



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

David A. Vaudt, CPA  
Auditor of State

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**NEWS RELEASE**

FOR RELEASE

March 16, 2007

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$18,584,431 for the year ended June 30, 2006, which included \$720,141 in tax credits from the state. The County forwarded \$13,057,264 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,527,167 of the local tax revenue to finance County operations, a 2% decrease from the prior year. Other revenues included charges for service of \$1,009,290, operating grants, contributions and restricted interest of \$3,624,136, capital grants, contributions and restricted interest of \$792,603, unrestricted investment earnings of \$125,801, local option sales and services tax of \$347,818 and other general revenues of \$352,863.

Expenses for County operations totaled \$10,788,901, a 9.8% increase over the prior year. Expenses included \$3,751,172 for roads and transportation, \$1,922,305 for public safety and legal services and \$1,549,805 for physical health and social services.

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

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**MILLS COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2006**

Table of Contents

		Page
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	G	25
Notes to Financial Statements		26-38
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		40-41
Budget to GAAP Reconciliation		42
Notes to Required Supplementary Information – Budgetary Reporting		43
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	1	46-47
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	48-49
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	3	50-51
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4	52-53
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5	54
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		55-56
Schedule of Findings		57-61
Staff		62

**Mills County**

**Officials**

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

**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, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Mills County's management. Our responsibility is to express opinions on these financial statements based on our audit.

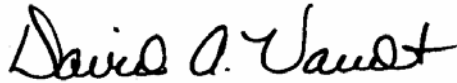
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Mills County at June 30, 2006, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2006 on our consideration of Mills County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 40 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mills County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (which are not presented herein) and expressed a qualified opinion on those financial statements due to the omission of general fixed assets. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2002 (which are not presented herein) and expressed a qualified opinion on those financial statements due to the effects of the omission of general fixed assets and the omission of the materials and supplies inventories pertaining primarily to the Secondary Roads Fund. Other supplementary information included in Schedules 1 through 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

December 8, 2006



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Mills County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006, along with comparative data for the year ended June 30, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2006 FINANCIAL HIGHLIGHTS**

- Mills County's governmental activities revenues were \$12.8 million for fiscal year 2005 (FY05) and \$11.8 million for fiscal year 2006 (FY06). Local option sales and services tax and the County's Interstate 29/Highway 34 urban renewal revenue increased from \$493,548 in FY05 to \$514,171 in FY06.
- Mills County's governmental activities expenses increased 9.8%, or approximately \$964,000, from FY05 to FY06. County environment and education expenses decreased, while expenses for public safety and legal services, physical health and social services, mental health, roads and transportation, governmental services to residents and administration increased.
- The County's net assets increased 7.6%, or approximately \$991,000, from June 30, 2005 to June 30, 2006, due primarily to additions to infrastructure.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor 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. The governmental funds include: 1) the General Fund and 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

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

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

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

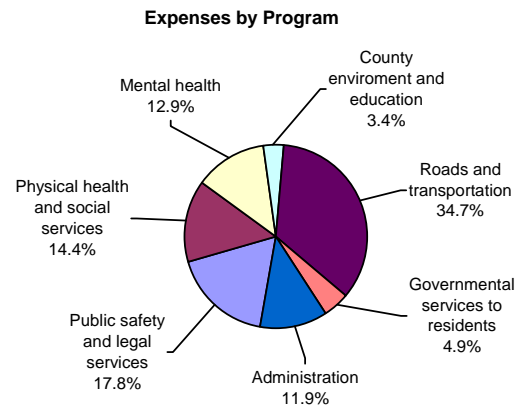
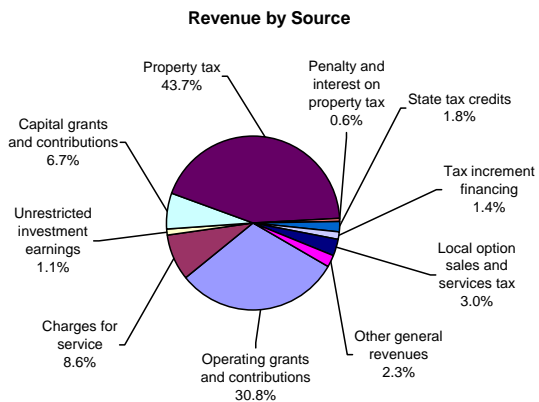
**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. Mills County's net assets at the end of FY06 totaled \$14.1 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2006	2005
Current and other assets	\$ 12,354,071	12,392,496
Capital assets	8,316,153	7,259,173
Total assets	<u>20,670,224</u>	<u>19,651,669</u>
Long-term liabilities	843,896	505,282
Other liabilities	5,736,184	6,047,320
Total liabilities	<u>6,580,080</u>	<u>6,552,602</u>
Net assets:		
Invested in capital assets, net of related debt	8,295,527	7,218,521
Restricted	4,195,476	4,473,295
Unrestricted	1,599,141	1,407,251
Total net assets	<u>\$ 14,090,144</u>	<u>13,099,067</u>

Net assets of Mills County governmental activities increased by approximately 7.6% (\$14.1 million compared to \$13.1 million). The largest portion of the County's net assets are invested in capital assets (e.g. land, infrastructure, buildings and equipment). Next largest is restricted net assets, which represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, are \$1,599,141, which was an increase of approximately \$192,000, or 13.6%, over June 30, 2005.

