



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

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**NEWS RELEASE**

FOR RELEASE

March 22, 2011

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

The County had local tax revenue of \$23,066,673 for the year ended June 30, 2010, which included \$1,038,814 in tax credits from the state. The County forwarded \$17,226,379 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,840,294 of the local tax revenue to finance County operations, a 7.7% increase over the prior year. Other revenues included charges for service of \$2,595,883, operating grants, contributions and restricted interest of \$4,528,427, capital grants, contributions and restricted interest of \$2,311,202, local option sales tax of \$763,075, unrestricted investment earnings of \$171,815 and other general revenues of \$195,669.

Expenses for County operations totaled \$14,123,603, a 2.5% decrease from the prior year. Expenses included \$5,374,840 for roads and transportation, \$2,384,051 for administration, \$2,132,907 for mental health and \$2,091,588 for public safety and legal services.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1010-0053-B00F.pdf>.

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**JONES COUNTY**

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

**JUNE 30, 2010**

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**Jones County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Joe Cruise	Board of Supervisors	Jan 2011
Andy McKean	Board of Supervisors	Jan 2011
Leo M. Cook	Board of Supervisors	Jan 2013
Keith C. Dirks	Board of Supervisors	Jan 2013
Wayne Manternach	Board of Supervisors	Jan 2013
Janine Sulzner	County Auditor	Jan 2013
Amy L. Picray	County Treasurer	Jan 2011
Marie Krutzfield	County Recorder	Jan 2011
Mark J. Denniston	County Sheriff	Jan 2013
Phil Parsons	County Attorney	Jan 2011
Arnie Andreesen	County Assessor	Jan 2016

**Jones County**



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Independent Auditor's Report

To the Officials of Jones County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jones County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Jones County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Jones County at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2011 on our consideration of Jones County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Finding Progress for the Retiree Health Plan on pages 7 through 15 and 48 through 51 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jones County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 3, 2011

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

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Jones County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2010, along with comparative data for the year ended June 30, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 9.7%, or approximately \$1,454,000, from fiscal year 2009 to fiscal year 2010. Property and other county tax increased approximately \$419,000, operating grants, contributions and restricted interest decreased approximately \$550,000 and capital grants, contributions and restricted interest increased approximately \$1,234,000.
- Program expenses of the County's governmental activities were 2.5%, or approximately \$356,000, less in fiscal year 2010 than in fiscal year 2009. Administration expenses increased approximately \$235,000 while mental health expenses decreased approximately \$237,000 and roads and transportation expenses decreased approximately \$299,000.
- The County's net assets increased 11.7%, or approximately \$2,329,000, from June 30, 2009 to June 30, 2010, primarily due to road and bridge construction projects, and acquisition of an additional county office building.
- Source: Changes in Net Assets of Governmental Activities.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, and 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

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

2) Proprietary funds account for the County's Internal Service, Employee Group Health Fund and Flexible Benefits Plan. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds which account for Empowerment, Emergency Management, E911 and the County Assessor, to name a few.

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

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Jones County's combined net assets increased 11.7% over a year ago, increasing from approximately \$19.9 million to approximately \$22.2 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

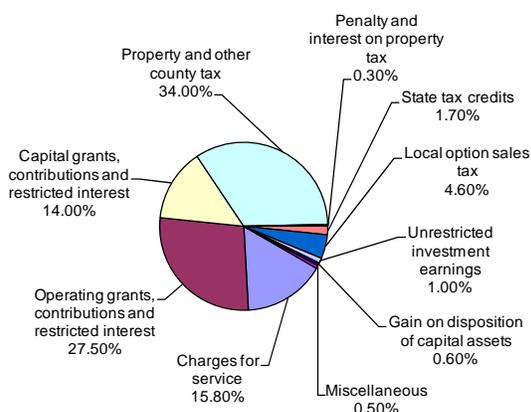
Net Assets of Governmental Activities		
	June 30,	
	2010	2009
Current and other assets	\$ 12,517,580	12,718,325
Capital assets	17,533,185	14,936,243
Total assets	<u>30,050,765</u>	<u>27,654,568</u>
Long-term liabilities	500,122	499,890
Other liabilities	7,324,263	7,257,285
Total liabilities	<u>7,824,385</u>	<u>7,757,175</u>
Net assets:		
Invested in capital assets, net of related debt	17,342,197	14,715,296
Restricted	2,808,344	2,539,279
Unrestricted	2,075,839	2,642,818
Total net assets	<u>\$ 22,226,380</u>	<u>19,897,393</u>

Net assets of Jones County's governmental activities increased \$2,328,987 (\$19,897,393 compared to \$22,226,380). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Next largest is restricted net assets, which represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at \$2,075,839 at June 30, 2010. (Source: Exhibit A)

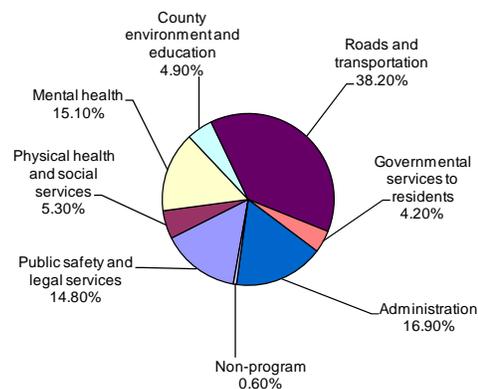
**Changes in Net Assets of Governmental Activities**

	Year ended June 30,	
	2010	2009
Revenues:		
Program revenues:		
Charges for service	\$ 2,595,883	2,325,045
Operating grants, contributions and restricted interest	4,528,427	5,078,098
Capital grants, contributions and restricted interest	2,311,202	1,077,214
General revenues:		
Property and other county tax	5,560,177	5,141,524
Penalty and interest on property tax	46,225	34,784
State tax credits	280,117	281,175
Local option sales tax	763,075	753,271
Unrestricted investment earnings	171,815	199,446
Gain on disposition of capital assets	106,318	30,272
Miscellaneous	89,351	77,438
Total revenues	<u>16,452,590</u>	<u>14,998,267</u>
Program expenses:		
Public safety and legal services	2,091,588	2,141,731
Physical health and social services	754,941	704,003
Mental health	2,132,907	2,369,746
County environment and education	694,590	707,416
Roads and transportation	5,374,840	5,673,438
Governmental services to residents	600,203	590,586
Administration	2,384,051	2,148,571
Non-program	83,737	136,139
Interest on long-term debt	6,746	7,884
Total expenses	<u>14,123,603</u>	<u>14,479,514</u>
Increase in net assets	2,328,987	518,753
Net assets beginning of year	<u>19,897,393</u>	<u>19,378,640</u>
Net assets end of year	<u>\$ 22,226,380</u>	<u>19,897,393</u>

