



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

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**NEWS RELEASE**

FOR RELEASE March 10, 2004

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 \$16,857,155 for the year ended June 30, 2003, which included \$749,935 in tax credits from the state. The County forwarded \$12,459,774 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,397,381 of the local tax revenue to finance County operations, a six percent increase from the prior year. Other revenues included \$4,880,783 from other governments, including indirect federal funding, \$231,893 in local option sales tax and \$84,988 in interest on investments.

Expenditures for County operations totaled \$9,506,159, a two percent decrease from the prior year. Expenditures included \$3,023,542 for roads and transportation, \$1,757,748 for public safety and legal services and \$1,576,721 for physical health and social services.

The report contains recommendations to the Board of Supervisors and other County officials. For example, the County Treasurer and County Recorder should segregate duties to the extent possible to ensure maximum control over receipts and disbursements.

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

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**MILLS COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2003**

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**Mills County**

**Officials**

**(Before January 2003)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gerald Jones	Board of Supervisors	Resigned
Brian Fichter (Appointed)	Board of Supervisors	Nov 2002
Don Brantz	Board of Supervisors	Jan 2005
Naomi Christensen	Board of Supervisors	Jan 2005
Carol Robertson	County Auditor	Jan 2005
Lesta Kahl	County Treasurer	Resigned
Janette Blackburn (Appointed)	County Treasurer	Nov 2002
Roberta Dashner	County Recorder	Jan 2003
Mack G. Taylor	County Sheriff	Jan 2005
C. Kenneth Whitacre	County Attorney	Jan 2003
Alice Shipley	County Assessor	Jan 2004

**(After January 2003)**

Don Brantz	Board of Supervisors	Jan 2005
Naomi Christensen	Board of Supervisors	Jan 2005
Brian Fichter	Board of Supervisors	Jan 2007
Carol Robertson	County Auditor	Jan 2005
Janette Blackburn	County Treasurer	Jan 2007
Roberta Dashner	County Recorder	Jan 2007
Mack G. Taylor	County Sheriff	Jan 2005
Marci Prier	County Attorney	Jan 2007
Alice Shipley	County Assessor	Jan 2004

**Mills County**



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Independent Auditor's Report

To the Officials of Mills County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Mills County, Iowa, as of and for the year ended June 30, 2003. These general purpose financial statements are the responsibility of Mills County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The County did not determine the amount of materials and supplies inventories, pertaining primarily to the Secondary Roads Fund, at July 1, 2002, although required by U.S. generally accepted accounting principles. As a result, the fund balance of the Secondary Roads Fund is understated at the beginning of the year and the increase in the reserve for inventories in the Secondary Roads Fund is overstated for the year ended June 30, 2003 by the same amount. These amounts are not reasonably determinable.

The general purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order to conform with U.S. generally accepted accounting principles. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, except for the effects on the financial statements of the omissions described in the preceding two paragraphs, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Mills County at June 30, 2003, and the results of its operations for the year then ended, in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types and expendable trust fund of Mills County for the year ended June 30, 2003.

As discussed in note 11, Mills County intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the year ending June 30, 2004. The effects of these statements are expected to significantly impact the

presentation of the County's financial statements and related notes in the year of implementation. The revised requirements include the use of the economic resources measurement focus and full accrual accounting, as well as an analytical overview of the County's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated January 6, 2004 on our consideration of Mills County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed qualified opinions on those financial statements for the effects of the omission of the general fixed assets account group and the omission of the materials and supplies inventories, pertaining primarily to the Secondary Roads Fund. The supplemental information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, except for the effects of the omission of the materials and supplies inventories, pertaining primarily to the Secondary Roads Fund, at July 1, 2002, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 6, 2004

## **Financial Statements**



Mills County  
 Combined Balance Sheet  
 All Fund Types and Account Group  
 June 30, 2003

	Governmental Fund Types	
	General	Special Revenue
<b>Assets and Other Debits</b>		
Cash and pooled investments:		
County Treasurer	\$ 773,070	3,032,235
Other County officials	-	-
Receivables:		
Property tax:		
Delinquent	13,321	5,902
Succeeding year	2,982,000	1,759,000
Interest and penalty on property tax	41,332	-
Accounts	91,378	13,169
Accrued interest	6,456	-
Succeeding year special assessments	-	-
Drainage assessments:		
Current	-	-
Succeeding year	-	-
Due from other funds (note 3)	29,050	8,431
Due from other governments	101,010	235,605
Inventories	-	319,815
Prepaid insurance	22,617	-
Amount to be provided for retirement of general long-term debt	-	-
<b>Total assets and other debits</b>	<b>\$ 4,060,234</b>	<b>5,374,157</b>

Fiduciary Fund Type	Account Group General Long-Term Debt	Total (Memorandum Only)
1,498,355	-	5,303,660
35,453	-	35,453
59,821	-	79,044
11,396,000	-	16,137,000
-	-	41,332
46,352	-	150,899
1,477	-	7,933
202,360	-	202,360
128	-	128
39,384	-	39,384
13,003	-	50,484
24,319	-	360,934
-	-	319,815
-	-	22,617
-	294,065	294,065
13,316,652	294,065	23,045,108

Mills County  
 Combined Balance Sheet  
 All Fund Types and Account Group  
 June 30, 2003

	Governmental Fund Types	
	General	Special Revenue
<b>Liabilities and Fund Equity</b>		
Liabilities:		
Accounts payable	\$ 50,392	60,313
Salaries and benefits payable	110,106	55,722
Due to other funds (note 3)	1,181	13,003
Due to other governments (note 4)	10,828	145,380
Deferred revenue:	-	
Succeeding year property tax	2,982,000	1,759,000
Other	65,081	5,902
Trusts payable	-	-
Bond payable (note 5)	-	-
Drainage warrants payable	-	-
Compensated absences	41,287	21,884
Total liabilities	3,260,875	2,061,204
Fund equity:		
Fund balances:		
Reserved for:		
Inventories	-	319,815
Prepaid insurance	22,617	-
Unreserved	776,742	2,993,138
Total fund equity	799,359	3,312,953
<b>Total liabilities and fund equity</b>	<b>\$ 4,060,234</b>	<b>5,374,157</b>

See notes to financial statements.

