



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE _____

March 9, 2010

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 \$21,695,316 for the year ended June 30, 2009, which included \$750,908 in tax credits from the state. The County forwarded \$15,597,870 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$6,097,446 of the local tax revenue to finance County operations, a 3% increase over the prior year. Other revenues included charges for service of \$1,398,702, operating grants, contributions and restricted interest of \$4,450,862, capital grants, contributions and restricted interest of \$13,927, unrestricted investment earnings of \$184,423, local option sales and services tax of \$446,670, tax increment financing of \$209,865 and other general revenues of \$225,676.

Expenses for County operations totaled \$11,770,237, a 7% decrease from the prior year. Expenses included \$4,598,093 for roads and transportation, \$2,058,481 for public safety and legal services and \$1,610,481 for physical health and social services.

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

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MILLS COUNTY

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

JUNE 30, 2009

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Mills County

Officials

(Before January 2009)

<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

(After January 2009)

Richard Crouch	Board of Supervisors	Jan 2011
Joseph P. Blankenship	Board of Supervisors	Jan 2013
Ronald E. Kohn	Board of Supervisors	Jan 2013
Carol Robertson	County Auditor	Jan 2013
Janette Blackburn	County Treasurer	Jan 2011
Vicki McClintic	County Recorder	Jan 2011
Eugene Goos	County Sheriff	Jan 2013
Marci McClellan	County Attorney	Jan 2011
Christina Govig	County Assessor	Jan 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, 2009, 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, 2009, 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 February 5, 2010 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 five years ended June 30, 2008 (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

February 5, 2010

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, 2009, along with comparative data for the year ended June 30, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Mills County's governmental activities revenues were approximately \$13.0 million for fiscal years 2008 (FY08) and 2009 (FY09). Local option sales and services tax increased from \$423,977 in FY08 to \$446,670 in FY09 and property tax increased from \$5,710,881 in FY08 to \$5,880,381 in FY09.
- Mills County's governmental activities expenses decreased 6.8%, or approximately \$860,000, from FY08 to FY09. Expenses for county environment and education decreased the most, from \$1,705,680 in FY08 to \$519,199 in FY09.
- The County's net assets increased 8.4%, or approximately \$1,257,000, from June 30, 2008 to June 30, 2009, due in part to additions to restricted net assets.

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 federal 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, administration and non-program activities. 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

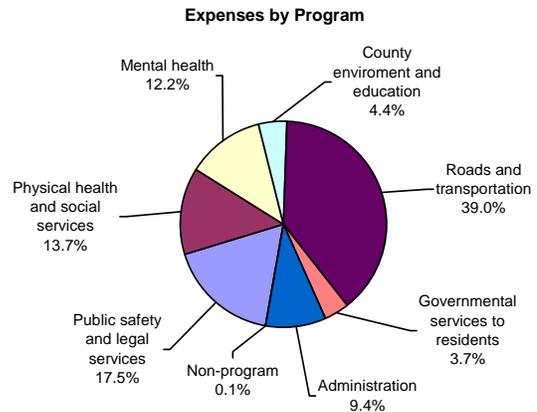
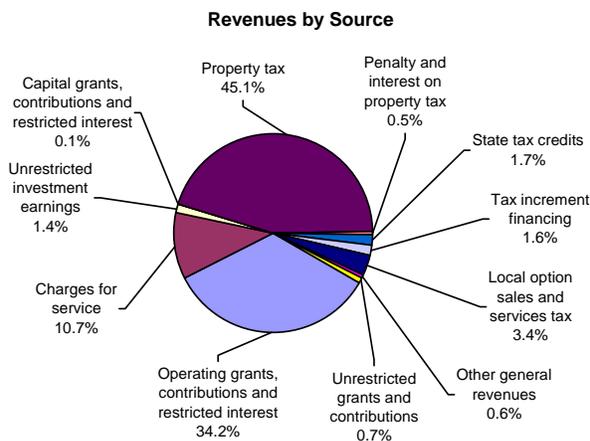
As noted earlier, net assets may serve over time as a useful indicator of financial position. Mills County's net assets at the end of FY09 totaled approximately \$16.3 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2009	2008
Current and other assets	\$ 14,692,646	13,865,073
Capital assets	9,207,082	9,397,220
Total assets	<u>23,899,728</u>	<u>23,262,293</u>
Long-term liabilities	1,424,797	1,479,286
Other liabilities	6,185,783	6,751,193
Total liabilities	<u>7,610,580</u>	<u>8,230,479</u>
Net assets:		
Invested in capital assets	9,207,082	9,397,220
Restricted	4,616,640	3,719,161
Unrestricted	2,465,426	1,915,433
Total net assets	<u>\$ 16,289,148</u>	<u>15,031,814</u>

Net assets of Mills County governmental activities increased approximately 8.4% (approximately \$16.3 million compared to approximately \$15 million). The largest portion of the County's net assets are invested in capital assets (e.g. land, infrastructure, buildings and equipment). Next largest is restricted net assets, which represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets, the part of net assets which can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, are \$2,465,426, which was an increase of approximately \$550,000, or 28.7%, over June 30, 2008.

Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2009	2008
Revenues:		
Program revenues:		
Charges for service	\$ 1,398,702	1,084,372
Operating grants, contributions and restricted interest	4,450,862	3,827,989
Capital grants, contributions and restricted interest	13,927	920,946
General revenues:		
Property tax	5,880,381	5,710,881
Penalty and interest on property tax	68,047	38,452
State tax credits	217,065	207,630
Tax increment financing	209,865	210,868
Local option sales and services tax	446,670	423,977
Unrestricted grants and contributions	84,931	140,623
Unrestricted investment earnings	184,423	198,159
Other general revenues	72,698	265,870
Total revenues	13,027,571	13,029,767
Program expenses:		
Public safety and legal services	2,058,481	2,034,237
Physical health and social services	1,610,481	1,722,699
Mental health	1,436,988	1,627,881
County environment and education	519,199	1,705,680
Roads and transportation	4,598,093	4,243,960
Governmental services to residents	435,645	434,021
Administration	1,104,760	861,639
Non-program	6,590	-
Total expenses	11,770,237	12,630,117
Increase in net assets	1,257,334	399,650
Net assets beginning of year	15,031,814	14,632,164
Net assets end of year	\$ 16,289,148	15,031,814



Mills County increased the property tax rate \$.00988 per \$1,000 of taxable valuation for the rural services levy and decreased the property tax rate \$.01607 per \$1,000 of taxable valuation for the county-wide levy in FY09. The general supplemental levy rate increased \$.02078 per \$1,000 of taxable valuation from FY08 to FY09. The mental health levy rate decreased \$.03685 per \$1,000 of taxable valuation. The county-wide assessed property taxable valuation increased \$19,704,449 from FY08 to FY09 and the rural assessed property taxable valuation increased \$12,672,020 from FY08 to FY09. The general basic levy in FY09 remained unchanged from FY08 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 \$8.4 million, an increase over last year's total of approximately \$7.0 million.

The General Fund, the operating fund for Mills County, ended FY09 with a balance of \$4,741,990. This was an increase of \$688,209 over the FY08 ending balance. Revenue increased \$268,532 from FY08 to FY09, primarily due to increases in property and other county tax and intergovernmental revenue related to disaster recovery programs.

Mills County has continued to look for ways to effectively manage the cost of mental health services in the Mental Health Fund. FY09 ended with a \$440,590 fund balance, which was an increase of \$418,784 over FY08. Revenues increased \$547,917 from FY08 to FY09, primarily due to an increase in intergovernmental revenue which increased \$549,210 from FY08 to FY09. Mills County also had a decrease in mental health expenditures of \$190,893 from FY08 to FY09.

The Rural Services Fund ended FY09 with a \$241,784 fund balance compared to the FY08 ending fund balance of \$194,191. Revenues increased \$67,971 from FY08 to FY09, with property and other county tax revenue increasing \$49,321 from FY08 to FY09. The County transferred all funds allocated for the Secondary Roads Fund, which increased \$92,540 from FY08 to FY09.

The Secondary Roads Fund ended FY09 with a \$2,270,226 fund balance compared to the FY08 ending fund balance of \$2,280,762. As mentioned above, in FY09 the Secondary Roads Fund received all the transfers budgeted, which was increase of \$203,317 over FY08. Secondary Roads Fund revenue decreased \$665,719 over FY08 to FY09 due to a decrease in intergovernmental revenue. Expenditures decreased \$618,741 from FY08 to FY09, primarily due to a decrease in capital projects function expenditures.

BUDGETARY HIGHLIGHTS

Over the course of the year, Mills County amended its budget three times. The last amendment was made on May 26, 2009 and all amendments resulted in a cumulative increase in budgeted disbursements of \$1,248,847, related primarily to increases in disbursements due to additional grant funding received by the County, including Federal Emergency Management Agency grants, a community-based child abuse prevention grant and medical examiner disbursements.

The County's actual receipts were \$586,297 less than the amended budget, a variance of 4.31%. The variance resulted from the County receiving less intergovernmental receipts than anticipated.

Total actual disbursements were \$2,668,374 less than the amended budget, a variance of 18.43%. Actual disbursements for the mental health and the roads and transportation functions were under the amended budget by \$735,758 and \$455,294, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, Mills County had approximately \$9.2 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$190,000, or 2.0%, from last year.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2009	2008
Land	\$ 1,776,518	1,776,518
Construction in progress	-	580,340
Buildings	866,139	911,375
Improvements other than buildings	48,445	53,289
Equipment and vehicles	1,949,240	1,966,922
Infrastructure, other	4,566,740	4,108,776
Total	<u>\$ 9,207,082</u>	<u>9,397,220</u>
This year's major additions included:		
County Sheriff's vehicles	\$ 45,744	
Secondary Roads Department equipment	283,798	
Other equipment	<u>82,430</u>	
Total	<u>\$ 411,972</u>	

The County had depreciation expense of \$620,059 in FY09 and total accumulated depreciation of \$4,593,656 at June 30, 2009.

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

Long-Term Debt

At June 30, 2009, Mills County had \$995,000 of long-term debt outstanding relating to general obligation urban renewal bonds issued in FY08 compared to \$1,055,000 of outstanding long-term debt at June 30, 2008.

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 approximately \$53.6 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 2010 budget, tax rates and fees charged for various County activities. One of those factors is the economy.

The County Board of Supervisors hired JAS Consultants, LLC. to implement building permits for the County, which has been a good source of revenue for the County as we provide the office space and we retain 25% of the permit cost. Later in the year, the Board amended the zoning map and ordinance to clean up some language in the current ordinance implemented in 2007 and make some additions as recommended by the Planning and Zoning Commission, Board of Adjustment and Board of Supervisors. The ordinance and building permits have assisted with future economic growth. The Supervisors and the Engineer also felt the Engineer was spending more time with zoning issues and compliance and less time as the County Engineer. The Board made a decision to hire a Zoning Technician contracted through the services of JAS Consultants, LLC. to assist in taking that burden from the Engineer. Mills County signed an agreement with the Iowa Department of Transportation for transfer of jurisdiction of the Hwy 370 & U.S. Hwy 34 roads which will actually be acquired in 2013 or 2014 with the completion of Hwy 34.

