



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

May 20, 2005

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

The County has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

The County had local tax revenue of \$16,619,538 for the year ended June 30, 2004, which included \$725,872 in tax credits from the state. The County forwarded \$11,631,750 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,987,788 of the local tax revenue to finance County operations. Other revenues included charges for service of \$965,181, operating grants, contributions and restricted interest of \$3,616,603, capital grants, contributions and restricted interest of \$1,756,560, unrestricted investment earnings of \$61,748, local option sales tax of \$460,483 and other general revenues of \$260,795.

Expenses for County operations totaled \$10,019,038. Expenses included \$3,676,442 for roads and transportation, \$1,888,189 for public safety and legal services and \$1,538,241 for physical health and social services.

A copy of the audit report is available for review in the Office of Auditor of State and the County Auditor's office.

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MILLS COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2004

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Mills County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Don Brantz	Board of Supervisors	Jan 2005
Naomi Christensen	Board of Supervisors	Jan 2005
Richard Crouch	Board of Supervisors	Jan 2007
Carol Robertson	County Auditor	Jan 2005
Janette Blackburn	County Treasurer	Jan 2007
Roberta Dashner	County Recorder	Jan 2007
Mack G. Taylor	County Sheriff	Jan 2005
Marci Prier	County Attorney	Jan 2007
Alice Shipley	County Assessor	Jan 2004
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, 2004, 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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, 2004, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 14 to the financial statements, during the year ended June 30, 2004, Mills County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2005 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 grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed 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 year ended June 30, 2003 (which are not presented herein) and expressed a qualified opinion on those financial statements for 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 qualified opinions on those financial statements for 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 5 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 14, 2005

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, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Because Mills County is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the County's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Mills County's governmental fund revenues were approximately \$10.1 million for fiscal year 2003 (FY03) and were approximately \$10.9 million for fiscal year 2004 (FY04). The local option sales and services tax and the County's Interstate 29/Highway 34 Urban Renewal Revenue increased from \$253,282 in fiscal year 2003 to \$542,151 in fiscal year 2004.
- Mills County's governmental fund expenditures increased \$567,493 from FY03. The increase in expenditures is primarily the result of the Sheriff having to house prisoners out of the County and increased Secondary Roads maintenance costs due to the increase in the number of miles of roads from the State related to the transfer of road jurisdiction.
- The County's net assets increased 26%, or approximately \$2,090,000, from June 30, 2003 to June 30, 2004.

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 Special Revenue and the individual Agency Funds.

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. These 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 financial statements required 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 financial statement required 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 for FY04 totaled approximately \$10.1 million. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities	
	June 30, 2004
Current and other assets	\$ 11,606,708
Capital assets	4,775,093
Total assets	<u>16,381,801</u>
Long-term liabilities	520,973
Other liabilities	5,735,060
Total liabilities	<u>6,256,033</u>
Net assets:	
Invested in capital assets, net of related debt	4,733,194
Restricted	4,766,291
Unrestricted	<u>626,283</u>
Total net assets	<u><u>\$ 10,125,768</u></u>

The largest portion of the County's net assets is restricted net assets. They represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The next largest portion of the County's net assets is the Invested in Capital Assets (e.g. land, infrastructure, buildings and equipment). 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, is \$626,283.

Changes in Net Assets of Governmental Activities	
	Year ended June 30, 2004
Revenues:	
Program revenues:	
Charges for service	\$ 965,181
Operating grants and contributions	3,616,603
Capital grants and contributions	1,756,560
General revenues:	
Property tax	4,699,729
Penalty and interest on property tax	74,422
State tax credits	206,391
Tax increment financing	81,668
Local option sales and services tax	460,483
Grants and contributions not restricted	71,975
Unrestricted investment earnings	61,748
Other general revenues	114,398
Total revenues	<u>12,109,158</u>
Program expenses:	
Public safety and legal services	1,888,189
Physical health and social services	1,538,241
Mental health	1,256,362
County environment and education	423,789
Roads and transportation	3,676,442
Governmental services to residents	401,516
Administration	834,499
Total expenses	<u>10,019,038</u>
Increase in net assets	2,090,120
Net assets beginning of year, as restated	<u>8,035,648</u>
Net assets end of year	<u>\$ 10,125,768</u>

Mills County increased the property tax rate \$.307 per \$1,000 of valuation for the rural services levy and increased the property tax rate \$.46191 per \$1,000 of valuation for the county-wide levy, for a total increase of \$.76871 in FY04. The county-wide assessed property taxable valuation increased \$15,281,347 and the rural assessed property tax valuation increased \$12,128,848.

INDIVIDUAL MAJOR FUND ANALYSIS

As Mills County completed the year, its governmental funds reported a combined fund balance of \$5.2 million, an increase of approximately \$1 million above last year's total of approximately \$4.2 million.

The General Fund, the operating fund for Mills County, ended FY04 with a balance of \$1,071,325. This was an increase from the FY03 ending balance of \$840,646. Some of the increase in revenues could be attributed to increased property tax collections. The General Fund levy rates increased from \$5.04729 per \$1,000 of taxable value in FY03 to \$5.53924 per \$1,000 of taxable valuation in FY04.

Mills County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. Fiscal year 2004 ended with a \$369,579 fund balance, whereas fiscal year 2003 ended with a balance of \$219,120. Mills County levied to the maximum allowable rate. The FY04 mental health levy rate was \$1.07997 per \$1,000 of taxable valuation and the FY03 levy rate was \$1.11001 per \$1,000 of taxable valuation.

