



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

March 23, 2011

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on Jackson County, Iowa.

The County had local tax revenue of \$23,662,746 for the year ended June 30, 2010, which included \$1,055,596 in tax credits from the state. The County forwarded \$18,532,479 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,130,267 of the local tax revenue to finance County operations, a 5.4 percent increase over the prior year. Other revenues included charges for service of \$843,912, operating grants, contributions and restricted interest of \$5,064,021, capital grants, contributions and restricted interest of \$1,573,029, local option sales tax of \$766,653, unrestricted investment earnings of \$27,081 and other general revenues of \$363,996.

Expenses for County operations totaled \$13,375,075, a 5.8 percent increase over the prior year. Expenses included \$5,233,678 for roads and transportation, \$2,215,334 for mental health and \$2,061,161 for county environment and education.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1010-0049-B00F.pdf>.

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**JACKSON COUNTY**

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

**JUNE 30, 2010**

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**Jackson County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steve Flynn	Board of Supervisors	Jan 2011
John J. Willey	Board of Supervisors	Jan 2011
Larry Koos	Board of Supervisors	Jan 2013
Joell Deppe	County Auditor	Jan 2013
Alfred Tebbe, Jr.	County Treasurer	Jan 2011
Arlene Schauf	County Recorder	Jan 2011
Russell Kettmann	County Sheriff	Jan 2013
Chris Raker	County Attorney	Jan 2011
Deb Lane	County Assessor	Jan 2016

**Jackson County**



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Independent Auditor's Report

To the Officials of Jackson County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jackson 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 Jackson County's management. Our responsibility is to express opinions on these financial statements based on our audit.

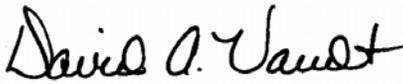
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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 Jackson 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 11, 2011 on our consideration of Jackson 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 Funding Progress for the Retiree Health Plan on pages 7 through 13 and 46 through 50 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 Jackson 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 11, 2011

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

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Jackson County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. 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 2.1%, or approximately \$289,000, from fiscal year 2009 to fiscal year 2010. Property and other county tax increased approximately \$295,000, operating grants, contributions and restricted interest increased approximately \$758,000 and capital grants, contributions and restricted interest decreased approximately \$639,000. Operating grants, contributions and restricted interest increased due to the receipt of CDBG funds to assist HUSCO International, Inc. with job creation. Capital grants, contributions and restricted interest decreased due to the completion of a bridge project in the prior year.
- Program expenses of the County's governmental activities increased 5.8%, or approximately \$730,000, from fiscal year 2009 to fiscal year 2010. County environment and education expenses increased approximately \$794,000. The increase in county environment and education was due to CDBG funds expended to assist HUSCO International, Inc. in the creation of jobs.
- The County's net assets increased 1.0%, or approximately \$394,000, from June 30, 2009 to June 30, 2010.

### **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 Jackson 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 Jackson 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 Jackson 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 funds, the individual Internal Service Funds 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 and interest on long-term debt. 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, Secondary Roads, Local Option Sales Tax and Jackson County Revolving Loan, and 3) the Capital Projects 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 Funds for employee self-funded health and dental plans. 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 that account for emergency management services and the County Assessor, to name a few.

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

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. Jackson County's combined net assets of governmental activities increased 1.0%, from approximately \$39.5 million to approximately \$39.9 million, between June 30, 2009 and June 30, 2010. The analysis that follows focuses on the changes in the net assets of governmental activities.

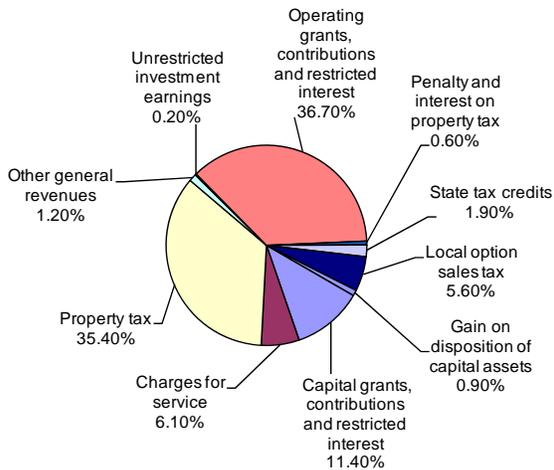
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2010	2009
Current and other assets	\$ 11,331	11,481
Capital assets	34,502	33,679
Total assets	<u>45,833</u>	<u>45,160</u>
Long-term liabilities	293	196
Other liabilities	5,684	5,502
Total liabilities	<u>5,977</u>	<u>5,698</u>
Net assets:		
Invested in capital assets	34,502	33,679
Restricted	4,334	4,510
Unrestricted	1,020	1,273
Total net assets	<u>\$ 39,856</u>	<u>39,462</u>

The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment). Restricted net assets 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 - decreased from approximately \$1,273,000 at June 30, 2009 to approximately \$1,020,000 at the end of this year, a decrease of 19.9%.

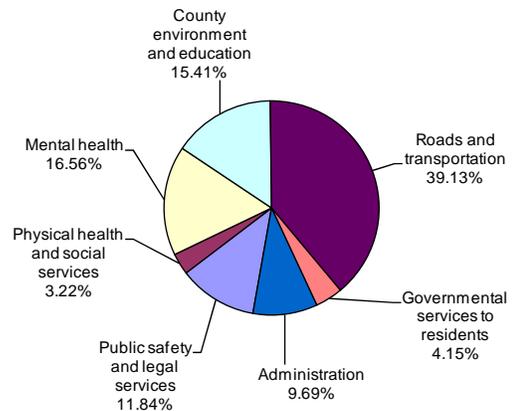
**Changes in Net Assets of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2010	2009
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 844	1,009
Operating grants, contributions and restricted interest	5,064	4,306
Capital grants, contributions and restricted interest	1,573	2,212
<b>General revenues:</b>		
Property tax	4,869	4,574
Penalty and interest on property tax	79	30
State tax credits	261	295
Local option sales tax	767	764
Unrestricted investment earnings	27	67
Gain on disposition of capital assets	119	-
Other general revenues	166	223
<b>Total revenues</b>	<b>13,769</b>	<b>13,480</b>
<b>Program expenses:</b>		
Public safety and legal services	1,583	1,513
Physical health and social services	431	421
Mental health	2,215	2,341
County environment and education	2,061	1,267
Roads and transportation	5,234	5,284
Governmental services to residents	555	385
Administration	1,296	1,434
<b>Total expenses</b>	<b>13,375</b>	<b>12,645</b>
<b>Increase in net assets</b>	<b>394</b>	<b>835</b>
<b>Net assets beginning of year</b>	<b>39,462</b>	<b>38,627</b>
<b>Net assets end of year</b>	<b>\$ 39,856</b>	<b>39,462</b>

