



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

June 5, 2009

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

The County had local tax revenue of \$20,634,701 for the year ended June 30, 2008, which included \$708,993 in tax credits from the state. The County forwarded \$14,505,322 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,918,511 of the local tax revenue to finance County operations, a 10.6% increase over the prior year. Other revenues included charges for service of \$1,084,372, operating grants, contributions and restricted interest of \$3,827,989, capital grants, contributions and restricted interest of \$920,946, unrestricted investment earnings of \$198,159, local option sales and services tax of \$423,977, tax increment financing of \$210,868 and other general revenues of \$444,945.

Expenses for County operations totaled \$12,681,117, a 14.3% increase over the prior year. Expenses included \$4,243,960 for roads and transportation, \$2,034,237 for public safety and legal services and \$1,705,680 for county environment and education.

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

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MILLS COUNTY

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

JUNE 30, 2008

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Mills County

Officials

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

Mills County



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Independent Auditor's Report

To the Officials of Mills County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Mills County, Iowa, as of and for the year ended June 30, 2008, 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.

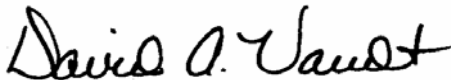
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

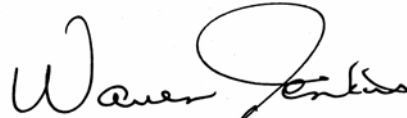
In accordance with Government Auditing Standards, we have also issued our report dated May 7, 2009 on our consideration of Mills County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 14 and 40 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mills County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (which are not presented herein) and expressed a qualified opinion on those financial statements due to the omission of general fixed assets. We also previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2002 (which are not presented herein) and expressed a qualified opinion on those financial statements due to the effects of the omission of general fixed assets and the omission of the materials and supplies inventories pertaining primarily to the Secondary Roads Fund. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 7, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mills County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008, along with comparative data for the year ended June 30, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- Mills County's governmental activities revenues were approximately \$11.6 million for fiscal year 2007 (FY07) and approximately \$13.1 million for fiscal year 2008 (FY08). Local option sales and services tax decreased from \$461,667 in FY07 to \$423,977 in FY08 and property tax increased from \$5,149,198 in FY07 to \$5,710,881 in FY08.
- Mills County's governmental activities expenses increased 14.3%, or approximately \$1,584,000, from FY07 to FY08. Expenses for all functions increased, with county environment and education increasing the greatest, from \$685,267 in FY07 to \$1,705,680 in FY08.
- The County's net assets increased 2.7%, or approximately \$400,000, from June 30, 2007 to June 30, 2008, due primarily to additions to infrastructure.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY AS A WHOLE:

The Statement of Net Assets and the Statement of Activities

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

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

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

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

REPORTING THE COUNTY BY FUNDS:

The Fund Financial Statements

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

The County has two kinds of funds:

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Mills County's net assets at the end of FY08 totaled approximately \$15 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

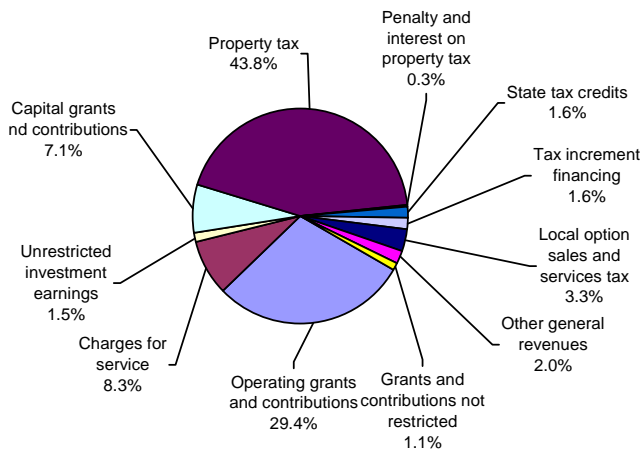
Net Assets of Governmental Activities		
	June 30,	
	2008	2007
Current and other assets	\$ 13,865,073	12,955,179
Capital assets	9,397,220	8,418,579
Total assets	<u>23,262,293</u>	<u>21,373,758</u>
Long-term liabilities	1,479,286	410,917
Other liabilities	6,751,193	6,330,677
Total liabilities	<u>8,230,479</u>	<u>6,741,594</u>
Net assets:		
Invested in capital assets	9,397,220	8,418,579
Restricted	3,719,161	3,750,226
Unrestricted	<u>1,915,433</u>	<u>2,463,359</u>
Total net assets	<u>\$ 15,031,814</u>	<u>14,632,164</u>

Net assets of Mills County governmental activities increased approximately 2.7% (approximately \$15 million compared to approximately \$14.6 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 \$1,915,433, which was a decrease of approximately \$548,000, or 22%, from June 30, 2007.

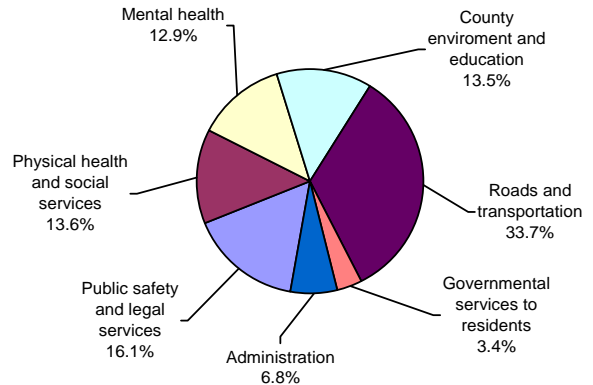
Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2008	2007
Revenues:		
Program revenues:		
Charges for service	\$ 1,084,372	1,024,835
Operating grants and contributions	3,827,989	3,863,062
Capital grants and contributions	920,946	321,097
General revenues:		
Property tax	5,710,881	5,149,198
Penalty and interest on property tax	38,452	73,630
State tax credits	207,630	200,774
Tax increment financing	210,868	180,487
Local option sales and services tax	423,977	461,667
Grants and contributions not restricted	140,623	23,002
Unrestricted investment earnings	198,159	196,271
Other general revenues	265,870	93,845
Total revenues	13,029,767	11,587,868
Program expenses:		
Public safety and legal services	2,034,237	1,992,713
Physical health and social services	1,722,699	1,566,324
Mental health	1,627,881	1,481,046
County environment and education	1,705,680	685,267
Roads and transportation	4,243,960	4,079,644
Governmental services to residents	434,021	403,313
Administration	861,639	837,541
Total expenses	12,630,117	11,045,848
Increase in net assets	399,650	542,020
Net assets beginning of year	14,632,164	14,090,144
Net assets end of year	\$ 15,031,814	14,632,164