Changes in Net Assets of Governmental Activities			
		June 30,	
		2006	2005
Revenues:			
Program revenues:			
Charges for service	\$	1,009,290	1,015,230
Operating grants and contributions		3,624,136	3,517,534
Capital grants and contributions		792,603	1,966,949
General revenues:			
Property tax		5,144,463	5,056,412
Penalty and interest on property tax		71,378	66,097
State tax credits		216,351	407,222
Tax increment financing		166,353	151,893
Local option sales and services tax		347,818	341,655
Grants and contributions not restricted		8,198	-
Unrestricted investment earnings		125,801	82,094
Other general revenues		273,287	193,181
Total revenues		<u>11,779,678</u>	<u>12,798,267</u>
Program expenses:			
Public safety and legal services		1,922,305	1,841,886
Physical health and social services		1,549,805	1,532,893
Mental health		1,387,408	1,345,167
County environment and education		365,792	477,264
Roads and transportation		3,751,172	3,301,163
Governmental services to residents		523,659	405,505
Administration		1,288,460	921,090
Total expenses		<u>10,788,601</u>	<u>9,824,968</u>
Increase in net assets		991,077	2,973,299
Net assets beginning of year		13,099,067	10,125,768
Net assets end of year	\$	<u>14,090,144</u>	<u>13,099,067</u>



Mills County increased the property tax rate by \$.14 per \$1,000 of taxable valuation for the rural services levy and decreased the property tax rate by \$.10 per \$1,000 of taxable valuation for the county-wide levy in FY06. The County followed proper procedures in FY06 to increase the \$3.50 maximum general basic levy rate per \$1,000 of taxable valuation to \$4.50 per \$1,000 of taxable valuation. The general supplemental levy rate increased \$.07 per \$1,000 of taxable valuation from FY05 to FY06. The mental health levy rate decreased \$.01 per \$1,000 of taxable valuation. The county-wide assessed property taxable valuation increased by \$6,012,221 and the

rural assessed property taxable valuation increased \$5,255,189 from FY05 to FY06. Due to the decreases in valuation in FY05 of \$40,008,066 for the countywide levy and \$39,217,603 for the rural levy and only gaining approximately \$6,000,000 and \$5,000,000, respectively, from FY05 to FY06, the County felt it was necessary to exceed the general basic levy again in FY07, only lowering it \$.15 per \$1,000 of taxable valuation from the previous FY to provide the services the residents of Mills County require and not use all of its reserves.

## **INDIVIDUAL MAJOR FUND ANALYSIS**

As Mills County completed the year, its governmental funds reported a combined fund balance of \$6.5 million, an increase of \$.5 million above last year's total of \$6.0 million.

The General Fund, the operating fund for Mills County, ended FY06 with a balance of \$2,510,456. This was an increase of \$634,747 over the FY05 ending balance. Revenue decreased approximately \$100,000 from FY05 to FY06, primarily due to a decrease in intergovernmental revenues.

Mills County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. Fiscal year 2006 ended with a \$268,796 fund balance, which was approximately the same as fiscal year 2005. Mills County levied the maximum allowable rate. The FY06 Mental Health Fund levy rate was \$1.14897 per \$1,000 of taxable valuation and the FY05 levy rate was \$1.16213 per \$1,000 of taxable valuation.

The Rural Services Fund ended FY06 with a \$112,018 balance compared to the FY05 ending fund balance of \$109,208. Property tax revenue for the Rural Services Fund increased \$71,062 from FY05 to FY06. Mills County increased the levy rate from \$2.91367 per \$1,000 of taxable valuation in FY05 to \$3.05802 per \$1,000 of taxable valuation in FY06. The increase in the Rural Services levy was due to moving a few more allowable expenditures to the Rural Services Fund, still trying to alleviate the stress on the General Fund expenditures and levy.

The Secondary Roads Fund ended FY06 with a \$3,005,875 fund balance compared to the FY05 ending fund balance of \$3,200,754. The Secondary Roads Fund revenues decreased from FY05 to FY06 due to receiving the final payment in FY05 for the transfer of road jurisdiction allocated by the State and other one time reimbursements received in FY05 not received in FY06. In July of 2005, the administrative staff of the Secondary Roads department moved into the new administrative and training center facility. The Secondary Roads department purchased several pieces of equipment in FY06. The Secondary Roads department also worked with the Bunge Corporation and the Iowa Department of Economic Development to improve Bunge Ave. due to safety concerns caused by the large amount of semi truck traffic that enters and exits this facility.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, Mills County amended its budget once in June 2006 to accommodate the increase in public safety and legal services due to disbursements for expert witness fees in excess of the budgeted amount. The amendment was also to account for unexpected receipts and grant funds not in the budget for both public health and mental health services. The Conservation Department purchased a truck this fiscal year as well. The Help America Vote Act grant proceeds were used to purchase election equipment and upgrade some of our polling sites. The County also installed a Party Stopper telephone line in cooperation with the local Safe Committee for the purpose of curbing under age drinking. These disbursements are being reimbursed to the County through a grant from Juvenile Justice.

The County's receipts were \$922,684 more than budgeted, a variance of 8.4%. The most significant variances resulted from the County overestimating property and other county tax receipts and receiving more intergovernmental receipts than anticipated.

Total disbursements were \$1,579,095 less than the final amended budget. Actual disbursements for the public safety and legal services, the roads and transportation and the capital projects functions were \$235,457, \$568,460 and \$239,924, respectively, less than budgeted. Public safety and legal services disbursements were less than budgeted primarily due housing fewer out-of-county prisoners than expected, not filling positions budgeted for and delaying disbursements for expert witness fees until the next year. Roads and transportation disbursements were less than budgeted primarily due to a mild winter, repair costs were less than expected and an employee who left County employment was not replaced. Capital projects disbursements were less than budgeted primarily due to not completing some planned bridge projects.