The County was fortunate to have A & M Green Power, a John Deere Dealership, combine several of their stores and build in the I-29/Hwy 34 Corridor and hope to be operational in 2010. This commercial business will definitely be an asset to the County. The County was able to offer them a sliding scale of tax abatement for five years. This was definitely positive economic development growth in the County. The County is also being considered for the potential site of an Interpretive Center.

The Citizen's Jail Committee recommended a site for the potential new public safety center. However, this building site was sold, so the Citizen's Jail Committee hopes to gear back up in January 2010 to determine other possible sites in hopes of a bond issue to be done in 2010.

The County Conservation Department applied for designation of a site at Pony Creek Park as a National Historic Landmark. The Conservation Department is being considered for the management of a 906 acre Archeological Preserve on the Glenwood Resource Center.

A grant agreement was signed between the Secretary of State and Mills County to upgrade the City of Emerson polling for \$2,602. Mills County Public Health was fortunate to receive a grant for the H1N1 Influenza Preparedness and Response and the protocol of the highest priority groups.

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. Most recently, the Board of Supervisors approved a request from the Glenwood Park Board for \$6,000 of LOSST funds to be used for landing materials for playground sites at the Park.

Mills County was also fortunate to see the completion of the Mineola sewer project in the fall of 2009. This project provided a sewer system for the residents of Mineola.

Mills County is in the final stages of building the GIS mapping in layers for the County and it should become completely operational by February 2010.

Mills County continues to move into the technology era. In October of 2008, we were fortunate to hire an IT Director we share with Montgomery County. He is responsible for maintaining all of our computer equipment and scheduling of replacement and IT policies and procedures. By having him on board, he has saved the County money on purchases and maintenance and will also assist with the County GIS mapping system.

In the present economy and with all of the State cuts, 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, 2009

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 7,872,289
Receivables:	
Property tax:	
Delinquent	13,180
Succeeding year	5,720,000
Interest and penalty on property tax	39,386
Accounts	156,085
Accrued interest	18,235
Drainage assessments	14,000
Special assessments	42,361
Due from other governments	462,833
Inventories	327,264
Prepaid insurance	27,013
Capital assets - nondepreciable	1,776,518
Capital assets - depreciable (net)	7,430,564
	<u>23,899,728</u>
Total assets	
Liabilities	
Accounts payable	129,554
Salaries and benefits payable	124,383
Due to other governments	211,846
Deferred revenue:	
Succeeding year property tax	5,720,000
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	229,564
General obligation urban renewal bonds	65,000
Portion due or payable after one year:	
Compensated absences	200,233
General obligation urban renewal bonds	930,000
	<u>7,610,580</u>
Total liabilities	
Net Assets	
Invested in capital assets	9,207,082
Restricted for:	
Supplemental levy purposes	1,591,330
Mental health purposes	442,013
Secondary roads purposes	2,101,760
Other purposes	481,537
Unrestricted	2,465,426
	<u>\$ 16,289,148</u>

See notes to financial statements.

Mills County

Statement of Activities

Year ended June 30, 2009

	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	\$ 2,058,481	204,281	54,075	-	(1,800,125)
Physical health and social services	1,610,481	555,553	737,660	-	(317,268)
Mental health	1,436,988	-	1,246,284	-	(190,704)
County environment and education	519,199	9,293	31,495	13,927	(464,484)
Roads and transportation	4,598,093	353,374	2,353,971	-	(1,890,748)
Governmental services to residents	435,645	246,756	82	-	(188,807)
Administration	1,104,760	13,635	27,295	-	(1,063,830)
Non-program	6,590	15,810	-	-	9,220
Total	11,770,237	1,398,702	4,450,862	13,927	(5,906,746)
General Revenues:					
Property and other county tax levied for general purposes					5,880,381
Penalty and interest on property tax					68,047
State tax credits					217,065
Tax increment financing					209,865
Local option sales and services tax					446,670
Grants and contributions not restricted to specific purpose					84,931
Unrestricted investment earnings					184,423
Gain on disposition of capital assets					17,335
Miscellaneous					55,363
Total general revenues					7,164,080
Change in net assets					1,257,334
Net assets beginning of year					15,031,814
Net assets end of year					\$ 16,289,148

See notes to financial statements.

Mills County
Balance Sheet
Governmental Funds

June 30, 2009

	General	Mental Health	Special Rural Services
Assets			
Cash and pooled investments	\$ 4,622,213	678,395	250,934
Receivables:			
Property tax:			
Delinquent	7,835	1,427	3,918
Succeeding year	3,199,000	582,000	1,729,000
Interest and penalty on property tax	39,386	-	-
Accounts	124,455	31,630	-
Accrued interest	17,190	-	-
Drainage assessments	-	-	-
Special assessments	-	-	-
Due from other governments	75,867	2,050	4,280
Inventories	-	-	-
Prepaid insurance	27,013	-	-
Total assets	\$ 8,112,959	1,295,502	1,988,132
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 36,588	68,884	3,121
Salaries and benefits payable	70,909	-	9,892
Due to other governments	5,953	202,605	425
Deferred revenue:			
Succeeding year property tax	3,199,000	582,000	1,729,000
Other	58,519	1,423	3,910
Total liabilities	<u>3,370,969</u>	<u>854,912</u>	<u>1,746,348</u>
Fund balances:			
Reserved for supplemental levy purposes	1,618,671	-	-
Unreserved, reported in:			
General fund	3,123,319	-	-
Special revenue funds	-	440,590	241,784
Total fund balances	<u>4,741,990</u>	<u>440,590</u>	<u>241,784</u>
Total liabilities and fund balances	\$ 8,112,959	1,295,502	1,988,132

See notes to financial statements.