Revenues by Source



Expenses by Program



Mills County increased the property tax rate \$.21757 per \$1,000 of taxable valuation for the rural services levy and increased the property tax rate \$.329 per \$1,000 of taxable valuation for the county-wide levy in FY08. The general supplemental levy rate increased \$.382 per \$1,000 of taxable valuation from FY07 to FY08. The mental health levy rate decreased \$.05299 per \$1,000 of taxable valuation. The county-wide assessed property taxable valuation increased \$30,360,717 from FY07 to FY08 and the rural assessed property taxable valuation increased \$30,553,548 from FY07 to FY08. The general basic levy in FY08 remained unchanged from FY07 at \$3.50 per \$1,000 of taxable valuation.

INDIVIDUAL MAJOR FUND ANALYSIS

As Mills County completed the year, its governmental funds reported a combined fund balance of approximately \$7.0 million, a slight increase over last year's total of approximately \$6.5 million.

The General Fund, the operating fund for Mills County, ended FY08 with a balance of \$4,053,781. This was an increase of \$955,287 over the FY07 ending balance. Revenue increased \$508,783 from FY07 to FY08, primarily due to increases in property and other county tax and miscellaneous 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 2008 ended with a \$21,806 fund balance, which was a decrease of \$320,026 from fiscal year 2007. Mills County decreased the FY08 mental health levy rate from \$1.05848 per \$1,000 of taxable valuation to \$1.00549 per \$1,000 of taxable valuation.

The Rural Services Fund ended FY08 with a \$194,191 fund balance compared to the FY07 ending fund balance of \$119,980. Property and other county tax revenue for the Rural Services Fund increased \$194,153 from FY07 to FY08. Mills County increased the levy rate from \$3.37061 per \$1,000 of taxable valuation in FY07 to \$3.58818 per \$1,000 of taxable valuation in FY08. 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. The County was able to transfer all funds allocated for the Secondary Roads Fund, unlike the previous fiscal year when we had to pay \$400,000 of Rural Services Fund monies toward the Sadler Septic Lawsuit.

The Secondary Roads Fund ended FY08 with a \$2,280,762 fund balance compared to the FY07 ending fund balance of \$2,447,637. As mentioned above, in FY07 the Secondary Roads Fund did not receive all of the transfer budgeted because the County used \$400,000 out of the Rural Services Fund to pay the settlement instead of borrowing funds. Secondary Roads Fund revenues increased from FY07 to FY08 due to an increase in intergovernmental revenues.

BUDGETARY HIGHLIGHTS

Mills County amended its budget four times in 2008. The first time the budget was amended was on November 6, 2007 for increased receipts and disbursements and for general obligation bond proceeds for sewer and water improvements in the Urban Renewal TIF area in Plattville township of \$1,107,195. Other increases were to Secondary Roads from FEMA monies received and disbursed for flood damage in the County. Total budgeted receipts increased \$1,895,683 and budgeted disbursements increased \$2,031,175 with the difference of \$135,492 being supplemented from County reserves. The second amendment was on January 8, 2008 with \$686,000 in receipts from the Iowa Department of Transportation for reimbursement for bridge projects and construction maintenance. Other increases in receipts and disbursements were for grant funding of boost4families. Total budgeted receipts increased \$686,000 and budgeted disbursements increased \$656,000, with a difference of \$30,000. The third budget amendment was on April 22, 2008 to allow for grant receipts for the ESA association and to be able to disburse the funding for their training grant that runs through the County. This amendment was

also for Conservation improvements to come from the REAP Fund and the purchase of land from the Conservation Land Acquisition Fund for purchase of the Fisher Wildlife area which will be a new addition for the Conservation Department to develop. The total increase in budgeted receipts for this amendment was \$5,754 and budgeted disbursements increased \$65,754, leaving a difference of \$60,000. The final amendment was done on June 24, 2008 and increased mental health disbursements \$200,000 for increased costs, increased governmental services to residents \$3,100 and increased administration \$1,990 for insurance costs not previously budgeted.

The County's receipts were \$217,781 more than budgeted, a variance of 2%. The most significant variances resulted from the County underestimating charges for service, miscellaneous and use of money and property receipts and overestimating intergovernmental receipts.

Total disbursements were \$1,890,833 less than the final amended budget. Actual disbursements for the public safety and legal services, the roads and transportation and the county environment and education functions were \$240,805, \$813,562 and \$266,093, respectively, less than budgeted. The County exceeded the budgeted amount in the capital projects function for the year ended June 30, 2008.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, Mills County had approximately \$9.4 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$979,000, or 11.6%, over last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2008	2007
Land	\$ 1,776,518	1,684,291
Construction in progress	580,340	299,185
Buildings	911,375	956,611
Improvements other than buildings	53,289	58,133
Equipment and vehicles	1,966,922	1,834,995
Infrastructure, other	4,108,776	3,585,364
Total	\$ 9,397,220	8,418,579
This year's major additions included:		
Infrastructure and land	\$ 1,023,598	
Conservation Department vehicle	14,652	
County Sheriff's vehicles	32,180	
Secondary Roads Department equipment	276,899	
Other equipment	62,681	
Total	\$ 1,410,010	

The County had depreciation expense of \$602,969 in FY08 and total accumulated depreciation of \$4,145,988 at June 30, 2008.