**Revenues by Source**



**Expenses by Program**



The County's property tax revenue increased approximately \$295,000 due to an increase in property valuations of 3.7% in fiscal year 2010.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Jackson County completed the year, its governmental funds reported a combined fund balance of \$4,764,471, a decrease of \$156,395 from last year's total of \$4,920,866. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased \$429,753 and expenditures increased \$135,848. The ending fund balance increased \$225,402 from the prior year to \$1,416,451. The increase in revenues was due, in part, to the County receiving approximately \$240,000 in grant money for the Copper Creek Trail project and an increase of approximately \$148,000 in property tax. Capital project expenditures increased approximately \$491,000 for conservation land acquisition for the Copper Creek Trail project.
- The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal year 2010, revenues totaled \$1,875,280, a decrease of 4.5% from the prior year. The decrease was due to the County not receiving an allowable growth allocation and a mental health community services allocation of approximately \$63,000 and \$17,000, respectively, during fiscal year 2010 which were received during fiscal year 2009. Expenditures totaled \$2,205,598, a decrease of 5.7% from the prior year. The decrease was due to fewer patients served during fiscal year 2010. The Mental Health Fund balance at year end decreased \$330,318 from the prior year to (\$298,783).
- The Rural Services Fund ended fiscal year 2010 with a \$207,230 balance compared to the prior year ending balance of \$299,272. There were no significant changes in revenues from the prior year. Expenditures increased approximately \$121,000 to a total of \$811,804. The increase was due to the County beginning to purchase gravel and rock directly out of the Rural Services Fund, whereas it was purchased out of the Secondary Roads Fund in the past.
- Secondary Roads Fund revenues and expenditures decreased from the prior year, due primarily to the completion of a bridge project. The Secondary Roads Fund ended fiscal year 2010 with a \$911,119 balance compared to the prior year ending balance of \$903,100.
- The Local Option Sales Tax Fund ended fiscal year 2010 with a \$732,453 balance compared to the prior year ending balance of \$994,354. The decrease in fund balance was due to a transfer of approximately \$201,000 to the Rural Services Fund in fiscal year 2010 which was not done in fiscal year 2009.
- The Jackson County Revolving Loan Fund ended fiscal year 2010 with a \$1,224,006 balance compared to the prior year ending balance of \$1,058,160. The increase is due to the Jackson County Revolving Loan Fund receiving \$170,846 in loan repayments from businesses during fiscal year 2010.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Jackson County amended its budget two times. The amendments were made in December 2009 and May 2010 and resulted in an increase in budgeted disbursements related, in part, to disbursing the CDBG funds to HUSCO International, Inc., capital projects and various expenses for roads and transportation.

The County's receipts were \$316,940 more than the amended budget. The most significant increase resulted from the County receiving more intergovernmental receipts than anticipated.

Total disbursements were \$889,581 less than the amended budget. Actual disbursements for the mental health, roads and transportation and capital projects functions were \$202,324, \$242,433 and \$207,221, respectively, less than budgeted. This was primarily due to the County continuing to look for ways to manage the cost of mental health services and work on certain projects was not completed prior to June 30, 2010. In addition, the County had fewer capital project disbursements than originally budgeted.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2010, Jackson County had approximately \$34.5 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangibles. This is a net increase (including additions and deletions) of approximately \$823,000, or 2.4%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2010	2009
Land	\$ 1,330	2,913
Intangibles	1,584	-
Construction in progress	675	1,198
Buildings and improvements	1,533	1,584
Equipment and vehicles	3,246	3,092
Infrastructure	26,134	24,892
Total	<u>\$ 34,502</u>	<u>33,679</u>

This year's major additions included (in thousands):

Secondary roads projects	\$ 1,085
Roads and transportation equipment	645
Copper Creek Trail project	462
Sheriff's vehicles	<u>47</u>
Total	<u>\$ 2,239</u>

The County had depreciation expense of \$1,522,263 in fiscal year 2010 and total accumulated depreciation of \$18,788,305 at June 30, 2010.

More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

### **Long-Term Debt**

At June 30, 2010, Jackson County had no outstanding long-term debt

The County does not carry a general obligation bond rating assigned by national rating agencies since it has not issued any general obligation bonds for a number of years. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Jackson County's general obligation constitutional debt limit is approximately \$37 million.

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

Jackson County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees charged for various County activities. One of those factors is the economy. The County's nonagricultural employment growth decreased in 2009, averaging 1.6% over the last 5 years while the population growth during 2003-2008 decreased .7%. Unemployment in the County now stands at 7.5% versus 8.5% a year ago.

Inflation continues to be slightly lower than the national Consumer Price Index increase. Inflation has been modest here due, in part, to the slowing of the residential housing market and modest increases in energy prices in 2008-2009.

These indicators were taken into account when adopting the budget for fiscal year 2011. The County has added no major new programs or initiatives to the fiscal year 2011 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by the close of fiscal year 2011.

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

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Jackson 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 Joell Deppe at the Jackson County Auditor's Office, by mail at 201 West Platt, Maquoketa, Iowa 52060 or by phone at (563) 652-3144.

**Jackson County**

## **Basic Financial Statements**

**Exhibit A**

Jackson County  
Statement of Net Assets  
June 30, 2010

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 5,002,015
Receivables:	
Property tax:	
Delinquent	6,903
Succeeding year	4,735,300
Interest and penalty on property tax	34,838
Accounts	97,329
Accrued interest	194
Revolving loans	610,284
Due from other governments	443,419
Inventories	273,017
Prepaid insurance	127,312
Capital assets (net of accumulated depreciation/amortization)	<u>34,502,308</u>
<b>Total assets</b>	<u>45,832,919</u>
<b>Liabilities</b>	
Accounts payable	343,150
Salaries and benefits payable	48,420
Due to other governments	556,406
Deferred revenue:	
Succeeding year property tax	4,735,300
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	174,101
Portion due or payable after one year:	
Compensated absences	28,733
Net OPEB liability	90,470
<b>Total liabilities</b>	<u>5,976,580</u>
<b>Net Assets</b>	
Invested in capital assets	34,502,308
Restricted for:	
Supplemental levy purposes	302,013
Secondary roads purposes	1,630,891
Cemetery levy	16,193
Other purposes	2,385,158
Unrestricted	<u>1,019,776</u>
<b>Total net assets</b>	<u>\$ 39,856,339</u>

See notes to financial statements.

Jackson 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	\$ 1,583,551	59,383	59,132	-	(1,465,036)
Physical health and social services	430,571	41,961	195,564	-	(193,046)
Mental health	2,215,334	52,399	1,044,462	-	(1,118,473)
County environment and education	2,061,161	220,570	1,026,943	352,091	(461,557)
Roads and transportation	5,233,678	62,337	2,737,920	1,220,938	(1,212,483)
Governmental services to residents Administration	554,748 1,296,032	319,349 87,913	- -	- -	(235,399) (1,208,119)
<b>Total</b>	<b>\$ 13,375,075</b>	<b>843,912</b>	<b>5,064,021</b>	<b>1,573,029</b>	<b>(5,894,113)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					4,869,287
Penalty and interest on property tax					79,056
State tax credits					260,980
Local option sales tax					766,653
Unrestricted investment earnings					27,081
Gain on disposition of capital assets					118,813
Miscellaneous					166,127
<b>Total general revenues</b>					<b>6,287,997</b>
Change in net assets					393,884
Net assets beginning of year					39,462,455
Net assets end of year					<b>\$ 39,856,339</b>

See notes to financial statements.

Jackson County  
Balance Sheet  
Governmental Funds

June 30, 2010

<b>Assets</b>	Special			
	General	Mental Health	Rural Services	Secondary Roads
Cash and pooled investments	\$ 1,297,855	283,865	204,574	560,013
Receivables:				
Property tax:				
Delinquent	5,026	1,227	650	-
Succeeding year	2,962,300	723,000	1,050,000	-
Interest and penalty on property tax	34,838	-	-	-
Accounts	34,696	28,067	-	154
Accrued interest	167	-	-	-
Revolving loans	-	-	-	-
Due from other funds	-	-	-	3,877
Advances to other funds	-	-	-	-
Due from other governments	175,590	-	15,705	195,089
Inventories	-	-	-	273,017
Prepaid insurance	102,264	-	-	25,048
<b>Total assets</b>	<b>\$ 4,612,736</b>	<b>1,036,159</b>	<b>1,270,929</b>	<b>1,057,198</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 167,615	54,264	1,874	95,331
Salaries and benefits payable	22,202	3,450	3,838	18,151
Due to other funds	3,784	-	5,047	-
Due to other governments	762	553,030	2,340	260
Deferred revenue:				
Succeeding year property tax	2,962,300	723,000	1,050,000	-
Other	39,622	1,198	600	32,337
Advances from other funds	-	-	-	-
Total liabilities	3,196,285	1,334,942	1,063,699	146,079
Fund balances:				
Reserved for:				
Cemetery	16,151	-	-	-
Supplemental levy purposes	313,873	-	-	-
Advances to other funds	-	-	-	-
Unreserved, reported in:				
General fund	1,086,427	-	-	-
Special revenue funds	-	(298,783)	207,230	911,119
Capital projects fund	-	-	-	-
Total fund balances	1,416,451	(298,783)	207,230	911,119
<b>Total liabilities and fund balances</b>	<b>\$ 4,612,736</b>	<b>1,036,159</b>	<b>1,270,929</b>	<b>1,057,198</b>

See notes to financial statements.