The County did not exceed the budgeted amounts in any of the function areas for the year ended June 30, 2006.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2006, Mills County had approximately \$8.3 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1,057,000, or 14.6%, over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2006	2005
Land	\$ 1,684,291	1,684,291
Construction in progress	227,631	2,570,274
Buildings	886,521	633,082
Improvements other than buildings	62,977	67,822
Equipment and vehicles	1,862,988	1,609,008
Infrastructure, other	3,591,745	694,696
Total	<u>\$ 8,316,153</u>	<u>7,259,173</u>
This year's major additions included:		
Capital assets contributed by the Iowa Department of Transportation	\$ 668,478	
Engineering building and training facility	70,205	
Courthouse renovation	111,102	
County Sheriff's vehicles	100,026	
Secondary roads equipment	514,807	
Total	<u>\$ 1,464,618</u>	

The County had depreciation expense of \$545,815 in FY06 and total accumulated depreciation of \$3,531,303 at June 30, 2006.

The County's fiscal year 2006 capital projects budget included \$500,000 for projects, principally for secondary roads projects. More detailed information about the County's capital assets is presented in Note 5 to financial statements.

### **Long-Term Debt**

At June 30, 2006, Mills County had \$400,000 in settlement payable, \$46,312 in urban renewal tax increment revenue bond debt and \$20,626 in installment purchase agreements outstanding.

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2006	2005
Settlement payable	\$ 400,000	-
Urban renewal tax increment revenue bond	46,312	113,113
Installment purchase agreements	20,626	40,652
Total	\$ 466,938	153,765

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Mills County's outstanding general obligation debt is significantly below its constitutional debt limit of \$41.2 million. Additional information about the County's long-term debt is presented in Notes 7 and 13 to the financial statements.

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

Mills County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates and fees charged for various County activities. One of those factors is the economy.

Mills County has been very fortunate to see continual growth in the local option sales and services tax (LOSST) revenues. The County has been able to continue with its present agreement for Community Betterment with the cities in the County and also with the YMCA. The County continues to use LOSST revenues wisely and assists with projects benefiting not only the members of the County, but also fall into the categories set forth in the resolution when this was voted upon.

The County will pay off the urban renewal tax increment financing (TIF) rebate agreement for the waterline project to Feed Energy using TIF revenues. The urban renewal TIF revenue bond should be paid off with TIF revenues by March 2007. An engineering study will be paid for with future TIF debt certification and infrastructure of sewer and water is also planned to assist with attracting future economic development in this area. The County did not receive a CDBG grant for a sewer for the unincorporated area of Mineola, but will submit another application and continue to look at other options for financing this project.

Mills County formed a committee with two neighboring counties to consider the feasibility of a regional jail facility. Location seemed to be the biggest obstacle for the committee and it was decided by mutual decision to abandon the regional jail idea and the County will continue to explore the idea of building its own jail.

Mills County continues to see increased real estate growth. Some proposed subdivisions have taken a little longer than originally expected. With this growth, the County continues to work with the Planning and Zoning Commission to develop a zoning ordinance for Mills County and its residents. This ordinance should be ready for passage in spring 2007.

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

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

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

**Mills County**



## **Basic Financial Statements**

**Exhibit A**

Mills County  
Statement of Net Assets  
June 30, 2006

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 6,234,906
Receivables:	
Property tax:	
Delinquent	23,258
Succeeding year	5,291,000
Interest and penalty on property tax	62,020
Accounts	68,648
Accrued interest	11,155
Due from other governments	281,370
Inventories	352,772
Prepaid insurance	28,942
Capital assets - nondepreciable	1,911,922
Capital assets - depreciable (net)	6,404,231
	<u>20,670,224</u>
<b>Total assets</b>	
<b>Liabilities</b>	
Accounts payable	176,206
Salaries and benefits payable	79,560
Due to other governments	189,418
Deferred revenue:	
Succeeding year property tax	5,291,000
Long-term liabilities:	
Portion due or payable within one year:	
Settlement payable	400,000
Urban renewal tax increment revenue bond	46,312
Installment purchase agreements	20,626
Compensated absences	222,218
Portion due or payable after one year:	
Compensated absences	154,740
	<u>6,580,080</u>
<b>Total liabilities</b>	
<b>Net Assets</b>	
Invested in capital assets, net of related debt	8,295,527
Restricted for:	
Supplemental levy purposes	541,549
Mental health purposes	271,693
Secondary roads purposes	2,792,701
Other purposes	589,533
Unrestricted	1,599,141
	<u>\$ 14,090,144</u>
<b>Total net assets</b>	

See notes to financial statements.

Mills County  
Statement of Activities  
Year ended June 30, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,922,305	226,668	101,444	-	(1,594,193)
Physical health and social services	1,549,805	398,594	564,668	-	(586,543)
Mental health	1,387,408	-	771,899	-	(615,509)
County environment and education	365,792	9,097	6,398	-	(350,297)
Roads and transportation	3,751,172	77,438	2,054,117	792,603	(827,014)
Governmental services to residents	523,659	288,174	122,537	-	(112,948)
Administration	1,288,460	9,319	3,073	-	(1,276,068)
<b>Total</b>	<b>\$ 10,788,601</b>	<b>1,009,290</b>	<b>3,624,136</b>	<b>792,603</b>	<b>(5,362,572)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					5,144,463
Penalty and interest on property tax					71,378
State tax credits					216,351
Tax increment financing					166,353
Local option sales and services tax					347,818
Grants and contributions not restricted to specific purpose					8,198
Unrestricted investment earnings					125,801
Gain on sale of capital assets					197,234
Miscellaneous					76,053
<b>Total general revenues</b>					<b>6,353,649</b>
Change in net assets					991,077
Net assets beginning of year					13,099,067
Net assets end of year					<b>\$ 14,090,144</b>

See notes to financial statements.