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

Long-Term Debt

At June 30, 2008, Mills County had \$1,055,000 of long-term debt outstanding relating to urban renewal general obligation bonds issued in FY08 compared to no outstanding long-term debt at June 30, 2007.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Mills County's constitutional debt limit is \$49 million. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Mills County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates and fees charged for various County activities. One of those factors is the economy.

The Secondary Roads Department purchased several pieces of equipment in FY08, one of which was a motor grader for \$213,053 with trade-in of \$96,000 for a total purchase price of \$117,053. The Engineer also purchased a 2008 Ford Explorer Eddie Bauer Edition for a replacement vehicle with the trade-in of a 1995 Chevy ½ ton pickup for a total price of \$23,676. The Engineer was also able to increase his Department by two employees.

Mills County passed a Zoning Ordinance for the unincorporated area that went into effect July 2007. On August 21, 2007, the Board of Supervisors appointed seven members to a planning and zoning board for staggered terms, with two members serving two year terms, two members serving three year terms, two members serving four year terms and one member serving a five year term. On that same date, the Board of Supervisors also appointed five members for staggered terms to a Board of Adjustment. The terms are as follows; one member for one year, one member for two years, one member for three years, one member for four years and one member for five years. The Engineer was also named as the Zoning Administrator. The County hopes the zoning ordinance will assist with future economic growth and well managed subdivisions and also protect the agricultural community of our County. The County will continue discussion with the idea of implementing building permits. The Board of Supervisors also amended the Hwy 34/I-29 urban renewal area due to expansion and to assist with placing sewer and water infrastructure in this area to attract future economic development in the area.

The Sheriff purchased a 2008 Ford Expedition 4x4 for \$22,680 for one of the deputy's replacement vehicle. The Sheriff also purchased three new bullet proof vests for deputies at a cost of \$710 each. This purchase was done through grant funding. After failure of the public safety center bond issue, the County will evaluate why the measure failed and consider other options. One option would be to consider building the public safety center on the east or south lawn of the Courthouse. The Supervisors asked a local architect to consider making some line drawings to see if the square footage would fit in one of those areas. Also under consideration is an addition to the Courthouse and adding an elevator and possibly remodeling several offices to make them ADA accessible. The Board felt the failure of the bond was due, in most part, to location, cost and appearance of the proposed center. The County will try to look at all possible options before consideration of another bond issue.

The County acquired the Wabash Trace which the Conservation Board accepted ownership of in December, 2007. The Trace will continue to be maintained by Southwest Iowa Nature Trails, Inc. and the County should not have to incur any costs with this acquisition. The Conservation Board was also able to purchase the Fisher Wildlife Area with Conservation Land Acquisition Fund resources, as well as make some improvements with REAP funding.

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 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 throughout the County upon request by various agencies. The County has spent its LOSST revenues to benefit not only the citizens of the County, but also in the categories set forth in the ballot resolution.

The County received a Community Development Block Grant of \$173,000 for a sewer for the unincorporated area of Mineola in the spring of 2007 and also applied for and was awarded a State Revolving Fund planning and development loan of \$154,000. Land was purchased in 2008 for the lagoon site and, hopefully, construction will begin on this project with Regional Water by spring of 2009.

Mills County continued building the GIS mapping in layers for the County and hopes to have it completed by 2009. Once the system is up and running, consideration will be given as to whether the County will hire a GIS Coordinator to manage the system. The County was able to hire a shared employee with Montgomery County to manage the information technology needs for the County.

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Exhibit A

Mills County
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 6,674,202
Receivables:	
Property tax:	
Delinquent	21,638
Succeeding year	6,078,000
Interest and penalty on property tax	44,545
Accounts	115,561
Accrued interest	13,575
Due from other governments	547,626
Inventories	343,952
Prepaid insurance	25,974
Capital assets - nondepreciable	2,356,858
Capital assets - depreciable (net)	7,040,362
	<u>23,262,293</u>
Total assets	<u>23,262,293</u>
Liabilities	
Accounts payable	327,722
Salaries and benefits payable	104,084
Due to other governments	241,387
Deferred revenue:	
Succeeding year property tax	6,078,000
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	232,075
Urban renewal general obligation bonds	60,000
Portion due or payable after one year:	
Compensated absences	192,211
Urban renewal general obligation bonds	995,000
	<u>8,230,479</u>
Total liabilities	<u>8,230,479</u>
Net Assets	
Invested in capital assets	9,397,220
Restricted for:	
Supplemental levy purposes	1,144,859
Mental health purposes	24,069
Secondary roads purposes	2,126,894
Other purposes	423,339
Unrestricted	1,915,433
	<u>15,031,814</u>
Total net assets	<u>\$ 15,031,814</u>

See notes to financial statements.

Mills County
Statement of Activities
Year ended June 30, 2008

	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
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,034,237	199,844	79,296	-	(1,755,097)
Physical health and social services	1,722,699	508,268	557,410	-	(657,021)
Mental health	1,627,881	-	696,310	-	(931,571)
County environment and education	1,705,680	9,813	31,309	20,000	(1,644,558)
Roads and transportation	4,243,960	75,379	2,425,168	900,946	(842,467)
Governmental services to residents	434,021	271,893	139	-	(161,989)
Administration	861,639	19,175	38,357	-	(804,107)
Total	\$ 12,630,117	1,084,372	3,827,989	920,946	(6,796,810)
General Revenues:					
Property and other county tax levied for general purposes					5,710,881
Penalty and interest on property tax					38,452
State tax credits					207,630
Tax increment financing					210,868
Local option sales and services tax					423,977
Grants and contributions not restricted to specific purpose					140,623
Unrestricted investment earnings					198,159
Gain on disposition of capital assets					171,600
Miscellaneous					94,270
Total general revenues					7,196,460
Change in net assets					399,650
Net assets beginning of year					14,632,164
Net assets end of year					\$ 15,031,814

See notes to financial statements.