Revenue			
Local Option Sales Tax	Jackson County Revolving Loan	Nonmajor	Total
680,291	1,083,462	722,925	4,832,985
-	-	-	6,903
-	-	-	4,735,300
-	-	-	34,838
34,412	-	-	97,329
-	-	9	176
-	610,284	-	610,284
5,047	-	-	8,924
-	140,544	-	140,544
47,115	-	9,920	443,419
-	-	-	273,017
-	-	-	127,312
766,865	1,834,290	732,854	11,311,031
-	-	19,429	338,513
-	-	779	48,420
-	-	93	8,924
-	-	14	556,406
-	-	-	4,735,300
34,412	610,284	-	718,453
-	-	140,544	140,544
34,412	610,284	160,859	6,546,560
-	-	-	16,151
-	-	-	313,873
-	140,544	-	140,544
-	-	-	1,086,427
732,453	1,083,462	503,069	3,138,550
-	-	68,926	68,926
732,453	1,224,006	571,995	4,764,471
766,865	1,834,290	732,854	11,311,031

**Jackson County**

Jackson County

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

June 30, 2010

**Total governmental fund balances (page 19)** \$ 4,764,471

***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 \$53,290,613 and the accumulated depreciation is \$18,788,305. 34,502,308

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 718,453

The Internal Service Funds are used by management to charge the costs of partial self-funding of the County's health and dental plans to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets. 164,411

Compensated absences payable and other post employment benefits payable are not due and payable in the current year and, therefore, are not reported in the governmental funds. (293,304)

**Net assets of governmental activities (page 16)** \$ 39,856,339

See notes to financial statements.

Jackson County

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

Year ended June 30, 2010

	General	Mental Health	Rural Services	Special Secondary Roads
Revenues:				
Property and other county tax	\$ 3,023,058	739,005	1,106,552	-
Local option sales tax	-	-	191,663	-
Interest and penalty on property tax	74,007	-	-	-
Intergovernmental	798,376	1,083,876	63,821	2,873,731
Licenses and permits	4,370	-	-	9,160
Charges for service	548,191	-	-	418
Use of money and property	74,234	-	-	-
Miscellaneous	19,175	52,399	12	66,495
Total revenues	4,541,411	1,875,280	1,362,048	2,949,804
Expenditures:				
Operating:				
Public safety and legal services	1,063,298	-	472,942	-
Physical health and social services	152,287	-	-	-
Mental health	-	2,205,598	-	-
County environment and education	676,067	-	217,980	-
Roads and transportation	-	-	107,564	4,142,068
Governmental services to residents	476,466	-	2,165	-
Administration	1,214,294	-	11,153	-
Capital projects	554,865	-	-	276,106
Total expenditures	4,137,277	2,205,598	811,804	4,418,174
Excess (deficiency) of revenues over (under) expenditures	404,134	(330,318)	550,244	(1,468,370)
Other financing sources (uses):				
Sale of capital assets	-	-	-	12,500
Operating transfers in	98,605	-	201,395	1,463,889
Operating transfers out	(277,337)	-	(843,681)	-
Total other financing sources (uses)	(178,732)	-	(642,286)	1,476,389
Net change in fund balances	225,402	(330,318)	(92,042)	8,019
Fund balances beginning of year	1,191,049	31,535	299,272	903,100
Fund balances end of year	\$ 1,416,451	(298,783)	207,230	911,119

See notes to financial statements.

Revenue			
Local Option	Jackson County		
Sales Tax	Revolving Loan	Nonmajor	Total
-	-	-	4,868,615
574,990	-	-	766,653
-	-	-	74,007
-	-	1,043,834	5,863,638
-	-	19,184	32,714
-	-	27,523	576,132
-	170,846	97,557	342,637
9,562	-	31,954	179,597
584,552	170,846	1,220,052	12,703,993
-	-	13,878	1,550,118
-	-	263,874	416,161
-	-	-	2,205,598
-	5,000	829,022	1,728,069
-	-	-	4,249,632
-	-	-	478,631
-	-	18,759	1,244,206
-	-	169,502	1,000,473
-	5,000	1,295,035	12,872,888
584,552	165,846	(74,983)	(168,895)
-	-	-	12,500
5,047	-	344,126	2,113,062
(851,500)	-	(140,544)	(2,113,062)
(846,453)	-	203,582	12,500
(261,901)	165,846	128,599	(156,395)
994,354	1,058,160	443,396	4,920,866
732,453	1,224,006	571,995	4,764,471

## Jackson 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 23)** \$ (156,395)

***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 and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,153,683	
Capital assets contributed by the Iowa Department of Transportation	1,085,127	
Depreciation expense	<u>(1,522,263)</u>	716,547

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

106,313

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	5,721	
Other	<u>(162,399)</u>	(156,678)

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	(6,654)	
Other postemployment benefits	<u>(90,470)</u>	(97,124)

Internal Service Funds are used by management to charge the costs of the partial self-funding of the County's health and dental plans to individual funds. The change in net assets of the Internal Service Funds is reported with governmental activities.

(18,779)

**Change in net assets of governmental activities (page 17)** \$ 393,884

See notes to financial statements.

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

	<u>Internal Service</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 169,030
Accrued interest receivable	<u>18</u>
<b>Total assets</b>	169,048
<b>Liabilities</b>	
Accounts payable	<u>4,637</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 164,411</u></u>

See notes to financial statements.

Jackson 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	\$ 80,108
Reimbursements from employees	17,474
Total operating revenues	<u>97,582</u>
Operating expenses:	
Medical claims	81,786
Insurance premiums	25,074
Administrative fees	9,734
Total operating expenses	<u>116,594</u>
Operating loss	(19,012)
Non-operating revenues:	
Interest income	<u>233</u>
Decrease in net assets	(18,779)
Net assets beginning of year	<u>183,190</u>
Net assets end of year	<u>\$ 164,411</u>

See notes to financial statements.

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

	Internal Service
Cash flows from operating activities:	
Cash received from operating funds and employees	\$ 97,582
Cash paid to suppliers for medical claims, administrative fees and insurance premiums	(119,079)
Net cash used by operating activities	(21,497)
Cash flows from investing activities:	
Interest on investments	253
Net decrease in cash and cash equivalents	(21,244)
Cash and cash equivalents beginning of year	190,274
Cash and cash equivalents end of year	\$ 169,030
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (19,012)
Adjustment to reconcile operating loss to net cash used by operating activities:	
Decrease in accounts payable	(2,485)
Net cash used by operating activities	\$ (21,497)

See notes to financial statements.

