



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

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NEWS RELEASE

FOR RELEASE February 12, 2003

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The Office of Auditor of State today released an audit report on Mills County, Iowa.

The County had local tax revenue of \$15,767,885 for the year ended June 30, 2002, which included \$753,016 in tax credits from the state. The County forwarded \$11,607,102 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,160,783 of the local tax revenue to finance County operations, an 8 percent increase from the prior year. Other revenues included \$3,694,409 from the state, including indirect federal funding, and \$60,393 in interest on investments.

Expenditures for County operations totaled \$9,679,087, a 6 percent increase from the prior year. Expenditures included \$3,248,746 for roads and transportation, \$1,671,206 for public safety and \$1,301,181 for mental health.

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 the 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, 2002

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Mills County

Officials

<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

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, 2002. 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 the 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 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. Also, the County has not included materials and supplies inventory, pertaining primarily to the Special Revenue Funds, although required by U.S. generally accepted accounting principles. The amounts of such inventory are not determinable.

In our opinion, except for the effects on the financial statements of the omissions described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Mills County at June 30, 2002, 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, 2002.

In accordance with Government Auditing Standards, we have also issued our report dated November 27, 2002 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, 2001 (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 inventory pertaining primarily to the Special Revenue Funds. 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, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 27, 2002

General Purpose Financial Statements

Mills County
 Combined Balance Sheet
 All Fund Types and Account Group
 June 30, 2002

	Governmental Fund Types		Fiduciary Fund Type
	General	Special Revenue	Trust and Agency
Assets and Other Debits			
Cash and pooled investments:			
County Treasurer	\$ 924,348	2,370,058	1,372,225
Other County officials	-	-	33,091
Receivables:			
Property tax:			
Delinquent	9,181	4,231	46,129
Succeeding year	2,502,000	1,447,000	10,586,000
Interest and penalty on property tax	38,770	-	-
Accounts	59,923	1	53,201
Accrued interest	14,840	-	1,871
Assessments	-	-	-
Due from other funds (note 3)	22,055	81,576	21,867
Due from other governments	203,823	291,628	18,139
Prepaid insurance	26,211	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
	\$ 3,801,151	4,194,494	12,132,523

<u>Account Group</u>	
General	Total
Long-Term	(Memorandum
Debt	Only)
-	4,666,631
-	33,091
-	59,541
-	14,535,000
-	38,770
-	113,125
-	16,711
-	-
-	125,498
-	513,590
-	26,211
256,594	256,594
256,594	20,384,762

Mills County
 Combined Balance Sheet
 All Fund Types and Account Group
 June 30, 2002

	Governmental Fund Types		Fiduciary Fund Type
	General	Special Revenue	Trust and Agency
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 111,277	84,007	39,348
Salaries and benefits payable	93,870	48,164	6,089
Due to other funds (note 3)	660	86,867	37,971
Due to other governments (note 4)	33,092	225,029	12,307,784
Deferred revenue:			
Succeeding year property tax	2,502,000	1,447,000	-
Other	127,912	10,989	-
Trusts payable	-	-	7,280
Bonds payable (note 5)	-	-	-
Compensated absences	38,597	27,288	24,708
Total liabilities	2,907,408	1,929,344	12,423,180
Fund equity:			
Fund balances:			
Reserved for prepaid insurance	26,211	-	-
Unreserved	867,532	2,265,150	21,199
Total fund equity	893,743	2,265,150	21,199
Total liabilities and fund equity	\$ 3,801,151	4,194,494	12,444,379

See notes to financial statements.

<u>Account Group</u>	
General Long-Term Debt	Total (Memorandum Only)
-	234,632
-	148,123
-	125,498
-	12,565,905
-	3,949,000
-	138,901
-	7,280
150,000	150,000
106,594	197,187
<u>256,594</u>	<u>17,516,526</u>
-	26,211
-	3,153,881
-	<u>3,180,092</u>
<u>256,594</u>	<u>20,696,618</u>

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, 2002

	Governmental Fund Types		Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Expensible Trust	
Revenues:				
Property and other County tax	\$ 2,415,270	1,551,626	-	3,966,896
Interest and penalty on property tax	64,648	-	-	64,648
Intergovernmental	1,392,495	3,289,289	-	4,681,784
Licenses and permits	21,479	1,200	-	22,679
Charges for service	311,590	19,592	-	331,182
Use of money and property	141,939	187	6,231	148,357
Miscellaneous	64,922	103,782	-	168,704
Total revenues	4,412,343	4,965,676	6,231	9,384,250
Expenditures:				
Operating:				
Public safety	1,671,206	-	-	1,671,206
Court services	10,361	-	-	10,361
Physical health and education	1,018,204	31,300	-	1,049,504
Mental health	-	1,301,181	-	1,301,181
Social services	475,379	295,243	-	770,622
County environment	175,936	216,528	-	392,464
Roads and transportation	-	3,248,746	-	3,248,746
State and local government services	355,616	3,949	-	359,565
Interprogram services	768,968	-	-	768,968
Capital projects	37,278	69,192	-	106,470
Total expenditures	4,512,948	5,166,139	-	9,679,087
Excess (deficiency) of revenues over (under) expenditures	(100,605)	(200,463)	6,231	(294,837)
Other financing sources (uses):				
Operating transfers in	-	1,015,085	-	1,015,085
Operating transfers out	(70,653)	(944,432)	-	(1,015,085)
Proceeds from urban renewal tax increment revenue bond	-	150,000	-	150,000
Total other financing sources (uses)	(70,653)	220,653	-	150,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(171,258)	20,190	6,231	(144,837)
Fund balances beginning of year	1,063,399	2,244,960	14,968	3,323,327
Increase in reserve for prepaid insurance	1,602	-	-	1,602
Fund balances end of year	\$ 893,743	2,265,150	21,199	3,180,092