Fiduciary Fund Type	<u>Account Group</u> General Long-Term Debt	Total (Memorandum Only)
27,910	-	138,615
8,529	-	174,357
36,300	-	50,484
13,149,152	-	13,305,360
-	-	4,741,000
-	-	70,983
6,515	-	6,515
-	150,000	150,000
45,208	-	45,208
18,489	144,065	225,725
13,292,103	294,065	18,908,247
-	-	319,815
-	-	22,617
24,549	-	3,794,429
24,549	-	4,136,861
13,316,652	294,065	23,045,108

**Exhibit B**

## Mills County

Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances – All Governmental Fund Types  
and Expendable Trust Fund

Year ended June 30, 2003

	Governmental Fund Types		Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Expendable Trust	
Revenues:				
Property and other County tax	\$ 2,639,566	1,790,372	-	4,429,938
Interest and penalty on property tax	58,961	-	-	58,961
Intergovernmental	1,433,491	3,646,628	-	5,080,119
Licenses and permits	21,551	790	-	22,341
Charges for service	360,090	17,609	-	377,699
Use of money and property	88,916	180	3,350	92,446
Miscellaneous	21,414	63,789	-	85,203
Total revenues	4,623,989	5,519,368	3,350	10,146,707
Expenditures:				
Operating:				
Public safety and legal services	1,757,748	-	-	1,757,748
Physical health and social services	1,461,988	114,733	-	1,576,721
Mental health	-	1,291,039	-	1,291,039
County environment and education	200,010	194,679	-	394,689
Roads and transportation	-	3,023,542	-	3,023,542
Governmental services to residents	352,298	5,856	-	358,154
Administration	928,735	-	-	928,735
Capital projects	-	175,531	-	175,531
Total expenditures	4,700,779	4,805,380	-	9,506,159
Excess (deficiency) of revenues over (under) expenditures	(76,790)	713,988	3,350	640,548
Other financing sources (uses):				
Operating transfers in	-	1,052,641	-	1,052,641
Operating transfers out	(14,000)	(1,038,641)	-	(1,052,641)
Total other financing sources (uses)	(14,000)	14,000	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(90,790)	727,988	3,350	640,548
Fund balances beginning of year	893,743	2,265,150	21,199	3,180,092
Increase (decrease) in reserve for:				
Inventories	-	319,815	-	319,815
Prepaid insurance	(3,594)	-	-	(3,594)
Fund balances end of year	\$ 799,359	3,312,953	24,549	4,136,861

See notes to financial statements.

Mills County

Comparison of Receipts, Disbursements and  
Changes in Balances – Actual to Budget (Cash Basis)  
All Governmental Fund Types and Expendable Trust Fund

Year ended June 30, 2003

	Actual	Amended Budget	Variance - Favorable (Unfavorable)	Actual as % of Amended Budget
<b>Receipts:</b>				
Property and other County tax	\$ 4,437,430	4,432,448	4,982	100%
Interest and penalty on property tax	59,001	45,475	13,526	130%
Intergovernmental	5,160,554	4,926,949	233,605	105%
Licenses and permits	22,341	30,250	(7,909)	74%
Charges for service	381,193	283,910	97,283	134%
Use of money and property	100,874	142,054	(41,180)	71%
Miscellaneous	97,775	57,900	39,875	169%
Total receipts	<u>10,259,168</u>	<u>9,918,986</u>	<u>340,182</u>	<u>103%</u>
<b>Disbursements:</b>				
Public safety and legal services	1,731,906	1,796,033	64,127	96%
Physical health and social services	1,618,185	2,045,471	427,286	79%
Mental health	1,286,987	1,396,954	109,967	92%
County environment and education	544,287	618,648	74,361	88%
Roads and transportation	3,020,365	3,667,700	647,335	82%
Governmental services to residents	357,828	431,627	73,799	83%
Administration	1,009,830	1,042,405	32,575	97%
Capital projects	175,531	473,000	297,469	37%
Total disbursements	<u>9,744,919</u>	<u>11,471,838</u>	<u>1,726,919</u>	<u>85%</u>
Excess (deficiency) of receipts over (under) disbursements	514,249	(1,552,852)		
Other financing sources, net	-	150,000		
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	514,249	(1,402,852)		
Balance beginning of year	<u>3,315,605</u>	<u>2,225,467</u>		
Balance end of year	<u>\$ 3,829,854</u>	<u>822,615</u>		

See notes to financial statements.

Mills County

Notes to Financial Statements

June 30, 2003

**(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.

A. Reporting Entity

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

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

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

B. Fund Accounting

The accounts of the County are organized on the basis of funds and account group, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues and expenditures. The various funds and account group and their designated purposes are as follows:

Governmental Funds

General Fund – The General Fund is the general operating fund of the County. All general tax revenues and other revenues that are 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 that are not paid from other funds.

Special Revenue Funds – The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Fiduciary Funds

Trust Fund – The Trust Fund is used to account for assets held by the County in a trustee capacity. The Expendable Trust Fund is accounted for in essentially the same manner as Governmental Funds.

Agency Funds – The 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. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

Account Group

General Long-Term Debt – This account group is established to account for long-term debt of the County. Long-term liabilities expected to be financed from Governmental Funds are accounted for in this account group, not in the Governmental Funds.

C. Measurement Focus

Governmental Funds and the Expendable Trust Fund are accounted for on a spending or "financial flow" measurement focus. This means only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of "available spendable resources." Governmental Fund and Expendable Trust Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.



All Governmental Funds and the Expendable Trust Fund are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and 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. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The assets and liabilities of the Agency Funds are accounted for using the modified accrual basis of accounting.

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.

E. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the combined balance sheet:

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 from 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 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, 2001 assessed property valuations; is for the tax accrual period July 1, 2002 through June 30, 2003 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2002.

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.

Succeeding Year Special Assessments Receivable – Succeeding year special assessments receivable represent amounts assessed to individuals for work done 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. Succeeding year special assessments receivable represents assessments which are payable but not yet due.

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. Current drainage assessments receivable represent assessments which are due and payable but have not been collected. Succeeding year drainage assessments receivable represents drainage assessments which are payable but not yet due.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2003, balances of interfund amounts receivable or payable have been recorded.

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

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve, which indicates they are not available to liquidate current obligations.

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 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 the succeeding year property tax receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon termination, death or retirement. For the Agency Funds, these accumulations are recorded as liabilities in the year earned. In the Governmental Funds, the cost of vacation and compensatory payments expected to be liquidated currently are recorded as liabilities of the Governmental Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the County's commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2003.

F. Budgets and Budgetary Accounting

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

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

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 Emergency Management Services by the County Emergency Management Commission, for the County Assessor by the County Conference Board and for the E911 System by the Joint E911 Service Board.