Mills County
Balance Sheet
Governmental Funds

June 30, 2008

	Special		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 3,975,321	268,069	202,013
Receivables:			
Property tax:			
Delinquent	14,584	2,294	4,760
Succeeding year	3,706,000	583,000	1,578,000
Interest and penalty on property tax	44,545	-	-
Accounts	84,134	27,356	600
Accrued interest	12,094	-	-
Due from other governments	83,503	-	6,594
Inventories	-	-	-
Prepaid insurance	25,974	-	-
	\$ 7,946,155	880,719	1,791,967
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 48,651	53,884	6,115
Salaries and benefits payable	61,904	-	7,414
Due to other governments	3,792	219,766	1,559
Deferred revenue:			
Succeeding year property tax	3,706,000	583,000	1,578,000
Other	72,027	2,263	4,688
Total liabilities	3,892,374	858,913	1,597,776
Fund balances:			
Reserved for supplemental levy purposes	1,169,236	-	-
Unreserved, reported in:			
General fund	2,884,545	-	-
Special revenue funds	-	21,806	194,191
Total fund balances	4,053,781	21,806	194,191
	\$ 7,946,155	880,719	1,791,967

See notes to financial statements.

Revenue		
Secondary		Total
Roads	Nonmajor	
1,850,663	378,136	6,674,202
-	-	21,638
-	211,000	6,078,000
-	-	44,545
3,471	-	115,561
-	1,481	13,575
353,754	103,775	547,626
343,952	-	343,952
-	-	25,974
<u>2,551,840</u>	<u>694,392</u>	<u>13,865,073</u>
174,935	44,137	327,722
34,119	647	104,084
1,001	15,269	241,387
-	211,000	6,078,000
61,023	-	140,001
<u>271,078</u>	<u>271,053</u>	<u>6,891,194</u>
-	-	1,169,236
-	-	2,884,545
2,280,762	423,339	2,920,098
<u>2,280,762</u>	<u>423,339</u>	<u>6,973,879</u>
<u>2,551,840</u>	<u>694,392</u>	<u>13,865,073</u>

Mills County

Mills County

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

June 30, 2008

Total governmental fund balances (page 19) \$ 6,973,879

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$13,543,208 and the accumulated depreciation is \$4,145,988. 9,397,220

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 140,001

Long-term liabilities, including urban renewal general obligation bonds and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (1,479,286)

Net assets of governmental activities (page 16) \$ 15,031,814

See notes to financial statements.

Mills County

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

Year ended June 30, 2008

	General	Special	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 3,590,093	588,077	1,546,738
Local option sales and services tax	-	-	-
Tax increment financing	-	-	-
Interest and penalty on property tax	59,488	-	-
Intergovernmental	1,193,862	713,971	102,948
Licenses and permits	5,008	-	34,500
Charges for service	422,843	-	-
Use of money and property	201,818	-	-
Miscellaneous	139,650	5,807	-
Total revenues	5,612,762	1,307,855	1,684,186
Expenditures:			
Operating:			
Public safety and legal services	1,613,399	-	395,151
Physical health and social services	1,542,661	-	86,923
Mental health	-	1,627,881	-
County environment and education	222,826	-	44,450
Roads and transportation	-	-	-
Governmental services to residents	428,460	-	1,370
Administration	840,129	-	-
Capital projects	-	-	-
Total expenditures	4,647,475	1,627,881	527,894
Excess (deficiency) of revenues over (under) expenditures	965,287	(320,026)	1,156,292
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(10,000)	-	(1,082,081)
General obligation bonds issued	-	-	-
Discount on general obligation bonds issued	-	-	-
Total other financing sources (uses)	(10,000)	-	(1,082,081)
Net change in fund balances	955,287	(320,026)	74,211
Fund balances beginning of year	3,098,494	341,832	119,980
Fund balances end of year	\$ 4,053,781	21,806	194,191

See notes to financial statements.

Revenue		
Secondary		
Roads	Nonmajor	Total
-	-	5,724,908
-	423,977	423,977
-	210,868	210,868
-	-	59,488
3,295,162	118,499	5,424,442
12,531	-	52,039
16,512	3,565	442,920
-	6,995	208,813
106,184	20,000	271,641
<u>3,430,389</u>	<u>783,904</u>	<u>12,819,096</u>
-	-	2,008,550
-	101,868	1,731,452
-	-	1,627,881
-	1,527,856	1,795,132
4,013,652	-	4,013,652
-	3,404	433,234
-	-	840,129
983,612	42,342	1,025,954
<u>4,997,264</u>	<u>1,675,470</u>	<u>13,475,984</u>
<u>(1,566,875)</u>	<u>(891,566)</u>	<u>(656,888)</u>
1,400,000	51,000	1,451,000
-	(358,919)	(1,451,000)
-	1,115,000	1,115,000
-	(7,805)	(7,805)
<u>1,400,000</u>	<u>799,276</u>	<u>1,107,195</u>
(166,875)	(92,290)	450,307
<u>2,447,637</u>	<u>515,629</u>	<u>6,523,572</u>
<u>2,280,762</u>	<u>423,339</u>	<u>6,973,879</u>

Mills County

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances -
Governmental Funds to the Statement
of Activities

Year ended June 30, 2008

Net change in fund balances - Total governmental funds (page 23) \$ 450,307

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

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

Expenditures for capital assets	\$ 1,410,010	
Depreciation expense	(602,969)	807,041

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 171,600

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	(14,027)	
Other	53,098	39,071

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

Issued	(1,115,000)	
Repaid	60,000	(1,055,000)

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. (13,369)

Change in net assets of governmental activities (page 17) \$ 399,650

See notes to financial statements.

Mills County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2008

Assets

Cash and pooled investments:	
County Treasurer	\$ 2,082,268
Other County officials	27,306
Receivables:	
Property tax:	
Delinquent	60,343
Succeeding year	14,014,000
Accounts	109,696
Accrued interest	1,537
Succeeding year special assessments	105,942
Drainage assessments	74,983
Due from other governments	8,967
Total assets	16,485,042

Liabilities

Accounts payable	61,684
Salaries and benefits payable	10,049
Due to other governments	16,381,837
Trusts payable	10,007
Compensated absences	21,465
Total liabilities	16,485,042

Net assets	\$ -
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See notes to financial statements.