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, 2002

	Actual	Amended Budget	Variance - Favorable (Unfavorable)	Actual as % of Amended Budget
Receipts:				
Property and other County tax	\$ 3,927,342	3,852,190	75,152	102%
Interest and penalty on property tax	65,050	45,475	19,575	143%
Intergovernmental	4,683,742	4,985,975	(302,233)	94%
Licenses and permits	22,679	19,150	3,529	118%
Charges for service	322,854	283,380	39,474	114%
Use of money and property	157,098	189,065	(31,967)	83%
Miscellaneous	154,657	63,225	91,432	245%
Total receipts	<u>9,333,422</u>	<u>9,438,460</u>	<u>(105,038)</u>	<u>99%</u>
Disbursements:				
Public safety	1,655,293	1,766,290	110,997	94%
Court services	10,316	14,100	3,784	73%
Physical health and education	1,056,028	1,067,754	11,726	99%
Mental health	1,321,548	1,332,594	11,046	99%
Social services	796,434	876,892	80,458	91%
County environment	248,134	253,899	5,765	98%
Roads and transportation	3,234,550	3,755,160	520,610	86%
State and local government services	355,962	368,998	13,036	96%
Interprogram services	702,292	862,488	160,196	81%
Capital projects	106,470	237,278	130,808	45%
Total disbursements	<u>9,487,027</u>	<u>10,535,453</u>	<u>1,048,426</u>	<u>90%</u>
Deficiency of receipts under disbursements	(153,605)	(1,096,993)		
Other financing sources, net	<u>150,000</u>	-		
Deficiency of receipts and other financing sources under disbursements and other financing uses	(3,605)	(1,096,993)		
Balance beginning of year	<u>3,319,210</u>	<u>2,715,227</u>		
Balance end of year	<u>\$ 3,315,605</u>	<u>1,618,234</u>		

See notes to financial statements.

Mills County

Notes to Financial Statements

June 30, 2002

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

Jointly Governed Organizations - The County also 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 an Agency Fund 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 receipts 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 expenses, 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 that 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 taxes, 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 that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes 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, 2000 assessed property valuations; is for the tax accrual period July 1, 2001 through June 30, 2002 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2001.

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. Assessments receivable represent assessments which are due and payable but have not been collected.

Due from and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2002, 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.

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.

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 unspent grant proceeds, the succeeding year property tax receivable, as well as delinquent property tax receivables 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 fund types, 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, 2002.

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 12 major classes of expenditures known as service areas, not by fund or fund type. These 12 service areas are: public safety, court services, physical health and education, mental health, social services, county environment, roads and transportation, state and local government services, interprogram services, non-program, debt service and capital projects. Service area disbursements required to be budgeted include disbursements for the general fund, special revenue funds, and the expendable trust fund. Although the budget document presents service area disbursements by fund, the legal level of control is at the aggregated service area 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 basis receipts, disbursements and changes in balances with the cash basis budget, which is legally controlled by service area, 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 Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 4,471,622	(59,279)	4,412,343	4,855,569	110,107	4,965,676
Expenditures	4,442,314	70,634	4,512,948	5,044,713	121,426	5,166,139
Net	29,308	(129,913)	(100,605)	(189,144)	(11,319)	(200,463)
Other financing sources (uses)	(70,653)	-	(70,653)	220,653	-	220,653
Beginning fund balances	965,693	97,706	1,063,399	2,338,549	(93,589)	2,244,960
Increase in reserve for prepaid insurance	-	1,602	1,602	-	-	-
Ending fund balances	\$ 924,348	(30,605)	893,743	2,370,058	(104,908)	2,265,150

	Fiduciary Fund Type			Total		
	Expendable Trust			Cash Basis	Accrual Adjustments	Modified Accrual Basis
	Cash Basis	Accrual Adjustments	Modified Accrual Basis			
Revenues	\$ 6,231	-	6,231	9,333,422	50,828	9,384,250
Expenditures	-	-	-	9,487,027	192,060	9,679,087
Net	6,231	-	6,231	(153,605)	(141,232)	(294,837)
Other financing sources (uses)	-	-	-	150,000	-	150,000
Beginning fund balances	14,968	-	14,968	3,319,210	4,117	3,323,327
Increase in reserve for prepaid insurance	-	-	-	-	1,602	1,602
Ending fund balances	\$ 21,199	-	21,199	3,315,605	(135,513)	3,180,092