The Rural Services Fund ended FY04 with a \$116,330 balance compared to the FY03 ending fund balance of \$31,440. Property tax revenue for the Rural Services Fund increased \$156,209 from FY03 to FY04. Mills County increased the levy rate from \$2.49358 per \$1,000 of taxable valuation in FY03 to \$2.80058 per \$1,000 of taxable valuation in FY04.

The Secondary Roads Fund ended FY04 with a \$3,129,279 fund balance compared to the FY03 ending fund balance of \$2,841,233. In FY04, Mills County's Secondary Roads department purchased several pieces of road equipment to assist with the 24 plus extra miles of road the County received from the State due to transfer of road jurisdiction.

BUDGETARY HIGHLIGHTS

Over the course of the year, Mills County amended its budget once in April of 2004 to accommodate increased insurance premiums and to amend for some grants that were received and needed to be expended.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, Mills County had approximately \$8.0 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This year's major additions include construction in progress of approximately \$800,000. The Secondary Roads department is in the process of building a new administrative and training center building located near our present Secondary Roads shop. Construction is estimated to be complete by June 2005. Mills County also increased its land value by \$933,138 due to the transfer of jurisdiction of right of way. Secondary Roads purchased approximately \$550,000 in equipment to assist with the increase in roads.

The County had depreciation expense of \$411,162 in FY04 and total accumulated depreciation of \$3,204,799 at June 30, 2004.

The County's fiscal year 2004 capital projects budget included \$400,000 for projects, principally for Secondary Roads projects. More detailed information about the County's capital assets is presented in Note 5 to financial statements.

Long-Term Debt

At June 30, 2004, Mills County had \$128,684 in Urban Renewal Tax Increment Revenue Bond debt and \$59,669 in installment purchase agreements outstanding. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Mills County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 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 proceeds. The Mills County Board of Supervisors set aside 40% of local option sales tax dollars toward community betterment, 40% towards property tax relief and 20% for infrastructure. Mills County contributes a specific dollar amount to each City in the County for community betterment of their cities, with the stipulation they will in turn return one half of the proceeds to the City of Glenwood in their respective name to assist with the building and operations of the Mills County Recreation Center. A \$150,000 Urban Renewal Tax Increment Revenue Bond was sold in FY02 along with a development agreement signed in FY03 of \$179,592 for construction of a racetrack and waterline for the Mid America Motorplex for a total of \$329,582 related to the Urban Renewal Interstate 29/Highway 34 area. As of June 30, 2004, the County has paid \$21,316 in principal for the Urban Renewal Tax Increment Revenue Bond and \$21,189 to the bank on behalf of the developer. Mills County also has a development agreement for \$58,821 for a waterline that is scheduled to be paid off in fiscal year 2005-06. As of June 30, 2004, \$29,638 has been paid to the developer.

Mills County has seen a lot of growth in real estate developments within the County over the last several years. Another urban renewal area in Oak township will be certifying debt to Mills County by December 1, 2005. This area will assist the developer in putting in sewers for the homes in his development and will eventually tie in the unincorporated area of Mineola to assist them with public sewer as well. This development is scheduled to have over 300 homes as well as a lake and commercial property. Mills County will be moving towards zoning for the entire County to begin at end of fiscal 2005 and continue through fiscal 2006.

Mills County is also taking steps with two neighboring counties to consider the feasibility of a regional jail facility. The County continues to incur expenditures related to housing prisoners out of the County because of the very antiquated facility the County has outgrown. Mills, Fremont and Montgomery County officials feel it would be less of a burden on the taxpayers of their prospective counties to spread the operating and building costs among the three counties.

A goal for Mills County is to attract more commercial and industrial businesses to assist with our taxable valuation.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by the close of 2005.

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 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, 2004

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,909,091
Receivables:	
Property tax:	
Delinquent	26,357
Succeeding year	5,169,000
Interest and penalty on property tax	51,283
Accounts	144,566
Accrued interest	6,905
Due from other governments	992,069
Inventories	276,890
Prepaid insurance	30,547
Capital assets (net of accumulated depreciation)	4,775,093
	<u>16,381,801</u>
Total assets	<u>16,381,801</u>
Liabilities	
Accounts payable	173,109
Salaries and benefits payable	199,730
Due to other governments	193,221
Deferred revenue:	
Succeeding year property tax	5,169,000
Long-term liabilities:	
Portion due or payable within one year:	
Urban renewal tax increment revenue bond	56,000
Installment purchase agreements	19,704
Compensated absences	174,721
Portion due or payable after one year:	
Urban renewal tax increment revenue bond	72,684
Installment purchase agreements	39,965
Compensated absences	157,899
	<u>6,256,033</u>
Total liabilities	<u>6,256,033</u>
Net Assets	
Invested in capital assets, net of related debt	4,733,194
Restricted for:	
Supplemental levy purposes	480,733
Mental health purposes	372,780
Secondary roads purposes	3,566,020
Other purposes	346,758
Unrestricted	626,283
	<u>10,125,768</u>
Total net assets	<u>\$ 10,125,768</u>

See notes to financial statements.