**Revenues by Source**



**Expenses by Program**



Jones County experienced a moderate increase (4.1%) in taxable valuation for fiscal year 2010 (1-1-08 assessment). Jones County increased property tax rates for fiscal year 2010 an average of 4.8%, yet generated an 8.0% increase in tax dollars (approximately \$434,000) for County operations. The County increased the general property tax levy rate \$0.06511 to \$4.87138 per \$1,000 of taxable valuation. The mental health property tax levy rate was decreased \$0.05035 per \$1,000 of taxable valuation to maintain a frozen level of property tax support of \$883,021, less \$7,266 in additional state appropriations for property tax relief. The rural services property tax levy rate was increased \$0.36517 to \$2.24042 per \$1,000 of taxable valuation, reflecting the first significant increase in the rate for several years. The implementation of the 1% local option tax in 1999 has provided a significant amount of property tax relief for the Rural Services Fund.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Jones County completed the year, its governmental funds reported a combined fund balance of approximately \$4.22 million, a decrease of approximately \$463,000 from last year's total of approximately \$4.68 million. The following are the primary reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund, the operating fund for Jones County, ended fiscal year 2010 with a fund balance of \$1,439,120. This was a decrease from fiscal year 2009 of \$550,337. Expenditures increased \$1,060,556 while revenues increased \$405,990. A significant increase is reflected in the county environment function, due primarily to the Maquoketa River Trail project. Another significant increase is reflected in the administration function due to the completion of the acquisition of an additional county office building. Intergovernmental revenues increased \$228,216, primarily due to grants associated with the Maquoketa River Trail project. Property and other county tax increased \$187,872 due to a property tax increase.
- The Mental Health Fund ended fiscal year 2010 with a fund balance of \$593,970. The balance increased \$314,635 from June 30, 2009. Expenditures were down 9.8%, or \$231,893, from fiscal year 2009 and revenues were down 7.6%, or \$199,867. The mental health property tax levy is frozen by legislative action, though may be reduced by additional state appropriations as provided for in Iowa Code section 426B.2. The fiscal year 2009 balance was above the 10% fund balance criteria which would have allowed Jones County to receive full state funding for mental health services in fiscal year 2010. The decrease in state funding is reflected in the \$209,741 decrease in intergovernmental revenues. There were no Jones County mental health clients placed on a waiting list for services in fiscal year 2010. Jones County continues to manage services for its mental health clients while seeking services and programs where funding can be provided from other sources and levels of government.
- The Rural Services Fund ended fiscal year 2010 with a balance of \$255,192, \$36,446 lower than the June 30, 2009 balance of \$291,638. Property and other county tax increased \$232,021, or 24.8%, due to a combination of a 4.3% increase in rural taxable valuation and a levy rate increase of 36.5 cents per thousand dollars of taxable valuation. This increase in taxes reflects the first significant change in rural services taxes since fiscal year 2004. Jones County had been decreasing its rural services tax rate for many years, a direct result of the voter approved initiative to place 25% of the local option tax receipts into this fund for property tax relief. The increase in tax was used wholly to increase the transfer to the Secondary Roads Fund to support road maintenance and road projects.
- The Secondary Roads Fund ended fiscal year 2010 with a balance of \$1,814,801, a decrease of \$199,927 from the June 30, 2009 balance of \$2,014,728. Of the ending balance, \$1,672,781 is unspent local option sales tax funds designated for future road and bridge projects, per voter approval in 1999, and \$483,741 is the value of materials held in inventory at June 30, 2010. The unreserved, undesignated

balance within the Secondary Roads Fund reflected a deficit balance of \$341,721 on a GAAP basis. Jones County increased its road construction program expenses by 79.2%, or \$645,531, in fiscal year 2010 to \$1,460,545. The Secondary Roads Fund continues to struggle to recover from three consecutive years of high snow and ice removal expenses, beginning with fiscal year 2008 and an historic flood event in June 2008 which significantly damaged the County's road and bridge infrastructure, totally destroying one large bridge. Revenues for the Secondary Roads Fund for fiscal year 2010 reflect an increase from fiscal year 2009 of \$534,880. An additional \$243,500 was transferred from the Rural Services and General Funds. Overall, Secondary Roads Fund revenues and transfers from other county funds have not kept up with the cost to maintain county roads and road department equipment, nor have they allowed the County to fully abide by the five-year road construction program.

- Source: Exhibits C and E

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds except the Internal Service and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis. Over the course of fiscal year 2010, Jones County amended its budget twice.

The first amendment was made in February 2010 and resulted in changes to the physical health and social services function, the county environment and education function and intergovernmental and miscellaneous receipts. Disbursements were increased \$634,379 and revenues were increased \$350,092. The Maquoketa River Water Trail project, the Grant Wood Trail project and acquisition of an additional land parcel to the Hale Wildlife Area resulted in \$594,135 of the increase in disbursements and \$342,429 of the increase in receipts. The remaining \$40,244 in disbursements and \$7,663 in receipts were for the emergency food and shelter program and remodeling of portions of the new office building acquired earlier in the year.

The second amendment was made in May 2010 and resulted in changes to budgeted appropriations for every disbursement function and receipt category. The net total increase in receipts was \$1,025,317, with the change of major significance being a \$934,527 increase in intergovernmental receipts, primarily for FEMA reimbursements and I-JOBS funding for future road projects. The net total change in disbursements was a decrease of \$108,753. Of significance was a \$173,633 decrease in mental health disbursements to coincide with a decrease in state mental health funding, a \$131,217 decrease in physical health and social services disbursements due to reduced service needs for public health and juvenile court services, a \$147,207 decrease in roads and transportation disbursements for maintenance equipment and a \$348,000 increase in budgeted disbursements for roadway construction. Various other less significant changes in receipts resulted in an additional \$79,790 of net change in receipts, while various other changes in disbursements resulted in an additional net decrease of \$4,696. Nearly all departments reflected some level of change in spending authority and/or receipt adjustments with this budget amendment.

When comparing the County's cash basis final amended budget to the cash basis operating statement:

- The County's actual receipts were \$266,115 lower than the final amended budget, a variance of 1.7%. The most significant variance resulted from the County receiving less intergovernmental receipts than expected.
- Total disbursements were \$1,360,822 less than the final amended budget, an 8.0% variance. Actual disbursements for the mental health, roads and transportation, capital

projects and county environment and education functions were more than 5% less than the amended budget. Disbursements for mental health services were \$512,708, or 19.4%, below budget, primarily due to service needs being less than anticipated and the County received significant billing credits due to the State receiving federal American Recovery and Reinvestment Act funding. Capital projects disbursements were \$176,081, or 11.2%, less than the amended budget, primarily due to the timing of the construction schedule for road projects. Roads and transportation disbursements were \$406,467, or 7.2%, less than the amended budget, primarily due to the timing of delivery of contracted road rock, -much of which wasn't delivered until after the end of the fiscal year. County environment and education disbursements were \$141,672, or 7.7%, less than the amended budget, primarily due to the delay in completion of the Maquoketa River Water Trail project.

- Source: Required Supplementary Information schedule

Jones County budgets on a cash basis. The County did not exceed any appropriated amounts for individual departments, nor did it exceed any budgeted amount by function. Several appropriation adjustments within budgetary functions were adopted during the year to manage budgetary authority for various departments until the budget could be amended.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2010, Jones County had \$17,533,185 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$2,596,942, or 17.4%, over last year, primarily from road and bridge projects and the acquisition of an additional county office building.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2010	2009
Land	\$ 1,568,192	1,274,733
Construction in progress	1,011,992	340,940
Buildings	1,394,983	1,015,907
Improvements other than buildings	438,749	460,886
Equipment and vehicles	2,486,511	2,483,674
Infrastructure	10,632,758	9,360,103
Total	<u>\$ 17,533,185</u>	<u>14,936,243</u>
This year's major additions included:		
Broadway Place		\$ 422,831
Two motor graders		387,950
Hale Wildlife Area land		293,459
Total		<u>\$ 1,104,240</u>

The County had depreciation expense of \$884,114 in fiscal year 2010 and total accumulated depreciation of \$6,989,921 at June 30, 2010.

The County budgets roadway construction costs in the capital projects function. Jones County historically has not budgeted other capital projects disbursements in the capital projects function, but rather budgets for those items in the function and fund where those items will be used.

All of the county conservation recreational area improvements and property acquisitions were reimbursed with grants, donations and rent proceeds.

More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

**Long-Term Debt**

Jones County has three small capital lease purchase agreements for Conservation Department equipment.