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 that 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, 2002 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 \$466,430 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, 2002 is as follows:

Receivable Fund	Payable Fund	Amount
General	Trust and Agency:	
	County Auditor	\$ 100
	County Recorder	8,020
	County Sheriff	5,288
	Auto License and Use Tax	8,647
Special Revenue:	Trust and Agency:	
County Recorder's	County Recorder	351
Records Management	Mental Health 28E	
Mental Health	Organization	15,565
Secondary Roads	General	660
	Special Revenue:	
	Urban Renewal TIF	65,000
Trust and Agency:	Special Revenue:	
Mental Health 28E	Mental Health	<u>21,867</u>
Organization		
Total		<u>\$ 125,498</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>\$ 33,092</u>
Special Revenue:		
Rural Services	Services	2,003
Secondary Roads		68
Mental Health		138,061
Urban Renewal TIF		<u>84,897</u>
		<u>225,029</u>
Trust and Agency:		
County Assessor	Collections	287,076
Schools		7,973,092
Community Colleges		386,839
Corporations		1,991,778
Townships		132,885
Auto License and Use Tax		227,573
Drainage Districts		761,666
City Special Assessments		282,891
E911		75,230
All other		<u>188,754</u>
		<u>12,307,784</u>
Total		<u>\$12,565,905</u>

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2002 is as follows:

	Urban Renewal Tax Increment Revenue Bond	Compensated Absences	Total
Balance beginning of year	\$ -	91,037	91,037
Additions	150,000	15,557	165,557
Reductions	-	-	-
Balance end of year	<u>\$ 150,000</u>	<u>106,594</u>	<u>256,594</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.

(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 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$216,850, \$207,504, and \$201,112, 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 and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2002 were \$24,609.

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, 2002, no liability has been recorded in the County's financial statements. As of June 30, 2002, settled claims have not exceeded the risk pool or reinsurance company 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 in the amount of \$1,000,000 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) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed amounts appropriated by department. During the year ended June 30, 2002, disbursements exceeded the amount appropriated in the Juvenile Probation department.

(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 an Agency Fund because of the County's fiduciary relationship with the organization. The following financial data is for the year ended June 30, 2002:

Additions:

Federal grants and entitlements:		
Medicaid case management		\$ 173,042
Contributions from governmental units:		
Mills County	\$ 109,475	
Montgomery County	<u>105,113</u>	214,588
Miscellaneous		<u>70</u>
Total additions		<u>387,700</u>

Deductions:

Salaries	124,793	
Benefits	46,431	
Case management:		
Chronic mental illness	24,863	
Mental retardation	147,937	
Technical assistance	4,698	
Office supplies	1,430	
Telephone	2,237	
Travel	21,624	
Training	1,088	
Equipment repair	1,694	
Equipment	<u>999</u>	<u>377,794</u>

Net		9,906
Balance beginning of year		<u>69,515</u>
Balance end of year		<u>\$ 79,421</u>

(10) Special Investigation

Mills County officials requested the Office of Auditor of State to perform a special investigation of the Auto Department of the County Treasurer's Office as a result of alleged improprieties. The special investigation identified \$118,480.55 of undeposited use tax, vehicle registration fees and postage fees collected by the Auto Department between July 1, 1999 and July 27, 2001. Of the amount not deposited, \$117,734.82 should have been transferred to the State of Iowa and \$745.73 should have been deposited to the Mills County General Fund. Any liability owed by the County as a result of these undeposited collections will be dependent upon future legal action.

Supplemental Information

Mills County

Mills County

General Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2002

Revenues:

Property and other County tax:		
Property tax	\$ 2,288,396	
Utility tax replacement excise taxes	123,219	
Other	<u>3,655</u>	\$ 2,415,270
Interest and penalty on property tax		64,648
Intergovernmental:		
State shared revenues:		
Franchise tax	<u>13,074</u>	
State grants and reimbursements including indirect federal funding:		
Home care aide grant	85,246	
Human services administrative reimbursements	19,306	
State underground storage tank assistance	12,118	
Parents as teachers program	78,288	
Safe and drug-free schools and communities	7,963	
Rehabilitative treatment services	138,618	
Other	<u>209,294</u>	
	<u>550,833</u>	
State tax replacements:		
State tax credits	124,516	
State allocation	<u>85,958</u>	
	<u>210,474</u>	
Direct federal grants and entitlements:		
Medicare and medicaid	233,348	
Other	<u>135,684</u>	
	<u>369,032</u>	
Contributions and reimbursements from other governmental units:		
Contract law enforcement	33,811	
Other	<u>213,604</u>	
	<u>247,415</u>	
Payments in lieu of taxes	<u>1,667</u>	1,392,495
Licenses and permits		21,479

Schedule 1

Mills County

General Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2002

Revenues (continued):		
Charges for service:		
Office fees and collections	142,042	
Auto registration, use tax and mailing	108,313	
Other	<u>61,235</u>	311,590
Use of money and property:		
Interest on investments	53,975	
Other	<u>87,964</u>	141,939
Miscellaneous		<u>64,922</u>
Total revenues		<u>4,412,343</u>
Expenditures:		
Operating:		
Public safety		1,671,206
Court services		10,361
Physical health and education		1,018,204
Social services		475,379
County environment		175,936
State and local government services		355,616
Interprogram services		768,968
Capital projects		<u>37,278</u>
Total expenditures		<u>4,512,948</u>
Deficiency of revenues under expenditures		(100,605)
Other financing uses:		
Operating transfers out:		
Special Revenue:		
Secondary Roads		<u>(70,653)</u>
Deficiency of revenues under expenditures and other financing uses		(171,258)
Fund balance beginning of year		1,063,399
Increase in reserve for prepaid insurance		<u>1,602</u>
Fund balance end of year		<u>\$ 893,743</u>

See accompanying independent auditor's report.