Exhibit C is a comparison of cash receipts, disbursements and changes in balances with the cash basis budget, which is legally controlled by function, not fund type. Operations and ending fund balances on the cash and modified accrual basis have been reconciled as follows:

	Governmental Fund Types					
	General			Special Revenue		
	Cash	Accrual	Modified	Cash	Accrual	Modified
	Basis	Adjust-ments	Accrual Basis	Basis	Adjust-ments	Accrual Basis
Revenues	\$ 4,627,205	(3,216)	4,623,989	5,628,613	(109,245)	5,519,368
Expenditures	4,764,483	(63,704)	4,700,779	4,980,436	(175,056)	4,805,380
Net	(137,278)	60,488	(76,790)	648,177	65,811	713,988
Other financing sources (uses)	(14,000)	-	(14,000)	14,000	-	14,000
Beginning fund balances	924,348	(30,605)	893,743	2,370,058	(104,908)	2,265,150
Increase (decrease) in reserve for:						
Inventories	-	-	-	-	319,815	319,815
Prepaid insurance	-	(3,594)	(3,594)	-	-	-
Ending fund balances	\$ 773,070	26,289	799,359	3,032,235	280,718	3,312,953

  

	Fiduciary Fund Type					
	Expendable Trust			Total		
	Cash	Accrual	Modified	Cash	Accrual	Modified
	Basis	Adjust-ments	Accrual Basis	Basis	Adjust-ments	Accrual Basis
Revenues	\$ 3,350	-	3,350	10,259,168	(112,461)	10,146,707
Expenditures	-	-	-	9,744,919	(238,760)	9,506,159
Net	3,350	-	3,350	514,249	126,299	640,548
Other financing sources (uses)	-	-	-	-	-	-
Beginning fund balances	21,199	-	21,199	3,315,605	(135,513)	3,180,092
Increase (decrease) in reserve for:						
Inventories	-	-	-	-	319,815	319,815
Prepaid insurance	-	-	-	-	(3,594)	(3,594)
Ending fund balances	\$ 24,549	-	24,549	3,829,854	307,007	4,136,861

G. Total (Memorandum Only)

The total column on the combined balance sheet and the combined statement of revenues, expenditures and changes in fund balances is captioned "Memorandum Only" to indicate it is presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2003 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 \$470,610 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

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

The detail of interfund receivables and payables at June 30, 2003 is as follows:

Receivable Fund	Payable Fund	Amount
General	Trust and Agency:	
	County Auditor	\$ 100
	County Recorder	13,918
	County Sheriff	5,634
	Auto License and Use Tax	9,398
Special Revenue:	Trust and Agency:	
County Recorder's	County Recorder	550
Records Management	Mental Health 28E	
Mental Health	Organization	6,700
Secondary Roads	General	1,181
Trust and Agency:	Special Revenue:	
Mental Health 28E	Mental Health	<u>13,003</u>
Organization		
Total		<u>\$ 50,484</u>

**(4) 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. The Agency Fund collections also include accruals of property tax for the succeeding year. The 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	<u>\$ 10,828</u>
Special Revenue:		
Secondary Roads	Services	105
Mental Health		<u>145,275</u>
		<u>145,380</u>
Trust and Agency:		
County Assessor	Collections	298,206
Schools		8,624,826
Community Colleges		398,481
Corporations		2,137,101
Townships		145,519
Auto License and Use Tax		274,486
Drainage Districts		840,354
City Special Assessments		206,050
E911		28,296
All other		<u>195,833</u>
		<u>13,149,152</u>
Total		<u>\$13,305,360</u>

**(5) Changes in Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2003 is as follows:

	Urban Renewal Tax Increment Revenue Bond	Compensated Absences	Total
Balance beginning of year	\$ 150,000	106,594	256,594
Additions	-	37,471	37,471
Reductions	-	-	-
Balance end of year	<u>\$ 150,000</u>	<u>144,065</u>	<u>294,065</u>

Urban Renewal Tax Increment Revenue Bond

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

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

- (1) Interest on the principal sum remaining unpaid on this bond is payable on December 1, 2002, and on each June 1 and December 1 thereafter until the entire principal sum is repaid.
- (2) On June 1, 2003, and on each June 1 through and including June 1, 2022, to the extent there is any unpaid principal of this bond and there are proceeds remaining in the Urban Renewal Tax Revenue Account following each required payment of interest pursuant to (1) above, 50% of such proceeds is to be applied to the payment of principal of this bond.

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

During the year ended June 30, 2003, interest payments of \$5,083 were made by the County.

**(6) Pension and Retirement Benefits**

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 5.37% and 8.05%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$218,645, \$216,850, and \$207,054, respectively, equal to the required contributions for each year.

**(7) Risk Management**

Mills County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 400 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, 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 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2003 were \$73,876.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that 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 that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2003, no liability has been recorded in the County's financial statements. As of June 30, 2003, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. In addition, the County carries employee blanket bonds in the amount of \$20,000 per employee and \$80,000 for the County Treasurer. 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.

**(8) 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 an Agency Fund because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2003:

Additions:		
Federal grants and entitlements:		
Medicaid case management		\$ 166,641
Contributions from governmental units		221,436
Miscellaneous		<u>66</u>
Total additions		388,143
Deductions:		
Salaries	\$ 129,044	
Benefits	48,232	
Case management:		
Chronic mental illness	20,864	
Mental retardation	163,508	
Technical assistance	4,342	
Office supplies	1,363	
Telephone	2,004	
Travel	20,931	
Training	1,481	
Equipment repair	2,155	
Equipment	<u>3,513</u>	<u>397,437</u>
Net		(9,294)
Balance beginning of year		<u>79,421</u>
Balance end of year		<u>\$ 70,127</u>



**(9) Development Agreements**

The County entered into two development agreements to assist in urban renewal projects. The County agreed to rebate 100% of the incremental tax paid by the developer in exchange for the construction of water line improvements. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated in fourteen semi-annual payments beginning on October 1, 2002. The total to be paid by the County under this agreement is not to exceed \$65,000. As of June 30, 2003, \$9,600 has been paid to the developer.

The County agreed to rebate 100% of the incremental tax paid by the developer to the bank on behalf of the developer, in exchange for the construction of a 2.23 mile race track and a water line related to that development. The incremental tax to be received by the County under Chapter 403.19 of the Code of Iowa from the developer will be rebated in thirty-nine semi-annual payments beginning on June 1, 2003. The total to be paid by the County under this agreement is not to exceed \$180,000 plus interest at 7 percent per annum. As of June 30, 2003, \$5,083 of interest has been paid to the developer.

**(10) Litigation**

The County is involved in several legal matters as of June 30, 2003. The probability of loss, if any, is undeterminable.