Mills County

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

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

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

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

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles 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, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Fund Equity – In the governmental fund financial statements, 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, 2008, disbursements exceeded the amount budgeted in the capital projects function.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2008 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 \$543,754 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investments in the Iowa Public Agency Investment Trust are unrated for credit risk purposes.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 10,000
	Special Revenue:	
	Rural Services	1,082,081
	Local Option Sales and Services Tax	307,919
Local Option Sales and Services Tax	Special Revenue: Urban Renewal Revenue	51,000
Total		<u>\$ 1,451,000</u>

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

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,684,291	92,227	-	1,776,518
Construction in progress	299,185	931,371	650,216	580,340
Total capital assets not being depreciated	1,983,476	1,023,598	650,216	2,356,858
Capital assets being depreciated:				
Buildings	1,644,689	-	-	1,644,689
Improvements other than buildings	96,888	-	-	96,888
Equipment and vehicles	4,831,802	558,012	406,761	4,983,053
Infrastructure	3,811,504	650,216	-	4,461,720
Total capital assets being depreciated	10,384,883	1,208,228	406,761	11,186,350
Less accumulated depreciation for:				
Buildings	688,078	45,236	-	733,314
Improvements other than buildings	38,755	4,844	-	43,599
Equipment and vehicles	2,996,807	426,086	406,761	3,016,132
Infrastructure	226,140	126,803	-	352,943
Total accumulated depreciation	3,949,780	602,969	406,761	4,145,988
Total capital assets being depreciated, net	6,435,103	605,259	-	7,040,362
Governmental activities capital assets, net	\$ 8,418,579	1,628,857	650,216	9,397,220

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 50,285
Physical health and social services	4,240
County environment and education	26,269
Roads and transportation	467,359
Governmental services to residents	4,820
Administration	49,996
Total depreciation expense - governmental activities	<u>\$ 602,969</u>

(5) Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 3,792
Special Revenue:		
Mental Health	Services	219,766
Rural Services	Services	1,559
Secondary Roads	Services	1,001
Nonmajor	Services	<u>15,269</u>
Total for governmental funds		<u>\$ 241,387</u>
Agency:		
County Assessor	Collections	\$ 494,193
Schools		10,534,556
Community Colleges		508,188
Corporations		2,588,663
Auto License and Use Tax		285,632
Drainage Districts		1,222,847
All other		<u>747,758</u>
Total for agency funds		<u>\$ 16,381,837</u>

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	<u>General Obligation</u>	<u>Compen-</u>	
	<u>Urban Renewal</u>	<u>sated</u>	
	<u>Bonds</u>	<u>Absences</u>	<u>Total</u>
Balance beginning of year	\$ -	410,917	410,917
Increases	1,115,000	372,477	1,487,477
Decreases	60,000	359,108	419,108
Balance end of year	<u>\$ 1,055,000</u>	<u>424,286</u>	<u>1,479,286</u>
Due within one year	<u>\$ 60,000</u>	<u>232,075</u>	<u>292,075</u>

General Obligation Urban Renewal Bonds

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

Year ending June 30,	Interest Rates	Principal	Interest	Total
2009	3.55%	\$ 60,000	39,968	99,968
2010	3.55	65,000	37,837	102,837
2011	3.60	65,000	35,530	100,530
2012	3.60	70,000	33,190	103,190
2013-2017	3.65-3.85	405,000	124,845	529,845
2018-2021	3.90-4.00	390,000	39,815	429,815
Total		\$ 1,055,000	311,185	1,366,185

During the year ended June 30, 2008, \$60,000 of bonds were retired.

(7) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.90% of their annual covered salary and the County is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$280,074, \$257,495 and \$250,973, respectively, equal to the required contributions for each year.

(8) Risk Management

Mills County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims

expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 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, 2008 were \$105,312.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in the aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$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, 2008, no liability has been recorded in the County's financial statements. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) 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, 2008:

Additions:		
Federal grants and entitlements:		
Medicaid case management		\$ 342,850
Contributions from governmental units		<u>374,574</u>
Total additions		<u>717,424</u>
Deductions:		
Salaries	\$ 244,209	
Benefits	85,808	
Case management:		
Chronic mental illness	43,803	
Mental retardation	245,430	
Other	-	
Technical assistance	7,392	
Office supplies	2,269	
Telephone	2,110	
Travel and training	37,550	
Dues	466	
Equipment repair	6,645	
Equipment	<u>705</u>	<u>676,387</u>
Net		41,037
Balance beginning of year		<u>66,772</u>
Balance end of year		<u>\$ 107,809</u>

(10) Subsequent Event

In November 2008, the County approved a developer agreement to rebate portions of the incremental tax paid by the developer, not to exceed \$545,000.

Mills County

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2008

	Actual	Budgeted Original
Receipts:		
Property and other county tax	\$ 6,359,078	6,341,857
Interest and penalty on property tax	59,558	61,390
Intergovernmental	5,405,020	4,627,594
Licenses and permits	52,746	62,450
Charges for service	432,339	399,445
Use of money and property	230,847	189,006
Miscellaneous	252,376	75,076
Total receipts	<u>12,791,964</u>	<u>11,756,818</u>
Disbursements:		
Public safety and legal services	1,992,786	2,227,837
Physical health and social services	1,690,923	1,715,165
Mental health	1,586,214	1,556,608
County environment and education	1,793,246	941,794
Roads and transportation	3,912,297	3,899,700
Governmental services to residents	427,489	459,795
Administration	831,260	985,619
Capital projects	994,489	375,000
Total disbursements	<u>13,228,704</u>	<u>12,161,518</u>
Deficiency of receipts under disbursements	(436,740)	(404,700)
Other financing sources, net	<u>1,107,195</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	670,455	(404,700)
Balance beginning of year	<u>6,003,747</u>	<u>4,684,442</u>
Balance end of year	<u>\$ 6,674,202</u>	<u>4,279,742</u>

See accompanying independent auditor's report.