Mills County  
Balance Sheet  
Governmental Funds

June 30, 2006

	General	Mental Health	Special Rural Services
<b>Assets</b>			
Cash and pooled investments	\$ 2,451,781	474,962	120,327
Receivables:			
Property tax:			
Delinquent	15,982	2,939	4,337
Succeeding year	3,178,000	584,000	1,333,000
Interest and penalty on property tax	62,020	-	-
Accounts	67,653	995	-
Accrued interest	11,155	-	-
Due from other funds	-	-	-
Due from other governments	69,848	-	1,677
Inventories	-	-	-
Prepaid insurance	28,942	-	-
<b>Total assets</b>	<b>\$ 5,885,381</b>	<b>1,062,896</b>	<b>1,459,341</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 67,389	22,320	3,111
Salaries and benefits payable	46,957	-	5,687
Due to other funds	1,162	-	513
Due to other governments	3,754	184,882	675
Deferred revenue:			
Succeeding year property tax	3,178,000	584,000	1,333,000
Other	77,663	2,898	4,337
Total liabilities	3,374,925	794,100	1,347,323
Fund balances:			
Reserved for supplemental levy purposes	559,843	-	-
Unreserved, reported in:			
General fund	1,950,613	-	-
Special revenue funds	-	268,796	112,018
Total fund balances	2,510,456	268,796	112,018
<b>Total liabilities and fund balances</b>	<b>\$ 5,885,381</b>	<b>1,062,896</b>	<b>1,459,341</b>

See notes to financial statements.

Revenue		
Secondary		
Roads	Nonmajor	Total
2,581,372	606,464	6,234,906
-	-	23,258
-	196,000	5,291,000
-	-	62,020
-	-	68,648
-	-	11,155
1,675	-	1,675
172,905	36,940	281,370
352,772	-	352,772
-	-	28,942
<u>3,108,724</u>	<u>839,404</u>	<u>12,355,746</u>
76,251	7,135	176,206
26,491	425	79,560
-	-	1,675
107	-	189,418
-	196,000	5,291,000
-	-	84,898
<u>102,849</u>	<u>203,560</u>	<u>5,822,757</u>
-	-	559,843
-	-	1,950,613
<u>3,005,875</u>	<u>635,844</u>	<u>4,022,533</u>
<u>3,005,875</u>	<u>635,844</u>	<u>6,532,989</u>
<u>3,108,724</u>	<u>839,404</u>	<u>12,355,746</u>

**Mills County**

Mills County

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

June 30, 2006

**Total governmental fund balances (page 19)** \$ 6,532,989

***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 \$11,847,456 and the accumulated depreciation is \$3,531,303. 8,316,153

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 84,898

Long-term liabilities, including settlement payable, urban renewal tax increment revenue bond payable, installment purchase agreements payable and compensated absences payable are not due and payable in the current period and, therefore, are not reported in the funds. (843,896)

**Net assets of governmental activities (page 16)** \$ 14,090,144

See notes to financial statements.

Mills County

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

Year ended June 30, 2006

	General	Special	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 3,441,487	584,843	1,116,220
Interest and penalty on property tax	59,729	-	-
Intergovernmental	1,351,886	792,394	94,588
Licenses and permits	4,607	-	35,800
Charges for service	384,259	-	-
Use of money and property	127,430	-	-
Miscellaneous	22,951	11,708	951
Total revenues	<u>5,392,349</u>	<u>1,388,945</u>	<u>1,247,559</u>
Expenditures:			
Operating:			
Public safety and legal services	1,780,466	-	174,229
Physical health and social services	1,422,819	-	62,013
Mental health	-	1,387,408	-
County environment and education	191,354	-	47,147
Roads and transportation	-	-	-
Governmental services to residents	501,293	-	1,290
Administration	861,420	-	-
Capital projects	-	-	-
Total expenditures	<u>4,757,352</u>	<u>1,387,408</u>	<u>284,679</u>
Excess (deficiency) of revenues over (under) expenditures	<u>634,997</u>	<u>1,537</u>	<u>962,880</u>
Other financing sources (uses):			
Sale of capital assets	9,750	-	-
Operating transfers in	-	-	-
Operating transfers out	(10,000)	-	(960,070)
Total other financing sources (uses)	<u>(250)</u>	<u>-</u>	<u>(960,070)</u>
Net change in fund balances	634,747	1,537	2,810
Fund balances beginning of year	<u>1,875,709</u>	<u>267,259</u>	<u>109,208</u>
Fund balances end of year	<u>\$ 2,510,456</u>	<u>268,796</u>	<u>112,018</u>

See notes to financial statements.