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

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 1,125,672
Other County officials	74,160
Receivables:	
Property tax:	
Delinquent	29,481
Succeeding year	17,301,300
Accounts	26,143
Accrued interest	49
Special assessments:	
Delinquent	15,341
Succeeding year	44,307
Due from other governments	21,875
<b>Total assets</b>	<u>18,638,328</u>

**Liabilities**

Accounts payable	11,918
Salaries and benefits payable	3,259
Due to other governments	18,534,336
Trusts payable	74,160
Compensated absences	14,655
<b>Total liabilities</b>	<u>18,638,328</u>

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

Jackson County

Notes to Financial Statements

June 30, 2010

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

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

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

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Green Island drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Jackson County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Jackson County Auditor's Office.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Jackson County Assessor’s Conference Board, Jackson County Emergency Management Commission, Jackson County Sanitary Disposal Agency, Jackson County Economic Development Commission, East Central Intergovernmental Association, Jackson County Public Safety Commission, Jackson County Joint E911 Service Board and Bear Creek Task Force. 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.

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental funds, 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 roads construction and maintenance.

The Local Option Sales Tax Fund is used to account for the portion of local option sales tax to be used for secondary roads construction projects.

The Jackson County Revolving Loan Fund is used to account for loans made to local businesses to provide for economic development in Jackson County and subsequent repayments.

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 year or soon enough thereafter to pay liabilities of the current year. 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 revenue of the County's Internal Service Funds is 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 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	\$ 65,000
Land, buildings and improvements	25,000
Intangibles	25,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	15 - 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.

Advances to/from Other Funds – Non-current portions of long-term interfund loans receivable are reported as advances and are offset equally by a fund balance reserve which indicates they do not constitute expendable available financial resources and, therefore, are not available to liquidate current obligations.

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.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, death or retirement. No payment for unused sick leave shall be made upon the termination of employment with the County. Full-time employees who do not utilize sick leave during a three-month span are entitled to an additional one-half day of floating personal time which will be credited at the end of each calendar quarter. Floating time is credited to the employee's vacation time. 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

Unrestricted Net Assets – The unrestricted net assets of the Internal Service Funds are 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 had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,955,188 pursuant to Rule 2a-7 under the

Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

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

The detail of due to/due from other funds and advances to/from other funds at June 30, 2010 is as follows:

Due To/Due From Other Funds

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Secondary Roads	General	\$ 3,784
	Special Revenue:	
	Mental Health	93
		<u>3,877</u>
Special Revenue:	Special Revenue:	
Local Option Sales Tax	Rural Services	5,047
Total		<u>\$ 8,924</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.

Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Jackson County Revolving Loan	Capital Projects	<u>\$ 140,544</u>

This balance results from a loan between funds which has not been repaid.

**(4) Interfund Transfers**

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

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 98,605
Special Revenue:		
Secondary Roads	General	123,605
	Special Revenue:	
	Rural Services	788,784
	Local Option Sales Tax	551,500
Local Health	General	65,000
REAP	General	4,456
	Capital Projects	140,544
Rural Services	Special Revenue:	
	Local Option Sales Tax	201,395
Emergency Training Grant	General	2,276
Local Option Sales Tax	Special Revenue:	
	Rural Services	5,047
Capital Projects	General	82,000
	Special Revenue:	
	Rural Services	49,850
Total		<u>\$ 2,113,062</u>

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

**(5) Jackson County Revolving Loan Fund**

During the year ended June 30, 1983, the Jackson County Revolving Loan Fund was established. The purpose of the fund is to promote economic development in Jackson County. During the year ended June 30, 1983, the County received a Community Development Block Grant from the State for \$1,000,000 which was subsequently loaned to businesses in the County.

Upon receipt of loan payments from the businesses, the funds remain in the Jackson County Revolving Loan Fund for subsequent loans to other businesses. If the program is dissolved, all monies and interest earned will revert to Jackson County. During the year ended June 30, 2010, one new loan was made to the Jackson County Conservation Board for \$140,544.

Outstanding loans receivable of the Jackson County Revolving Loan Fund are as follows:

Loaned to	Date of Loan	Loan Amount	Interest Rate	Term of Loan	Loan Balance June 30, 2010
Clark Boat Company Inc. (Renegotiated)	Aug. 20, 2002	\$ 273,000	4.5%	15 years	\$ 46,157
T M Woodworks	Apr. 6, 2004	255,000	4.0	15 years	93,725
Maquoketa Newspapers, Inc	Apr. 27, 2004	87,000	4.0	7 years	13,966
Maquoketa Newspapers, Inc	June 13, 2006	205,000	5.5	7 years	97,558
Precision Metal Works	March 11, 2008	325,000	3.5	7 years	232,760
Maquoketa Newspapers, Inc	Nov. 18, 2008	175,000	4.0	5 years	126,118
Total					<u>\$ 610,284</u>

In addition, the County advanced \$140,544 in fiscal year 2010 to the Jackson County Conservation Board for the purchase of land for the Copper Creek Trail Project. The advance will be repaid by the Capital Projects Fund. The balance outstanding at June 30, 2010 was \$140,544.

**(6) 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/amortized:				
Land	\$ 1,329,931	-	-	1,329,931
Intangibles, road network	1,583,789	-	-	1,583,789
Construction in progress	1,198,429	675,393	1,198,429	675,393
Total capital assets not being depreciated/amortized	4,112,149	675,393	1,198,429	3,589,113
Capital assets being depreciated:				
Buildings	3,222,034	-	-	3,222,034
Improvements other than buildings	127,109	-	-	127,109
Equipment and vehicles	7,194,883	805,489	604,417	7,395,955
Infrastructure, road network	36,689,885	2,070,482	-	38,760,367
Infrastructure, other	196,035	-	-	196,035
Total capital assets being depreciated	47,429,946	2,875,971	604,417	49,701,500
Less accumulated depreciation for:				
Buildings	1,750,947	45,509	-	1,796,456
Improvements other than buildings	14,132	5,692	-	19,824
Equipment and vehicles	4,103,338	642,957	596,605	4,149,690
Infrastructure, road network	11,931,392	819,454	-	12,750,846
Infrastructure, other	62,838	8,651	-	71,489
Total accumulated depreciation	17,862,647	1,522,263	596,605	18,788,305
Total capital assets being depreciated, net	29,567,299	1,353,708	7,812	30,913,195
Governmental activities capital assets, net	\$ 33,679,448	2,029,101	1,206,241	34,502,308

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 56,853
Physical health and social services	11,794
Mental health	1,142
County environment and education	58,546
Roads and transportation	1,300,740
Governmental services to residents	62,622
Administration	30,566
Total depreciation expense - governmental activities	<u>\$ 1,522,263</u>

Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets, was implemented during fiscal year 2010. Right of way totaling \$1,583,789 which was previously reported as land was reclassified as intangibles, road network. Restatement of the beginning net assets and capital assets for governmental activities was not necessary because the right of way has an indefinite useful life and, therefore, is not subject to amortization.

**(7) Due to Other Governments**

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	<u>\$ 762</u>
Special Revenue:		
Mental Health	Services	553,030
Rural Services	Services	2,340
Secondary Roads	Services	260
Jackson County Farm	Services	<u>14</u>
		<u>555,644</u>
Total for governmental funds		<u>\$ 556,406</u>
Agency:		
County Assessor	Collections	\$ 992,110
Schools		10,099,260
Community Colleges		660,220
Corporations		5,214,737
Townships		214,271
County Hospital		808,845
All other		<u>544,893</u>
Total for agency funds		<u>\$ 18,534,336</u>

**(8) Long-Term Liabilities**

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

	<u>Compen- sated Absences</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Balance beginning of year	\$ 196,180	-	196,180
Increases	237,415	90,470	327,885
Decreases	230,761	-	230,761
Balance end of year	<u>\$ 202,834</u>	<u>90,470</u>	<u>293,304</u>
Due within one year	<u>\$ 174,101</u>	<u>-</u>	<u>174,101</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 \$257,261, \$247,198 and \$224,164, respectively, equal to the required contributions for each year.