In February 2008, the County entered into a ten year general obligation sewer improvement agreement with the State Revolving Fund Loan program for the Edinburgh Manor (county care facility) wastewater project for \$227,000. The interest rate is 3.0%. Bond proceeds were not disbursed to Jones County until construction began on the project, which was initially expected to begin in spring 2007. Due to various regulatory requirements, construction was delayed until late summer 2007 and completed by the fall of 2008. Bond proceeds were disbursed to the County beginning in August 2007.

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2010	2009
General obligation bonds	\$ 162,000	183,000
Capital lease purchase agreements	28,988	37,947
Total	\$ 190,988	220,947

Additional information about the County's long-term debt is presented in Note 8 to the financial statements.

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

Jones County's elected and appointed officials considered many factors when setting the fiscal year 2011 budget, tax rates and the fees charged for various County activities. The primary factors considered were the increase in taxable valuations, health insurance costs for County employees, the condition of the Secondary Roads Fund and the economy.

Jones County's total taxable valuation for the fiscal year 2011 budget increased 1.7%. By class of property, the County's agricultural valuation decreased by less than 1%, commercial valuation increased 1%, industrial valuation decreased 5% and residential valuation rose 7%. New residential construction in Jones County did decrease during 2008 (to become taxable in fiscal 2011), reflective of the overall national economy. Jones County's agricultural land values comprised 31% of Jones County's taxable valuation for fiscal year 2011 while residential values comprised 35% of the total.

The fiscal year 2011 General Fund budget reflects a tax increase of \$136,860 and was projected to produce an undesignated fund balance on June 30, 2011 of 17.9% of disbursements. The tax increase represents \$61,860 generated by applying the fiscal year 2010 tax levy rate to the new valuation, and then increasing the levy rate by 9.608 cents per thousand dollars of valuation to generate an additional \$75,000. The budget contained a 20% increase (\$106,940) in the cost for the employee health insurance program, reductions in spending for public health, reductions in spending for major projects, such as the Maquoketa River Water Trail project, and no building acquisitions or major remodeling. The collective bargaining agreement, covering wages to be paid in fiscal year 2011, calls for no wage increase for employees in the bargaining unit and wage increases were not budgeted for elected officials and non-union employees.

Budgeted revenues decreased \$440,148 (7.3%), primarily due to the completion of large grant related projects.

The fiscal year 2011 Mental Health Fund budget continues to reflect a frozen level of property taxes certified at \$883,021, with the tax rate adjusted to reflect changes in taxable valuation. With a limited pool of resources, primarily controlled by the state, disbursements are budgeted to meet the requirements of the county's mental health and developmental disabilities management plan.

The budget for the Rural Services Fund in fiscal year 2011 reflects a tax increase of \$109,235. The tax increase represents \$9,235 generated by applying the fiscal year 2010 tax levy rate to the new valuation, and then increasing the levy rate by 18.122 cents per thousand dollars of valuation to generate an additional \$100,000. The additional \$100,000 was used to increase the tax support for the Secondary Roads Fund.

The Secondary Roads Fund budget for fiscal year 2011 reflects a reduction of \$236,575 in road maintenance expenses to \$5,232,425, yet maintains the roadway construction budget at the originally budgeted fiscal year 2010 level of \$1,225,000. The balance in the fund was projected to decrease substantially (\$1,065,710) from the re-estimated fiscal year 2010 balance due to an aggressive construction program, as well as maintaining active general roadway operations. However, historically the ending fund balance is considerably higher than initially projected. Design and construction schedules, as well as a re-evaluation of funding sources and projected fund balances, are always considered prior to proceeding with certain road and bridge projects and equipment purchases.

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Jones County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Jones County Auditor's Office, 500 W. Main Street, Anamosa, Iowa 52205.

**Jones County**

## **Basic Financial Statements**

**Exhibit A**

Jones County  
Statement of Net Assets  
Year ended June 30, 2010

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 5,273,446
Receivables:	
Property tax:	
Delinquent	5,714
Succeeding year	5,833,000
Interest and penalty on property tax	12,948
Accounts	39,016
Accrued interest	59
Due from other governments	869,657
Inventories	438,524
Prepaid expenses	45,216
Capital assets (net of accumulated depreciation)	<u>17,533,185</u>
<b>Total assets</b>	<u>30,050,765</u>
<b>Liabilities</b>	
Accounts payable	605,980
Salaries and benefits payable	335,736
Due to other governments	447,304
Deferred revenue:	
Succeeding year property tax	5,833,000
Other	102,243
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	8,672
General obligation bonds	21,000
Compensated absences	131,442
Portion due or payable after one year:	
Capital lease purchase agreements	20,316
General obligation bonds	141,000
Compensated absences	163,292
Net OPEB liability	<u>14,400</u>
<b>Total liabilities</b>	<u>7,824,385</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	17,342,197
Restricted for:	
Debt service	308
Supplemental levy purposes	220,529
Secondary roads purposes	1,886,100
Other special revenue purposes	701,407
Unrestricted	<u>2,075,839</u>
<b>Total net assets</b>	<u>\$ 22,226,380</u>

See notes to financial statements.

Jones County  
Statement of Activities  
Year ended June 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 2,091,588	253,922	17,067	-	(1,820,599)
Physical health and social services	754,941	338,087	219,745	-	(197,109)
Mental health	2,132,907	21,220	1,534,725	-	(576,962)
County environment and education	694,590	61,422	37,086	897,503	301,421
Roads and transportation	5,374,840	368,187	2,633,691	1,413,699	(959,263)
Governmental services to residents Administration	600,203	371,432	550	-	(228,221)
	2,384,051	30,350	34,735	-	(2,318,966)
Non-program	83,737	1,151,263	50,828	-	1,118,354
Interest on long-term debt	6,746	-	-	-	(6,746)
<b>Total</b>	<b>\$ 14,123,603</b>	<b>2,595,883</b>	<b>4,528,427</b>	<b>2,311,202</b>	<b>(4,688,091)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					5,560,177
Penalty and interest on property tax					46,225
State tax credits					280,117
Local option sales tax					763,075
Unrestricted investment earnings					171,815
Gain on disposition of capital assets					106,318
Rent					89,351
<b>Total general revenues</b>					<b>7,017,078</b>
Change in net assets					2,328,987
Net assets beginning of year					19,897,393
Net assets end of year					<b>\$ 22,226,380</b>

See notes to financial statements.

Jones County  
Balance Sheet  
Governmental Funds

June 30, 2010

	Special Revenue		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash and pooled investments	\$ 1,724,654	892,067	227,472
Receivables:			
Property tax:			
Delinquent	3,661	825	1,228
Succeeding year property tax	3,713,000	837,000	1,283,000
Interest and penalty on property tax	12,948	-	-
Accounts	1,968	5,671	-
Due from other funds	232	-	-
Due from other governments	237,823	63,432	27,698
Inventories	-	-	-
Prepaid expenditures	-	-	-
<b>Total assets</b>	<b>\$ 5,694,286</b>	<b>1,798,995</b>	<b>1,539,398</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 99,830	68,247	-
Salaries and benefits payable	192,082	19,432	-
Due to other funds	5,841	-	-
Due to other governments	56,302	279,564	-
Deferred revenue:			
Succeeding year property tax	3,713,000	837,000	1,283,000
Other	188,111	782	1,206
Total liabilities	4,255,166	1,205,025	1,284,206
Fund balances:			
Reserved for:			
Debt service	-	-	-
Supplemental levy purposes	224,343	-	-
Inventories	-	-	-
Unreserved, designated for capital projects	272,667	-	-
Unreserved, undesignated, reported in:			
General fund	942,110	-	-
Special revenue funds	-	593,970	255,192
Total fund balances	1,439,120	593,970	255,192
<b>Total liabilities and fund balances</b>	<b>\$ 5,694,286</b>	<b>1,798,995</b>	<b>1,539,398</b>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
1,733,120	101,763	4,679,076
-	-	5,714
-	-	5,833,000
-	-	12,948
4,870	6,693	19,202
15,841	-	16,073
496,962	43,742	869,657
438,524	-	438,524
45,216	-	45,216
<u>2,734,533</u>	<u>152,198</u>	<u>11,919,410</u>
368,525	11,767	548,369
115,613	8,609	335,736
-	10,232	16,073
110,435	1,003	447,304
-	-	5,833,000
325,159	6,430	521,688
<u>919,732</u>	<u>38,041</u>	<u>7,702,170</u>
-	308	308
-	-	224,343
483,741	-	483,741
1,672,781	-	1,945,448
-	-	942,110
(341,721)	113,849	621,290
<u>1,814,801</u>	<u>114,157</u>	<u>4,217,240</u>
<u>2,734,533</u>	<u>152,198</u>	<u>11,919,410</u>