Revenue		
Secondary Roads	Nonmajor	Total
-	514,171	5,656,721
-	-	59,729
2,451,377	69,495	4,759,740
3,307	-	43,714
27,022	4,209	415,490
50	2,044	129,524
80,417	-	116,027
2,562,173	589,919	11,180,945
-	-	1,954,695
-	55,708	1,540,540
-	-	1,387,408
-	319,872	558,373
3,781,208	-	3,781,208
-	16,436	519,019
-	-	861,420
148,344	-	148,344
3,929,552	392,016	10,751,007
(1,367,379)	197,903	429,938
-	100,000	109,750
1,172,500	-	1,172,500
-	(202,430)	(1,172,500)
1,172,500	(102,430)	109,750
(194,879)	95,473	539,688
3,200,754	540,371	5,993,301
3,005,875	635,844	6,532,989

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, 2006

**Net change in fund balances - Total governmental funds (page 23)** \$ 539,688

***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	\$ 846,833	
Capital assets contributed by the Iowa Department of Transportation	668,478	
Depreciation expense	<u>(545,815)</u>	969,496

In the Statement of Activities, the gain on the sale of capital assets is reported, whereas the governmental funds report the proceeds from the sale of capital assets as revenue. 87,484

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

Property tax	1,914	
Other	<u>(268,891)</u>	(266,977)

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. 86,827

Compensated absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (25,441)

Settlement payable reported in the Statement of Activities did not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. (400,000)

**Change in net assets of governmental activities (page 17)** \$ 991,077

See notes to financial statements.

Mills County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2006

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 1,767,469
Other County officials	17,458
Receivables:	
Property tax:	
Delinquent	74,351
Succeeding year	12,573,000
Accounts	89,365
Accrued interest	3,868
Succeeding year special assessments	162,341
Drainage assessments	43,210
Due from other funds	333
Due from other governments	2,438
<b>Total assets</b>	<b>14,733,833</b>

**Liabilities**

Accounts payable	3,692
Salaries and benefits payable	7,854
Drainage warrants payable	537
Due to other funds	333
Due to other governments	14,695,977
Trusts payable	5,466
Compensated absences	19,974
<b>Total liabilities</b>	<b>14,733,833</b>

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

Mills County

Notes to Financial Statements

June 30, 2006

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

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

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

A. Reporting Entity

For financial reporting purposes, Mills County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Secondary Roads Fund is used to account for secondary roads construction and maintenance.

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

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, 2006, 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 acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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



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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. 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, 2006, disbursements did not exceed the amounts budgeted by function. However, disbursements in one department exceeded the amount appropriated.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$497,980 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

**(3) Due From and Due to Other Funds**

The detail of interfund receivables and payables at June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 1,162
	Special Revenue:	
	Rural Services	<u>513</u>
Total		<u>\$ 1,675</u>

These balances result 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, 2006 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 10,000
	Special Revenue:	
	Rural Services	960,070
	Local Option Sales and Services Tax	202,430
Total		<u>\$ 1,172,500</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, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,684,291	-	-	1,684,291
Construction in progress	2,570,274	996,766	3,339,409	227,631
Total capital assets not being depreciated	<u>4,254,565</u>	<u>996,766</u>	<u>3,339,409</u>	<u>1,911,922</u>
Capital assets being depreciated:				
Buildings	1,235,248	361,396	73,558	1,523,086
Improvements other than buildings	96,888	-	-	96,888
Equipment and vehicles	4,378,576	667,697	425,689	4,620,584
Infrastructure	716,963	2,978,013	-	3,694,976
Total capital assets being depreciated	<u>6,427,675</u>	<u>4,007,106</u>	<u>499,247</u>	<u>9,935,534</u>
Less accumulated depreciation for:				
Buildings	602,166	47,272	12,873	636,565
Improvements other than buildings	29,066	4,845	-	33,911
Equipment and vehicles	2,769,568	412,734	424,706	2,757,596
Infrastructure	22,267	80,964	-	103,231
Total accumulated depreciation	<u>3,423,067</u>	<u>545,815</u>	<u>437,579</u>	<u>3,531,303</u>
Total capital assets being depreciated, net	<u>3,004,608</u>	<u>3,461,291</u>	<u>61,668</u>	<u>6,404,231</u>
Governmental activities capital assets, net	<u>\$ 7,259,173</u>	<u>4,458,057</u>	<u>3,401,077</u>	<u>8,316,153</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 58,888
Physical health and social services	6,192
County environment and education	19,876
Roads and transportation	407,952
Governmental services to residents	3,347
Administration	49,560
Total depreciation expense - governmental activities	<u>\$ 545,815</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	\$ 3,754
Special Revenue:		
Mental Health	Services	184,882
Rural Services	Services	675
Secondary Roads	Services	107
		<u>185,664</u>
Total for governmental funds		<u>\$ 189,418</u>
Agency:		
County Assessor	Collections	\$ 404,302
Schools		9,450,236
Community Colleges		365,953
Corporations		2,456,393
Auto License and Use Tax		274,162
Drainage Districts		977,670
All other		767,261
Total for agency funds		<u>\$ 14,695,977</u>

**(7) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Settlement Payable	Urban Renewal Tax Increment Revenue Bond	Installment Purchase Agreements	Compensated Absences	Total
Balance beginning of year	\$ -	113,113	40,652	351,517	505,282
Increases	400,000	-	-	293,689	693,689
Decreases	-	66,801	20,026	268,248	355,075
Balance end of year	<u>\$ 400,000</u>	<u>46,312</u>	<u>20,626</u>	<u>376,958</u>	<u>843,896</u>
Due within one year	<u>\$ 400,000</u>	<u>46,312</u>	<u>20,626</u>	<u>222,218</u>	<u>689,156</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 on 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 on 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, 2006, principal payments of \$66,801 and interest payments of \$7,044 were made by the County.

#### Installment Purchase Agreements

The County has entered into installment purchase agreements to purchase computer equipment and related software and accessories with total historical costs of \$100,246. The following is a schedule of the future minimum lease payments, including interest at rates ranging from 5.52% to 6.77% per annum, and the present value of net minimum payments under the agreements in effect at June 30, 2006:

Year ending June 30,	Computer Equipment
2007	\$ 22,350
Less amount representing interest	<u>(1,724)</u>
Present value of net minimum installment payments	<u><u>\$ 20,626</u></u>

Payments under installment purchase agreements totaled \$22,350 during the year ended June 30, 2006, including interest of \$2,324.