Revenue		
Secondary Roads	Nonmajor	Total
1,717,834	602,913	7,872,289
-	-	13,180
-	210,000	5,720,000
-	-	39,386
-	-	156,085
-	1,045	18,235
-	14,000	14,000
42,361	-	42,361
301,524	79,112	462,833
327,264	-	327,264
-	-	27,013
2,388,983	907,070	14,692,646
11,461	9,500	129,554
42,874	708	124,383
1,321	1,542	211,846
-	210,000	5,720,000
63,101	-	126,953
118,757	221,750	6,312,736
-	-	1,618,671
-	-	3,123,319
2,270,226	685,320	3,637,920
2,270,226	685,320	8,379,910
2,388,983	907,070	14,692,646

Mills County

Mills County

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

June 30, 2009

Total governmental fund balances (page 19) \$ 8,379,910

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 \$13,800,738 and the accumulated depreciation is \$4,593,656. 9,207,082

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 126,953

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. (1,424,797)

Net assets of governmental activities (page 16) \$ 16,289,148

See notes to financial statements.

Mills County

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

Year ended June 30, 2009

	Special		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 3,720,500	585,121	1,596,059
Local option sales and services tax	-	-	-
Tax increment financing	-	-	-
Interest and penalty on property tax	74,311	-	-
Intergovernmental	1,361,020	1,263,181	120,808
Licenses and permits	48,360	-	35,200
Charges for service	406,854	-	-
Use of money and property	186,931	-	-
Miscellaneous	83,318	7,470	90
Total revenues	<u>5,881,294</u>	<u>1,855,772</u>	<u>1,752,157</u>
Expenditures:			
Operating:			
Public safety and legal services	1,675,891	-	384,066
Physical health and social services	1,455,207	-	85,024
Mental health	-	1,436,988	-
County environment and education	261,477	-	46,350
Roads and transportation	-	-	-
Governmental services to residents	433,978	-	1,899
Administration	1,113,215	-	12,604
Non-program	-	-	-
Capital projects	-	-	-
Total expenditures	<u>4,939,768</u>	<u>1,436,988</u>	<u>529,943</u>
Excess (deficiency) of revenues over (under) expenditures	<u>941,526</u>	<u>418,784</u>	<u>1,222,214</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	(253,317)	-	(1,174,621)
Total other financing sources (uses)	<u>(253,317)</u>	<u>-</u>	<u>(1,174,621)</u>
Net change in fund balances	688,209	418,784	47,593
Fund balances beginning of year	<u>4,053,781</u>	<u>21,806</u>	<u>194,191</u>
Fund balances end of year	<u>\$ 4,741,990</u>	<u>440,590</u>	<u>241,784</u>

See notes to financial statements.

Revenue		
Secondary		
Roads	Nonmajor	Total
-	-	5,901,680
-	446,670	446,670
-	209,865	209,865
-	-	74,311
2,431,546	88,224	5,264,779
12,141	-	95,701
10,283	3,410	420,547
-	5,277	192,208
310,700	15,945	417,523
2,764,670	769,391	13,023,284
-	-	2,059,957
-	79,419	1,619,650
-	-	1,436,988
-	240,299	548,126
4,317,783	-	4,317,783
-	4,123	440,000
-	-	1,125,819
-	6,590	6,590
60,740	1,600	62,340
4,378,523	332,031	11,617,253
(1,613,853)	437,360	1,406,031
1,603,317	-	1,603,317
-	(175,379)	(1,603,317)
1,603,317	(175,379)	-
(10,536)	261,981	1,406,031
2,280,762	423,339	6,973,879
2,270,226	685,320	8,379,910

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, 2009

Net change in fund balances - Total governmental funds (page 23) \$ 1,406,031

***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. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 412,586	
Depreciation expense	<u>(620,059)</u>	(207,473)

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. 17,335

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	(8,189)	
Other	<u>(4,859)</u>	(13,048)

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. 60,000

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. (5,511)

Change in net assets of governmental activities (page 17) \$ 1,257,334

See notes to financial statements.

Mills County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2009

Assets

Cash and pooled investments:	
County Treasurer	\$ 2,198,117
Other County officials	22,186
Receivables:	
Property tax:	
Delinquent	36,887
Succeeding year	15,106,000
Accounts	82,833
Accrued interest	2,028
Special assessments	253,519
Drainage assessments	96,082
Due from other governments	71,186
Total assets	17,868,838

Liabilities

Accounts payable	149,114
Stamped warrants payable	38,461
Salaries and benefits payable	13,737
Due to other governments	17,593,412
Unearned FEMA grant revenue	37,697
Trusts payable	13,455
Compensated absences	22,962
Total liabilities	17,868,838

Net assets	\$ -
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See notes to financial statements.