**(11) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the year ending June 30, 2004. The effects are expected to significantly impact the presentation of the County’s financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual accounting. Also, the revised minimum reporting requirements include Management’s Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the County’s financial activities.

**Supplemental Information**

**Mills County**

## Mills County

## General Fund

Statement of Revenues, Expenditures and  
Changes in Fund Balance

Year ended June 30, 2003

## Revenues:

## Property and other County tax:

Property tax	\$ 2,501,330	
Utility tax replacement excise tax	135,127	
Other	<u>3,109</u>	\$ 2,639,566

Interest and penalty on property tax		58,961
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## Intergovernmental:

## State shared revenues:

Franchise tax	14,100	
Other	<u>1,245</u>	
	<u>15,345</u>	

## State tax replacements:

State tax credits	128,283	
State allocation	<u>81,582</u>	
	<u>209,865</u>	

## State and federal pass-thru revenues:

Human services administrative reimbursements	35,343	
Parents as teachers program	92,276	
Rehabilitative treatment services	181,220	
Home care aide grant	64,282	
Other	<u>101,570</u>	
	<u>474,691</u>	

Contributions and reimbursements from other  
governmental units:

Contract law enforcement	35,920	
Communication center reimbursements	175,813	
Other	<u>66,923</u>	
	<u>278,656</u>	

## Direct federal grants and entitlements:

Medicare and medicaid	<u>450,677</u>	
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Payments in lieu of taxes	<u>4,257</u>	1,433,491
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Licenses and permits		21,551
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**Schedule 1**

## Mills County

## General Fund

Statement of Revenues, Expenditures and  
Changes in Fund Balance

Year ended June 30, 2003

Revenues (continued):		
Charges for service:		
Office fees and collections	171,919	
Nursing fees	51,741	
Auto registration, use tax , drivers license and mailing	109,224	
Other	<u>27,206</u>	360,090
Use of money and property:		
Interest on investments	84,808	
Other	<u>4,108</u>	88,916
Miscellaneous		<u>21,414</u>
Total revenues		<u>4,623,989</u>
Expenditures:		
Operating:		
Public safety and legal services		1,757,748
Physical health and social services		1,461,988
County environment and education		200,010
Governmental services to residents		352,298
Administration		<u>928,735</u>
Total expenditures		<u>4,700,779</u>
Deficiency of revenues under expenditures		(76,790)
Other financing uses:		
Operating transfers out:		
Special Revenue:		
Secondary Roads		<u>(14,000)</u>
Deficiency of revenues under expenditures and other financing uses		(90,790)
Fund balance beginning of year		893,743
Decrease in reserve for prepaid insurance		<u>(3,594)</u>
Fund balance end of year		<u>\$ 799,359</u>

See accompanying independent auditor's report.

## Mills County

## General Fund

## Statement of Expenditures

Year ended June 30, 2003

## Public safety and legal services:

## Law enforcement:

Uniformed patrol services	\$ 604,994	
Investigations	6,946	
Law enforcement communication	373,067	
Adult correction services	363,998	
Administration	210,309	
	<u>1,559,314</u>	

## Legal services:

Criminal prosecution	162,156	
Medical examinations	7,138	
	<u>169,294</u>	

## Emergency services:

Ambulance services	1,000	
Emergency management	19,130	
	<u>20,130</u>	

## Assistance to district court system:

Research and other assistance	5,768	
	<u>5,768</u>	

## Court proceedings:

Juries and witnesses	141	
Service of civil papers	1,467	
	<u>1,608</u>	

## Juvenile justice administration:

Court-appointed attorneys and court costs for juveniles	<u>1,634</u>	\$ 1,757,748
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## Physical health and social services:

## Physical health services:

Personal and family health services	951,857	
Sanitation	15,844	
	<u>967,701</u>	

## Services to the poor:

Administration	40,050	
General welfare services	81,899	
	<u>121,949</u>	

**Schedule 2**

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## Mills County

## General Fund

## Statement of Expenditures

Year ended June 30, 2003

## Physical health and social services (continued):

## Services to military veterans:

Administration	12,070	
General services to veterans	21,524	
	<u>33,594</u>	

## Children's and family services:

Youth guidance	77,894	
	<u>77,894</u>	

## Services to other adults:

Services to the elderly	259,543	
	<u>259,543</u>	

## Chemical dependency:

Treatment services	1,307	1,461,988
	<u>1,307</u>	

## County environment and education:

## Conservation and recreation services:

Administration	63,311	
Maintenance and operations	94,199	
	<u>157,510</u>	

## Educational services:

Fair and 4-H clubs	21,250	
Fairgrounds	21,250	
	<u>42,500</u>	200,010

## Governmental services to residents:

## Representation services:

Elections administration	66,578	
Local elections	2,270	
Township officials	1,160	
	<u>70,008</u>	

## State administrative services:

Motor vehicle registrations and licensing	124,778	
Recording of public documents	157,512	
	<u>282,290</u>	352,298

## Administration:

## Policy and administration:

General County management	306,348	
Administrative management services	185,957	
Treasury management services	102,630	
Other policy and administration	78,735	
	<u>673,670</u>	

Mills County  
General Fund  
Statement of Expenditures  
Year ended June 30, 2003

Administration (continued):			
Central services:			
General services	120,798		
Data processing services	<u>39,143</u>		
	<u>159,941</u>		
Risk management services:			
Tort liability	33,560		
Safety of the workplace	60,257		
Fidelity of public officials	<u>1,307</u>		
	<u>95,124</u>	<u>928,735</u>	
Total			<u>\$ 4,700,779</u>

See accompanying independent auditor's report.



Mills County  
Special Revenue Funds  
Combining Balance Sheet  
June 30, 2003

	Rural Services	Secondary Roads	Mental Health	Local Option Sales and Services Tax
<b>Assets</b>				
Cash and pooled investments	\$ 22,402	2,403,862	396,675	92,533
Receivables:				
Property tax:				
Delinquent	3,305	-	2,597	-
Succeeding year	1,096,000	-	581,000	-
Accounts	-	-	13,169	-
Due from other funds	-	1,181	6,700	-
Due from other governments	10,575	188,236	-	32,040
Inventories	-	319,815	-	-
<b>Total assets</b>	<b>\$ 1,132,282</b>	<b>2,913,094</b>	<b>1,000,141</b>	<b>124,573</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ -	20,134	38,619	-
Salaries and benefits payable	1,537	51,622	527	-
Due to other funds	-	-	13,003	-
Due to other governments	-	105	145,275	-
Deferred revenue:				
Succeeding year property tax	1,096,000	-	581,000	-
Other	3,305	-	2,597	-
Compensated absences	82	20,952	-	-
Total liabilities	1,100,924	92,813	781,021	-
Fund equity:				
Fund balances:				
Reserved for inventories	-	319,815	-	-
Unreserved	31,358	2,500,466	219,120	124,573
Total fund equity	31,358	2,820,281	219,120	124,573
<b>Total liabilities and fund equity</b>	<b>\$ 1,132,282</b>	<b>2,913,094</b>	<b>1,000,141</b>	<b>124,573</b>

See accompanying independent auditor's report.