**Jones County**

Jones County

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

June 30, 2010

**Total governmental fund balances (page 21)** \$ 4,217,240

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$24,523,106 and the accumulated depreciation is \$6,989,921. 17,533,185

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 419,445

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 556,632

Long-term liabilities, including general obligation bonds payable, capital lease purchase agreements payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (500,122)

**Net assets of governmental activities (page 18)** \$ 22,226,380

See notes to financial statements.

Jones County

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

Year ended June 30, 2010

	General	Mental Health	Special Rural Services
Revenues:			
Property and other county tax	\$ 3,560,774	833,632	1,166,122
Local option sales tax	-	-	190,769
Interest and penalty on property tax	45,386	-	-
Intergovernmental	1,630,764	1,576,751	58,583
Licenses and permits	47,810	-	-
Charges for service	531,288	4,340	-
Use of money and property	242,641	9,000	1
Miscellaneous	75,800	16,880	16
Total revenues	6,134,463	2,440,603	1,415,491
Expenditures:			
Operating:			
Public safety and legal services	2,051,303	-	-
Physical health and social services	475,942	-	-
Mental health	-	2,125,968	-
County environment and education	1,542,052	-	142,644
Roads and transportation	296,624	-	-
Governmental services to residents	556,275	-	4,293
Administration	1,593,790	-	-
Non-program	82,726	-	-
Debt service	33,955	-	-
Capital projects	-	-	-
Total expenditures	6,632,667	2,125,968	146,937
Excess (deficiency) of revenues over (under) expenditures	(498,204)	314,635	1,268,554
Other financing sources (uses):			
Sale of capital assets	367	-	-
Operating transfers in	-	-	-
Operating transfers out	(52,500)	-	(1,305,000)
Total other financing sources (uses)	(52,133)	-	(1,305,000)
Net change in fund balances	(550,337)	314,635	(36,446)
Fund balances beginning of year	1,989,457	279,335	291,638
Fund balances end of year	\$ 1,439,120	593,970	255,192

See notes to financial statements.

Revenue		
Secondary		
Roads	Nonmajor	Total
-	-	5,560,528
572,306	-	763,075
-	-	45,386
3,841,243	186,731	7,294,072
16,884	-	64,694
79	4,144	539,851
-	3,781	255,423
124,618	155,587	372,901
4,555,130	350,243	14,895,930
-	15,760	2,067,063
-	290,517	766,459
-	-	2,125,968
-	24,272	1,708,968
4,629,246	-	4,925,870
-	10,335	570,903
-	-	1,593,790
-	-	82,726
-	26,947	60,902
1,460,545	-	1,460,545
6,089,791	367,831	15,363,194
(1,534,661)	(17,588)	(467,264)
3,734	-	4,101
1,331,000	26,500	1,357,500
-	-	(1,357,500)
1,334,734	26,500	4,101
(199,927)	8,912	(463,163)
2,014,728	105,245	4,680,403
1,814,801	114,157	4,217,240

## Jones County

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

Year ended June 30, 2010

**Net change in fund balances - Total governmental funds (page 25)** \$ (463,163)

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

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

Expenditures for capital assets	\$ 3,378,839	
Depreciation expense	<u>(884,114)</u>	2,494,725

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

102,217

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

Property tax	264	
Other	<u>320,750</u>	321,014

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

29,959

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(15,791)	
Other postemployment benefits	<u>(14,400)</u>	(30,191)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's employee health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

(125,574)

**Change in net assets of governmental activities (page 19 )**

\$ 2,328,987

See notes to financial statements.

Jones County  
Statement of Net Assets  
Proprietary Funds  
June 30, 2010

	<u>Internal Service</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 594,370
Receivables:	
Accounts	19,814
Accrued interest	<u>59</u>
<b>Total assets</b>	614,243
<b>Liabilities</b>	
Accounts payable	<u>57,611</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 556,632</u></u>

See notes to financial statements.

Jones County  
Statement of Revenues, Expenses and  
Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2010

	<u>Internal Service</u>
Operating revenues:	
Reimbursements from operating funds	\$ 1,117,472
Contributions from outside sources	4,225
Contributions from employees	174,839
Insurance reimbursements	874,683
Miscellaneous	14
Total operating revenues	<u>2,171,233</u>
Operating expenses:	
Medical claims	1,965,053
Insurance premiums	283,561
Administrative fees	40,161
Miscellaneous	16,887
Total operating expenses	<u>2,305,662</u>
Operating loss	(134,429)
Non-operating revenues:	
Interest income	<u>8,855</u>
Change in net assets	(125,574)
Net assets beginning of year	<u>682,206</u>
Net assets end of year	<u>\$ 556,632</u>

See notes to financial statements.

Jones County  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2010

	Internal Service
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,117,472
Cash received from employees and others	1,110,674
Cash paid to employees for reimbursements	(55,599)
Cash paid to suppliers for services	(2,391,624)
Net cash used by operating activities	(219,077)
Cash flows from investing activities:	
Interest on investments	13,120
Net decrease in cash and cash equivalents	(205,957)
Cash and cash equivalents beginning of year	800,327
Cash and cash equivalents end of year	\$ 594,370
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (134,429)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Decrease in accounts receivable	56,914
(Decrease) in accounts payable	(141,562)
Net cash used by operating activities	\$ (219,077)

See notes to financial statements.

Jones County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2010

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 971,065
Other County officials	1,108
Receivables:	
Property tax:	
Delinquent	15,561
Succeeding year	16,442,000
Accounts	20,309
Special assessments	431,563
Due from other governments	42,745
<b>Total assets</b>	<u>17,924,351</u>

**Liabilities**

Accounts payable	2,858
Salaries and benefits payable	17,341
Due to other governments	17,879,436
Trusts payable	1,108
Compensated absences	23,608
<b>Total liabilities</b>	<u>17,924,351</u>

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

Jones County

Notes to Financial Statements

June 30, 2010

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

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

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

A. Reporting Entity

For financial reporting purposes, Jones County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. Jones 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: Jones County Assessor's Conference Board, Jones County Emergency Management Commission and Jones County Joint E911 Service 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 established pursuant to Chapter 28E of the Code of Iowa: Jones County Solid Waste Management Commission, Multi-County Cooperative Child Support Agreement, East Central Iowa Employment and Training Consortium, Medical Emergency Response Group, Eastern Iowa Regional Housing Authority, Eastern Iowa Regional Utility Service Systems Commission, Jones County Crime Commission, Jones County Economic Development Commission and Jones County Communications Commission.

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

Proprietary Funds – Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary funds of the County apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Funds are charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

#### D. Assets, Liabilities and Fund Equity

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

Cash, Pooled Investments and Cash Equivalents – 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.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2009.

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.