Mills County
Statement of Activities
Year ended June 30, 2004

	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	\$ 1,888,189	229,177	116,510	-	(1,542,502)
Physical health and social services	1,538,241	359,071	584,391	-	(594,779)
Mental health	1,256,362	-	821,694	-	(434,668)
County environment and education	423,789	11,286	11,856	-	(400,647)
Roads and transportation	3,676,442	48,783	2,068,415	1,756,560	197,316
Governmental services to residents	401,516	307,347	48	-	(94,121)
Administration	834,499	9,517	13,689	-	(811,293)
Total	\$ 10,019,038	965,181	3,616,603	1,756,560	(3,680,694)
General Revenues:					
Property and other county tax levied for general purposes					4,699,729
Penalty and interest on property tax					74,422
State tax credits					206,391
Tax increment financing					81,668
Local option sales and services tax					460,483
Grants and contributions not restricted to specific purpose					71,975
Unrestricted investment earnings					61,748
Gain on disposition of capital assets					65,533
Miscellaneous					48,865
Total general revenues					5,770,814
Change in net assets					2,090,120
Net assets beginning of year, as restated					8,035,648
Net assets end of year					\$ 10,125,768

See notes to financial statements.

Mills County
Balance Sheet
Governmental Funds

June 30, 2004

	Special		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 1,008,199	556,166	115,020
Receivables:			
Property tax:			
Delinquent	18,934	3,214	4,209
Succeeding year	3,411,000	579,000	1,026,000
Interest and penalty on property tax	51,283	-	-
Accounts	102,778	21,936	1,900
Accrued interest	6,905	-	-
Due from other funds	12,751	-	-
Due from other governments	104,890	4,749	3,180
Inventories	-	-	-
Prepaid insurance	30,547	-	-
	Total assets	1,165,065	1,150,309
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 39,260	54,862	907
Salaries and benefits payable	131,345	-	2,167
Due to other funds	-	-	-
Due to other governments	20,827	158,423	716
Deferred revenue:			
Succeeding year property tax	3,411,000	579,000	1,026,000
Other	73,530	3,201	4,189
Total liabilities	3,675,962	795,486	1,033,979
Fund balances:			
Reserved for supplemental levy purposes	494,331	-	-
Unreserved, reported in:			
General fund	576,994	-	-
Special revenue funds	-	369,579	116,330
Total fund balances	1,071,325	369,579	116,330
	Total liabilities and fund balances	1,165,065	1,150,309

See notes to financial statements.

Revenue		
Secondary		Total
Roads	Nonmajor	
2,810,836	418,870	4,909,091
-	-	26,357
-	153,000	5,169,000
-	-	51,283
1,995	15,957	144,566
-	-	6,905
-	-	12,751
807,560	71,690	992,069
276,890	-	276,890
-	-	30,547
<u>3,897,281</u>	<u>659,517</u>	<u>11,619,459</u>
77,533	547	173,109
63,744	2,474	199,730
-	12,751	12,751
58	13,197	193,221
-	153,000	5,169,000
<u>626,667</u>	<u>-</u>	<u>707,587</u>
<u>768,002</u>	<u>181,969</u>	<u>6,455,398</u>
-	-	494,331
-	-	576,994
<u>3,129,279</u>	<u>477,548</u>	<u>4,092,736</u>
<u>3,129,279</u>	<u>477,548</u>	<u>5,164,061</u>
<u>3,897,281</u>	<u>659,517</u>	<u>11,619,459</u>

Mills County

Mills County

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

June 30, 2004

Total governmental fund balances (page 17) \$ 5,164,061

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$7,979,892 and the accumulated depreciation is \$3,204,799. 4,775,093

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 707,587

Long-term liabilities, including urban renewal tax increment revenue bond, installment purchase agreements and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (520,973)

Net assets of governmental activities (page 14) \$ 10,125,768

See notes to financial statements.

Mills County

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

Year ended June 30, 2004

	General	Special	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,995,681	584,227	1,112,796
Interest and penalty on property tax	64,520	-	-
Intergovernmental	1,242,338	845,138	61,552
Licenses and permits	9,035	-	30,697
Charges for service	372,759	-	-
Use of money and property	68,020	-	-
Miscellaneous	73,036	2,700	-
Total revenues	<u>4,825,389</u>	<u>1,432,065</u>	<u>1,205,045</u>
Expenditures:			
Operating:			
Public safety and legal services	1,844,744	-	-
Physical health and social services	1,365,679	-	54,148
Mental health	-	1,256,362	-
County environment and education	211,959	-	42,724
Roads and transportation	-	-	40,000
Governmental services to residents	404,509	-	1,370
Administration	868,287	-	-
Capital projects	-	-	-
Total expenditures	<u>4,695,178</u>	<u>1,256,362</u>	<u>138,242</u>
Excess (deficiency) of revenues over (under) expenditures	<u>130,211</u>	<u>175,703</u>	<u>1,066,803</u>
Other financing sources (uses):			
Installment purchase agreements	94,224	-	-
Operating transfers in	25,244	-	-
Operating transfers out	(19,000)	(25,244)	(981,913)
Total other financing sources (uses)	<u>100,468</u>	<u>(25,244)</u>	<u>(981,913)</u>
Net change in fund balances	230,679	150,459	84,890
Fund balances beginning of year, as restated	<u>840,646</u>	<u>219,120</u>	<u>31,440</u>
Fund balances end of year	<u>\$ 1,071,325</u>	<u>369,579</u>	<u>116,330</u>

See notes to financial statements.