Amounts	Final to
Final	Actual Variance
6,341,857	17,221
61,390	(1,832)
6,098,486	(693,466)
72,450	(19,704)
-	432,339
-	230,847
-	252,376
12,574,183	217,781
2,233,591	240,805
1,847,005	156,082
1,756,608	170,394
2,059,339	266,093
4,725,859	813,562
462,895	35,406
1,047,261	216,001
986,979	(7,510)
15,119,537	1,890,833
(2,545,354)	2,108,614
1,106,545	650
(1,438,809)	2,109,264
4,684,442	1,319,305
3,245,633	3,428,569

Mills County
Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 12,791,964	27,132	12,819,096
Expenditures	13,228,704	247,280	13,475,984
Net	(436,740)	(220,148)	(656,888)
Other financing sources, net	1,107,195	-	1,107,195
Beginning fund balances	6,003,747	519,825	6,523,572
Ending fund balances	\$ 6,674,202	299,677	6,973,879

See accompanying independent auditor's report.

Mills County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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 ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, four budget amendments increased budgeted disbursements by \$2,958,019. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2008, disbursements exceeded the amount budgeted in the capital projects function.

Mills County

Other Supplementary Information

Mills County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

	Local Option Sales and Services Tax	Resource Enhance- ment and Protection	Special County Recorder's Records Management
Assets			
Cash and pooled investments	\$ 319	49,006	13,821
Receivables:			
Succeeding year property tax	-	-	-
Accrued interest	-	54	-
Due from other governments	74,833	-	-
Total assets	\$ 75,152	49,060	13,821
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	-	-
Salaries and benefits payable	-	-	-
Due to other governments	-	-	-
Deferred revenue:			
Succeeding year property tax	-	-	-
Total liabilities	-	-	-
Fund balances:			
Unreserved	75,152	49,060	13,821
Total liabilities and fund balances	\$ 75,152	49,060	13,821

See accompanying independent auditor's report.

Revenue				
Urban Renewal Revenue	Decategorization Grant	Conservation Land Acquisition		Total
150,032	35,900	129,058		378,136
211,000	-	-		211,000
-	-	1,427		1,481
-	28,942	-		103,775
361,032	64,842	130,485		694,392
29,347	14,790	-		44,137
-	647	-		647
-	15,269	-		15,269
211,000	-	-		211,000
240,347	30,706	-		271,053
120,685	34,136	130,485		423,339
361,032	64,842	130,485		694,392

Mills County

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

Year ended June 30, 2008

	Local Option Sales and Services Tax	Resource Enhance- ment and Protection	Special County Recorder's Records Management
Revenues:			
Local option sales and services tax	\$ 423,977	-	-
Tax increment financing	-	-	-
Intergovernmental	-	14,478	-
Charges for service	-	-	3,565
Use of money and property	-	1,045	139
Miscellaneous	-	-	-
Total revenues	423,977	15,523	3,704
Expenditures:			
Operating:			
Physical health and social services	-	-	-
County environment and education	258,401	842	-
Governmental services to residents	-	-	3,404
Capital projects	-	-	-
Total expenditures	258,401	842	3,404
Excess (deficiency) of revenues over (under) expenditures	165,576	14,681	300
Other financing sources (uses):			
Operating transfers in	51,000	-	-
Operating transfers out	(307,919)	-	-
General obligation bonds issued	-	-	-
Discount on general obligation bonds issued	-	-	-
Total other financing sources (uses)	(256,919)	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(91,343)	14,681	300
Fund balances beginning of year	166,495	34,379	13,521
Fund balances end of year	\$ 75,152	49,060	13,821

See accompanying independent auditor's report.

Revenue				
Urban Renewal Revenue	Decategorization Grant	Conservation Land Acquisition		Total
-	-	-		423,977
210,868	-	-		210,868
-	104,021	-		118,499
-	-	-		3,565
351	-	5,460		6,995
-	-	20,000		20,000
211,219	104,021	25,460		783,904
-	101,868	-		101,868
1,268,613	-	-		1,527,856
-	-	-		3,404
-	-	42,342		42,342
1,268,613	101,868	42,342		1,675,470
(1,057,394)	2,153	(16,882)		(891,566)
-	-	-		51,000
(51,000)	-	-		(358,919)
1,115,000	-	-		1,115,000
(7,805)	-	-		(7,805)
1,056,195	-	-		799,276
6,606	2,153	(16,882)		(92,290)
121,884	31,983	147,367		515,629
128,490	34,136	130,485		423,339

Mills County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	1,587	211,465	146,200	7,223
Other County officials	27,306	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	492	1,149	41,356	1,965
Succeeding year	-	125,000	292,000	10,347,000	499,000
Accounts	208	-	-	-	-
Accrued interest	-	-	-	-	-
Succeeding year special assessments	-	-	-	-	-
Drainage assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 27,514	127,079	504,614	10,534,556	508,188
Liabilities					
Accounts payable	\$ -	-	753	-	-
Salaries and benefits payable	-	-	2,774	-	-
Due to other governments	17,507	127,079	494,193	10,534,556	508,188
Trusts payable	10,007	-	-	-	-
Compensated absences	-	-	6,894	-	-
Total liabilities	\$ 27,514	127,079	504,614	10,534,556	508,188

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Drainage Districts	City Special Assessments	Other	Total
48,006	2,348	285,632	1,146,500	5,185	228,122	2,082,268
-	-	-	-	-	-	27,306
14,657	716	-	-	-	8	60,343
2,526,000	223,000	-	-	-	2,000	14,014,000
-	-	-	-	-	109,488	109,696
-	-	-	1,364	-	173	1,537
-	-	-	-	105,942	-	105,942
-	-	-	74,983	-	-	74,983
-	-	-	-	-	8,967	8,967
<u>2,588,663</u>	<u>226,064</u>	<u>285,632</u>	<u>1,222,847</u>	<u>111,127</u>	<u>348,758</u>	<u>16,485,042</u>
-	-	-	-	-	60,931	61,684
-	-	-	-	-	7,275	10,049
2,588,663	226,064	285,632	1,222,847	111,127	265,981	16,381,837
-	-	-	-	-	-	10,007
-	-	-	-	-	14,571	21,465
<u>2,588,663</u>	<u>226,064</u>	<u>285,632</u>	<u>1,222,847</u>	<u>111,127</u>	<u>348,758</u>	<u>16,485,042</u>