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

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, 2010, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

Asset Class	Estimated Useful lives (In Years)
Buildings	25-50
Building improvements	25-50
Infrastructure	10-65
Intangibles	5-20
Equipment	3-20
Vehicles	5-15

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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The net assets of the Internal Service, Employee Group Health Fund is designated for future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2010 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 has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

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

The detail of interfund receivables and payables at June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Senior Dining	\$ 232
Special Revenue: Secondary Roads	General Special Revenue: Hale Bridge Historical Restoration	5,841 10,000
Total		<u>\$ 16,073</u>

These balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system and payments between funds are made.

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	General Special Revenue: Rural Services	\$ 26,000 1,305,000 <u>1,331,000</u>
Debt Service	General	<u>26,500</u>
Total		<u>\$ 1,357,500</u>

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

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,274,733	293,459	-	1,568,192
Construction in progress, road network	129,089	1,420,060	(1,549,149)	-
Construction in progress, other	211,851	963,970	(163,829)	1,011,992
Total capital assets not being depreciated	1,615,673	2,677,489	(1,712,978)	2,580,184
Capital assets being depreciated:				
Buildings	2,363,715	422,831	-	2,786,546
Improvements other than buildings	493,094	-	-	493,094
Equipment and vehicles	7,055,845	567,112	(558,595)	7,064,362
Infrastructure, road network	9,979,796	1,549,149	-	11,528,945
Infrastructure, other	69,975	-	-	69,975
Total capital assets being depreciated	19,962,425	2,539,092	(558,595)	21,942,922
Less accumulated depreciation for:				
Buildings	1,347,808	43,755	-	1,391,563
Improvements other than buildings	32,208	22,137	-	54,345
Equipment and vehicles	4,572,171	541,728	(536,048)	4,577,851
Infrastructure, road network	679,871	275,094	-	954,965
Infrastructure, other	9,797	1,400	-	11,197
Total accumulated depreciation	6,641,855	884,114	(536,048)	6,989,921
Total capital assets being depreciated, net	13,320,570	1,654,978	(22,547)	14,953,001
Governmental activities capital assets, net	\$ 14,936,243	4,332,467	(1,735,525)	17,533,185

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 63,552
Physical health and social services	7,460
Mental health	1,958
County environment and education	43,407
Roads and transportation	679,454
Governmental services to residents	30,226
Administration	58,057
Total depreciation expense - governmental activities	\$ 884,114

**(6) Due to Other Governments**

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

Fund	Description	Amount
General	Services	\$ 56,302
Special Revenue:		
Mental Health	Services	279,564
Secondary Roads	Services and materials	110,435
Senior Dining	Services	1,003
		<u>391,002</u>
Total for governmental funds		<u>\$ 447,304</u>
Agency:		
County Assessor	Collections and materials	\$ 499,407
Schools	Collections	10,724,319
Community Colleges	Collections	713,796
Corporations	Collections	4,467,725
Townships	Collections	250,311
City Special Assessments	Collections	446,431
Auto License and Use Tax	Collections	403,868
All other	Collections	373,579
Total for agency funds		<u>\$ 17,879,436</u>

**(7) Prepaid Rental Agreement**

In November 1999, the County entered into a 28E agreement with the Iowa Department of Transportation for the cooperative construction of transportation maintenance facilities to store and maintain transportation related equipment, materials and supplies. The property is owned by the Iowa Department of Transportation. The agreement is for twenty-five years and is renewable for an additional twenty-five years. The County is responsible for a portion of the operational costs and future improvements.

The County has elected to amortize prepaid expenditures of \$80,743 over 25 years. At June 30, 2010, the unamortized prepaid expenditure balance was \$45,216.

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

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Capital Lease Purchase Agreements	General Obligation Bonds	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 37,947	183,000	278,943	-	499,890
Increases	-	-	297,956	14,400	312,356
Decreases	8,959	21,000	282,165	-	312,124
Balance end of year	<u>\$ 28,988</u>	<u>162,000</u>	<u>294,734</u>	<u>14,400</u>	<u>500,122</u>
Due within one year	<u>\$ 8,672</u>	<u>21,000</u>	<u>131,442</u>	<u>-</u>	<u>161,114</u>

Capital Lease Purchase Agreements

The County entered into capital lease purchase agreements for mowers in May 2008 and May 2009 with historical costs of \$11,452, \$17,298 and \$11,003.

The following is a schedule of the future minimum lease payments, including interest at rates ranging from 0.00% to 7.95% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2010:

Year ending June 30,	Amount
2011	\$ 9,757
2012	12,468
2013	6,517
2014	2,589
Total minimum lease payments	31,331
Less amount representing interest	(2,343)
Present value of net minimum lease payments	<u>\$ 28,988</u>

Payments under capital lease purchase agreements totaled \$9,757 for the year ended June 30, 2010.

General Obligation Sewer Improvement Bonds

In February 2007, the County entered into a ten year general obligation sewer improvement bond agreement with the State Revolving Loan program for \$270,000 for the purpose of paying the cost of constructing improvements to and expanding the wastewater treatment facilities at Edinburgh Manor. On August 9, 2007, the general obligation sewer improvement bonds were issued for \$227,000.

A summary of the County's June 30, 2010 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2011	3.00%	\$ 21,000	4,860	25,860
2012	3.00	22,000	4,230	26,230
2013	3.00	22,000	3,570	25,570
2014	3.00	23,000	2,910	25,910
2015	3.00	24,000	2,220	26,220
2016-2017	3.00	50,000	2,250	52,250
Total		<u>\$ 162,000</u>	<u>20,040</u>	<u>182,040</u>

**(9) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the County is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$296,257, 282,350 and \$252,039, respectively, equal to the required contributions for each year.

**(10) Risk Management**

The County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Auxiant. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Auxiant from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2010 was \$1,112,372.

Amounts payable from the Employee Group Health Fund at June 30, 2010 total \$57,611, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$556,345 at June 30, 2010 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years.

A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 199,173
Incurred claims (including claims incurred but not reported at June 30, 2010)	1,767,892
Payment on claims during the fiscal year	<u>(1,909,454)</u>
Unpaid claims end of year	<u>\$ 57,611</u>

**(12) Flexible Benefits Plan**

The Internal Service, Flexible Benefits Plan Fund was established on December 16, 2008. The plan is funded by employee contributions and is administered through a service agreement with Auxiant. Employee contributions are paid bi-weekly. Prior to January 1, 2009, Auxiant was responsible for depositing employee contributions into an account and paying flexible benefit claims. Beginning January 1, 2009, Auxiant is only responsible for paying flexible benefit claims. The County is responsible for depositing employee contributions into an account and transferring funds to Auxiant. The amounts deposited and transferred during the fiscal years 2009 and 2010 were \$4,000 and \$5,100 respectively.

**(13) Other Postemployment Benefits (OPEB)**

The County implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions, during the year ended June 30, 2010.

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 98 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement. Retired participants who were sheriffs or deputies may be age 50 or older if the sheriff or deputy has 22 years of service or more.