**(10) Other Postemployment Benefits (OPEB)**

Jackson County implemented GASB Statement No. 45, Accounting and Financial Reporting for 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 90 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of service.

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

Additionally, the County offers an explicit rate subsidy for retirees where the County will reimburse 80% of the cost of health insurance for five years, up to a maximum pay-out of \$5,000 per year, or until the retiree turns 65 years of age.

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 which, 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	\$ 99,295
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	99,295
Contributions made	<u>(8,825)</u>
Increase in net OPEB obligation	90,470
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ 90,470</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 \$8,825 to the medical plan. Plan members eligible for benefits contributed \$699, or 7% 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	\$ 99,295	8.9%	\$ 90,470

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 \$883,113, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$883,113. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,800,000 and the ratio of the UAAL to covered payroll was 23.2%. 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, presents 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% 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 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 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 range from \$200 for a single retiree to \$1,080 per month for retirees plus their spouse who are 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.

**(11) Risk Management**

The County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2010 were \$191,477.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in the aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2010, no liability has been recorded in the County's financial statements. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

**(12) Jackson County Employee Partial Self-Funded Health Plan**

The County entered into an administrative services agreement with Seabury & Smith, Inc. to administer the employee partial self-funded health plan which provides comprehensive hospital and medical coverage for eligible employees and, if elected, their spouses and dependents. The agreement was effective July 1, 1994 and is subject to automatic renewal provisions. Monthly payments of service fees and plan contributions are recorded as expenditures in the operating funds at the time of payment to the Internal Service, Employee Partial Self-Funded Health Plan Fund maintained by the County Treasurer. Under the agreement, reimbursement of eligible deductible and coinsurance expenses to employees are processed by Seabury & Smith, Inc. with payments from the Internal Service, Employee Partial Self-Funded Health Plan Fund.

**(13) Jackson County Employee Self-Funded Dental Plan**

The County entered into an administrative services agreement with Seabury & Smith, Inc. to administer the employee self-funded dental plan which provides comprehensive dental coverage for eligible employees and, if elected, their spouses and dependents. The agreement was effective July 1, 1996 and is subject to automatic renewal provisions. Monthly payments of service fees and plan contributions are recorded as expenditures in the operating funds at the time of payment to the Internal Service, Employee Self-Funded Dental Plan Fund maintained by the County Treasurer. Under the agreement, deductible and coinsurance expenses are processed by Seabury & Smith, Inc. with payments from the Internal Service, Employee Self-Funded Dental Plan Fund.

**(14) Community Development Block Grant (CDBG)**

The County entered into a contract, dated March 31, 2008, for a forgivable loan with the Iowa Department of Economic Development for \$800,000. The proceeds were received during the year ended June 30, 2010 and were loaned to a local business to assist with economic development. The local business agreed to carry out a project totaling \$30,232,000 which will create at least 170 new full time equivalent (FTE) positions at the Maquoketa facility with a qualifying wage of \$10.78 per hour and at least 51% of the positions created will be filled by persons from low and moderate income households.

The local business agreed, in the event the total job creation/retention requirement is not met, funds will be returned to the Iowa Department of Economic Development based on the difference between actual jobs created/retained on a pro-rata percentage. If the local business does not meet the project investment requirement, the amount to be repaid shall be the difference between the actual total project investment and the total project budget. Should the benefit to low and moderate income persons not meet or exceed fifty-one percent, all federal funds shall be disallowed.

**Required Supplementary Information**

Jackson 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	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 5,634,742	-	5,634,742
Interest and penalty on property tax	74,061	-	74,061
Intergovernmental	6,165,057	-	6,165,057
Licenses and permits	33,045	-	33,045
Charges for service	582,091	647	581,444
Use of money and property	334,856	-	334,856
Miscellaneous	290,191	10,081	280,110
Total receipts	<u>13,114,043</u>	<u>10,728</u>	<u>13,103,315</u>
<b>Disbursements:</b>			
Public safety and legal services	1,586,547	-	1,586,547
Physical health and social services	411,938	-	411,938
Mental health	1,911,510	-	1,911,510
County environment and education	1,881,316	1,540	1,879,776
Roads and transportation	4,453,516	-	4,453,516
Governmental services to residents	490,134	-	490,134
Administration	1,368,378	-	1,368,378
Non-program	119,085	-	119,085
Capital projects	903,034	-	903,034
Total disbursements	<u>13,125,458</u>	<u>1,540</u>	<u>13,123,918</u>
Excess (deficiency) of receipts over (under) disbursements	(11,415)	9,188	(20,603)
Other financing sources (uses)	106,850	-	106,850
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	95,435	9,188	86,247
Balance beginning of year	4,737,550	82,687	4,654,863
Balance end of year	<u>\$ 4,832,985</u>	<u>91,875</u>	<u>4,741,110</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
5,567,789	5,567,789	66,953
49,775	49,775	24,286
5,286,422	6,081,318	83,739
55,521	37,241	(4,196)
542,305	514,805	66,639
475,025	275,976	58,880
241,670	259,471	20,639
<u>12,218,507</u>	<u>12,786,375</u>	<u>316,940</u>
1,630,830	1,646,821	60,274
483,649	465,098	53,160
2,371,834	2,113,834	202,324
1,037,057	1,906,182	26,406
4,419,763	4,695,949	242,433
498,289	498,289	8,155
1,443,045	1,455,171	86,793
121,900	121,900	2,815
919,400	1,110,255	207,221
<u>12,925,767</u>	<u>14,013,499</u>	<u>889,581</u>
(707,260)	(1,227,124)	1,206,521
2,525	15,025	91,825
(704,735)	(1,212,099)	1,298,346
4,494,333	4,875,904	(221,041)
<u>3,789,598</u>	<u>3,663,805</u>	<u>1,077,305</u>

Jackson 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	\$ 13,114,043	(410,050)	12,703,993
Expenditures	13,125,458	(252,570)	12,872,888
Net	(11,415)	(157,480)	(168,895)
Other financing sources, net	106,850	(94,350)	12,500
Beginning fund balances	4,737,550	183,316	4,920,866
Ending fund balances	\$ 4,832,985	(68,514)	4,764,471

See accompanying independent auditor's report.

Jackson 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 blended component units, Internal Service Funds and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Capital Projects 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 \$1,087,732. 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 amounts budgeted.

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Jackson County

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

Required Supplementary Information

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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	Jan 1, 2009	-	\$ 883	883	0.00%	\$ 3,800	23.2%

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See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**Other Supplementary Information**

Jackson County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2010

	County Recorder's Records Management	Green Island Drainage Districts	Local Health	Resource Enhancement and Protection	Special Local Law Enforcement
<b>Assets</b>					
Cash and pooled investments	\$ 3,802	91,875	18,074	128,679	139
Accrued interest receivable	-	-	-	9	-
Due from other governments	-	-	6,727	2,532	-
<b>Total assets</b>	<b>\$ 3,802</b>	<b>91,875</b>	<b>24,801</b>	<b>131,220</b>	<b>139</b>
<b>Liabilities and Fund Equity</b>					
Liabilities:					
Accounts payable	\$ -	-	18,870	-	-
Salaries and benefits payable	-	-	639	140	-
Due to other funds	-	-	93	-	-
Due to other governments	-	-	-	-	-
Advances from other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>19,602</b>	<b>140</b>	<b>-</b>
Fund equity:					
Unreserved fund balances, reported in:					
Special revenue funds	3,802	91,875	5,199	131,080	139
Capital projects fund	-	-	-	-	-
<b>Total fund equity</b>	<b>3,802</b>	<b>91,875</b>	<b>5,199</b>	<b>131,080</b>	<b>139</b>
<b>Total liabilities and fund equity</b>	<b>\$ 3,802</b>	<b>91,875</b>	<b>24,801</b>	<b>131,220</b>	<b>139</b>

See accompanying independent auditor's report.