Mills County

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Secondary Roads Fund is used to account for 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

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, 2009. 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, 2009, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The County’s deposits in banks at June 30, 2009 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 \$549,735 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, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 253,317
	Special Revenue:	
	Rural Services	1,174,621
	Local Option Sales and Services Tax	<u>175,379</u>
Total		<u>\$ 1,603,317</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, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,776,518	-	-	1,776,518
Construction in progress	580,340	17,949	598,289	-
Total capital assets not being depreciated	2,356,858	17,949	598,289	1,776,518
Capital assets being depreciated:				
Buildings	1,644,689	-	-	1,644,689
Improvements other than buildings	96,888	-	-	96,888
Equipment and vehicles	4,983,053	411,972	172,391	5,222,634
Infrastructure	4,461,720	598,289	-	5,060,009
Total capital assets being depreciated	11,186,350	1,010,261	172,391	12,024,220
Less accumulated depreciation for:				
Buildings	733,314	45,236	-	778,550
Improvements other than buildings	43,599	4,844	-	48,443
Equipment and vehicles	3,016,132	429,653	172,391	3,273,394
Infrastructure	352,943	140,326	-	493,269
Total accumulated depreciation	4,145,988	620,059	172,391	4,593,656
Total capital assets being depreciated, net	7,040,362	390,202	-	7,430,564
Governmental activities capital assets, net	\$ 9,397,220	408,151	598,289	9,207,082

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 56,563
Physical health and social services	4,240
County environment and education	28,069
Roads and transportation	487,641
Governmental services to residents	2,698
Administration	40,848
Total depreciation expense - governmental activities	\$ 620,059

(5) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 5,953
Special Revenue:		
Mental Health	Services	202,605
Rural Services	Services	425
Secondary Roads	Services	1,321
Nonmajor	Services	1,542
	Total for governmental funds	<u>\$ 211,846</u>
Agency:		
County Assessor	Collections	\$ 512,297
Schools		11,330,893
Community Colleges		605,826
Corporations		2,766,866
Auto License and Use Tax		316,112
Drainage Districts		1,013,497
All other		1,047,921
	Total for agency funds	<u>\$ 17,593,412</u>

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	General Obligation Urban Renewal Bonds	Compen- sated Absences	Total
Balance beginning of year	\$ 1,055,000	424,286	1,479,286
Increases	-	364,265	364,265
Decreases	60,000	358,754	418,754
Balance end of year	<u>\$ 995,000</u>	<u>429,797</u>	<u>1,424,797</u>
Due within one year	<u>\$ 65,000</u>	<u>229,564</u>	<u>294,564</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
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	3.65	75,000	30,670	105,670
2014	3.70	75,000	27,933	102,933
2015-2019	3.75-3.95	440,000	93,857	533,857
2020-2021	4.00	205,000	12,200	217,200
Total		\$ 995,000	271,217	1,266,217

During the year ended June 30, 2009, \$60,000 of bonds were retired and interest of \$39,968 was paid. The principal and interest is reported in the county environment and education function.

(7) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the County is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$301,560, \$280,074 and \$257,495, 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 577 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, 2009 were \$115,085.

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 by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2009, no liability has been recorded in the County's financial statements. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

(9) 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, 2009:

Additions:		
Federal grants and entitlements:		
Medicaid case management		\$ 315,662
Contributions from governmental units		363,100
Total additions		<u>678,762</u>
Deductions:		
Salaries	\$ 249,087	
Benefits	83,954	
Case management:		
Chronic mental illness	32,726	
Mental retardation	256,209	
Technical assistance	6,536	
Office supplies	2,204	
Telephone	2,143	
Travel and training	32,118	
Dues	198	
Equipment repair	4,451	
		<u>669,626</u>
Net		9,136
Balance beginning of year		<u>107,809</u>
Balance end of year		<u><u>\$ 116,945</u></u>

(10) Development Agreement

The County entered into a development agreement to assist in an urban renewal project under Chapter 403 of the Code of Iowa. The County agreed to rebate 100% of the incremental tax paid by the developer in exchange for construction of infrastructure by the developer. The incremental tax received by the County from the developer will be rebated for a period of 11 years or until the total principal and interest has been paid. The total amount rebated is not to exceed \$545,000, plus interest. The outstanding principal balance on the agreement at June 30, 2009 is \$545,000, as no payments have been made.

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, 2009

	Actual	Funds not Required to be Budgeted	Actual	Budgeted Original
Receipts:				
Property and other county tax	\$ 6,556,986	-	6,556,986	6,577,383
Interest and penalty on property tax	73,207	-	73,207	62,200
Intergovernmental	5,250,931	-	5,250,931	4,902,939
Licenses and permits	90,271	-	90,271	69,400
Charges for service	419,741	-	419,741	415,995
Use of money and property	187,086	-	187,086	206,700
Miscellaneous	433,873	6,810	427,063	159,450
Total receipts	13,012,095	6,810	13,005,285	12,394,067
Disbursements:				
Public safety and legal services	2,062,998	-	2,062,998	2,297,260
Physical health and social services	1,655,423	-	1,655,423	1,768,598
Mental health	1,439,148	-	1,439,148	1,660,692
County environment and education	570,274	-	570,274	755,200
Roads and transportation	4,415,306	-	4,415,306	4,580,600
Governmental services to residents	443,341	-	443,341	475,481
Administration	1,118,400	-	1,118,400	1,179,114
Non-program	6,590	6,590	-	-
Capital projects	102,528	-	102,528	510,000
Total disbursements	11,814,008	6,590	11,807,418	13,226,945
Excess (deficiency) of receipts over (under) disbursements	1,198,087	220	1,197,867	(832,878)
Balance beginning of year	6,674,202	-	6,674,202	5,777,498
Balance end of year	\$ 7,872,289	220	7,872,069	4,944,620

See accompanying independent auditor's report.