The medical/prescription drug benefits, which is a partially self-funded medical plan, is administered by Auxiant. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 21,200
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	21,200
Contributions made	<u>(6,800)</u>
Increase in net OPEB obligation	14,400
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ 14,400</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the County contributed \$6,800 to the medical plan for the one retired member. The plan member eligible for benefits contributed \$4,200, or 38%, of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 21,200	32.1%	\$ 14,400

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$163,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$163,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,767,000 and the ratio of the UAAL to covered payroll was 4.3%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP 2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$911 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**Jones County**

**Required Supplementary Information**

Jones County

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

Required Supplementary Information

Year ended June 30, 2010

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
<b>Receipts:</b>				
Property and other county tax	\$ 6,359,320	6,359,015	6,360,294	(974)
Interest and penalty on property tax	45,304	-	42,000	3,304
Intergovernmental	7,543,185	6,568,497	7,832,165	(288,980)
Licenses and permits	63,752	66,655	73,615	(9,863)
Charges for service	538,317	515,455	544,831	(6,514)
Use of money and property	255,609	223,051	270,087	(14,478)
Miscellaneous	364,325	327,845	312,935	51,390
<b>Total receipts</b>	<b>15,169,812</b>	<b>14,060,518</b>	<b>15,435,927</b>	<b>(266,115)</b>
<b>Disbursements:</b>				
Public safety and legal services	2,072,627	2,126,680	2,129,799	57,172
Physical health and social services	765,589	893,920	802,947	37,358
Mental health	2,132,262	2,818,603	2,644,970	512,708
County environment and education	1,704,572	1,241,426	1,846,244	141,672
Roads and transportation	5,254,099	5,807,773	5,660,566	406,467
Governmental services to residents	568,562	558,123	574,228	5,666
Administration	1,589,379	1,620,826	1,609,643	20,264
Non-program	77,013	108,311	79,946	2,933
Debt service	36,705	32,261	37,206	501
Capital projects	1,396,919	1,225,000	1,573,000	176,081
<b>Total disbursements</b>	<b>15,597,727</b>	<b>16,432,923</b>	<b>16,958,549</b>	<b>1,360,822</b>
Excess (deficiency) of receipts over (under) disbursements	(427,915)	(2,372,405)	(1,522,622)	1,094,707
Other financing sources, net	4,101	11,800	800	3,301
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(423,814)	(2,360,605)	(1,521,822)	1,098,008
Balance beginning of year	5,102,890	4,235,495	5,068,332	34,558
Balance end of year	\$ 4,679,076	1,874,890	3,546,510	1,132,566

See accompanying independent auditor's report.

Jones County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 15,169,812	(273,882)	14,895,930
Expenditures	15,597,727	(234,533)	15,363,194
Net	(427,915)	(39,349)	(467,264)
Other financing sources, net	4,101	-	4,101
Beginning fund balances	5,102,890	(422,487)	4,680,403
Ending fund balances	\$ 4,679,076	(461,836)	4,217,240

See accompanying independent auditor's report.

Jones County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$525,626. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted.

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Jones County

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 163	163	0.00%	3,767	4.3%

See Note 13 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**Jones County**

**Other Supplementary Information**

Jones County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2010

	County				
	Recorder's Records Management	Conservation Land Acquisition	Senior Dining	Jail Commissary	Law Enforcement Canine
<b>Assets</b>					
Cash and pooled investments	\$ 9,402	14,711	10,677	3,906	2,655
Accounts receivable	-	-	20	255	6,418
Due from other governments	-	-	33,742	-	-
<b>Total assets</b>	<b>\$ 9,402</b>	<b>14,711</b>	<b>44,439</b>	<b>4,161</b>	<b>9,073</b>
<b>Liabilities and Fund Equity</b>					
Liabilities:					
Accounts payable	\$ -	-	11,088	409	270
Salaries and benefits payable	-	-	8,609	-	-
Due to other funds	-	-	232	-	-
Due to other governments	-	-	1,003	-	-
Deferred revenue	-	-	12	-	6,418
Total liabilities	-	-	20,944	409	6,688
Fund equity:					
Reserved for debt service	-	-	-	-	-
Unreserved fund balances	9,402	14,711	23,495	3,752	2,385
Total fund equity	9,402	14,711	23,495	3,752	2,385
<b>Total liabilities and fund equity</b>	<b>\$ 9,402</b>	<b>14,711</b>	<b>44,439</b>	<b>4,161</b>	<b>9,073</b>

See accompanying independent auditor's report.

Resource Enhancement and Protection	Hale Bridge Historical Restoration	Debt Service	Total
60,104		308	101,763
-	-	-	6,693
-	10,000	-	43,742
60,104	10,000	308	152,198
-	-	-	11,767
-	-	-	8,609
-	10,000	-	10,232
-	-	-	1,003
-	-	-	6,430
-	10,000	-	38,041
-	-	308	308
60,104	-	-	113,849
60,104	-	308	114,157
60,104	10,000	308	152,198

Jones County

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

Year ended June 30, 2010

					Special
	County				
	Recorder's	Conservation		Jail	Special
	Records	Land	Senior	Commissary	Law
	Management	Acquisition	Dining		Enforcement
Revenues:					
Intergovernmental	\$ -	-	158,352	-	-
Charges for service	4,144	-	-	-	-
Use of money and property	45	-	-	3,109	3
Miscellaneous	-	6,234	143,851	-	-
Total revenues	4,189	6,234	302,203	3,109	3
Expenditures:					
Operating:					
Public safety and legal services	-	-	-	5,854	3,336
Physical health and social services	-	-	290,517	-	-
County environment and education	-	308	-	-	-
Governmental services to residents	10,335	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	10,335	308	290,517	5,854	3,336
Excess (deficiency) of revenues over (under) expenditures	(6,146)	5,926	11,686	(2,745)	(3,333)
Other financing sources:					
Operating transfers in	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(6,146)	5,926	11,686	(2,745)	(3,333)
Fund balances beginning of year	15,548	8,785	11,809	6,497	3,333
Fund balances end of year	\$ 9,402	14,711	23,495	3,752	-

See accompanying independent auditor's report.

Revenue				
Law Enforcement Canine	Resource Enhancement and Protection	Hale Bridge Historical Restoration	Debt Service	Total
-	18,379	10,000	-	186,731
-	-	-	-	4,144
-	624	-	-	3,781
5,502	-	-	-	155,587
5,502	19,003	10,000	-	350,243
6,570	-	-	-	15,760
-	-	-	-	290,517
-	7,308	16,656	-	24,272
-	-	-	-	10,335
-	-	-	26,947	26,947
6,570	7,308	16,656	26,947	367,831
(1,068)	11,695	(6,656)	(26,947)	(17,588)
-	-	-	26,500	26,500
(1,068)	11,695	(6,656)	(447)	8,912
3,453	48,409	6,656	755	105,245
2,385	60,104	-	308	114,157

**Schedule 3**

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Jones County  
Combining Schedule of Net Assets  
Internal Service Funds

June 30, 2010

	Employee Group Health	Flexible Benefits Plan	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 594,083	287	594,370
Receivables:			
Accounts	19,814	-	19,814
Accrued interest	59	-	59
<b>Total assets</b>	613,956	287	614,243
<b>Liabilities</b>			
Accounts payable	57,611	-	57,611
<b>Net Assets</b>			
Unrestricted	\$ 556,345	287	556,632

See accompanying independent auditor's report.

## Jones County

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Internal Service Funds

Year ended June 30, 2010

	Employee Group Health	Flexible Benefits Plan	Total
Operating revenues:			
Reimbursements from operating funds	\$ 1,112,372	5,100	1,117,472
Contributions from outside sources	4,225	-	4,225
Contributions from employees	124,614	50,225	174,839
Insurance reimbursements	874,683	-	874,683
Miscellaneous	-	14	14
Total operating revenues	2,115,894	55,339	2,171,233
Operating expenses:			
Medical claims	1,909,454	55,599	1,965,053
Insurance premiums	283,561	-	283,561
Administrative fees	40,161	-	40,161
Miscellaneous	16,887	-	16,887
Total operating expenses	2,250,063	55,599	2,305,662
Operating loss	(134,169)	(260)	(134,429)
Non-operating revenues:			
Interest income	8,855	-	8,855
Change in net assets	(125,314)	(260)	(125,574)
Net assets beginning of year	681,659	547	682,206
Net assets end of year	\$ 556,345	287	556,632

See accompanying independent auditor's report.