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

Year ended June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 27,167	112,381	457,804	10,118,473	511,152
Additions:					
Property and other county tax	-	125,952	292,896	10,372,814	500,768
E911 surcharges	-	-	-	-	-
State tax credits	-	4,104	10,171	361,453	18,682
Drivers license fees	-	-	-	-	-
Office fees and collections	348,418	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	591,473	-	-	-	-
Miscellaneous	-	-	3,657	-	-
Total additions	939,891	130,056	306,724	10,734,267	519,450
Deductions:					
Agency remittances:					
To other funds	162,504	-	-	-	-
To other governments	133,985	115,358	259,914	10,318,184	522,414
Trusts paid out	643,055	-	-	-	-
Total deductions	939,544	115,358	259,914	10,318,184	522,414
Balances end of year	\$ 27,514	127,079	504,614	10,534,556	508,188

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Drainage Districts	City Special Assess- ments	Other	Total
2,390,408	208,428	305,091	1,096,072	141,422	260,884	15,629,282
2,483,970	225,518	-	-	-	2,041	14,003,959
-	-	-	-	-	79,975	79,975
99,662	7,215	-	-	-	76	501,363
-	-	61,851	-	-	-	61,851
-	-	-	-	-	4,141	352,559
-	-	3,616,929	-	-	-	3,616,929
-	-	-	133,346	6,393	25,982	165,721
-	-	-	-	-	386,120	977,593
-	-	-	91,159	-	1,056,721	1,151,537
2,583,632	232,733	3,678,780	224,505	6,393	1,555,056	20,911,487
-	-	136,599	-	-	-	299,103
2,385,377	215,097	3,561,640	97,730	36,688	1,081,062	18,727,449
-	-	-	-	-	386,120	1,029,175
2,385,377	215,097	3,698,239	97,730	36,688	1,467,182	20,055,727
2,588,663	226,064	285,632	1,222,847	111,127	348,758	16,485,042

Mills County

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

For the Last Eight Years

	Modified Accrual			
	2008	2007	2006	2005
Revenues:				
Property and other county tax	\$ 5,724,908	5,136,830	5,142,550	5,061,577
Local option sales and services tax	423,977	461,667	347,818	341,655
Tax increment financing	210,868	180,487	166,353	151,893
Interest and penalty on property tax	59,488	69,965	59,729	67,080
Intergovernmental	5,424,442	4,852,275	4,759,740	4,986,813
Licenses and permits	52,039	57,849	43,714	53,025
Charges for service	442,920	416,554	415,490	411,805
Use of money and property	208,813	205,636	129,524	91,453
Miscellaneous	271,641	118,073	116,027	626,241
Total	\$ 12,819,096	11,499,336	11,180,945	11,791,542
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,008,550	1,968,069	1,954,695	1,845,844
Physical health and social services	1,731,452	1,553,540	1,540,540	1,530,878
Mental health	1,627,881	1,481,046	1,387,408	1,345,167
County environment and education	1,795,132	732,762	558,373	480,879
Roads and transportation	4,013,652	3,846,016	3,781,208	3,708,503
Governmental services to residents	433,234	398,924	519,019	403,113
Administration	840,129	1,206,796	861,420	892,000
Capital projects	1,025,954	321,600	148,344	757,372
Total	\$ 13,475,984	11,508,753	10,751,007	10,963,756

See accompanying independent auditor's report.

Basis			
2004	2003	2002	2001
4,692,704	4,176,656	3,852,699	3,623,625
460,483	231,893	114,197	-
81,669	21,389	-	-
64,520	58,961	64,648	52,016
4,956,091	5,080,119	4,681,784	4,703,172
41,557	22,341	22,679	20,707
423,211	377,699	331,182	320,568
69,780	92,446	148,357	188,656
153,442	85,203	168,704	134,242
<u>10,943,457</u>	<u>10,146,707</u>	<u>9,384,250</u>	<u>9,042,986</u>
1,844,744	1,757,748	1,681,567	1,563,369
1,519,960	1,576,721	1,749,326	1,598,200
1,256,362	1,291,039	1,301,181	1,317,824
446,864	394,689	463,264	242,103
3,659,910	3,023,542	3,248,746	3,060,082
410,654	358,154	359,565	300,839
868,287	928,735	768,968	805,641
66,871	175,531	106,470	234,842
<u>10,073,652</u>	<u>9,506,159</u>	<u>9,679,087</u>	<u>9,122,900</u>

Schedule 6

Mills County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutritional Assistance Program	10.561		\$ 9,525
Hungry Canyons Alliance:			
Soil and Water Conservation	10.902		90,781
U.S. Department of Justice:			
Governor's Office of Drug Control Policy:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	06-OJJDP04	1,972
City of Council Bluffs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	06-AO1	31,089
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO65(66) -- 8J-65	256,459
Highway Planning and Construction	20.205	BROS-CO65(68) -- 8J-65	24,366
Highway Planning and Construction	20.205	BROS-CO65(69) -- 8J-65	432,122
			712,947
U.S. Department of Health and Human Services:			
Southwest 8 Senior Services:			
Special Programs for the Aging - Title III, Part B - Grants for			
Supportive Services and Senior Centers	93.044		3,109
National Family Caregiver Support	93.052		432
Ringgold County:			
Immunization Grants	93.268	58871419	1,635
Iowa Department of Public Health:			
Immunization Grants	93.268	58881419	2,800
			4,435
Visiting Nurses Association of Pottawattamie County:			
Centers for Disease Control and Prevention - Investigations and Technical Assistance			
	93.283		30,038
Iowa Department of Human Services:			
Promoting Safe and Stable Families			
	93.556		15,000
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.558		10,323
Foster Care - Title IV-E	93.596		2,500
Adoption Assistance	93.658		6,035
State Children's Insurance Program	93.659		1,436
Medical Assistance Program	93.767		86
Social Services Block Grant	93.778		13,158
Social Services Block Grant	93.667		6,772
Social Services Block Grant	93.667		52,050
			58,822