Amounts	Final to
Final	Actual Variance
6,577,383	(20,397)
62,200	11,007
6,068,454	(817,523)
69,400	20,871
415,995	3,746
206,700	(19,614)
191,450	235,613
13,591,582	(586,297)
2,304,654	241,656
1,802,500	147,077
2,174,906	735,758
977,933	407,659
4,870,600	455,294
477,981	34,640
1,357,218	238,818
-	-
510,000	407,472
14,475,792	2,668,374
(884,210)	2,082,077
5,777,498	896,704
4,893,288	2,978,781

Mills County
Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 13,012,095	11,189	13,023,284
Expenditures	11,814,008	(196,755)	11,617,253
Net	1,198,087	207,944	1,406,031
Beginning fund balances	6,674,202	299,677	6,973,879
Ending fund balances	\$ 7,872,289	507,621	8,379,910

See accompanying independent auditor's report.

Mills County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$1,248,847. 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, 2009, disbursements did not exceed the amount budgeted for any function.

Mills County

Other Supplementary Information

Mills County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2009

				Special
	Local Option Sales and Services Tax	Resource Enhance- ment and Protection	County Recorder's Records Management	
Assets				
Cash and pooled investments	\$ 161,312	62,142		13,190
Receivables:				
Succeeding year property tax	-	-		-
Accrued interest	-	63		-
Drainage assessments	-	-		-
Due from other governments	76,331	-		-
Total assets	\$ 237,643	62,205		13,190
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	237,643	62,205		13,190
Total liabilities and fund balances	\$ 237,643	62,205		13,190

See accompanying independent auditor's report.

Revenue				
Urban Renewal Revenue	Decategorization Grant	Conservation Land Acquisition	Drainage District	Total
203,783	30,345	131,921	220	602,913
210,000	-	-	-	210,000
-	-	982	-	1,045
-	-	-	14,000	14,000
-	2,781	-	-	79,112
413,783	33,126	132,903	14,220	907,070
-	9,500	-	-	9,500
-	708	-	-	708
-	1,542	-	-	1,542
210,000	-	-	-	210,000
210,000	11,750	-	-	221,750
203,783	26,376	132,903	9,220	685,320
413,783	38,126	132,903	9,220	907,070

Mills County

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

Year ended June 30, 2009

	Local Option Sales and Services Tax	Resource Enhance- ment and Protection	Special County Recorder's Records Management
Revenues:			
Local option sales and services tax	\$ 446,670	-	-
Tax increment financing	-	-	-
Intergovernmental	-	16,700	-
Charges for service	-	-	3,410
Use of money and property	-	1,177	82
Miscellaneous	-	-	-
Total revenues	446,670	17,877	3,492
Expenditures:			
Operating:			
Physical health and social services	-	-	-
County environment and education	108,800	4,732	-
Governmental services to residents Non-program	-	-	4,123
Capital projects	-	-	-
Total expenditures	108,800	4,732	4,123
Excess (deficiency) of revenues over (under) expenditures	337,870	13,145	(631)
Other financing uses:			
Operating transfers out	(175,379)	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	162,491	13,145	(631)
Fund balances beginning of year	75,152	49,060	13,821
Fund balances end of year	\$ 237,643	62,205	13,190

See accompanying independent auditor's report.

Revenue				
Urban Renewal Revenue	Decategorization Grant	Conservation Land Acquisition	Drainage Districts	Total
-	-	-	-	446,670
209,865	-	-	-	209,865
-	71,524	-	-	88,224
-	-	-	-	3,410
-	-	4,018	-	5,277
-	135	-	15,810	15,945
209,865	71,659	4,018	15,810	769,391
-	79,419	-	-	79,419
126,767	-	-	-	240,299
-	-	-	-	4,123
-	-	-	6,590	6,590
-	-	1,600	-	1,600
126,767	79,419	1,600	6,590	332,031
83,098	(7,760)	2,418	9,220	437,360
-	-	-	-	(175,379)
83,098	(7,760)	2,418	9,220	261,981
120,685	34,136	130,485	-	423,339
203,783	26,376	132,903	9,220	685,320

Mills County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,597	214,554	222,201	10,379
Other County officials	22,186	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	331	760	26,692	1,447
Succeeding year	-	135,000	311,000	11,082,000	594,000
Accounts	268	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Drainage assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 22,454	137,928	526,314	11,330,893	605,826
Liabilities					
Accounts payable	\$ -	-	286	-	-
Stamped warrants payable	-	-	-	-	-
Salaries and benefits payable	-	-	4,758	-	-
Due to other governments	8,999	137,928	512,297	11,330,893	605,826
Unearned FEMA grant revenue	-	-	-	-	-
Trusts payable	13,455	-	-	-	-
Compensated absences	-	-	8,973	-	-
Total liabilities	\$ 22,454	137,928	526,314	11,330,893	605,826