Mills County		
General Fund		
Statement of Expenditures		
Year ended June 30, 2002		
Public Safety Service Area:		
Law enforcement:		
Uniformed patrol services	\$ 641,819	
Investigations	688	
Law enforcement communication	348,661	
Adult correction services	251,631	
Administration	239,609	
	<u>1,482,408</u>	
Legal services:		
Criminal prosecution	156,630	
Medical examinations	7,317	
	<u>163,947</u>	
Emergency services:		
Ambulance services	6,241	
Emergency management	18,610	
	<u>24,851</u>	\$ 1,671,206
Court Services Service Area:		
Assistance to district court system:		
Research and other assistance	7,263	
Court proceedings:		
Service of civil papers	1,485	
Juvenile justice administration:		
Court-appointed attorneys and court costs for juveniles	1,613	10,361
	<u>1,613</u>	
Physical Health and Education Service Area:		
Physical health services:		
Personal and family health services	938,070	
Sanitation	40,634	
	<u>978,704</u>	
Educational services:		
Fair and 4-H clubs	19,750	
Fairgrounds	19,750	
	<u>39,500</u>	1,018,204

Schedule 2

Mills County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Social Services Service Area:

Services to the poor:

Administration	42,675	
General welfare services	71,412	
	<u>114,087</u>	

Services to military veterans:

Administration	16,474	
General services to veterans	16,426	
	<u>32,900</u>	

Children and family services:

Youth guidance	54,986	
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Services to other adults:

Services to the elderly	260,523	
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Chemical dependency:

Treatment services	12,883	475,379
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County Environment Service Area:

Conservation and recreation services:

Administration	58,509	
Maintenance and operations	117,427	175,936

State and Local Government Services Service Area:

Representation services:

Elections administration	66,551	
Local elections	11,402	
Township officials	1,080	
	<u>79,033</u>	

State administrative services:

Motor vehicle registrations and licensing	129,268	
Recording of public documents	147,315	
	<u>276,583</u>	355,616

Mills County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Interprogram Services Service Area:

Policy and administration:

General County management	155,308	
Administrative management services	190,332	
Treasury management services	93,761	
Other policy and administration	111,382	
	<u>550,783</u>	

Central services:

General services	107,406	
Data processing services	35,703	
	<u>143,109</u>	

Risk management services:

Tort liability	32,563	
Safety of the workplace	41,206	
Fidelity of public officials	1,307	
	<u>75,076</u>	768,968

Capital Projects Service Area:

Conservation land acquisition		<u>37,278</u>
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Total

\$ 4,512,948

See accompanying independent auditor's report.

Mills County
Special Revenue Funds
Combining Balance Sheet
June 30, 2002

	Rural Services	Secondary Roads
Assets		
Cash and pooled investments	\$ 58,347	1,592,072
Receivables:		
Property tax:		
Delinquent	2,213	-
Succeeding year	897,000	-
Accounts	-	-
Due from other funds	-	65,660
Due from other governments	-	188,855
	\$ 957,560	1,846,587
Liabilities and Fund Equity		
Liabilities:		
Accounts payable	\$ -	16,807
Salaries and benefits payable	-	46,367
Due to other funds	-	-
Due to other governments	2,003	68
Deferred revenue:		
Succeeding year property tax	897,000	-
Other	2,199	-
Compensated absences	-	26,393
Total liabilities	901,202	89,635
Fund equity:		
Unreserved fund balances	56,358	1,756,952
	\$ 957,560	1,846,587

See accompanying independent auditor's report.

Mental Health	Resource Enhancement and Protection	County Recorder's Records Management	Urban Renewal Tax Revenue	Urban Renewal TIF Bond	Decatorization Grant	Total
390,300	10,479	1,332	74,729	150,000	92,799	2,370,058
2,018	-	-	-	-	-	4,231
550,000	-	-	-	-	-	1,447,000
-	-	-	-	-	1	1
15,565	-	351	-	-	-	81,576
-	212	-	39,468	-	63,093	291,628
957,883	10,691	1,683	114,197	150,000	155,893	4,194,494
33,442	-	-	-	-	33,758	84,007
-	-	-	-	-	1,797	48,164
21,867	-	-	-	65,000	-	86,867
138,061	-	-	-	84,897	-	225,029
550,000	-	-	-	-	-	1,447,000
2,009	212	-	-	-	6,569	10,989
-	-	-	-	-	895	27,288
745,379	212	-	-	149,897	43,019	1,929,344
212,504	10,479	1,683	114,197	103	112,874	2,265,150
957,883	10,691	1,683	114,197	150,000	155,893	4,194,494