Mills County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2008

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
State University of Iowa:			
Maternal and Child Health Services Block Grant to the States	93.994	5887MH25	12,705
Maternal and Child Health Services Block Grant to the States	93.994	5888MH25	17,061
			<u>29,766</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
State Domestic Preparedness Equipment Support Program	97.004		964
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-IA-DR1705	25,614
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-IA-DR1763	126,983
			<u>152,597</u>
Emergency Management Performance Grants	97.042		16,511
Homeland Security Grant Program	97.067		24,897
Total			<u>\$ 1,216,423</u>

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

See accompanying independent auditor's report.

Mills County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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, 2008, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated May 7, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-08 and II-B-08 are material weaknesses.

Compliance and Other Matters

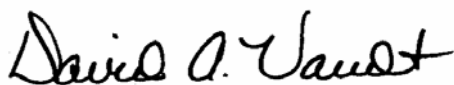
As part of obtaining reasonable assurance about whether Mills County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

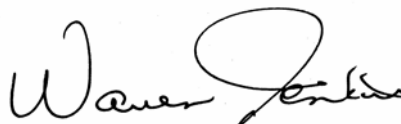
Mills County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Mills County's responses and, accordingly, we express no opinion on them.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 7, 2009

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

Mills County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Mills County:

Compliance

We have audited the compliance of Mills County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2008. Mills County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Mills County's management. Our responsibility is to express an opinion on Mills County's compliance based on our audit.

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

In our opinion, Mills County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

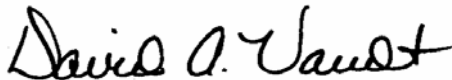
The management of Mills County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Mills County's internal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

A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

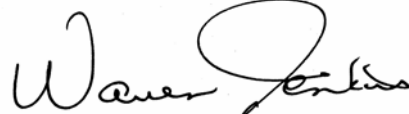
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined above. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 7, 2009

Mills County
Schedule of Findings and Questioned Costs
Year ended June 30, 2008

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Mills County did not qualify as a low-risk auditee.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared.	Treasurer and Recorder
(2) Bank accounts are not reconciled at the end of each month by an individual who does not sign checks, handle or record cash.	Treasurer and Recorder
(3) Checks are not signed by an individual who does not otherwise participate in the preparation of the checks. In addition, collection, deposit preparation and reconciliation functions are not segregated from the recording and accounting for cash receipts.	Recorder

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel or other County employees to provide additional control through review of financial transactions, reconciliations and reports.

Responses:

County Treasurer – We will do our best to transfer the mail opening and working with accounts records to different people so the same person is not performing both tasks. I will try to limit check writing in the future.

County Recorder – We have a limited staff. Therefore, we try to prepare and reconcile within our limits. We are always working towards improving and will take your recommendation into consideration.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Conclusions:

County Treasurer – Response accepted.

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

II-B-08 Financial Reporting – During the audit, we identified material amounts of receivables and capital asset additions not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

Responses:

County Auditor – The County will implement procedures to ensure receivables and capital asset adjustments and additions are recognized and reported so they are included in the financial statements.

County Engineer – Processes will be put in place to properly record receivables and capital asset additions. We recognize this as an ongoing process that must be done each year.

Conclusions:

County Auditor – Response accepted.

County Engineer – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amount budgeted in the capital projects function.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The capital projects function went over due to disbursements for flood damage and before the FEMA funds were received. We will try to not let this happen again.

Conclusion – Response accepted.

IV-B-08 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-08 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-08 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Rhonda Letuli, daughter of General Relief/Veterans’ Affairs Director	Cleaning service	\$ 275
Douglas Frieze, husband of County Jailer	Mowing	350

In accordance with Chapter 331.342(10) of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since the total transactions for each individual did not exceed \$1,500 during the fiscal year.

IV-E-08 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-08 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

The Board minutes for the July 3, 2007 meeting were not properly published as required by Chapter 349.18 of the Code of Iowa.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

The County Board of Supervisors went into closed session numerous times during the year ended June 30, 2008. However, the Board minutes for some meetings did not properly document the reason for the closed session as required by Chapter 21.5 of the Code of Iowa.

Recommendation – The County should insure all board minutes are properly recorded and published as required by Chapters 349.18 and the reason for a closed session should be properly documented as required by Chapter 21.5 of the Code of Iowa.

Response – The minutes not being published was an oversight. We will make sure that all minutes are properly published and closed session documentation will include reasons for closed sessions as required by Chapter 21.5 Code of Iowa.

Conclusion – Response accepted.

IV-G-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-H-08 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-08 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, 2008 for the County Extension Office did not exceed the amount budgeted.

IV-J-08 E-911 Budget – Disbursements for the E-911 Service Board exceeded the amount budgeted.

Recommendation – The budget should have been amended by the E-911 Service Board in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The E-911 budget was not filed timely because our director had left and we had to seek assistance to file. We will be cautious of this not happening again.

Conclusion – Response accepted.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

IV-K-08 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The County does not retain the actual cancelled checks or retain an image of the front and back of cancelled checks through electronic image.

Recommendation – Since the County does not received cancelled checks, the County should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The bank now sends us copies of the front and back of all checks that pass through the account.


Conclusion – Response accepted.

Mills County

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Nancy F. Curtis, CPA, Senior Auditor II
Brett M. Zeller, Staff Auditor
Jessica N. Meierotto, Staff Auditor
Michael L. Castagnoli, Assistant Auditor
Reza Sepehri, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State