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Drainage Districts	City Special Assessments	Other	Total
69,820	3,585	316,112	1,048,858	2,631	307,380	2,198,117
-	-	-	-	-	-	22,186
7,046	606	-	-	-	5	36,887
2,690,000	242,000	-	-	-	52,000	15,106,000
-	-	-	16	-	82,549	82,833
-	-	-	1,932	-	96	2,028
-	-	-	-	253,519	-	253,519
-	-	-	94,162	-	1,920	96,082
-	-	-	37,697	-	33,489	71,186
2,766,866	246,191	316,112	1,182,665	256,150	477,439	17,868,838
-	-	-	93,010	-	55,818	149,114
-	-	-	38,461	-	-	38,461
-	-	-	-	-	8,979	13,737
2,766,866	246,191	316,112	1,013,497	256,150	398,653	17,593,412
-	-	-	37,697	-	-	37,697
-	-	-	-	-	-	13,455
-	-	-	-	-	13,989	22,962
2,766,866	246,191	316,112	1,182,665	256,150	477,439	17,868,838

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

Year ended June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 27,514	127,079	504,614	10,534,556	508,188
Additions:					
Property and other county tax	-	135,261	311,841	11,094,174	595,694
E911 surcharges	-	-	-	-	-
State tax credits	-	4,694	10,973	384,674	18,758
Drivers license fees	-	-	-	-	-
Office fees and collections	276,459	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	510,054	-	-	-	-
Miscellaneous	-	-	4,494	-	-
Total additions	786,513	139,955	327,308	11,478,848	614,452
Deductions:					
Agency remittances:					
To other funds	167,947	-	-	-	-
To other governments	116,960	129,106	305,608	10,682,511	516,814
Trusts paid out	506,666	-	-	-	-
Total deductions	791,573	129,106	305,608	10,682,511	516,814
Balances end of year	\$ 22,454	137,928	526,314	11,330,893	605,826

See accompanying independent auditor's report.

Corpora- tions	Townships	Auto License and Use Tax	Drainage Districts	City Special Assess- ments	Other	Total
2,588,663	226,064	285,632	1,222,847	111,127	348,758	16,485,042
2,631,273	243,676	-	-	-	52,108	15,064,027
-	-	-	-	-	144,981	144,981
106,978	7,687	-	-	-	79	533,843
-	-	85,084	-	-	-	85,084
-	-	-	-	-	3,608	280,067
-	-	3,493,409	-	-	-	3,493,409
-	-	-	167,441	178,125	3,865	349,431
-	-	-	-	-	-	510,054
-	-	-	428,101	-	997,662	1,430,257
2,738,251	251,363	3,578,493	595,542	178,125	1,202,303	21,891,153
-	-	124,611	-	-	-	292,558
2,560,048	231,236	3,423,402	674,185	33,102	1,073,622	19,746,594
-	-	-	-	-	-	506,666
2,560,048	231,236	3,548,013	674,185	33,102	1,073,622	20,545,818
2,766,866	246,191	316,112	1,144,204	256,150	477,439	17,830,377

Mills County

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

For the Last Nine Years

	Modified Accrual			
	2009	2008	2007	2006
Revenues:				
Property and other county tax	\$ 5,901,680	5,724,908	5,136,830	5,142,550
Local option sales and services tax	446,670	423,977	461,667	347,818
Tax increment financing	209,865	210,868	180,487	166,353
Interest and penalty on property tax	74,311	59,488	69,965	59,729
Intergovernmental	5,264,779	5,424,442	4,852,275	4,759,740
Licenses and permits	95,701	52,039	57,849	43,714
Charges for service	420,547	442,920	416,554	415,490
Use of money and property	192,208	208,813	205,636	129,524
Miscellaneous	417,523	271,641	118,073	116,027
Total	\$ 13,023,284	12,819,096	11,499,336	11,180,945
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,059,957	2,008,550	1,968,069	1,954,695
Physical health and social services	1,619,650	1,731,452	1,553,540	1,540,540
Mental health	1,436,988	1,627,881	1,481,046	1,387,408
County environment and education	548,126	1,795,132	732,762	558,373
Roads and transportation	4,317,783	4,013,652	3,846,016	3,781,208
Governmental services to residents	440,000	433,234	398,924	519,019
Administration	1,125,819	840,129	1,206,796	861,420
Non-program	6,590	-	-	-
Capital projects	62,340	1,025,954	321,600	148,344
Total	\$ 11,617,253	13,475,984	11,508,753	10,751,007

See accompanying independent auditor's report.

Basis				
2005	2004	2003	2002	2001
5,061,577	4,692,704	4,176,656	3,852,699	3,623,625
341,655	460,483	231,893	114,197	-
151,893	81,669	21,389	-	-
67,080	64,520	58,961	64,648	52,016
4,986,813	4,956,091	5,080,119	4,681,784	4,703,172
53,025	41,557	22,341	22,679	20,707
411,805	423,211	377,699	331,182	320,568
91,453	69,780	92,446	148,357	188,656
626,241	153,442	85,203	168,704	134,242
<u>11,791,542</u>	<u>10,943,457</u>	<u>10,146,707</u>	<u>9,384,250</u>	<u>9,042,986</u>
1,845,844	1,844,744	1,757,748	1,681,567	1,563,369
1,530,878	1,519,960	1,576,721	1,749,326	1,598,200
1,345,167	1,256,362	1,291,039	1,301,181	1,317,824
480,879	446,864	394,689	463,264	242,103
3,708,503	3,659,910	3,023,542	3,248,746	3,060,082
403,113	410,654	358,154	359,565	300,839
892,000	868,287	928,735	768,968	805,641
-	-	-	-	-
757,372	66,871	175,531	106,470	234,842
<u>10,963,756</u>	<u>10,073,652</u>	<u>9,506,159</u>	<u>9,679,087</u>	<u>9,122,900</u>