Mills County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	<u>Rural Services</u>	<u>Secondary Roads</u>
Revenues:		
Property and other County tax:		
Property tax	\$ 924,307	-
Local option sales tax	-	-
Utility tax replacement excise taxes	55,797	-
Other	1,444	-
	<u>981,548</u>	<u>-</u>
Intergovernmental:		
State shared revenues:		
Road use tax	-	2,005,155
State grants and reimbursements including indirect federal funding:		
Social services block grant	-	-
Public assistance grants	-	73,676
Decategorization grant	-	-
Other	-	56,774
	<u>-</u>	<u>130,450</u>
State tax replacements:		
State tax credits	45,869	-
Mental health property tax relief	-	-
Other	-	-
	<u>45,869</u>	<u>-</u>
Contributions and reimbursements from other governmental units	-	88,826
	<u>45,869</u>	<u>2,224,431</u>
Licenses and permits	-	1,200
Charges for service	-	15,041
Use of money and property	-	-
Miscellaneous	-	103,781
Total revenues	<u>1,027,417</u>	<u>2,344,453</u>

Mental Health	Resource Enhancement and Protection	County Recorder's Records Management	Urban Renewal Tax Revenue	Urban Renewal TIF Bond	Decategorization Grant	Total
431,933	-	-	-	-	-	1,356,240
-	-	-	114,197	-	-	114,197
23,258	-	-	-	-	-	79,055
690	-	-	-	-	-	2,134
455,881	-	-	114,197	-	-	1,551,626
-	-	-	-	-	-	2,005,155
57,809	-	-	-	-	-	57,809
-	-	-	-	-	-	73,676
-	-	-	-	-	341,893	341,893
-	6,837	-	-	-	-	63,611
57,809	6,837	-	-	-	341,893	536,989
23,502	-	-	-	-	-	69,371
442,640	-	-	-	-	-	442,640
59,760	-	-	-	-	-	59,760
525,902	-	-	-	-	-	571,771
86,548	-	-	-	-	-	175,374
670,259	6,837	-	-	-	341,893	3,289,289
-	-	-	-	-	-	1,200
-	-	4,551	-	-	-	19,592
-	175	12	-	-	-	187
-	-	-	-	-	1	103,782
1,126,140	7,012	4,563	114,197	-	341,894	4,965,676

Mills County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	Mental Health
Expenditures:			
Operating:			
Physical Health and Education Service Area:			
Educational services:			
Libraries	31,300	-	-
Mental Health Service Area:			
Persons with mental health problems - mental illness:			
General administration	-	-	20,080
Treatment services	-	-	20,169
Institutional, hospital and commitment services	-	-	7,559
	-	-	47,808
Persons with chronic mental illness:			
Coordination services	-	-	12,486
Personal and environmental support	-	-	11,930
Treatment services	-	-	20,169
Vocational and day services	-	-	3,806
Licensed or certified living arrangements	-	-	34,445
Institutional, hospital and commitment services	-	-	16,257
	-	-	99,093
Persons with mental retardation:			
Coordination services	-	-	89,400
Personal and environmental support	-	-	174,908
Vocational and day services	-	-	148,059
Licensed or certified living arrangements	-	-	376,615
Institutional, hospital and commitment services	-	-	353,477
	-	-	1,142,459
Persons with other developmental disabilities:			
Coordination services	-	-	435
Personal and environmental support	-	-	3,226
Vocational and day services	-	-	8,160
	-	-	11,821
	-	-	1,301,181
Social Services Service Area:			
Children and family services:			
Family protection services	-	-	-

Resource Enhance- ment and Protection	County Recorder's Records Management	Urban Renewal Tax Revenue	Urban Renewal TIF Bond	Decategorization Grant	Total
-	-	-	-	-	31,300
-	-	-	-	-	20,080
-	-	-	-	-	20,169
-	-	-	-	-	7,559
-	-	-	-	-	47,808
-	-	-	-	-	12,486
-	-	-	-	-	11,930
-	-	-	-	-	20,169
-	-	-	-	-	3,806
-	-	-	-	-	34,445
-	-	-	-	-	16,257
-	-	-	-	-	99,093
-	-	-	-	-	89,400
-	-	-	-	-	174,908
-	-	-	-	-	148,059
-	-	-	-	-	376,615
-	-	-	-	-	353,477
-	-	-	-	-	1,142,459
-	-	-	-	-	435
-	-	-	-	-	3,226
-	-	-	-	-	8,160
-	-	-	-	-	11,821
-	-	-	-	-	1,301,181
-	-	-	-	295,243	295,243