**Schedule 5**

## Jones County

Combining Statement of Cash Flows  
Internal Service Funds

Year ended June 30, 2010

	Employee Group Health	Flexible Benefits Plan	Total
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ 1,112,372	5,100	1,117,472
Cash received from employees and others	1,060,435	50,239	1,110,674
Cash paid to employees for reimbursements	-	(55,599)	(55,599)
Cash paid to suppliers for services	(2,391,624)	-	(2,391,624)
Net cash used by operating activities	(218,817)	(260)	(219,077)
Cash flows from investing activities:			
Interest on investments	13,120	-	13,120
Net decrease in cash and cash equivalents	(205,697)	(260)	(205,957)
Cash and cash equivalents beginning of year	799,780	547	800,327
Cash and cash equivalents end of year	\$ 594,083	287	594,370
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (134,169)	(260)	(134,429)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Increase in accounts receivable	56,914	-	56,914
(Increase) in accounts payable	(141,562)	-	(141,562)
Net cash used by operating activities	\$ (218,817)	(260)	(219,077)

See accompanying independent auditor's report.

**Other Supplementary Information**

Jones County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	2,084	196,513	148,662	9,114
Other County officials	1,108	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	167	330	10,657	682
Succeeding year	-	170,000	335,000	10,565,000	704,000
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,108</b>	<b>172,251</b>	<b>531,843</b>	<b>10,724,319</b>	<b>713,796</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	103	-	-
Salaries and benefits payable	-	-	12,939	-	-
Due to other governments	-	172,251	499,407	10,724,319	713,796
Trusts payable	1,108	-	-	-	-
Compensated absences	-	-	19,394	-	-
<b>Total liabilities</b>	<b>\$ 1,108</b>	<b>172,251</b>	<b>531,843</b>	<b>10,724,319</b>	<b>713,796</b>

See accompanying independent auditor's report.

Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
64,261	3,072	14,868	403,868	128,623	971,065
-	-	-	-	-	1,108
3,464	239	-	-	22	15,561
4,400,000	247,000	-	-	21,000	16,442,000
-	-	-	-	20,309	20,309
-	-	431,563	-	-	431,563
-	-	-	-	42,745	42,745
<b>4,467,725</b>	<b>250,311</b>	<b>446,431</b>	<b>403,868</b>	<b>212,699</b>	<b>17,924,351</b>
-	-	-	-	2,755	2,858
-	-	-	-	4,402	17,341
4,467,725	250,311	446,431	403,868	201,328	17,879,436
-	-	-	-	-	1,108
-	-	-	-	4,214	23,608
<b>4,467,725</b>	<b>250,311</b>	<b>446,431</b>	<b>403,868</b>	<b>212,699</b>	<b>17,924,351</b>

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

Year ended June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 1,152	145,146	483,818	10,164,417	636,570
Additions:					
Property and other county tax	-	169,797	334,649	10,555,492	703,958
E911 surcharges	-	-	-	-	-
State tax credits	-	7,192	16,959	510,316	31,451
Office fees and collections	432,867	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	199,704	-	-	-	-
Miscellaneous	-	-	90	-	-
Total additions	632,571	176,989	351,698	11,065,808	735,409
Deductions:					
Agency remittances:					
To other funds	204,718	-	-	-	-
To other governments	226,607	149,884	303,673	10,505,906	658,183
Trusts paid out	201,290	-	-	-	-
Total deductions	632,615	149,884	303,673	10,505,906	658,183
Balances end of year	\$ 1,108	172,251	531,843	10,724,319	713,796

See accompanying independent auditor's report.

Corpora- tions	Townships	City Special Assess- ments	Auto License and Use Tax	Other	Total
4,215,681	240,606	292,849	367,827	270,703	16,818,769
4,437,418	245,464	-	-	20,904	16,467,682
-	-	-	-	94,965	94,965
180,073	11,384	-	-	1,322	758,697
-	-	-	-	-	432,867
-	-	-	4,864,122	254	4,864,376
-	-	219,604	-	-	219,604
-	-	-	-	-	199,704
-	-	-	-	307,223	307,313
4,617,491	256,848	219,604	4,864,122	424,668	23,345,208
-	-	-	202,770	-	407,488
4,365,447	247,143	66,022	4,625,311	372,120	21,520,296
-	-	-	-	110,552	311,842
4,365,447	247,143	66,022	4,828,081	482,672	22,239,626
4,467,725	250,311	446,431	403,868	212,699	17,924,351

Jones County

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

For the Last Ten Years

	2010	2009	2008	2007
<b>Revenues:</b>				
Property and other county tax	\$ 5,560,528	5,142,689	5,039,929	4,944,551
Local option sales tax	763,075	753,271	745,100	692,459
Interest and penalty on property tax	45,386	40,303	51,273	40,526
Intergovernmental	7,294,072	6,663,391	5,459,916	6,130,056
Licenses and permits	64,694	58,847	63,133	57,254
Charges for service	539,851	553,916	529,861	488,122
Use of money and property	255,423	257,293	370,789	397,223
Miscellaneous	372,901	445,307	355,767	259,011
<b>Total</b>	<b>\$ 14,895,930</b>	<b>13,915,017</b>	<b>12,615,768</b>	<b>13,009,202</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 2,067,063	2,093,055	1,926,539	1,882,227
Physical health and social services	766,459	690,390	649,771	729,577
Mental health	2,125,968	2,357,861	2,405,752	2,358,418
County environment and education	1,708,968	951,581	843,139	966,643
Roads and transportation	4,925,870	5,013,318	5,181,336	4,289,198
Governmental services to residents	570,903	551,949	516,672	495,762
Administration	1,593,790	1,364,766	1,168,905	1,153,525
Non-program	82,726	135,130	100,033	73,670
Debt service	60,902	29,243	41,126	5,618
Capital projects	1,460,545	815,014	1,036,367	794,653
<b>Total</b>	<b>\$ 15,363,194</b>	<b>14,002,307</b>	<b>13,869,640</b>	<b>12,749,291</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2006	2005	2004	2003	2002	2001
4,610,837	4,456,444	4,328,573	4,233,483	4,008,666	3,815,210
606,518	680,333	615,568	603,405	526,171	572,876
38,376	41,809	43,800	41,833	41,304	40,568
5,815,503	6,384,409	4,836,462	5,734,114	5,496,228	5,204,746
72,345	59,517	46,118	40,199	42,091	38,277
513,186	505,718	513,303	488,311	425,337	548,030
331,045	226,899	154,548	233,775	224,710	375,217
279,683	276,380	371,759	215,666	59,156	61,522
12,267,493	12,631,509	10,910,131	11,590,786	10,823,663	10,656,446
1,805,964	1,713,155	1,636,654	1,587,393	1,490,438	1,360,901
698,613	605,430	767,276	655,087	417,424	485,193
2,226,362	2,127,455	2,168,835	2,157,138	2,156,418	2,217,737
1,184,737	554,528	571,865	524,010	583,125	493,586
4,013,501	4,355,370	4,427,394	4,202,859	3,519,321	3,895,875
619,332	448,029	385,668	339,057	337,641	303,117
1,270,527	1,202,306	959,960	958,153	974,493	877,548
109,192	38,133	35,667	224,953	30,238	17,201
-	-	-	-	-	-
1,278,659	1,994,791	385,766	408,995	366,079	244,276
13,206,887	13,039,197	11,339,085	11,057,645	9,875,177	9,895,434