Revenue		
Secondary		
Roads	Nonmajor	Total
-	542,152	5,234,856
-	-	64,520
2,740,470	66,593	4,956,091
1,825	-	41,557
22,390	28,062	423,211
-	1,760	69,780
77,642	64	153,442
<u>2,842,327</u>	<u>638,631</u>	<u>10,943,457</u>
-	-	1,844,744
-	100,133	1,519,960
-	-	1,256,362
-	192,181	446,864
3,619,910	-	3,659,910
-	4,775	410,654
-	-	868,287
66,871	-	66,871
<u>3,686,781</u>	<u>297,089</u>	<u>10,073,652</u>
(844,454)	341,542	869,805
-	-	94,224
1,132,500	5,000	1,162,744
-	(136,587)	(1,162,744)
<u>1,132,500</u>	<u>(131,587)</u>	<u>94,224</u>
288,046	209,955	964,029
<u>2,841,233</u>	<u>267,593</u>	<u>4,200,032</u>
<u>3,129,279</u>	<u>477,548</u>	<u>5,164,061</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, 2004

Net change in fund balances - Total governmental funds (page 21) \$ 964,029

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

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

Expenditures for capital assets	\$ 535,286	
Capital assets contributed by the Iowa Department of Transportation	1,733,301	
Depreciation expense	<u>(411,162)</u>	1,857,425

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. 49,133

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	7,024	
Other	<u>(623,754)</u>	(616,730)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. 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. Current year issues exceeded repayments, as follows:

Issued	(94,224)	
Repaid	<u>55,871</u>	(38,353)

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 governmental funds. (125,384)

Change in net assets of governmental activities (page 15) \$ 2,090,120

See notes to financial statements.

Mills County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2004

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,500,775
Other County officials	17,222
Receivables:	
Property tax:	
Delinquent	70,341
Succeeding year	11,118,000
Accounts	81,547
Accrued interest	887
Succeeding year special assessments	176,000
Drainage assessments	51,011
Due from other governments	36,992
Total assets	13,052,775

Liabilities

Accounts payable	35,663
Salaries and benefits payable	14,095
Drainage warrants payable	15
Due to other governments	12,986,013
Trusts payable	5,165
Compensated absences	11,824
Total liabilities	13,052,775

Net assets	\$ -
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See notes to financial statements.

Mills County

Notes to Financial Statements

June 30, 2004

(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 Communication Board, 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, Mills County Landfill, Resource Conservation and Development (Golden Hills), Metropolitan Area Planning Agency, Southwest Iowa Planning Council, West Central Development and Southwest Iowa Drug Task Force.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. 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 and reduced by outstanding balances for installment purchase agreements attributable to the acquisition of those assets.

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 and contributions 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 special revenue 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 road construction and maintenance.

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current 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-reimbursements 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, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

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 and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories 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 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), 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
Building 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, 2004. 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, 2004, disbursements did not exceed the amounts budgeted in the functions. However, disbursements in one department exceeded the amount appropriated.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 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.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$473,673 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Urban Renewal Revenue	<u>\$ 12,751</u>

This balance results from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Mental Health	\$ 25,244
Special Revenue: Conservation Land Acquisition	General	5,000
Secondary Roads	General	14,000
	Special Revenue: Rural Services	981,913
	Local Option Sales and Services Tax	<u>136,587</u>
Total		<u>\$ 1,162,744</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year, (as restated)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 692,153	933,138	-	1,625,291
Construction in progress	-	800,163	-	800,163
Total capital assets not being depreciated	692,153	1,733,301	-	2,425,454
Capital assets being depreciated:				
Buildings	1,174,751	60,497	-	1,235,248
Improvements other than buildings	96,888	-	-	96,888
Equipment and vehicles	3,856,517	549,789	244,700	4,161,606
Infrastructure, other	60,696	-	-	60,696
Total capital assets being depreciated	5,188,852	610,286	244,700	5,554,438
Less accumulated depreciation for:				
Buildings	522,078	40,044	-	562,122
Improvements other than buildings	19,378	4,844	-	24,222
Equipment and vehicles	2,469,497	364,756	218,833	2,615,420
Infrastructure, other	1,517	1,518	-	3,035
Total accumulated depreciation	3,012,470	411,162	218,833	3,204,799
Total capital assets being depreciated, net	2,176,382	199,124	25,867	2,349,639
Governmental activities capital assets, net	\$ 2,868,535	1,932,425	25,867	4,775,093

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 56,118
Physical health and social services	6,192
County environment and education	16,215
Roads and transportation	282,000
Governmental services to residents	3,347
Administration	47,290
Total depreciation expense - governmental activities	<u>\$ 411,162</u>

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 20,827
Special Revenue:		
Mental Health	Services	158,423
Rural Services	Services	716
Secondary Roads	Services	58
Decategorization Grant	Services	13,197
		<u>172,394</u>
Total for governmental funds		<u>\$ 193,221</u>
Agency:		
County Assessor	Collections	\$ 331,078
Schools		8,301,386
Community Colleges		375,988
Corporations		2,189,623
Auto License and Use Tax		298,525
Drainage Districts		935,825
All other		553,588
Total for agency funds		<u>\$ 12,986,013</u>

(7) Changes in Long-Term Debt

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Urban Renewal Tax Increment Revenue Bond	Installment Purchase Agreements	Compen- sated Absences	Total
Balance beginning of year, as restated	\$ 150,000	-	207,236	357,236
Increases	-	94,224	377,484	471,708
Decreases	21,316	34,555	252,100	307,971
Balance end of year	<u>\$ 128,684</u>	<u>59,669</u>	<u>332,620</u>	<u>520,973</u>
Due within one year	<u>\$ 56,000</u>	<u>19,704</u>	<u>174,721</u>	<u>250,425</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 bears interest at 7 percent per annum with final maturity on June 1, 2022. The bond proceeds are to be 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.

Principal and interest on this bond are to be paid as follows:

- (1) Interest on the principal sum remaining unpaid on this bond is payable on each June 1 and December 1 until the entire principal sum is repaid.
- (2) On each June 1 through and including June 1, 2022, to the extent there is any unpaid principal of this bond and there are proceeds remaining in the Urban Renewal Revenue Fund following each required payment of interest pursuant to (1) above, 50% of such proceeds is to be applied to the payment of principal of this bond.