Mills County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads	Mental Health
Expenditures (continued):			
Operating:			
County Environment Service Area:			
Environmental quality:			
Solid waste disposal	61,204	-	-
Conservation and recreation services:			
Administration	-	-	-
Maintenance and operations	-	-	-
County development:			
Economic development	-	-	-
	61,204	-	-
Roads and Transportation Service Area:			
Secondary roads administration and engineering:			
Administration	-	155,466	-
Engineering	-	150,951	-
	-	306,417	-
Roadway maintenance:			
Bridges and culverts	-	100,850	-
Roads	-	1,603,538	-
Snow and ice control	-	63,687	-
Traffic controls	-	61,882	-
Road clearing	40,000	213,926	-
	40,000	2,043,883	-
General roadway expenditures:			
Equipment	-	264,638	-
Equipment operation	-	509,606	-
Tools, materials, and supplies	-	64,289	-
Real estate and buildings	-	19,913	-
	-	858,446	-
	40,000	3,208,746	-
State and Local Government Services Service Area:			
State administrative services:			
Recording of public documents	-	-	-

Resource Enhance- ment and Protection	County Recorder's Records Management	Urban Renewal Tax Revenue	Urban Renewal TIF Bond	Decategorization Grant	Total
-	-	-	-	-	61,204
167	-	-	-	-	167
5,260	-	-	-	-	5,260
5,427	-	-	-	-	5,427
-	-	-	149,897	-	149,897
5,427	-	-	149,897	-	216,528
-	-	-	-	-	155,466
-	-	-	-	-	150,951
-	-	-	-	-	306,417
-	-	-	-	-	100,850
-	-	-	-	-	1,603,538
-	-	-	-	-	63,687
-	-	-	-	-	61,882
-	-	-	-	-	253,926
-	-	-	-	-	2,083,883
-	-	-	-	-	264,638
-	-	-	-	-	509,606
-	-	-	-	-	64,289
-	-	-	-	-	19,913
-	-	-	-	-	858,446
-	-	-	-	-	3,248,746
-	3,949	-	-	-	3,949

Mills County
Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Year ended June 30, 2002

	Rural Services	Secondary Roads	Mental Health
Expenditures (continued):			
Capital Projects Service Area:			
Roadway construction	-	69,192	-
Total expenditures	132,504	3,277,938	1,301,181
Excess (deficiency) of revenues over (under) expenditures	894,913	(933,485)	(175,041)
Other financing sources (uses):			
Operating transfers in (out):			
General	-	70,653	-
Special Revenue:			
Rural Services	-	944,432	-
Secondary Roads	(944,432)	-	-
Proceeds from urban renewal tax increment revenue bond	-	-	-
Total other financing sources (uses)	(944,432)	1,015,085	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(49,519)	81,600	(175,041)
Fund balances beginning of year	105,877	1,675,352	387,545
Fund balances end of year	\$ 56,358	1,756,952	212,504

See accompanying independent auditor's report.

Resource Enhance- ment and Protection	County Recorder's Records Management	Urban Renewal Tax Revenue	Urban Renewal TIF Bond	Decategorization Grant	Total
-	-	-	-	-	69,192
5,427	3,949	-	149,897	295,243	5,166,139
1,585	614	114,197	(149,897)	46,651	(200,463)
-	-	-	-	-	70,653
-	-	-	-	-	944,432
-	-	-	-	-	(944,432)
-	-	-	150,000	-	150,000
-	-	-	150,000	-	220,653
1,585	614	114,197	103	46,651	20,190
8,894	1,069	-	-	66,223	2,244,960
10,479	1,683	114,197	103	112,874	2,265,150

Mills County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2002

	Expendable Trust Fund			
	Conservation Land Acquisition Trust	County Offices		
		County Auditor	County Recorder	County Sheriff
Assets				
Cash and pooled investments:				
County Treasurer	\$ 21,199	-	-	-
Other County officials	-	100	20,384	12,607
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	141	-
Accrued interest	-	-	-	-
Assessments	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 21,199	100	20,525	12,607
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	-	-	-	-
Salaries and benefits payable	-	-	-	-
Due to other funds	-	100	8,371	5,288
Due to other governments	-	-	12,154	39
Trusts payable	-	-	-	7,280
Compensated absences	-	-	-	-
Total liabilities	-	100	20,525	12,607
Fund equity:				
Unreserved fund balance	21,199	-	-	-
Total liabilities and fund equity	\$ 21,199	100	20,525	12,607

Agricultural Extension Education	County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax
1,399	62,326	127,641	5,447	56,037	1,569	236,219
-	-	-	-	-	-	-
328	895	31,451	1,392	11,741	316	-
90,000	245,000	7,814,000	380,000	1,924,000	131,000	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
91,727	308,221	7,973,092	386,839	1,991,778	132,885	236,219
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	8,646
91,727	287,076	7,973,092	386,839	1,991,778	132,885	227,573
-	-	-	-	-	-	-
-	21,145	-	-	-	-	-
91,727	308,221	7,973,092	386,839	1,991,778	132,885	236,219
-	-	-	-	-	-	-
91,727	308,221	7,973,092	386,839	1,991,778	132,885	236,219

Mills County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2002

	Brucellosis and Tuberculosis Eradication	Drainage Districts	Emergency Management Services
Assets			
Cash and pooled investments:			
County Treasurer	43	724,539	7,524
Other County officials	-	-	-
Receivables:			
Property tax:			
Delinquent	6	-	-
Succeeding year	2,000	-	-
Accounts	-	1,354	-
Accrued interest	-	1,871	-
Assessments	-	33,856	-
Due from other funds	-	-	-
Due from other governments	-	46	-
	2,049	761,666	7,524
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	-	-	164
Salaries and benefits payable	-	-	687
Due to other funds	-	-	-
Due to other governments	2,049	761,666	6,673
Trusts payable	-	-	-
Compensated absences	-	-	-
Total liabilities	2,049	761,666	7,524
Fund equity:			
Unreserved fund balance	-	-	-
	2,049	761,666	7,524

See accompanying independent auditor's report.

