containing all ordinances in effect at least once every five years.

Recommendation – The compilation of County ordinances should be prepared as required.

Response – The County Board of Supervisors, County Attorney and County Auditor were actively involved in developing a zoning ordinance and the revision of the Mills County Comprehensive Plan, subdivision ordinance and driveway ordinance during the past year. We are currently working to complete the compilation of the County ordinance and anticipate being in compliance by July 2008.

Conclusion – Response accepted.

IV-J-07 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, 2007 for the County Extension Office did not exceed the amount budgeted.

IV-K-07 Conflict of Interest – The Assistant County Attorney placed an advertisement in the surrounding area phone book which listed the County Attorney's office at the Courthouse as the contact address and phone number for his personal law practice.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Chapter 68B.2A of the Code of Iowa prohibits County employees from engaging in any outside employment of activity which is in conflict with the person's official duties and responsibilities. According to this Code Chapter, use of the County's time, facilities, equipment and supplies or use of business cards or other evidences of office or employment constitutes an unacceptable conflict of interest.

Recommendation – The Assistant County Attorney should immediately cease the use of County equipment, supplies and facilities for his private practice of law as provided by Chapter 68B.2A of the Code of Iowa.

Response – The Mills County Board of Supervisors designated the Assistant County Attorney as a regular employee during its meeting on January 10, 2006. The regular employee designation allowed the Board of Supervisors to adequately compensate the Assistant County Attorney for his time without declaring him a full-time attorney pursuant to Iowa Code Section 331.752 and prohibiting from supplementing his income through his private practice of law.

In connection with his private practice, the Assistant County Attorney placed an advertisement in the surrounding area phone book. The County Attorney did not approve and/or review the ad prior to publication in the phone book. In fact, the County Attorney had no knowledge of the ad until the Auditor advised her of it.

The County Attorney counseled the Assistant County Attorney about the situation. The Assistant County Attorney agreed to correct the ad before the next publication of the area phone book. Furthermore, the Assistant County Attorney agreed to refrain from using County time, facilities, equipment, and supplies for purposes other than County business.

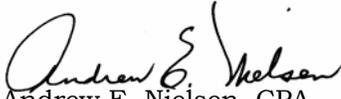
Conclusion – Response accepted.

Mills County

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager
Nancy F. Curtis, CPA, Senior Auditor II
Michelle L. Harris, Staff Auditor
Michael L. Castagnoli, Assistant Auditor
Michael D. Eckard, Assistant Auditor
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Andrew E. Nielsen, CPA
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