**Schedule 9**

## Jones County

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S Department of Agriculture:			
Natural Resources Conservation Service:			
Emergency Watershed Protection Program	10.923	69-6114-9-33	<u>\$ 162,760</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561		<u>11,303</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228	06-CRL-001	<u>50,828</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Recreational Trails Program	20.219	NRT-NT08(002)--9G-53	<u>194,674</u>
Iowa Department of Public Safety, Governor's Traffic Safety Bureau			
Seat Belt Use Incentive Grant	20.609	09-406, Task 89	<u>4,500</u>
U.S. Election Assistance Commission:			
Iowa Secretary of State:			
Help America Vote Act Requirements Payments	90.401	053-09-001	<u>550</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act			
	84.397	5880CO53	<u>2,752</u>
Social Services Block Grant	93.667	5880CO53	<u>1,939</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursement:			
Temporary Assistance for Needy Families	93.558		<u>4,439</u>
Refugee and Entrant Assistance-State Administered Programs	93.566		<u>31</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>2,911</u>
Foster Care - Title IV-E	93.658		<u>5,937</u>
Adoption Assistance	93.659		<u>1,472</u>
State Children's Insurance Program	93.767		<u>67</u>
Medical Assistance Program	93.778		<u>12,619</u>
Social Services Block Grant	93.667		<u>5,582</u>
Social Services Block Grant	93.667		<u>78,768</u>
			<u>84,350</u>

Jones County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (Continued):			
U.S. Department of Homeland Security:			
United Way of America:			
ARRA - Emergency Food and Shelter National Board Program	97.024	AR-2956-00	4,946
Emergency Food and Shelter National Board Program	97.024	27-2956-00	6,685
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assitance	97.036	1763 DR IA	1,097,034
Emergency Management Performance Grant	97.042	FFY 2009	6,846
Emergency Management Performance Grant	97.042	FFY 2010	20,840
			27,686
Iowa Northland Regional Council of Governments:			
State Homeland Security Grant Program (Non-Cash)	97.067	FFY 2006	3,557
State Homeland Security Grant Program (Non-Cash)	97.067	FFY 2007	6,877
State Homeland Security Grant Program (Non-Cash)	97.067	FFY 2008	445
			10,879
Total Indirect			1,525,602
Total			\$ 1,688,362

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

See accompanying independent auditor's report.

**Jones County**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

To the Officials of Jones County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jones County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 3, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-10 through II-D-10 to be significant deficiencies.

## Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

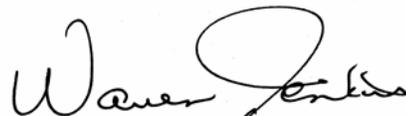
Jones County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Jones County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Jones County and other parties to whom Jones County may report, including federal awarding agencies and pass-through entities, and 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 Jones 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

March 3, 2011

**Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133**

**Jones County**



OFFICE OF AUDITOR OF STATE  
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David A. Vaudt, CPA  
Auditor of State

Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133

To the Officials of Jones County:

Compliance

We have audited Jones County, Iowa's compliance, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on Jones County's major federal program for the year ended June 30, 2010. Jones County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Jones County's management. Our responsibility is to express an opinion on Jones County's compliance based on our audit.

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

In our opinion, Jones County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Jones County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Jones County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jones County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a significant deficiency.

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a significant deficiency.

Jones County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the County's response, we did not audit Jones County's response and, accordingly, we express no opinion on it.

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 3, 2011

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters).
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Jones County did not qualify as a low-risk auditee.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- II-A-10 Financial Reporting – We identified a material item recorded as a due from other governments which should not have been accrued. In addition, we identified an unearned revenue which was not recorded. Adjustments were subsequently made by the County for reporting purposes.

Recommendation – The County should implement procedures to ensure receivables and deferred revenues are properly identified and included in the financial statements.

Response – The unearned revenue was correctly recorded and reported as a cash transaction, however, it should have been offset on the GAAP basis financial statements as a deferred revenue because the funds will not be used until FY12 on a road project. The County will more carefully review receivables for accrual purposes, and will be more thorough in seeking out information regarding possible deferred revenues.

Conclusion – Response accepted.

- II-B-10 Gift Cards – Gift cards, fuel cards and phone cards were identified as being purchased by the Central Point Program Coordinator (CPPC) during the fiscal year. These cards were subsequently provided to either DHS Local Offices or other entities who submitted for mini-grant funding. However, no additional follow-up or monitoring was performed by the CPPC.

Recommendation – The County should ensure DHS Local Offices and other entities are required to submit supporting documentation to the CPPC to document how the provided funds were spent.

Response – All receipts for gift, fuel and phone cards will be collected by the CPPC Coordinator for documentation purposes and submitted to the County Auditor. The Jones County Empowerment/DCAT committee is reviewing possible changes in their FY12 policy to eliminate gift cards, except for incentive purposes for the mini-grant program, and for rare emergency fund purposes. When such cards are used by the CPPC or a mini-grant recipient, a detailed record will be maintained noting when and who the cards are provided to, and the intended purpose for the card. Receipts for items purchased will be provided to the CPPC by the end of the fiscal year.

Conclusion – Response accepted.

- II-C-10 Disaster Recovery Plan – A documented disaster recovery plan for processing critical jobs in the event of a major hardware or software failure or temporary or permanent destruction of the courthouse has not been developed. Jones County has not developed adequate disaster recovery plans which provide for a backup site, procedures to be followed to prepare the site for equipment and identify staff responsibilities.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Recommendation – The County should ensure an adequate disaster recovery plan is developed and documented.

Response – The County will work with Department Heads and other key personnel to develop a disaster recovery plan that will address continuation of government procedures in the event of a major hardware or software failure, or temporary or permanent destruction of the courthouse.

Conclusion – Response accepted.

II-D-10 Payroll – Timesheets for the Secondary Roads Department were not signed and dated by a Department supervisor indicating review and approval.

Recommendation – The County should ensure timesheets are properly reviewed and approved for all County employees. Evidence of review should be indicated by initials of the supervisor or department head and the date of the review.

Response – The County Engineer has implemented a policy to require all secondary road time cards be reviewed by the immediate supervisor or County Engineer. Evidence of review will be indicated by the initials of either the supervisor or County Engineer. In addition, either the original time card, or a scanned image thereof, will be submitted to the County Auditor’s Office with each payroll submission.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

**CFDA Number 97.036: Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

**Pass-through Agency Number: 1763 DR IA**

**Federal Award Year: 2010**

**U.S. Department of Homeland Security**

**Passed through the Iowa Department of Public Defense – Iowa Homeland Security and Emergency Management Division**

- III-A-10 Payroll – Timesheets for the Secondary Roads Department were not signed and dated by a Department supervisor indicating review and approval. Procedures are not in place to verify the accuracy of the force account labor and equipment charges. See item II-D-10.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

- IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.
- IV-B-10 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-10 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-10 Business Transactions – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Delbert Loop, husband of county employee Barbara Loop	Rent	\$ 500
Phyllis Dircks, Senior Dining employee, independent contractor	Laundry	185
Fred Austin, Secondary Roads employee, independent contractor	Skid loader rental	120
Jeff Rogers, son of County Conservation Board Member, owner of Rogers Construction	Sidewalk and boat ramp	13,826

In accordance with Chapter 331.342 of the Code of Iowa, the transactions with Delbert Loop, Phyllis Dircks and Fred Austin do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year. The transaction with Jeff Rogers does appear to represent a conflict of interest since it was not entered into through competitive bidding in accordance with Chapter 331.342 of the Code of Iowa.

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – The Board of Supervisors has consulted legal counsel regarding the transaction with Rogers Construction. Based on the information available to our legal counsel, it does not appear that the Conservation Board member had a direct or indirect interest in the contract with Rogers Construction. The County will remind departments to abide by all competitive bidding requirements. Further the County will recommend that all potential contracts that may involve a familial relationship of spouse, siblings, or parent/child, be offered for public bid, even though the contract may not be covered under the competitive bidding requirements of Iowa law, so as to eliminate the public perception of a conflict of interest.

Conclusion – Response accepted.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

- IV-E-10 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be periodically reviewed to ensure the coverage is adequate for current operations.
- IV-F-10 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-H-10 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-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, 2010 for the County Extension Office did not exceed the amount budgeted.

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Jones County

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager  
James R. Wittenwyler, Staff Auditor  
Aaron P. Wagner, Staff Auditor  
Jessica P. V. Green, Staff Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State