Resource Enhance- ment and Protection	County Recorder's Records Management	Urban Renewal TIF Bond	Feed Energy TIF Rebate	MidAmerica Motorplex, Inc. TIF Rebate	Decategorization Grant	Total
8,986	2,275	103	1	1,622	103,776	3,032,235
-	-	-	-	-	-	5,902
-	-	-	20,000	62,000	-	1,759,000
-	-	-	-	-	-	13,169
-	550	-	-	-	-	8,431
275	-	-	-	-	4,479	235,605
-	-	-	-	-	-	319,815
<b>9,261</b>	<b>2,825</b>	<b>103</b>	<b>20,001</b>	<b>63,622</b>	<b>108,255</b>	<b>5,374,157</b>
-	1,560	-	-	-	-	60,313
-	-	-	-	-	2,036	55,722
-	-	-	-	-	-	13,003
-	-	-	-	-	-	145,380
-	-	-	20,000	62,000	-	1,759,000
-	-	-	-	-	-	5,902
-	-	-	-	-	850	21,884
-	1,560	-	20,000	62,000	2,886	2,061,204
-	-	-	-	-	-	319,815
9,261	1,265	103	1	1,622	105,369	2,993,138
9,261	1,265	103	1	1,622	105,369	3,312,953
<b>9,261</b>	<b>2,825</b>	<b>103</b>	<b>20,001</b>	<b>63,622</b>	<b>108,255</b>	<b>5,374,157</b>

Mills County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Mental Health	Local Option Sales and Services Tax
<b>Revenues:</b>				
Property and other County tax:				
Property tax	\$ 900,775	-	550,101	-
Local option sales tax	-	-	-	231,893
Tax increment financing	-	-	-	-
Utility tax replacement excise tax	54,598	-	29,718	-
Other	1,214	-	684	-
	<u>956,587</u>	<u>-</u>	<u>580,503</u>	<u>231,893</u>
<b>Intergovernmental:</b>				
State shared revenues:				
Road use tax	-	1,991,300	-	-
State tax replacements:				
State tax credits	42,841	-	28,212	-
Mental health property tax relief	-	-	442,639	-
Other	-	-	102,672	-
	<u>42,841</u>	<u>-</u>	<u>573,523</u>	<u>-</u>
State and federal pass-thru revenues:				
Social services block grant	-	-	57,210	-
Road jurisdiction transfer	-	626,667	-	-
Decategorization grant	-	-	-	-
Other	10,575	99,538	-	-
	<u>10,575</u>	<u>726,205</u>	<u>57,210</u>	<u>-</u>
Contributions and reimbursements from other governmental units	-	88,044	83,319	-
Direct federal grants and entitlements:				
Watershed protection and flood prevention	-	11,082	-	-
	<u>53,416</u>	<u>2,816,631</u>	<u>714,052</u>	<u>-</u>
Licenses and permits	-	790	-	-
Charges for service	-	12,206	-	-
Use of money and property	-	-	-	-
Miscellaneous	40	60,319	3,100	-
Total revenues	<u>1,010,043</u>	<u>2,889,946</u>	<u>1,297,655</u>	<u>231,893</u>

Resource Enhance- ment and Protection	County Recorder's Records Management	Urban Renewal TIF Bond	Feed Energy TIF Rebate	MidAmerica Motorplex, Inc. TIF Rebate	Decategorization Grant	Total
-	-	-	-	-	-	1,450,876
-	-	-	-	-	-	231,893
-	-	-	9,601	11,788	-	21,389
-	-	-	-	-	-	84,316
-	-	-	-	-	-	1,898
-	-	-	9,601	11,788	-	1,790,372
-	-	-	-	-	-	1,991,300
-	-	-	-	-	-	71,053
-	-	-	-	-	-	442,639
-	-	-	-	-	-	102,672
-	-	-	-	-	-	616,364
-	-	-	-	-	-	57,210
-	-	-	-	-	-	626,667
-	-	-	-	-	59,542	59,542
487	-	-	-	-	2,500	113,100
487	-	-	-	-	62,042	856,519
-	-	-	-	-	-	171,363
-	-	-	-	-	-	11,082
487	-	-	-	-	62,042	3,646,628
-	-	-	-	-	-	790
-	5,403	-	-	-	-	17,609
145	35	-	-	-	-	180
-	-	-	-	-	330	63,789
632	5,438	-	9,601	11,788	62,372	5,519,368

Mills County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Mental Health	Local Option Sales and Services Tax
Expenditures:				
Operating:				
Physical health and social services:				
Physical health services:				
Sanitation	44,856	-	-	-
Children's & family services:				
Family protective services	-	-	-	-
	<u>44,856</u>	<u>-</u>	<u>-</u>	<u>-</u>
Mental health:				
Persons with mental health problems - mental illness:				
General administration	-	-	20,174	-
Treatment services	-	-	23,836	-
Institutional, hospital and commitment services	-	-	17,554	-
	<u>-</u>	<u>-</u>	<u>61,564</u>	<u>-</u>
Persons with chronic mental illness:				
Coordination services	-	-	10,430	-
Personal and environmental support	-	-	8,319	-
Treatment services	-	-	23,836	-
Vocational and day services	-	-	864	-
Licensed or certified living arrangements	-	-	30,298	-
Institutional, hospital and commitment services	-	-	18,143	-
	<u>-</u>	<u>-</u>	<u>91,890</u>	<u>-</u>
Persons with mental retardation:				
Coordination services	-	-	87,090	-
Personal and environmental support	-	-	185,663	-
Vocational and day services	-	-	152,003	-
Licensed or certified living arrangements	-	-	334,726	-
Institutional, hospital and commitment services	-	-	364,340	-
	<u>-</u>	<u>-</u>	<u>1,123,822</u>	<u>-</u>
Persons with other developmental disabilities:				
Coordination services	-	-	156	-
Personal and environmental support	-	-	3,594	-
Vocational and day services	-	-	10,013	-
	<u>-</u>	<u>-</u>	<u>13,763</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>1,291,039</u>	<u>-</u>