The urban renewal tax increment revenue bond is payable solely from the income and proceeds of the Urban Renewal Revenue Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment revenue bond shall be expended only for purposes consistent with the plans of the County's urban renewal area. The bond is not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County.

During the year ended June 30, 2004, principal payments of \$21,316 and interest payments of \$16,286 were made by the County.

Installment Purchase Agreements

The County has entered into installment purchase agreements to purchase computer equipment with total costs of \$94,224. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 5.58% to 6.45% per annum, and the present value of net minimum payments under the agreements in effect at June 30, 2004:

Year ending June 30,	Computer Equipment
2005	\$ 21,999
2006	21,999
2007	21,999
Total minimum installment payments	65,997
Less amount representing interest	(6,328)
Present value of net minimum installment payments	\$ 59,669

Payments under installation purchase agreements totaled \$35,000 for the year ended June 30, 2004, including interest expense of \$445.

(8) 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.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$226,086, \$218,645 and \$216,850, respectively, equal to the required contributions for each year.

(9) 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 490 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, 2004 were \$77,945.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks are also 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, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, 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.

(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, 2004:

Additions:

Federal grants and entitlements:		
Medicaid case management		\$ 174,155
Contributions from governmental units		219,077
Miscellaneous		144
Total additions		<u>393,376</u>

Deductions:

Salaries	\$ 138,758	
Benefits	46,879	
Case management:		
Chronic mental illness	14,343	
Mental retardation	139,918	
Technical assistance	4,266	
Office supplies	1,720	
Telephone	2,308	
Travel	24,293	
Training	1,170	
Equipment repair	1,197	
Equipment	4,615	379,467

Net		13,909
Balance beginning of year		<u>70,127</u>
Balance end of year		<u>\$ 84,036</u>

(11) Development Agreements

The County entered into two development agreements to assist in urban renewal projects. The County agreed to rebate 100% of the incremental tax paid by the developer in exchange for the construction of water line improvements. 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 fourteen semi-annual payments beginning on October 1, 2002. The total to be paid by the County under this agreement is not to exceed \$65,000. During the year ended June 30, 2004, \$20,038 was paid to the developer, for a cumulative total of \$29,638.

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, 2004, principal payments of \$21,189 and interest payments of \$17,214 were paid to the bank on behalf of the developer, for a cumulative total of \$21,189 for principal and \$22,297 for interest.

(12) Deficit Fund Balance

The Special Revenue, Urban Renewal Revenue Fund had a deficit fund balance of \$12,648 at June 30, 2004. The County is investigating options for eliminating the deficit.

(13) Litigation

The County is involved in several legal matters as of June 30, 2004. The probability of loss, if any, is undeterminable.

(14) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements report the County’s governmental activities. Beginning net assets for governmental activities has been restated to include capital assets and the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting.

The adjustment for the deferral of long-term assets includes the prior year other deferred revenue of \$70,983 and \$1,253,334 for the prior year transfer of jurisdiction. The receivable and deferred revenue for this transfer of jurisdiction were not reported in the financial statements for the year ended June 30, 2003.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	<u>Amount</u>
Net assets June 30, 2003, as previously reported	\$ 4,136,861
GASB Interpretation 6 adjustments	63,171
Net assets July 1, 2003, as restated for governmental funds	<u>4,200,032</u>
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$3,012,470	2,868,535
Long-term liabilities	(357,236)
Deferral of long-term assets	<u>1,324,317</u>
Net assets July 1, 2003, as restated	<u>\$ 8,035,648</u>

Mills County

Required Supplementary Information

Mills County

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2004

	Actual	Budgeted Original
Receipts:		
Property and other county tax	\$ 5,211,262	4,989,150
Interest and penalty on property tax	64,471	21,475
Intergovernmental	4,922,471	4,198,881
Licenses and permits	39,632	33,025
Charges for service	451,242	296,020
Use of money and property	69,330	102,213
Miscellaneous	146,119	56,220
Total receipts	<u>10,904,527</u>	<u>9,696,984</u>
Disbursements:		
Public safety and legal services	1,846,090	1,932,514
Physical health and social services	1,496,803	1,643,178
Mental health	1,240,500	1,331,905
County environment and education	448,133	606,278
Roads and transportation	3,547,511	3,835,650
Governmental services to residents	409,727	424,749
Administration	769,655	962,389
Capital projects	66,871	400,000
Total disbursements	<u>9,825,290</u>	<u>11,136,663</u>
Excess (deficiency) of receipts over (under) disbursements	1,079,237	(1,439,679)
Balance beginning of year	<u>3,829,854</u>	<u>2,449,608</u>
Balance end of year	<u>\$ 4,909,091</u>	<u>1,009,929</u>

See accompanying independent auditor's report.

Amounts	Final to
Final	Actual Variance
4,989,150	222,112
21,475	42,996
4,234,981	687,490
33,025	6,607
298,520	152,722
102,213	(32,883)
83,982	62,137
<u>9,763,346</u>	<u>1,141,181</u>
1,943,876	97,786
1,668,678	171,875
1,331,905	91,405
633,278	185,145
3,835,650	288,139
427,249	17,522
962,389	192,734
400,000	333,129
<u>11,203,025</u>	<u>1,377,735</u>
(1,439,679)	2,518,916
<u>2,449,608</u>	<u>1,379,976</u>
<u><u>1,009,929</u></u>	<u><u>3,898,892</u></u>

Mills County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,904,527	38,930	10,943,457
Expenditures	9,825,290	248,362	10,073,652
Net	1,079,237	(209,432)	869,805
Other financing sources, net	-	94,224	94,224
Beginning fund balances, as restated	3,829,854	370,178	4,200,032
Ending fund balances	\$ 4,909,091	254,970	5,164,061

See accompanying independent auditor's report.