#### **(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.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$250,973, \$234,364 and \$226,086, 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 531 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, 2006 were \$96,121.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, 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, 2006:

Additions:		
Federal grants and entitlements:		
Medicaid case management		\$ 329,196
Contributions from governmental units		348,752
Miscellaneous		30
Total additions		<u>677,978</u>
Deductions:		
Salaries	\$ 203,485	
Benefits	71,819	
Case management:		
Chronic mental illness	19,112	
Mental retardation	277,175	
Other	8,710	
Technical assistance	6,540	
Office supplies	1,810	
Telephone	2,867	
Travel and training	32,378	
Dues	100	
Equipment repair	834	
Equipment	<u>7,982</u>	<u>632,812</u>
Net		45,166
Balance beginning of year		<u>90,759</u>
Balance end of year		<u><u>\$ 135,925</u></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, 2006, \$18,159 was paid to the developer, for a cumulative total of \$58,822.

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, 2006, principal payments of \$66,801 and interest payments of \$9,289 were paid to the bank on behalf of the developer, for a cumulative total of \$102,714 for principal and \$37,861 for interest.

**(12) Litigation**

The County is involved in several legal matters as of June 30, 2006. The probability of loss, if any, is undeterminable.

**(13) Subsequent Event**

In October 2006, Mills County reached a tentative settlement in an action at law involving a dispute over the issuance of permits for undersized septic tanks, and deposited \$400,000 with the designated escrow agent. The plaintiffs filed a motion for preliminary approval of settlement and a fairness hearing will be scheduled. If there are no objections at the fairness hearing, the escrowed funds will be distributed to the class. Mills County will have no additional liability beyond the \$400,000 delivered to the escrow agent and reported as a settlement payable liability in the Statement of Net Assets.



**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, 2006

	Actual	Budgeted Original
Receipts:		
Property and other county tax	\$ 5,679,185	5,814,820
Interest and penalty on property tax	60,166	19,390
Intergovernmental	5,400,029	4,242,233
Licenses and permits	43,964	56,050
Charges for service	417,256	353,175
Use of money and property	124,013	57,670
Miscellaneous	131,302	77,910
Total receipts	<u>11,855,915</u>	<u>10,621,248</u>
Disbursements:		
Public safety and legal services	1,965,269	2,170,726
Physical health and social services	1,579,817	1,656,272
Mental health	1,409,760	1,337,283
County environment and education	633,545	730,944
Roads and transportation	3,777,440	4,345,900
Governmental services to residents	525,961	542,562
Administration	867,522	989,662
Capital projects	260,076	500,000
Total disbursements	<u>11,019,390</u>	<u>12,273,349</u>
Excess (deficiency) of receipts over (under) disbursements	836,525	(1,652,101)
Other financing resources, net	109,750	-
Excess (deficiency) of receipts and other financing sources over (under) disbursement and other financing uses	946,275	(1,652,101)
Balance beginning of year	<u>5,288,631</u>	<u>4,310,625</u>
Balance end of year	<u>\$ 6,234,906</u>	<u>2,658,524</u>

See accompanying independent auditor's report.

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Amounts	Final to Actual Variance
Final	
5,814,820	(135,635)
19,390	40,776
4,531,586	868,443
56,050	(12,086)
353,175	64,081
57,670	66,343
100,540	30,762
10,933,231	922,684
2,200,726	235,457
1,698,922	119,105
1,518,492	108,732
788,627	155,082
4,345,900	568,460
548,668	22,707
997,150	129,628
500,000	239,924
12,598,485	1,579,095
(1,665,254)	2,501,779
-	109,750
(1,665,254)	2,611,529
4,310,625	-
2,645,371	2,611,529

Mills County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 11,855,915	(674,970)	11,180,945
Expenditures	11,019,390	(268,383)	10,751,007
Net	836,525	(406,587)	429,938
Other financing sources, net	109,750	-	109,750
Beginning fund balances	5,288,631	704,670	5,993,301
Ending fund balances	\$ 6,234,906	298,083	6,532,989

See accompanying independent auditor's report.

Mills County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$325,136. 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, 2006, disbursements did not exceed the amounts budgeted by function. 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, 2006

	Local Option Sales and Services Tax	Resource Enhance- ment and Protection	County Recorder's Records Management
<b>Assets</b>			
Cash and pooled investments	\$ 341,590	21,859	10,134
Receivables:			
Property tax:			
Succeeding year	-	-	-
Due from other governments	33,806	-	-
<b>Total assets</b>	<b>\$ 375,396</b>	<b>21,859</b>	<b>10,134</b>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Accounts payable	\$ 1,083	4,010	-
Salaries and benefits payable	-	-	-
Deferred revenue:			
Succeeding year property tax	-	-	-
Total liabilities	1,083	4,010	-
Fund equity:			
Unreserved fund balances	374,313	17,849	10,134
<b>Total liabilities and fund equity</b>	<b>\$ 375,396</b>	<b>21,859</b>	<b>10,134</b>

See accompanying independent auditor's report.