Mills County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

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		\$ 10,215
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	07-WS-045	3,606
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	5800EMER072	108,204
Highway Planning and Construction	20.205	BROS-CO65(69) -- 8J-65	46,077
			154,281
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		1,704
National Family Caregiver Support, Title III, Part E	93.052		1,008
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5889BT19	5,000 *
Immunization Grants	93.268	58881419	4,765
Immunization Grants	93.268	58891419	3,013
			7,778
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	58800B22	32,742
Visiting Nurses Association of Pottawattamie County:			
Public Health Emergency Preparedness	93.069	5889BT04-11	22,528 *
Iowa Department of Human Services:			
Promoting Safe and Stable Families			
	93.556	BDPS-05-037	15,000
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families			
	93.558		9,417
Refugee and Entrant Assistance - State Administered Programs			
	93.566		16
Child Care Mandatory and Matching Funds of the Child Care and Development Fund			
	93.596		2,690
Foster Care - Title IV-E	93.658		5,717
Adoption Assistance	93.659		1,379
Children's Health Insurance Program	93.767		78
Medical Assistance Program	93.778		12,438
Social Services Block Grant	93.667		6,171
Social Services Block Grant	93.667		62,567
			68,738
Area Education Agency #13:			
Community - Based Child Abuse Prevention Grants	93.590		3,500

Mills County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2009

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		7,861
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-IA-DR1705	21,838
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-IA-DR1763	625,057
			<u>646,895</u>
Emergency Management Performance Grants	97.042		<u>25,609</u>
Homeland Security Information Technology Research, Testing, Evaluation and Demonstration Program	97.066	2006-GE-T6-0065-004	<u>3,508</u>
Total			<u>\$ 1,041,708</u>

* Total for CFDA Number is \$27,528.

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

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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, 2009, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 5, 2010. 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 purpose of expressing our opinions on the financial statements, but not for the purpose 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-09, II-B-09 and II-C-09 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, 2009 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

February 5, 2010

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

Mills County



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

To the Officials of Mills County:

Compliance

We have audited the compliance of Mills County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2009. 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, 2009.

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

February 5, 2010

Mills County
Schedule of Findings and Questioned Costs
Year ended June 30, 2009

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, which were considered to be 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 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters).
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Mills County did not qualify as a low-risk auditee.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-09 Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

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

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 try spreading work through out the office so not everything is done by one person.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

County Recorder – Due to limited staff, the County will continue to do our accounting duties to the best of our abilities. The County will review the operating procedures in the office to maintain maximum internal control under the circumstances. The County does keep a listing of cash receipts and consider our check listing in the depository a sufficient preparation of that request. We understand an accounting manual would be helpful and will work on creating one.

Conclusions – Responses accepted.

- II-B-09 Financial Reporting – During the audit, we identified material amounts of payables not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

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

Response – The County will work towards making sure the date earned is on these claims so a lot of adjustments will not need to be made.

Conclusion – Response accepted.

- II-C-09 Monthly Bank Reconciliations - Although monthly bank reconciliations were prepared, the reconciliations included only the checking accounts and did not include investments. Additionally, other reconciling items necessary to reconcile with the monthly financial reports were not adequately identified.

Recommendation - To provide better control over financial transactions and overall accountability, monthly bank reconciliations should be prepared to include all checking accounts, investments, petty cash and reconciling items which are clearly identifiable and supported. The reconciliations should agree with the fund and account balances on the treasurer's monthly financial report.

Response – We will work to improve reconciliations as recommended.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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, 2009

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.

Although the Board of Supervisors acted to increase certain department appropriations by amendment, a clerical error when publishing amendments negated a prior budget amendment which caused the disbursements in one department to exceed the appropriation.

Recommendation – When amending the budget, the Board should ensure the previous published budget agrees to the actual prior budget.

Response – A clerical error was made and an effort to ensure the most recent and up to date figures will be carried forward on the amendment prior to publication will be done in the future.

Conclusion – Response accepted.

IV-B-09 Questionable Expenditures – We noted a purchase for the Boost 4 Families Board of \$45 for meals and snacks provided at the Board meeting. This expenditure may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Board of Supervisors and other boards should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper document.

Response – The County will make conservative and judicious use of Iowa Empowerment guidelines in an effort to fulfill the public purpose. Any expenditures incurred in the future, and submitted for payment to the Board of Supervisors, will be clearly noted and supported with an original, itemized receipt of the goods and services to be approved by the Mills County Board of Supervisors.

Conclusion – Response accepted.

IV-C-09 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-09 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, Independent contractor	Cleaning service	\$ 330

Mills County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

IV-E-09 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-09 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

The County Board of Supervisors went into closed session numerous times during the year ended June 30, 2009. 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 ensure the reason for a closed session is properly documented as required by Chapter 21.5 of the Code of Iowa.

Response – The County will make sure the detail of the reason for the closed sessions are noted in the minutes.

Conclusion – Response accepted.

IV-G-09 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-09 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-09 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, 2009 for the County Extension Office did not exceed the amount budgeted.

The County Extension Office published a detailed report of receipts and expenditures before August 1, but a summary of agency fund receipts and expenditures was excluded from the publication.

Recommendation – Publication of the Extension Council Office's receipts and expenditures should include a summary of the agency fund receipts and expenditures.

Response – The County will work towards future compliance with the recommendations.

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
Tiffany M. Ainger, Staff Auditor
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