City Special Assessments	E911	Woodlands Benefited Water District	E911 Contribu- tions	Mental Health 28E Organization	Total
4,891	91,554	4,337	19,170	8,330	1,372,225
-	-	-	-	-	33,091
-	-	-	-	-	46,129
-	-	-	-	-	10,586,000
-	20,575	-	-	31,131	53,201
-	-	-	-	-	1,871
278,000	-	-	-	-	311,856
-	-	-	-	21,867	21,867
-	-	-	-	18,093	18,139
282,891	112,129	4,337	19,170	79,421	12,444,379
-	36,899	-	-	2,285	39,348
-	-	-	-	5,402	6,089
-	-	-	-	15,566	37,971
282,891	75,230	4,337	19,170	52,605	12,307,784
-	-	-	-	-	7,280
-	-	-	-	3,563	24,708
282,891	112,129	4,337	19,170	79,421	12,423,180
-	-	-	-	-	21,199
282,891	112,129	4,337	19,170	79,421	12,444,379

Mills County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2002

	<u>County Offices</u>			Agricultural Extension Education
	<u>County Auditor</u>	<u>County Recorder</u>	<u>County Sheriff</u>	
Assets and Liabilities				
Balances beginning of year	\$ 100	28,328	7,525	82,600
Additions:				
Property and other County tax	-	-	-	94,146
E911 surcharge	-	-	-	-
State tax credits	-	-	-	4,388
Driver's license fees	-	-	-	-
Office fees and collections	-	204,256	35,551	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	429,432	-
Miscellaneous	-	-	400	-
Total additions	-	204,256	465,383	98,534
Deductions:				
Agency remittances:				
To other funds	-	110,935	34,957	-
To other governments	-	101,124	543	89,407
Trusts paid out	-	-	424,801	-
Total deductions	-	212,059	460,301	89,407
Balances end of year	\$ 100	20,525	12,607	91,727

County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication
267,921	7,404,683	321,858	2,113,343	108,476	255,501	3,056
257,109	8,193,203	396,836	1,967,132	137,914	-	1,633
-	-	-	-	-	-	-
11,651	391,263	17,040	129,310	5,341	-	136
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	3,306,150	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,546	-	-	-	-	-	2,726
273,306	8,584,466	413,876	2,096,442	143,255	3,306,150	4,495
-	-	-	-	-	208,085	-
233,006	8,016,057	348,895	2,218,007	118,846	3,117,347	5,502
-	-	-	-	-	-	-
233,006	8,016,057	348,895	2,218,007	118,846	3,325,432	5,502
308,221	7,973,092	386,839	1,991,778	132,885	236,219	2,049

Mills County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2002

	<u>Drainage Districts</u>	<u>Emergency Management Services</u>	<u>City Special Assessments</u>
Assets and Liabilities			
Balances beginning of year	<u>715,044</u>	<u>12,119</u>	<u>232,137</u>
Additions:			
Property and other County tax	-	-	-
E911 surcharge	-	-	-
State tax credits	-	-	-
Driver's license fees	-	-	-
Office fees and collections	-	-	-
Auto licenses, use tax and postage	-	-	-
Assessments	85,990	-	101,165
Trusts	-	-	-
Miscellaneous	59,183	21,791	-
Total additions	<u>145,173</u>	<u>21,791</u>	<u>101,165</u>
Deductions:			
Agency remittances:			
To other funds	-	-	-
To other governments	98,551	26,386	50,411
Trusts paid out	-	-	-
Total deductions	<u>98,551</u>	<u>26,386</u>	<u>50,411</u>
Balances end of year	<u><u>761,666</u></u>	<u><u>7,524</u></u>	<u><u>282,891</u></u>

See accompanying independent auditor's report.

Tax Sale Redemp- tion	Woodlands Benefited Water District	E911 Contribu- tions	Driver's License	Mental Health 28E Organization	Anatomical Gift Public Awareness and Transportation	Total	
-	150,973	8,729	18,616	-	69,515	28	11,800,552
-	-	-	-	-	-	-	11,047,973
-	113,914	-	-	-	-	-	113,914
-	-	-	-	-	-	-	559,129
-	-	-	-	34,840	-	-	34,840
-	-	-	-	-	-	-	239,807
-	-	-	-	-	-	145	3,306,295
-	-	1,757	-	-	-	-	188,912
237,299	-	-	-	-	-	-	666,731
-	4,732	-	554	-	387,700	-	481,632
237,299	118,646	1,757	554	34,840	387,700	145	16,639,233
-	-	-	-	13,211	-	-	367,188
-	157,490	6,149	-	21,629	377,794	173	14,987,317
237,299	-	-	-	-	-	-	662,100
237,299	157,490	6,149	-	34,840	377,794	173	16,016,605
-	112,129	4,337	19,170	-	79,421	-	12,423,180