Revenue							
Historic Preservation	Attorney Collection Incentive	Conservation Land Acquisition	Pioneer Cemetery Trust	Jackson County Farm	Andrew Jackson Care Facility	Capital Projects	Total
2,653	31,602	25,518	3,900	183,293	23,920	209,470	722,925
-	-	-	-	-	-	-	9
-	661	-	-	-	-	-	9,920
2,653	32,263	25,518	3,900	183,293	23,920	209,470	732,854
-	-	-	-	559	-	-	19,429
-	-	-	-	-	-	-	779
-	-	-	-	-	-	-	93
-	-	-	-	14	-	-	14
-	-	-	-	-	-	140,544	140,544
-	-	-	-	573	-	140,544	160,859
2,653	32,263	25,518	3,900	182,720	23,920	-	503,069
-	-	-	-	-	-	68,926	68,926
2,653	32,263	25,518	3,900	182,720	23,920	68,926	571,995
2,653	32,263	25,518	3,900	183,293	23,920	209,470	732,854

Jackson County

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

Year ended June 30, 2010

	County	Green	Resource	Emergency	Special	
	Recorder's	Island	Enhancement	Training	Local	
	Records	Drainage	and	Grant	Law	
	Management	Districts	Protection		Enforcement	
			Health			
Revenues:						
Intergovernmental	\$ -	-	157,516	75,852	6,819	-
Licenses and permits	-	-	18,239	-	-	-
Charges for service	3,666	647	5,458	-	-	-
Use of money and property	3	-	-	100	-	-
Miscellaneous	-	10,081	891	204	-	-
Total revenues	3,669	10,728	182,104	76,156	6,819	-
Expenditures:						
Operating:						
Public safety and legal services	-	-	-	-	13,878	-
Physical health and social services	-	-	263,874	-	-	-
County environment and education	-	1,540	-	7,461	-	-
Administration	271	-	-	-	-	-
Capital projects	-	-	-	139,736	-	-
Total expenditures	271	1,540	263,874	147,197	13,878	-
Excess (deficiency) of revenues over (under) expenditures	3,398	9,188	(81,770)	(71,041)	(7,059)	-
Other financing sources (uses):						
Operating transfers in	-	-	65,000	145,000	2,276	-
Operating transfer out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	65,000	145,000	2,276	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	3,398	9,188	(16,770)	73,959	(4,783)	-
Fund balances beginning of year	404	82,687	21,969	57,121	4,783	139
Fund balances end of year	\$ 3,802	91,875	5,199	131,080	-	139

See accompanying independent auditor's report.

Revenue								
Historic Preservation	Attorney Collection Incentive	Conservation Land Acquisition	Economic Development Grant	Pioneer Cemetery Trust	Jackson County Farm	Andrew Jackson Care Facility	Capital Projects	Total
-	3,509	-	800,138	-	-	-	-	1,043,834
-	-	945	-	-	-	-	-	19,184
-	-	17,752	-	-	-	-	-	27,523
-	-	-	-	-	97,454	-	-	97,557
-	-	20,778	-	-	-	-	-	31,954
-	3,509	39,475	800,138	-	97,454	-	-	1,220,052
-	-	-	-	-	-	-	-	13,878
-	-	-	-	-	-	-	-	263,874
-	-	19,883	800,138	-	-	-	-	829,022
-	-	-	-	-	18,488	-	-	18,759
-	-	8,128	-	-	-	-	21,638	169,502
-	-	28,011	800,138	-	18,488	-	21,638	1,295,035
-	3,509	11,464	-	-	78,966	-	(21,638)	(74,983)
-	-	-	-	-	-	-	131,850	344,126
-	-	-	-	-	-	-	(140,544)	(140,544)
-	-	-	-	-	-	-	(8,694)	203,582
-	3,509	11,464	-	-	78,966	-	(30,332)	128,599
2,653	28,754	14,054	-	3,900	103,754	23,920	99,258	443,396
2,653	32,263	25,518	-	3,900	182,720	23,920	68,926	571,995

**Jackson County**

Jackson County  
 Combining Schedule of Net Assets  
 Internal Service Funds

June 30, 2010

	Employee Partial Self-Funded Health Plan	Employee Self-Funded Dental Plan	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 131,395	37,635	169,030
Accrued interest receivable	9	9	18
<b>Total assets</b>	131,404	37,644	169,048
<b>Liabilities</b>			
Accounts payable	4,637	-	4,637
<b>Net Assets</b>			
Unrestricted	\$ 126,767	37,644	164,411

See accompanying independent auditor's report.

**Schedule 4**

## Jackson County

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

Year ended June 30, 2010

	Employee Partial Self-Funded Health Plan	Employee Self-Funded Dental Plan	Total
Operating revenues:			
Reimbursements from operating funds	\$ 46,304	33,804	80,108
Reimbursements from employees	9,764	7,710	17,474
Total operating revenues	56,068	41,514	97,582
Operating expenses:			
Medical claims	24,704	57,082	81,786
Insurance premiums	25,074	-	25,074
Administrative fees	4,928	4,806	9,734
Total operating expenses	54,706	61,888	116,594
Operating income (loss)	1,362	(20,374)	(19,012)
Non-operating revenues:			
Interest income	164	69	233
Increase (decrease) in net assets	1,526	(20,305)	(18,779)
Net assets beginning of year	125,241	57,949	183,190
Net assets end of year	\$ 126,767	37,644	164,411

See accompanying independent auditor's report.

Jackson County  
Combining Schedule of Cash Flows  
Internal Service Funds

Year ended June 30, 2010

	Employee Partial Self-Funded Health Plan	Employee Self-Funded Dental Plan	Total
Cash flows from operating activities:			
Cash received from operating funds and employees	\$ 56,068	41,514	97,582
Cash paid to suppliers for medical claims, insurance premiums and administrative fees	(53,042)	(66,037)	(119,079)
Net cash provided (used) by operating activities	3,026	(24,523)	(21,497)
Cash flows from investing activities:			
Interest on investments	180	73	253
Net increase (decrease) in cash and cash equivalents	3,206	(24,450)	(21,244)
Cash and cash equivalents beginning of year	128,189	62,085	190,274
Cash and cash equivalents end of year	\$ 131,395	37,635	169,030
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 1,362	(20,374)	(19,012)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Increase (decrease) in accounts payable	1,664	(4,149)	(2,485)
Net cash provided (used) by operating activities	\$ 3,026	(24,523)	(21,497)

See accompanying independent auditor's report.

Jackson 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	\$ -	4,115	546,962	223,020	14,144
Other County officials	6,060	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	307	785	16,240	1,076
Succeeding year	-	181,000	462,000	9,860,000	645,000
Accounts receivable	-	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 6,060</b>	<b>185,422</b>	<b>1,009,747</b>	<b>10,099,260</b>	<b>660,220</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	119	-	-
Salaries and benefits payable	-	-	2,863	-	-
Due to other governments	-	185,422	992,110	10,099,260	660,220
Trusts payable	6,060	-	-	-	-
Compensated absences	-	-	14,655	-	-
<b>Total liabilities</b>	<b>\$ 6,060</b>	<b>185,422</b>	<b>1,009,747</b>	<b>10,099,260</b>	<b>660,220</b>

See accompanying independent auditor's report.