Mills County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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 \$66,362. 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, 2004, disbursements did not exceed the amounts budgeted in the functions. However, disbursements in one department exceeded the amount appropriated.

Mills County

Other Supplementary Information

Mills County
Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2004

	Local Option Sales and Services Tax	Resource Enhance- ment and Protection	County Recorder's Records Management
Assets			
Cash and pooled investments	\$ 306,018	10,108	1,863
Receivables:			
Property tax:			
Succeeding year	-	-	-
Accounts	-	-	-
Due from other governments	55,521	146	-
Total assets	\$ 361,539	10,254	1,863
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	-	-
Salaries and benefits payable	-	-	-
Due to other funds	-	-	-
Due to other governments	-	-	-
Deferred revenue:			
Succeeding year property tax	-	-	-
Total liabilities	-	-	-
Fund equity:			
Unreserved fund balances	361,539	10,254	1,863
Total liabilities and fund equity	\$ 361,539	10,254	1,863

See accompanying independent auditor's report.

Urban Renewal Revenue	Decategorization Grant	Conservation Land Acquisition	County Recorder's Electronic Transaction Fee	Total
103	46,837	31,204	22,737	418,870
153,000	-	-	-	153,000
-	15,957	-	-	15,957
-	16,023	-	-	71,690
153,103	78,817	31,204	22,737	659,517
-	547	-	-	547
-	2,474	-	-	2,474
12,751	-	-	-	12,751
-	13,197	-	-	13,197
153,000	-	-	-	153,000
165,751	16,218	-	-	181,969
(12,648)	62,599	31,204	22,737	477,548
153,103	78,817	31,204	22,737	659,517

Mills County

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

Year ended June 30, 2004

	Local Option Sales and Services Tax	Resource Enhance- ment and Protection	County Recorder's Records Management
Revenues:			
Property and other county tax	\$ 460,483	-	-
Intergovernmental	-	10,144	-
Charges for service	-	-	5,373
Use of money and property	-	57	-
Miscellaneous	-	-	-
Total revenues	460,483	10,201	5,373
Expenditures:			
Operating:			
Physical health and social services	-	-	-
County environment and education	86,930	9,208	-
Governmental services to residents	-	-	4,775
Total expenditures	86,930	9,208	4,775
Excess (deficiency) of revenues over (under) expenditures	373,553	993	598
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(136,587)	-	-
Total other financing sources (uses)	(136,587)	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	236,966	993	598
Fund balances beginning of year	124,573	9,261	1,265
Fund balances end of year	\$ 361,539	10,254	1,863

See accompanying independent auditor's report.

Urban Renewal Revenue	Decategorization Grant	Conservation Land Acquisition	County Recorder's Electronic Transaction Fee	Total
81,669	-	-	-	542,152
-	56,449	-	-	66,593
-	-	-	22,689	28,062
-	-	1,655	48	1,760
-	64	-	-	64
81,669	56,513	1,655	22,737	638,631
-	100,133	-	-	100,133
96,043	-	-	-	192,181
-	-	-	-	4,775
96,043	100,133	-	-	297,089
(14,374)	(43,620)	1,655	22,737	341,542
-	-	5,000	-	5,000
-	-	-	-	(136,587)
-	-	5,000	-	(131,587)
(14,374)	(43,620)	6,655	22,737	209,955
1,726	106,219	24,549	-	267,593
(12,648)	62,599	31,204	22,737	477,548

Mills County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,784	82,843	151,978
Other County officials	17,222	-	-	-
Receivables:				
Property tax:				
Delinquent	-	632	1,435	48,408
Succeeding year	-	114,000	259,000	8,101,000
Accounts	258	-	5	-
Accrued interest	-	-	-	-
Succeeding year special assessments	-	-	-	-
Drainage assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 17,480	116,416	343,283	8,301,386
Liabilities				
Accounts payable	\$ -	-	2,748	-
Salaries and benefits payable	-	-	4,459	-
Drainage warrants payable	-	-	-	-
Due to other governments	12,315	116,416	331,078	8,301,386
Trusts payable	5,165	-	-	-
Compensated absences	-	-	4,998	-
Total liabilities	\$ 17,480	116,416	343,283	8,301,386

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Drainage Districts	City Special Assessments	Other	Total
6,951	46,460	2,229	298,225	883,880	7,474	18,951	1,500,775
-	-	-	-	-	-	-	17,222
2,037	17,163	655	-	-	-	11	70,341
367,000	2,126,000	149,000	-	-	-	2,000	11,118,000
-	-	-	300	63	-	80,921	81,547
-	-	-	-	886	-	1	887
-	-	-	-	-	176,000	-	176,000
-	-	-	-	51,011	-	-	51,011
-	-	-	-	-	-	36,992	36,992
375,988	2,189,623	151,884	298,525	935,840	183,474	138,876	13,052,775
-	-	-	-	-	-	32,915	35,663
-	-	-	-	-	-	9,636	14,095
-	-	-	-	15	-	-	15
375,988	2,189,623	151,884	298,525	935,825	183,474	89,499	12,986,013
-	-	-	-	-	-	-	5,165
-	-	-	-	-	-	6,826	11,824
375,988	2,189,623	151,884	298,525	935,840	183,474	138,876	13,052,775