Resource Enhance- ment and Protection	County Recorder's Records Management	Urban Renewal TIF Bond	Feed Energy TIF Rebate	MidAmerica Motorplex, Inc. TIF Rebate	Decategorization Grant	Total
-	-	-	-	-	-	44,856
-	-	-	-	-	69,877	69,877
-	-	-	-	-	69,877	114,733
-	-	-	-	-	-	20,174
-	-	-	-	-	-	23,836
-	-	-	-	-	-	17,554
-	-	-	-	-	-	61,564
-	-	-	-	-	-	10,430
-	-	-	-	-	-	8,319
-	-	-	-	-	-	23,836
-	-	-	-	-	-	864
-	-	-	-	-	-	30,298
-	-	-	-	-	-	18,143
-	-	-	-	-	-	91,890
-	-	-	-	-	-	87,090
-	-	-	-	-	-	185,663
-	-	-	-	-	-	152,003
-	-	-	-	-	-	334,726
-	-	-	-	-	-	364,340
-	-	-	-	-	-	1,123,822
-	-	-	-	-	-	156
-	-	-	-	-	-	3,594
-	-	-	-	-	-	10,013
-	-	-	-	-	-	13,763
-	-	-	-	-	-	1,291,039

Mills County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Mental Health	Local Option Sales and Services Tax
Expenditures (continued):				
Operating:				
County environment and education:				
Environmental quality:				
Solid waste disposal	4,636	-	-	-
Conservation and recreation services:				
Administration	-	-	-	-
Maintenance and operations	-	-	-	-
County development:				
Land use and building controls	-	-	-	132,807
Economic development	-	-	-	-
Interest	-	-	-	-
	-	-	-	132,807
Educational services:				
Libraries	35,620	-	-	-
	40,256	-	-	132,807
Roads and transportation:				
Secondary roads administration and engineering:				
Administration	-	177,042	-	-
Engineering	-	171,432	-	-
	-	348,474	-	-
Roadway maintenance:				
Bridges and culverts	-	83,842	-	-
Roads	-	1,397,464	-	-
Snow and ice control	-	73,786	-	-
Traffic controls	-	60,474	-	-
Road clearing	-	227,989	-	-
	-	1,843,555	-	-
General roadway expenditures:				
Equipment	-	240,811	-	-
Equipment operation	-	533,330	-	-
Tools, materials, and supplies	-	45,753	-	-
Real estate and buildings	-	11,619	-	-
	-	831,513	-	-
	-	3,023,542	-	-
Governmental services to residents:				
State administrative services:				
Recording of public documents	-	-	-	-

Resource Enhance- ment and Protection	County Recorder's Records Management	Urban Renewal TIF Bond	Feed Energy TIF Rebate	MidAmerica Motorplex, Inc. TIF Rebate	Decategorization Grant	Total
-	-	-	-	-	-	4,636
330	-	-	-	-	-	330
1,520	-	-	-	-	-	1,520
1,850	-	-	-	-	-	1,850
-	-	-	-	-	-	132,807
-	-	-	9,600	5,083	-	14,683
-	-	-	-	5,083	-	5,083
-	-	-	9,600	10,166	-	152,573
-	-	-	-	-	-	35,620
1,850	-	-	9,600	10,166	-	194,679
-	-	-	-	-	-	177,042
-	-	-	-	-	-	171,432
-	-	-	-	-	-	348,474
-	-	-	-	-	-	83,842
-	-	-	-	-	-	1,397,464
-	-	-	-	-	-	73,786
-	-	-	-	-	-	60,474
-	-	-	-	-	-	227,989
-	-	-	-	-	-	1,843,555
-	-	-	-	-	-	240,811
-	-	-	-	-	-	533,330
-	-	-	-	-	-	45,753
-	-	-	-	-	-	11,619
-	-	-	-	-	-	831,513
-	-	-	-	-	-	3,023,542
-	5,856	-	-	-	-	5,856



Mills County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads	Mental Health	Local Option Sales and Services Tax
Expenditures (continued):				
Capital projects:				
Roadway construction	-	175,531	-	-
Total expenditures	85,112	3,199,073	1,291,039	132,807
Excess (deficiency) of revenues over (under) expenditures	924,931	(309,127)	6,616	99,086
Other financing sources (uses):				
Operating transfers in (out):				
General	-	14,000	-	-
Special Revenue:				
Rural Services	-	949,931	-	-
Secondary Roads	(949,931)	-	-	(88,710)
Local Option Sales and Services Tax	-	88,710	-	-
Total other financing sources (uses)	(949,931)	1,052,641	-	(88,710)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(25,000)	743,514	6,616	10,376
Fund balances beginning of year	56,358	1,756,952	212,504	114,197
Increase in reserve for inventories	-	319,815	-	-
Fund balances end of year	\$ 31,358	2,820,281	219,120	124,573

See accompanying independent auditor's report.

Resource Enhance- ment and Protection	County Recorder's Records Management	Urban Renewal TIF Bond	Feed Energy Renewal TIF Bond	MidAmerica Motorplex, Inc. TIF Rebate	Decategorization Grant	Total
-	-	-	-	-	-	175,531
1,850	5,856	-	9,600	10,166	69,877	4,805,380
(1,218)	(418)	-	1	1,622	(7,505)	713,988
-	-	-	-	-	-	14,000
-	-	-	-	-	-	949,931
-	-	-	-	-	-	(1,038,641)
-	-	-	-	-	-	88,710
-	-	-	-	-	-	14,000
(1,218)	(418)	-	1	1,622	(7,505)	727,988
10,479	1,683	103	-	-	112,874	2,265,150
-	-	-	-	-	-	319,815
9,261	1,265	103	1	1,622	105,369	3,312,953

Mills County  
Trust and Agency Funds  
Combining Balance Sheet  
June 30, 2003

	Expendable Trust Fund			
	Conservation Land Acquisition Trust	County Offices		
		County Auditor	County Recorder	County Sheriff
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ 24,549	-	-	-
Other County officials	-	100	23,182	12,171
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	377	-
Accrued interest	-	-	-	-
Succeeding year special assessments	-	-	-	-
Drainage assessments:				
Current	-	-	-	-
Succeeding year	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 24,549</b>	<b>100</b>	<b>23,559</b>	<b>12,171</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	-	-	-	-
Salaries and benefits payable	-	-	-	-
Due to other funds	-	100	14,468	5,634
Due to other governments	-	-	9,091	22
Trusts payable	-	-	-	6,515
Drainage warrants payable	-	-	-	-
Compensated absences	-	-	-	-
Total liabilities	-	100	23,559	12,171
Fund equity:				
Unreserved fund balance	24,549	-	-	-
<b>Total liabilities and fund equity</b>	<b>\$ 24,549</b>	<b>100</b>	<b>23,559</b>	<b>12,171</b>