Urban Renewal Revenue	Decategorization Grant	Conservation Land Acquisition	Total
84,478	17,938	130,465	606,464
196,000	-	-	196,000
-	3,134	-	36,940
280,478	21,072	130,465	839,404
-	2,042	-	7,135
-	425	-	425
196,000	-	-	196,000
196,000	2,467	-	203,560
84,478	18,605	130,465	635,844
280,478	21,072	130,465	839,404

Mills County

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

Year ended June 30, 2006

	Local Option Sales and Services Tax	Resource Enhance- ment and Protection	County Recorder's Records Management	Urban Renewal Revenue
Revenues:				
Property and other county tax	\$ 347,818	-	-	166,353
Intergovernmental	-	5,049	-	-
Charges for service	-	-	4,209	-
Use of money and property	-	141	60	-
Total revenues	347,818	5,190	4,269	166,353
Expenditures:				
Operating:				
Physical health and social services	-	-	-	-
County environment and education	233,884	4,010	-	81,978
Governmental services to residents	-	-	528	-
Total expenditures	233,884	4,010	528	81,978
Excess (deficiency) of revenues over (under) expenditures	113,934	1,180	3,741	84,375
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Operating transfers out	(202,430)	-	-	-
Total other financing sources (uses)	(202,430)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(88,496)	1,180	3,741	84,375
Fund balances beginning of year	462,809	16,669	6,393	103
Fund balances end of year	\$ 374,313	17,849	10,134	84,478

See accompanying independent auditor's report.

Decategorization Grant	Conservation Land Acquisition	County Recorder's Electronic Transaction Fee	Total
-	-	-	514,171
64,446	-	-	69,495
-	-	-	4,209
600	1,207	36	2,044
65,046	1,207	36	589,919
55,708	-	-	55,708
-	-	-	319,872
-	-	15,908	16,436
55,708	-	15,908	392,016
9,338	1,207	(15,872)	197,903
-	100,000	-	100,000
-	-	-	(202,430)
-	100,000	-	(102,430)
9,338	101,207	(15,872)	95,473
9,267	29,258	15,872	540,371
18,605	130,465	-	635,844

Mills County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	2,107	141,785	150,467	7,157
Other County officials	17,458	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	578	1,364	48,769	1,796
Succeeding year	-	115,000	271,000	9,251,000	357,000
Accounts	224	-	-	-	-
Accrued interest	-	-	-	-	-
Succeeding year special assessments	-	-	-	-	-
Drainage assessments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 17,682</b>	<b>117,685</b>	<b>414,149</b>	<b>9,450,236</b>	<b>365,953</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	91	-	-
Salaries and benefits payable	-	-	2,749	-	-
Drainage warrants payable	-	-	-	-	-
Due to other funds	333	-	-	-	-
Due to other governments	11,883	117,685	404,302	9,450,236	365,953
Trusts payable	5,466	-	-	-	-
Compensated absences	-	-	7,007	-	-
<b>Total liabilities</b>	<b>\$ 17,682</b>	<b>117,685</b>	<b>414,149</b>	<b>9,450,236</b>	<b>365,953</b>

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Drainage Districts	City Special Assessments	Other	Total
47,229	2,504	274,162	931,129	30,908	180,021	1,767,469
-	-	-	-	-	-	17,458
21,164	669	-	-	-	11	74,351
2,388,000	189,000	-	-	-	2,000	12,573,000
-	-	-	-	-	89,141	89,365
-	-	-	3,868	-	-	3,868
-	-	-	-	162,341	-	162,341
-	-	-	43,210	-	-	43,210
-	-	-	-	-	333	333
-	-	-	-	-	2,438	2,438
<b>2,456,393</b>	<b>192,173</b>	<b>274,162</b>	<b>978,207</b>	<b>193,249</b>	<b>273,944</b>	<b>14,733,833</b>
-	-	-	-	-	3,601	3,692
-	-	-	-	-	5,105	7,854
-	-	-	537	-	-	537
-	-	-	-	-	-	333
2,456,393	192,173	274,162	977,670	193,249	252,271	14,695,977
-	-	-	-	-	-	5,466
-	-	-	-	-	12,967	19,974
<b>2,456,393</b>	<b>192,173</b>	<b>274,162</b>	<b>978,207</b>	<b>193,249</b>	<b>273,944</b>	<b>14,733,833</b>

Mills County  
 Combining Schedule of Changes in Fiduciary Assets and Liabilities  
 Agency Funds

Year ended June 30, 2006

<b>Assets and Liabilities</b>	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year	\$ 53,346	118,070	386,055	8,623,255	398,986
Additions:					
Property and other county tax	-	115,144	272,355	9,272,828	359,049
E911 surcharges	-	-	-	-	-
State tax credits	-	4,932	11,709	357,906	16,757
Drivers license fees	-	-	-	-	-
Office fees and collections	359,237	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	74,532	-	-	-	-
Miscellaneous	-	-	4,733	-	-
Total additions	433,769	120,076	288,797	9,630,734	375,806
Deductions:					
Agency remittances:					
To other funds	205,350	-	-	-	-
To other governments	156,909	120,461	260,703	8,803,753	408,839
Trusts paid out	107,174	-	-	-	-
Total deductions	469,433	120,461	260,703	8,803,753	408,839
Balances end of year	\$ 17,682	117,685	414,149	9,450,236	365,953