Mills County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 35,830	102,047	308,783	8,624,826
Additions:				
Property and other county tax	-	114,780	260,696	8,132,353
E911 surcharge	-	-	-	-
State tax credits	-	4,502	10,620	375,010
Drivers license fees	-	-	-	-
Office fees and collections	336,303	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	201,027	-	-	-
Miscellaneous	-	-	2,468	-
Total additions	537,330	119,282	273,784	8,507,363
Deductions:				
Agency remittances:				
To other funds	236,277	-	-	-
To other governments	116,768	104,913	239,284	8,830,803
Trusts paid out	202,635	-	-	-
Total deductions	555,680	104,913	239,284	8,830,803
Balances end of year	\$ 17,480	116,416	343,283	8,301,386

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	Auto License and Use Tax	Drainage Districts	City Special Assessments	Other	Total
398,481	2,137,101	145,519	283,884	840,354	206,050	164,020	13,246,895
369,252	2,081,880	151,148	-	-	-	2,160	11,112,269
-	-	-	-	-	-	73,807	73,807
17,540	105,721	5,991	-	-	-	97	519,481
-	-	-	81,560	-	-	-	81,560
-	-	-	-	-	-	761	337,064
-	-	-	-	-	-	26,820	26,820
-	-	-	3,458,527	-	-	115	3,458,642
-	-	-	-	104,483	27,865	12,078	144,426
-	-	-	-	-	-	466,581	667,608
-	-	-	-	83,130	-	484,080	569,678
386,792	2,187,601	157,139	3,540,087	187,613	27,865	1,066,499	16,991,355
-	-	-	279,274	-	-	-	515,551
409,285	2,135,079	150,774	3,246,172	92,142	50,441	825,698	16,201,359
-	-	-	-	-	-	265,945	468,580
409,285	2,135,079	150,774	3,525,446	92,142	50,441	1,091,643	17,185,490
375,988	2,189,623	151,884	298,525	935,825	183,474	138,876	13,052,760

Schedule 5

Mills County

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

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property and other county tax	\$ 5,234,856	4,429,938	3,966,896	3,623,625
Interest and penalty on property tax	64,520	58,961	64,648	52,016
Intergovernmental	4,956,091	5,080,119	4,681,784	4,703,172
Licenses and permits	41,557	22,341	22,679	20,707
Charges for service	423,211	377,699	331,182	320,568
Use of money and property	69,780	92,446	148,357	188,656
Miscellaneous	153,442	85,203	168,704	134,242
Total	\$ 10,943,457	10,146,707	9,384,250	9,042,986
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,844,744	1,757,748	1,681,567	1,563,369
Physical health and social services	1,519,960	1,576,721	1,749,326	1,598,200
Mental health	1,256,362	1,291,039	1,301,181	1,317,824
County environment and education	446,864	394,689	463,264	242,103
Roads and transportation	3,659,910	3,023,542	3,248,746	3,060,082
Governmental services to residents	410,654	358,154	359,565	300,839
Administration	868,287	928,735	768,968	805,641
Capital projects	66,871	175,531	106,470	234,842
Total	\$ 10,073,652	9,506,159	9,679,087	9,122,900

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
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Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Officials of Mills County:

We have audited the financial statements of Mills County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated January 14, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 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. Prior year statutory comments have been resolved except for item 10.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mills County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Mills County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness. Prior year reportable conditions have not been resolved and are repeated as items (A) and (B).

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. 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 14, 2005

Mills County

Schedule of Findings

Year ended June 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) 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
(2) Bank accounts are not reconciled promptly 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. The checks and the supporting documentation are not reviewed for propriety prior to signing. After signing, the checks were not mailed without allowing them to return to individuals who prepared the checks or approved vouchers for payment. 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.

Mills County

Schedule of Findings

Year ended June 30, 2004

Responses:

County Treasurer – I have tried to keep from writing checks myself and letting the girls in the office do it so that I can reconcile the end of the month.

County Recorder –

- (1) We all open mail at different times. Very small amounts of cash are received. Payments are in check form – vital statistics requests are paid with money orders quite often. All cash and checks and charges are balanced each day with computer entries, cash register, handwritten fee book and the cash listing and all employees participate in this daily procedure.
- (2) I, as the Recorder, feel responsible for the balancing of the Recorder's entries with the bank credits and debits. The office employees are free to review the findings and if I have trouble with a balance sheet, we locate the answer together if need be.
- (3) The only checks written are with report support and mailed or delivered with supporting documents. There is no room for discrepancy in amounts of revenues coming into the office and being paid out.

Conclusions:

County Treasurer – Response accepted.

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

- (B) Information Systems – During our review of internal control, the existing control activities in the County's computer based systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- requiring weekly and yearly backups.
- ownership of in-house developed software and data.
- maintaining security upon termination of employment.
- time out or log off functions to protect unattended terminals.
- security over the information systems.

Also, the County does not have a written disaster recovery plan which includes the computer system and equipment.

Mills County

Schedule of Findings

Year ended June 30, 2004

Recommendation – The County’s written policies should address the above items in order to improve the County’s control over computer based systems. Also, a written disaster recovery plan should be developed which includes the computer system and equipment.

Response – The County is presently in the process of addressing these issues by putting together an information systems policy that will identify the recommendations set forth above. The County does have a Disaster Recovery Plan, but presently it does not include the computer system and equipment. The County will either write a separate policy to identify these procedures or add it to our present disaster recovery plan.

Conclusion – Response accepted.

- (C) Credit Cards – The County has various credit cards for use by certain employees while on County business. The County has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of these charges.

Recommendation – The County should adopt a formal written policy regulating the use of County credit cards. The policy, at a minimum, should address who controls the credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – The personnel consultant is working on a policy for credit and charge cards.