Agency Funds							Auto License and Use Tax
Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships		
1,600	71,728	138,343	6,738	42,467	2,070		283,884
-	-	-	-	-	-	-	-
447	1,055	40,483	1,743	15,634	449		-
100,000	236,000	8,446,000	390,000	2,079,000	143,000		-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
102,047	308,783	8,624,826	398,481	2,137,101	145,519		283,884
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	9,398
102,047	298,206	8,624,826	398,481	2,137,101	145,519		274,486
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	10,577	-	-	-	-	-	-
102,047	308,783	8,624,826	398,481	2,137,101	145,519		283,884
-	-	-	-	-	-	-	-
102,047	308,783	8,624,826	398,481	2,137,101	145,519		283,884

Mills County  
Trust and Agency Funds  
Combining Balance Sheet  
June 30, 2003

	Agency			
	Brucellosis and Tuberculosis Eradication	Drainage Districts	Emergency Management Services	City Special Assessments
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	33	844,573	5,097	3,690
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	10	-	-	-
Succeeding year	2,000	-	-	-
Accounts	-	-	-	-
Accrued interest	-	1,477	-	-
Succeeding year special assessments	-	-	-	202,360
Drainage assessments:				
Current	-	128	-	-
Succeeding year	-	39,384	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>2,043</b>	<b>885,562</b>	<b>5,097</b>	<b>206,050</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	-	-	519	-
Salaries and benefits payable	-	-	1,538	-
Due to other funds	-	-	-	-
Due to other governments	2,043	840,354	992	206,050
Trusts payable	-	-	-	-
Drainage warrants payable	-	45,208	-	-
Compensated absences	-	-	2,048	-
Total liabilities	2,043	885,562	5,097	206,050
Fund equity:				
Unreserved fund balance	-	-	-	-
<b>Total liabilities and fund equity</b>	<b>2,043</b>	<b>885,562</b>	<b>5,097</b>	<b>206,050</b>

See accompanying independent auditor's report.

Funds				
E911	Woodlands Benefited Water District	E911 Contribu- tions	Mental Health 28E Organization	Total
35,531	12,070	19,762	6,220	1,498,355
-	-	-	-	35,453
-	-	-	-	59,821
-	-	-	-	11,396,000
19,390	-	-	26,585	46,352
-	-	-	-	1,477
-	-	-	-	202,360
-	-	-	-	128
-	-	-	-	39,384
-	-	-	13,003	13,003
-	-	-	24,319	24,319
<u>54,921</u>	<u>12,070</u>	<u>19,762</u>	<u>70,127</u>	<u>13,316,652</u>
26,625	-	-	766	27,910
-	-	-	6,991	8,529
-	-	-	6,700	36,300
28,296	12,070	19,762	49,806	13,149,152
-	-	-	-	6,515
-	-	-	-	45,208
-	-	-	5,864	18,489
<u>54,921</u>	<u>12,070</u>	<u>19,762</u>	<u>70,127</u>	<u>13,292,103</u>
-	-	-	-	24,549
<u>54,921</u>	<u>12,070</u>	<u>19,762</u>	<u>70,127</u>	<u>13,316,652</u>

Mills County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	County Offices			Agricultural
	County Auditor	County Recorder	County Sheriff	Extension Education
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 100	20,525	12,607	91,727
Additions:				
Property and other County tax	-	-	-	105,317
E911 surcharge	-	-	-	-
State tax credits	-	-	-	4,626
State allocation	-	-	-	-
Driver's license fees	-	-	-	-
Office fees and collections	-	260,760	37,296	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	135,751	-
Miscellaneous	-	-	-	-
Total additions	-	260,760	173,047	109,943
Deductions:				
Agency remittances:				
To other funds	-	135,120	36,433	-
To other governments	-	122,606	534	99,623
Trusts paid out	-	-	136,516	-
Total deductions	-	257,726	173,483	99,623
Balances end of year	\$ 100	23,559	12,171	102,047

County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication
308,221	7,973,092	386,839	1,991,778	132,885	236,219	2,049
249,922	8,870,209	411,244	2,118,702	151,690	-	2,091
-	-	-	-	-	-	-
12,576	395,480	19,480	112,057	6,278	-	102
2,147	-	-	-	-	-	-
-	-	-	-	-	56,351	-
-	-	-	-	-	-	-
-	-	-	-	-	3,256,174	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,821	-	-	-	-	-	-
267,466	9,265,689	430,724	2,230,759	157,968	3,312,525	2,193
-	-	-	-	-	123,336	-
266,904	8,613,955	419,082	2,085,436	145,334	3,141,524	2,199
-	-	-	-	-	-	-
266,904	8,613,955	419,082	2,085,436	145,334	3,264,860	2,199
308,783	8,624,826	398,481	2,137,101	145,519	283,884	2,043



Mills County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	Drainage Districts	Emergency Management Services	City Special Assessments	Tax Sale Redemp- tion
<b>Assets and Liabilities</b>				
Balances beginning of year	761,666	7,524	282,891	-
Additions:				
Property and other County tax	-	-	-	-
E911 surcharge	-	-	-	-
State tax credits	-	-	-	-
State allocation	-	-	-	-
Driver's license fees	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	82,414	-	-	-
Trusts	-	-	-	293,696
Miscellaneous	52,431	24,153	-	-
Total additions	134,845	24,153	-	293,696
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	56,157	26,580	76,841	-
Trusts paid out	-	-	-	293,696
Total deductions	56,157	26,580	76,841	293,696
Balances end of year	840,354	5,097	206,050	-

See accompanying independent auditor's report.