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Drainage Districts	City Special Assess- ments	Other	Total
2,257,150	161,003	315,305	945,785	156,299	195,385	13,610,639
2,341,015	190,964	-	-	-	2,119	12,553,474
-	-	-	-	-	85,202	85,202
106,197	6,289	-	-	-	-	503,790
-	-	46,655	-	-	-	46,655
-	-	-	-	-	666	359,903
-	-	-	-	-	4,209	4,209
-	-	3,520,134	-	-	5	3,520,139
-	-	-	92,810	76,617	12,141	181,568
-	-	-	-	-	295,380	369,912
-	-	-	57,923	-	793,442	856,098
2,447,212	197,253	3,566,789	150,733	76,617	1,193,164	18,480,950
-	-	134,955	-	-	-	340,305
2,247,969	166,083	3,472,977	118,848	39,667	1,114,605	16,910,814
-	-	-	-	-	-	107,174
2,247,969	166,083	3,607,932	118,848	39,667	1,114,605	17,358,293
2,456,393	192,173	274,162	977,670	193,249	273,944	14,733,296

**Schedule 5**

## Mills County

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

For the Last Six Years

	Modified Accrual Basis					
	2006	2005	2004	2003	2002	2001
Revenues:						
Property and other county tax	\$ 5,656,721	5,555,125	5,234,856	4,429,938	3,966,896	3,623,625
Interest and penalty on property tax	59,729	67,080	64,520	58,961	64,648	52,016
Intergovernmental	4,759,740	4,986,813	4,956,091	5,080,119	4,681,784	4,703,172
Licenses and permits	43,714	53,025	41,557	22,341	22,679	20,707
Charges for service	415,490	411,805	423,211	377,699	331,182	320,568
Use of money and property	129,524	91,453	69,780	92,446	148,357	188,656
Miscellaneous	116,027	626,241	153,442	85,203	168,704	134,242
Total	\$ 11,180,945	11,791,542	10,943,457	10,146,707	9,384,250	9,042,986
Expenditures:						
Operating:						
Public safety and legal services	\$ 1,954,695	1,845,844	1,844,744	1,757,748	1,681,567	1,563,369
Physical health and social services	1,540,540	1,530,878	1,519,960	1,576,721	1,749,326	1,598,200
Mental health	1,387,408	1,345,167	1,256,362	1,291,039	1,301,181	1,317,824
County environment and education	558,373	480,879	446,864	394,689	463,264	242,103
Roads and transportation	3,781,208	3,708,503	3,659,910	3,023,542	3,248,746	3,060,082
Governmental services to residents	519,019	403,113	410,654	358,154	359,565	300,839
Administration	861,420	892,000	868,287	928,735	768,968	805,641
Capital projects	148,344	757,372	66,871	175,531	106,470	234,842
Total	\$ 10,751,007	10,963,756	10,073,652	9,506,159	9,679,087	9,122,900

See accompanying independent auditor's report.





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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

To the Officials of Mills County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mills County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated December 8, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mills County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud 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.

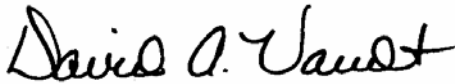
Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 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.

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

December 8, 2006

Mills County

Schedule of Findings

Year ended June 30, 2006

**Findings Related to the Financial Statements:**

**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 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, 2006

Responses:

County Treasurer – We will try to segregate duties. I try not to write checks so I can reconcile at month end.

County Recorder – The checks are listed on the deposit slips and a copy of same is retained in the office. There is a cash listing; as well as the receipts are rung into the cash register by category of business whether it is a check, cash or charged. All accounts are balanced daily. The work load is shared by all employees and it is not possible to designate duties only to certain individuals. As the Recorder I take responsibility for the money and charges in whatever form. The reports must balance daily and monthly with the check book. Various receipt types use prenumbered documents which must be reconciled and accounted for, such as certified copies of vital records, sales/use tax receipts, all recreational vehicles and registrations and documents with revenue stamps. A listing by each receipt type is available and the listing can be compared to the cash register information.

Conclusions:

County Treasurer – Response accepted.

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

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

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

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

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Mills County

Schedule of Findings

Year ended June 30, 2006

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted by function.

However, disbursements in one department exceeded the amount appropriated before it was amended.

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 – Claims for expert witness fees came in after May 31 so there was not time to have a hearing in May. I will try to have department heads watch these items more closely to make sure we stay in compliance with the Code of Iowa.

Conclusion – Response accepted.

- (2) 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.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Matt Urban, Public Health Director, owner of Urban Development and son-in-law of Sheryl Bowen, Public Health Administrator	Labor and materials	\$ 375
Rhonda Letuli, daughter of General Relief/Veterans’ Affairs Director	Cleaning service	495

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

Mills County

Schedule of Findings

Year ended June 30, 2006

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – Except as noted, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

The interest rate on one time certificate of deposit did not meet the minimum rate of interest set by the State Rate Setting Committee.

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

Response – With new banking in computer, we will be more aware of interest paid on certificates of deposit. We will watch interest rates better and will be calling the bank to retrieve back interest if possible.

Conclusion – Response accepted.

- (8) 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).
- (9) County Ordinances – The County Board of Supervisors last completed a compilation of County ordinances in October 1999. Chapter 331.302(9) of the Code of Iowa requires the Board to compile a code of ordinances containing all ordinances in effect at least once every five years.

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

Response – The County Attorney did not get these done and additional ordinances will be added this year. We will be in compliance before July 2007.

Conclusion – Response accepted.

Mills County

Schedule of Findings

Year ended June 30, 2006

- (10) 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, 2006 for the County Extension Office did not exceed the amount budgeted.

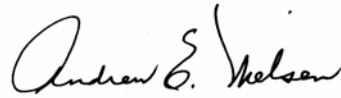
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Mills County

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager  
Karen L. Brustkern, CPA, Senior Auditor II  
Carey L. Fraise, Staff Auditor  
Melissa M. Wellhausen, CPA, Staff Auditor  
Bryan S. Dophiede, Intern Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State