Conclusion – Response accepted.

- (D) Prepayment of Goods/Services – Warrants were written at the end of the fiscal year for goods or services that were not received by June 30, 2004. This included items such as training materials, supplies, small equipment, carpeting and carpentry services for the Local Board of Health. The prepayment of goods/services is not considered to be a best business practice.

Recommendation – Goods/services should generally be paid for when the goods have been received or the services have been rendered.

Response – The Board of Supervisors will sit down with all departments and boards under the County jurisdiction to make sure they are all aware of the proper procedures in not paying for goods or services until the department actually has the goods or services in their possession.

Conclusion – Response accepted.

Mills County

Schedule of Findings

Year ended June 30, 2004

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year.
- (2) Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted by function.

However, disbursements in one department exceeded the amount appropriated.

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

Response – We will continue to watch the appropriations more closely so this does not happen again. We will amend our budgets so we do not exceed the appropriated amounts.

Conclusion – Response accepted.

- (3) 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.
- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Sheri Bowen, Public Health Director, son-in-law is Matt Urban, owner of Urban Development	Hired to build and install countertops for the Department of Health (per bid)	\$ 2,503
	Maintenance work for the Department of Health (not bid)	1,643
Jim Goos, General Relief/Veterans' Affairs Director, daughter is Rhonda Letuli	Cleaning service	375
Rick Allensworth, Conservation Director	Renting of part of a house on Conservation property at \$325/month (per bid)	3,900

Mills County

Schedule of Findings

Year ended June 30, 2004

Also, the Conservation Board has an agreement for the Naturalist to live in the other part of the Conservation owned house as a benefit of County employment which was required by the Conservation Board for security purposes.

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Rhonda Letuli for cleaning service do not appear to represent a conflict of interest since the total transactions were less than \$1,500 during the fiscal year and the transactions with Matt Urban for carpentry work and rent payments received from Rick Allensworth do not appear to represent conflicts of interest since they were both entered into through a competitive bidding process. The transactions for maintenance work with Matt Urban may represent a conflict of interest since total transactions were greater than \$1,500 during the fiscal year and they were not based on competitive bidding.

Recommendation – The County should consult legal counsel to determine the disposition of these matters.

Response – The Board of Supervisors will direct the Public Health Director to terminate the relationship with Matt Urban as it pertains to maintenance work not entered into through the competitive bidding process. Furthermore, the Board of Supervisors will direct all elected officials and department heads to enter into a competitive bidding process for all projects that present a potential conflict of interest as defined in Code Section 331.342 of the Code of Iowa.

Conclusion – Response accepted.

- (6) 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 insure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (9) 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).

Mills County

Schedule of Findings

Year ended June 30, 2004

- (10) Emergency Management Fund – The Emergency Management Commission did not adopt, certify and submit a budget on or before February 28 to the Board of Supervisors as required by Chapter 29C.17 of the Code of Iowa.

Recommendation – A budget for the Emergency Management Commission should be adopted, certified and submitted to the Board of Supervisors on or before February 28 of each year as required by Chapter 29C.17 of the Code of Iowa.

Response – The Emergency Management Director is working more closely with the County Auditor to resolve this issue to make sure the budget is submitted, certified and adopted according to Chapter 29C.17 of the Code of Iowa on or before February 28.

Conclusion – Response accepted.

- (11) Deficit Fund Balance – One fund had a deficit cash balance during the year ended June 30, 2004 and the Special Revenue, Urban Renewal Revenue Fund had a deficit cash balance and fund balance of \$12,648 at June 30, 2004. This appears to violate Chapter 331.476 of the Code of Iowa.

Recommendation – Claims should not be approved for payment when cash balances are not available unless the debt is authorized by resolution of the Board of Supervisors and takes the form of anticipatory warrants, loans from other County funds or other formal short-term debt instruments or obligations.

Also, the County should investigate alternatives to return these funds to a sound financial position.

Response – This was due to a timing error and we will watch this more closely in order to not let it happen again.

Conclusion – Response accepted.

- (12) Non-current Debt – During the year ended June 30, 2004, the County entered into installment purchase agreements for the purchase of computer equipment. These contracts were not entered into in accordance with Chapters 331.478 and 331.479 of the Code of Iowa.

Chapter 331.478 of the Code of Iowa allows a County to authorize, by resolution, non-current debt, including installment purchase contracts payable from resources accruing after the end of the fiscal year in which the debt is incurred, in accordance with Chapter 331.479. Chapter 331.479 requires, before the Board may institute proceedings for the incurrence of non-current debt, a notice of proposed action, including a statement of the amount, purposes, and form of debt, the proposed time of its liquidation and the time and place of the meeting at which the Board proposes to take action to authorize the debt, shall be published. At the meeting, the Board shall receive oral and written objections before action is taken to authorize the debt or abandon the proposal.

Mills County

Schedule of Findings

Year ended June 30, 2004

Recommendation – The County should ensure non-current debt is authorized in accordance with Chapters 331.478 and 331.479 of the Code of Iowa.

Response – This is the first time the County had purchased any items on an installment basis and did not study the Code of Iowa for the correct process. In the future, if the County should engage in an installment purchase, we will follow the correct procedure as outlined in the Code of Iowa.

Conclusion – Response accepted.

- (13) 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.

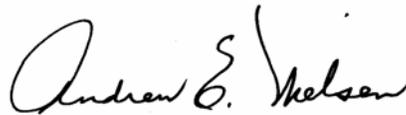
Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

Mills County

Staff

This audit was performed by:

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