E911	Woodlands Benefited Water District	E911 Contribu- tions	Advance Tax	Mental Health 28E Organization	Anatomical Gift Public Awareness and Transportation	Total
112,129	4,337	19,170	-	79,421	-	12,423,180
-	-	-	-	-	-	11,909,175
79,047	-	-	-	-	-	79,047
-	-	-	-	-	-	550,599
-	-	-	-	-	-	2,147
-	-	-	-	-	-	56,351
-	-	-	-	-	-	298,056
-	-	-	-	-	86	3,256,260
-	12,047	-	-	-	-	94,461
-	-	-	200,635	-	-	630,082
29,590	600	592	-	388,143	-	498,330
108,637	12,647	592	200,635	388,143	86	17,374,508
-	-	-	-	-	-	294,889
165,845	4,914	-	-	397,437	86	15,625,057
-	-	-	200,635	-	-	630,847
165,845	4,914	-	200,635	397,437	86	16,550,793
54,921	12,070	19,762	-	70,127	-	13,246,895

**Schedule 7**

## Mills County

## Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2003	2002	2001	2000
<b>Taxes:</b>				
Property tax	\$ 3,952,206	3,644,636	3,425,821	3,542,450
Local option sales tax	231,893	114,197	-	-
Tax increment financing	21,389	-	-	-
Utility tax replacement excise tax	219,443	202,274	192,261	-
Other	5,007	5,789	5,543	6,066
	<u>4,429,938</u>	<u>3,966,896</u>	<u>3,623,625</u>	<u>3,548,516</u>
<b>Intergovernmental:</b>				
State shared revenues:				
Road use tax	1,991,300	2,005,155	1,922,846	1,950,809
Other	15,345	13,074	11,320	19,965
State tax replacements:				
State tax credits	199,336	193,887	212,056	226,749
State allocation	81,582	85,958	90,370	89,434
Mental health property tax relief	442,639	442,640	442,639	442,639
Other	102,672	59,760	159,103	157,895
State and federal pass-thru revenues:				
Human services administrative reimbursements	35,343	19,306	28,754	33,304
State underground storage tank assistance	-	12,118	31,936	157,629
Social services block grant	57,210	57,809	57,567	57,323
State decategorization grant	59,542	341,893	325,173	311,127
Public assistance grant	-	73,676	21,403	217,613
Parents as teachers program	92,276	78,288	85,615	633,526
Safe and drug-free schools and communities	-	7,963	34,333	29,339
Road jurisdiction transfer	626,667	-	-	-
Watershed protection and flood prevention	11,082	-	229,557	-
Rehabilitative treatment services	181,220	138,618	179,475	76,930
Home care aide grant	64,282	85,246	82,144	68,898
Other	214,670	272,905	155,851	247,191
Contributions from other governmental units:				
Contract law enforcement	35,920	33,811	32,816	40,920
Other	414,099	388,978	242,668	217,370
Federal grants and entitlements:				
Medicare and medicaid	450,677	369,032	356,979	406,922
Payments in lieu of taxes	4,257	1,667	567	791
	<u>5,080,119</u>	<u>4,681,784</u>	<u>4,703,172</u>	<u>5,386,374</u>
<b>Total</b>	<u>\$ 9,510,057</u>	<u>8,648,680</u>	<u>8,326,797</u>	<u>8,934,890</u>

See accompanying independent auditor's report.



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

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Auditor of State

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Independent Auditor's Report on Compliance and on  
Internal Control over Financial Reporting

To the Officials of Mills County:

We have audited the general purpose financial statements of Mills County, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated January 6, 2004. Our report expressed a qualified opinion on the financial statements due to the omission of the general fixed assets account group and the omission of the materials and supplies inventories, pertaining primarily to the Secondary Roads Fund, which should be included in order to conform with U.S. generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

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

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

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

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

DAVID A. VAUDT, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 6, 2004

Mills County  
Schedule of Findings  
Year ended June 30, 2003

**Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

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

	<u>Applicable Offices</u>
(1) Incoming mail is not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received is not prepared.	Treasurer
(2) Bank accounts are not reconciled promptly at the end of each month by an individual who does not sign checks, handle, or record cash.	Treasurer, Recorder
(3) Checks are not signed by an individual who does not otherwise participate in the preparation of the checks. The checks and the supporting documentation are not reviewed for propriety prior to signing. After signing, the checks were not mailed without allowing them to return to individuals who prepared the checks or approved vouchers for payment. In addition, collection, deposit preparation and reconciliation functions are not segregated from the recording and accounting for cash receipts.	Recorder

Mills County

Schedule of Findings

Year ended June 30, 2003

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. 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.

Response:

County Treasurer –

- (1) Office procedure now is that no one person opens the mail every day. Whoever opens the mail makes a listing of 3 or 4 items, some from the auto and some from the tax side. These are listed by name and amount, then they are followed up on later and the date is listed when deposited. This is all done by different people and not on a certain schedule. This procedure has been in effect since January 2003.
- (2) Our office is set up so we all can sign checks but we can change the person who reconciles them each month so a different person can do them.

County Recorder –

Check signing, preparation and reconciling will be reviewed by the Recorder's office to cover all questions. The Recorder's office does make a cash received listing and balances with the cash register each day. The check listing is made on the deposit slip each day.

Conclusion –

County Treasurer –

- (1) Response accepted.
- (2) Response accepted.

County Recorder –

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

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

Mills County  
Schedule of Findings  
Year ended June 30, 2003

The County does not have written policies for:

- requiring weekly and yearly backups along with the daily and monthly backups which are currently being performed.
- logging off terminals when they are left unattended for extended periods.
- addressing ownership of in-house developed software and data.
- detailing security upon termination of employment.

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

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

Response – We are in the process of complying by addressing the above issues. With the help of our Emergency Management Director we will be writing a Disaster Recovery Plan including the computer system and equipment.

Conclusion – Response accepted.



Mills County  
 Schedule of Findings  
 Year ended June 30, 2003

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

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year.
- (2) Certified Budget – Disbursements during the year ended June 30, 2003 did not exceed the amounts budgeted.

One of the notices for the budget amendment hearing was not published at least 10 days prior to the hearing as required by Chapters 331.434(2) and 331.435 of the Code of Iowa.

Recommendation – The notice of the budget amendment hearing should be published not less than 10 days or more than 20 days prior to the hearing date.

Response – There was an error in calculating the minimum of 10 days to publish. We will allow for more time or at least the minimum.

Conclusion – Response accepted.

- (3) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Doug Shere, Secondary Roads department employee	Hired to apply striping/ decals on Sheriff vehicles.	\$ 358
Nancy Clayton, Secondary Roads department employee	Right-of-way purchased due to road construction	1,430

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

- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Mills County

Schedule of Findings

Year ended June 30, 2003

- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (10) Emergency Management Fund – The County did not adopt, certify, and submit a budget on or before February 28 to the Board of Supervisors as required by Chapter 29C.17 of the Code of Iowa.

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

Response – The budget certification date for Emergency Management has not been met due to timelines established with County budget processes. The 2004/2005 budget cycle will again experience difficulties in meeting the prescribed mandate. I intend to start the budget process with an early fall time frame in the future to allow for more timely submission.

Conclusion – Response accepted.

- (11) 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, 2003 for the County Extension Office did not exceed the amount budgeted.

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Mills County

Staff

This audit was performed by:

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