Schedule 7**Mills County****Comparison of Taxes and Intergovernmental Revenues**

	Years ended June 30,			
	2002	2001	2000	1999
Taxes:				
Property tax	\$3,644,636	3,425,821	3,542,450	3,357,879
Local option sales tax	114,197	-	-	-
Utility tax replacement excise tax	202,274	192,261	-	-
Other	5,789	5,543	6,066	5,811
	<u>3,966,896</u>	<u>3,623,625</u>	<u>3,548,516</u>	<u>3,363,690</u>
Intergovernmental:				
State shared revenues:				
Road use tax	2,005,155	1,922,846	1,950,809	1,952,424
Other	13,074	11,320	19,965	20,595
State grants and reimbursements including indirect federal funding:				
Human services administrative reimbursements	19,306	28,754	33,304	32,102
State underground storage tank assistance	12,118	31,936	157,629	113,754
Social services block grant	57,809	57,567	57,323	41,399
Home care aide grant	85,246	82,144	68,898	67,200
State decategorization grant	341,893	325,173	311,127	86,843
Public assistance grant	73,676	21,403	217,613	-
Parents as teachers program	78,288	85,615	633,526	-
Safe and drug-free schools and communities	7,963	34,333	29,339	53,311
Watershed protection and flood prevention	-	229,557	-	-
Rehabilitative treatment services	138,618	179,475	76,930	133,738
Other	272,905	155,851	247,191	183,467
State tax replacements:				
State tax credits	193,887	212,056	226,749	225,123
State allocation	85,958	90,370	89,434	86,635
Mental health property tax relief	442,640	442,639	442,639	442,639
Other	59,760	159,103	157,895	156,904
Direct federal grants and entitlements:				
Medicare and medicaid	233,348	161,171	163,094	402,219
Other	135,684	195,808	243,828	357,273
Contributions and reimbursements from other governmental units:				
Contract law enforcement	33,811	32,816	40,920	26,951
Other	388,978	242,668	217,370	269,176
Payments in lieu of taxes	1,667	567	791	521
	<u>4,681,784</u>	<u>4,703,172</u>	<u>5,386,374</u>	<u>4,652,274</u>
Total	<u>\$8,648,680</u>	<u>8,326,797</u>	<u>8,934,890</u>	<u>8,015,964</u>

See accompanying independent auditor's report.



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

To the Officials of Mills County:

We have audited the general purpose financial statements of Mills County, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated November 27, 2002. Our report expressed a qualified opinion on the financial statements due to the omission of the general fixed assets account group and materials and supplies inventory pertaining primarily to the Special Revenue Funds 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, 2002 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 except for item (2).

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.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 27, 2002

Mills County
Schedule of Findings
Year ended June 30, 2002

Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

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) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail could then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Treasurer
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks, handle, or record cash.	Treasurer
(3) Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety. After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve 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, 2002

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) The Treasurer will be opening the mail and will pick out several of the checks and make a list of these. When the deposits are made the next morning the Treasurer will verify the checks and amounts are on the deposit.
- (2) We are hiring a new person to work in our office and then we will have all the staff trained in each of the departments. It is the Treasurer's hope that this will enable the month-end reports to be completed by alternate persons each month.

County Recorder -

- (3) Check signing and preparation 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 -

- (3) 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 controls 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, 2002

The County does not have written policies for:

- requiring the periodic changing of passwords.
- logging off terminals when they are left unattended for extended periods.
- requiring that backup tapes are stored off-site daily.

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 - The County is in the process of writing a policy to handle the changing of passwords and logging off of terminals when they are left unattended. Our IT person and our Auditor are currently working on this as well as a Disaster Recovery Plan and we will incorporate the plan to store tapes off-site in this written plan as well.

Conclusion - Response accepted.

Mills County

Schedule of Findings

Year ended June 30, 2002

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, 2002 did not exceed the amounts budgeted as amended, by service area. However, the Juvenile Probation Department exceeded its appropriation.

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

Response - The error was actually the result of a typing error. The appropriation total omitted adding the other service area total in the Juvenile Probation Department Budget. The number was not picked up in the total.

Conclusion - Response acknowledged. The County should develop procedures to ensure compliance with Chapter 331.434(6) of the Code of Iowa.

- (3) Questionable Expenditures - No expenditures that 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.	\$ 300

In accordance with Chapter 331.342(10) of the Code of Iowa, the transaction above does not appear to represent a conflict of interest since the total transaction was 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 that 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, 2002

- (8) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 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) 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, 2002 for the County Extension Office did not exceed the amount budgeted.

Mills County

Staff

This audit was performed by:

**Suzanne R. Hanft, CPA, Manager
Brian R. Brustkern, CPA, Senior Auditor II
Marc D. Johnson, Staff Auditor
Sheila M. Jensen, Assistant Auditor**

**Andrew E. Nielsen, CPA
Deputy Auditor of State**