Corporations	Townships	County Hospital	E911		Total
			Service Commission	Other	
105,147	4,156	18,505	74,969	134,654	1,125,672
-	-	-	-	68,100	74,160
9,590	115	1,340	-	28	29,481
5,100,000	210,000	789,000	-	54,300	17,301,300
-	-	-	24,707	1,436	26,143
-	-	-	9	40	49
-	-	-	-	15,341	15,341
-	-	-	-	44,307	44,307
-	-	-	-	21,875	21,875
<b>5,214,737</b>	<b>214,271</b>	<b>808,845</b>	<b>99,685</b>	<b>340,081</b>	<b>18,638,328</b>
-	-	-	799	11,000	11,918
-	-	-	-	396	3,259
5,214,737	214,271	808,845	98,886	260,585	18,534,336
-	-	-	-	68,100	74,160
-	-	-	-	-	14,655
<b>5,214,737</b>	<b>214,271</b>	<b>808,845</b>	<b>99,685</b>	<b>340,081</b>	<b>18,638,328</b>

Jackson 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	\$ 6,552	177,189	851,789	9,804,240	617,661
Additions:					
Property and other county tax	-	187,053	476,293	10,163,461	663,240
E911 surcharge	-	-	-	-	-
State tax credits	-	9,422	23,378	517,244	32,372
Drivers license fees	-	-	-	-	-
Office fees and collections	433,025	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	-	-	-	-	-
Miscellaneous	539,614	126	7,032	6,696	428
Total additions	972,639	196,601	506,703	10,687,401	696,040
Deductions:					
Agency remittances:					
To other funds	207,290	-	-	-	-
To other governments	232,307	188,368	348,745	10,392,381	653,481
Trusts paid out	533,534	-	-	-	-
Total deductions	973,131	188,368	348,745	10,392,381	653,481
Balances end of year	\$ 6,060	185,422	1,009,747	10,099,260	660,220

See accompanying independent auditor's report.

Corpora- tions	Townships	County Hospital	Auto License and Use Tax	E911 Service Commission	Other	Total
5,214,803	215,151	802,580	-	221,235	292,228	18,203,428
5,157,131	219,645	814,233	-	-	56,807	17,737,863
-	-	-	-	140,966	-	140,966
153,703	12,534	42,372	-	-	3,591	794,616
-	-	-	92,418	-	-	92,418
-	-	-	-	-	-	433,025
-	-	-	4,765,480	-	-	4,765,480
-	-	-	-	-	41,778	41,778
-	-	-	-	-	863,077	863,077
1,780	96	566	-	-	235,744	792,082
5,312,614	232,275	857,171	4,857,898	140,966	1,200,997	25,661,305
-	-	-	92,418	-	-	299,708
5,312,680	233,155	850,906	4,765,480	262,516	276,979	23,516,998
-	-	-	-	-	876,165	1,409,699
5,312,680	233,155	850,906	4,857,898	262,516	1,153,144	25,226,405
5,214,737	214,271	808,845	-	99,685	340,081	18,638,328

Jackson County

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

For the Last Ten Years

	Modified Accrual				
	2010	2009	2008	2007	2006
Revenues:					
Property and other county tax	\$ 4,868,615	4,655,350	4,461,330	4,310,416	4,186,124
Local option sales tax	766,653	764,321	759,479	755,377	647,755
Interest and penalty on property tax	74,007	68,728	58,101	52,467	55,488
Intergovernmental	5,863,638	5,289,424	5,782,271	4,691,980	4,951,822
Licenses and permits	32,714	51,226	53,864	47,853	53,998
Charges for service	576,132	584,280	587,675	591,285	571,242
Use of money and property	342,637	555,246	556,668	637,902	427,152
Miscellaneous	179,597	158,821	308,945	150,356	182,839
<b>Total</b>	<b>\$ 12,703,993</b>	<b>12,127,396</b>	<b>12,568,333</b>	<b>11,237,636</b>	<b>11,076,420</b>
Expenditures:					
Operating:					
Public safety and legal services	\$ 1,550,118	1,587,048	1,482,897	1,477,246	1,405,665
Physical health and social services	416,161	405,912	392,247	437,156	415,159
Mental health	2,205,598	2,338,041	2,124,388	2,388,908	1,812,333
County environment and education	1,728,069	1,269,915	1,465,164	967,603	1,028,979
Roads and transportation	4,249,632	4,277,452	4,062,384	3,794,055	3,665,867
Governmental services to residents	478,631	533,597	419,451	403,470	570,894
Administration	1,244,206	1,479,792	1,322,125	1,149,527	1,140,125
Debt service	-	-	-	120,826	130,729
Capital projects	1,000,473	756,772	696,035	478,047	440,500
<b>Total</b>	<b>\$ 12,872,888</b>	<b>12,648,529</b>	<b>11,964,691</b>	<b>11,216,838</b>	<b>10,610,251</b>

See accompanying independent auditor's report.

Basis				
2005	2004	2003	2002	2001
4,106,769	3,838,216	3,427,264	3,100,851	2914848
639,096	678,545	671,334	612,699	587625
55,188	47,843	52,331	51,111	50556
4,983,896	5,304,353	5,088,078	4,913,882	5087919
61,439	48,357	41,993	38,028	24451
535,022	548,158	495,619	448,717	409736
280,786	234,327	353,827	434,063	500954
222,767	508,987	273,759	92,682	139806
10,884,963	11,208,786	10,404,205	9,692,033	9,715,895
1,276,490	1,244,442	1,183,667	1,133,274	1081588
390,865	434,384	422,338	469,567	472152
1,788,575	1,632,214	2,394,395	2,272,613	2063079
960,173	1,087,432	825,127	766,505	1406479
3,690,936	3,795,781	3,792,710	3,955,263	3498761
374,677	332,776	337,012	314,645	346384
990,874	1,096,817	1,016,630	882,829	790994
137,217	124,291	-	-	-
640,235	2,203,445	441,822	502,556	125887
10,250,042	11,951,582	10,413,701	10,297,252	9,785,324

**Schedule 9**

Jackson County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ <u>6,001</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	07-ED-016	<u>802,565</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Recreational Trails Program	20.219		<u>157,229</u>
U.S. Department of Education:			
Iowa Department of Transportation:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	S397A090016A	<u>30,368</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069		56,828
Black Hawk County Health Department:			
Public Health Emergency Preparedness	93.069		<u>2,265</u>
			<u>59,093</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursement:			
Temporary Assistance for Needy Families	93.558		<u>2,958</u>
Refugee and Entrant Assistance-State Administered Programs	93.566		<u>1,520</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>12,691</u>
Foster Care - Title IV-E	93.658		<u>5,965</u>
Adoption Assistance	93.659		<u>65</u>
Children's Health Insurance Program	93.767		<u>32</u>
Medical Assistance Program	93.778		<u>11,400</u>
Social Services Block Grant	93.667		<u>5,777</u>
Social Services Block Grant	93.667		<u>92,674</u>
			<u>98,451</u>

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

Grantor/Program	CFDA Number	Agency or Pass-through Number	Expenditures
Indirect (continued):			
Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Homeland Security Grant Program	97.067	2006	<u>3,184</u>
Emergency Management - State and Local Assistance	97.042	2008	2,677
Emergency Management - State and Local Assistance	97.042	2009	16,456
Emergency Management - State and Local Assistance	97.042	2010	<u>18,834</u>
			<u>37,967</u>
Total			<u>\$ 1,229,489</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Jackson 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.

**Jackson 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 Jackson County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jackson 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 11, 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 Jackson County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Jackson County's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of Jackson 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 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-E-10 to be significant deficiencies.

## Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 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.

Jackson 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 Jackson 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 Jackson County and other parties to whom Jackson 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 Jackson 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 11, 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**

**Jackson County**



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

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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 Jackson County:

Compliance

We have audited Jackson 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 Jackson County's major federal program for the year ended June 30, 2010. Jackson 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 Jackson County's management. Our responsibility is to express an opinion on Jackson 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 Jackson 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 Jackson County's compliance with those requirements.

In our opinion, Jackson 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 Jackson 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 Jackson 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 Jackson 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 material weakness.

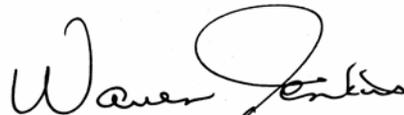
A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect and correct noncompliance with a type of compliance requirement 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. 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 material weakness.

Jackson 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 Jackson 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 Jackson County and other parties to whom Jackson County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 11, 2011

Jackson 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 in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was noted.
- (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 is CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Jackson County did not qualify as a low-risk auditee.

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

	<u>Applicable Offices</u>
(1) Collection and deposit preparation functions are not segregated from those of recording and accounting for cash receipts. In addition, an initial cash receipts listing is not prepared by the Treasurer.	Treasurer and Recorder
(2) Bank accounts are reconciled by an individual who signs checks. Additionally, there is no evidence of an independent review of the bank reconciliation.	Treasurer
(3) Responsibilities for collection and reconciliation functions for protective payee accounts are not segregated from those of recording and accounting for cash receipts. In addition, the responsibilities for expenditure preparation and approval functions are not segregated from those of recording cash disbursements.	General Relief
(4) The Engineer is to perform quarterly inventory counts to ensure proper segregation of duties between those who issue, receive, and store inventory. The quarterly inventory counts were not completed for the fiscal year.	Secondary Roads

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the control activities of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review.

Responses:

Treasurer – After the balancing and the deposit is prepared, I will verify the correct amounts and initial the deposit and have the teller at the bank initial the deposit. Reconciliation will be checked and initialed by a person who does not sign checks.

General Relief – I currently have a deputy auditor reviewing my statements and client accounts. I also have an administrative secretary who disburses checks periodically for me.

Jackson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Recorder – We will review controls over cash collections and try to segregate duties to the best of our ability. In addition, an initial listing of receipts should be prepared by the Treasurer.

Engineer – Due to flooding and difficulties with various construction projects, quarterly inventory checks were missed. I will resume quarterly inventory checks.

Conclusions – Responses accepted. In addition, an initial listing of receipts should be prepared by the Treasurer.

II-B-10 Credit Card Policy - The County has credit cards used by various County departments. However, the County does not have a written policy regarding the use of these credit cards.

Recommendation - The Board should adopt a written policy governing the use of County owned credit cards. The policy should specify the individuals who are authorized to use the credit cards and should include the types of expenses allowed to be charged and the documentation required to be submitted to support the expenses incurred to allow authorization for payment. Board policy should prohibit the use of County owned credit cards for personal expenses.

Response – The County is diligently working on a credit card policy for Jackson County.

Conclusion – Response accepted.

II-C-10 Electronic Data Processing Systems – The County does not have adequate fire protection for the computer room.

Recommendation – The County should install proper fire protection in the form of fire alarms, smoke detectors, a sprinkler system or water sensors to address the above item in order to improve the County's control over computer based systems.

Response – The County will purchase and install a smoke detector for the computer room located in the Auditor's Office.

Conclusion – Response accepted.

II-D-10 Accounting Procedures Manuals – We encourage the development of office procedures and standardized accounting manuals for all County offices. These manuals should provide the following benefits:

- (1) Aid in training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so that they will not have to be made each time the same, or a similar, situation arises.

Recommendation – Office procedures and accounting manuals should be prepared for all County offices.

Jackson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Response – The County is diligently working on a Policy and Administration procedures manual for Jackson County.

Conclusion – Response accepted.

IV-E-10 County Sheriff – Book balances were not reconciled to bank account balances.

Recommendation – Book balances should be reconciled at the end of each month to bank account balances and a list of outstanding checks should be prepared monthly.

Response – We did not know a written reconciliation was required. We will start for the new fiscal year.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

Jackson 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 reported.

**INTERNAL CONTROL DEFICIENCY:**

**CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii**  
**Pass-through Agency Number: 07-ED-016**  
**Federal Award Year: 2010**  
**U.S. Department of Housing and Urban Development**  
**Passed through the Iowa Department of Economic Development**

III-A-10 Monitoring – The County entered into an agreement with East Central Intergovernmental Association (ECIA) to provide administration services in connection with the Community Development Block Grant for Husco International, Inc. The agreement states ECIA will provide and perform the necessary services required to carry out grant administration. ECIA monitored compliance with requirements set forth by the Iowa Department of Economic Development. However, the County did not maintain documentation these compliance requirements, to be performed by ECIA, were completed in compliance with Office of Management and Budget (OMB) A-133 Compliance Supplement.

Recommendation – The County should establish policies and procedures to receive and maintain supporting documentation to ensure compliance requirements have been met.

Response – In the future the County will request documentation to ensure compliance requirements are met from anyone providing administrative services.

Conclusion – Response accepted.

Jackson 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 - Business transactions between the County and County officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Mike Clausing, Engineer's Office, wife sells advertising at KMAQ	Job advertising	\$ 164
Edward Clark, Sheriff's Office Deputy and Kim Clark, Sheriff's Office Civil Administrator, Brother and Husband, respectively, owns Clark's Sales and Service	Equipment, parts and repair	6,121
Edward Clark, Sheriff's Office Deputy and Kim Clark, Sheriff's Office Civil Administrator, Brother and Husband, respectively, owns Clark's Saw Center	Equipment, parts and repair	2,021
Mary Stickley, Auditor's Office Deputy, Husband owns Stickley Electric Service	Electrical parts and repair	4,567
Mary Stickley, Auditor's Office Deputy, owns Old Capital Cup Co. Inc.	Custodial and cleaning supplies	2,994
Steve Flynn, Board of Supervisors, Owner of Century Concrete Company, Inc.	Concrete and sand	4 ,827

The transactions with Clark's Sales and Service, Clark's Saw Center, Stickley Electric Service, Old Capital Cup Co. Inc. and Century Concrete Company, Inc. may represent conflicts of interest as defined in Chapter 331.342 of the Code of Iowa since the total cumulative transactions with each were greater than \$1,500 during the fiscal year. The transaction with KMAQ does not appear to represent a conflict of interest since cumulative transactions were less than \$1,500 during the fiscal year.

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

Jackson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Response – The County Attorney is in agreement due diligence was practiced by individual Department heads to ensure business transactions were done using good business judgment.

Conclusion – Response accepted. The County should continue to monitor business transactions which may represent conflicts of interest and obtain bids when required.

IV-E-10 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds 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 Pooled Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-H-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 Deficit Fund Balance – The Special Revenue, Mental Health Fund had a deficit fund balance of \$298,783 at June 30, 2010.

Recommendation – The County should investigate alternatives to eliminate this deficit and return this fund to a sound position.

Response – The Mental Health Fund had a positive cash balance and did not incur a deficit balance until accruals were taken into account.

Conclusion – Response acknowledged. The County should continue to investigate alternatives to return this fund to a sound position.

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Jackson County

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager  
Daniel L. Grady, Senior Auditor  
Kurt Goldsmith, Staff Auditor  
Jacqueline E. Gulick, Staff Auditor  
Rosemary E. Nielsen, Staff Auditor  
Kelly L. Hilton, Staff Auditor

A handwritten signature in cursive script that reads "Andrew E. Nielsen". The signature is written in black ink and is positioned above the printed name and title.

Andrew E. Nielsen, CPA  
Deputy Auditor of State