



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

June 13, 2013

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$24,465,746 for the year ended June 30, 2012, which included \$938,163 in tax credits from the state. The County forwarded \$19,015,297 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,450,449 of the local tax revenue to finance County operations, a 6.2% increase over the prior year. Other revenues included charges for service of \$968,331, operating grants, contributions and restricted interest of \$4,970,106, capital grants, contributions and restricted interest of \$1,535,249, local option sales tax of \$803,675, gain on disposition of capital assets of \$95,290, unrestricted investment earnings of \$15,483 and other general revenues of \$615,326.

Expenses for County operations totaled \$13,408,556, a less than 1% increase over the prior year. Expenses included \$5,377,224 for roads and transportation, \$2,822,530 for mental health and \$1,700,126 for public safety and legal services.

A copy of the audit report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1210-0049-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, 2012

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Jackson County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Larry "Buck" Koos	Board of Supervisors	Jan 2013
Steve Flynn	Board of Supervisors	Jan 2015
John J. Willey	Board of Supervisors	Jan 2015
Joell Deppe	County Auditor	Jan 2013
Nancy Roling	County Treasurer	Nov 2014
Arlene Schauf	County Recorder	Jan 2015
Russell Kettmann	County Sheriff	Jan 2013
Chris Raker	County Attorney	(Resigned)
Sara Davenport (Appointed)	County Attorney	Jan 2015
Deb Lane	County Assessor	Jan 2016



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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, 2012, 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, 2012, 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 June 4, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 46 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 4, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 7%, or approximately \$1,157,000, from fiscal year 2011 to fiscal year 2012. Property and other county tax increased approximately \$330,000, operating grants, contributions and restricted interest increased approximately \$62,000 and capital grants, contributions and restricted interest decreased approximately \$1,568,000. Capital grants, contributions and restricted interest decreased due to fewer infrastructure improvements during fiscal year 2012.
- Program expenses of the County's governmental activities were .3%, or approximately \$36,000, more in fiscal year 2012 than in fiscal year 2011. Mental health expenses increased approximately \$456,000.
- The County's net assets increased 2.5%, or approximately \$1,045,000, from June 30, 2011 to June 30, 2012.

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 financial statements by providing information about the most significant funds. The remaining financial 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.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services, Secondary Roads 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 drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

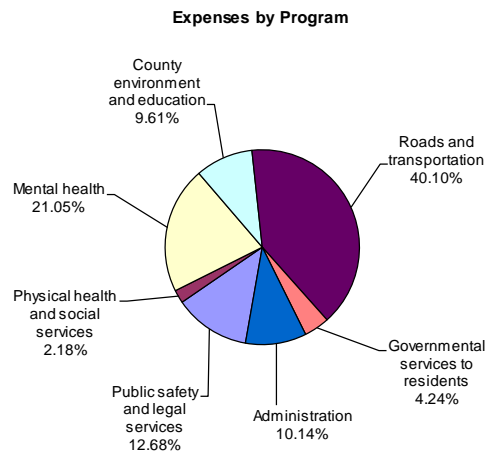
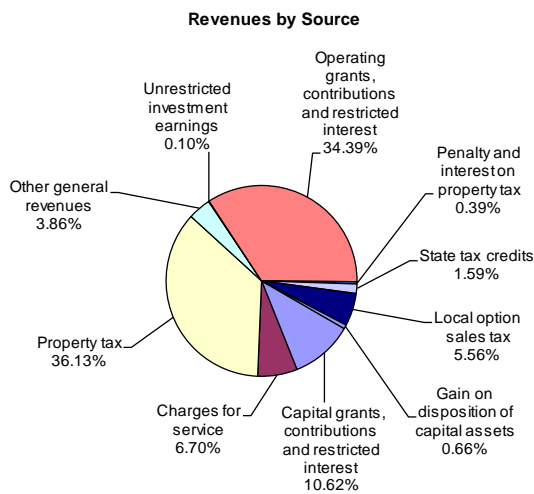
As noted earlier, net assets may serve over time as a useful indicator of financial position. Jackson County's combined net assets of governmental activities increased from approximately \$42.1 million to approximately \$43.1 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2012	2011
Current and other assets	\$ 13,583	12,398
Capital assets	36,758	36,157
Total assets	50,341	48,555
Long-term liabilities	437	374
Other liabilities	6,765	6,087
Total liabilities	7,202	6,461
Net assets:		
Invested in capital assets	36,758	36,157
Restricted	5,994	4,951
Unrestricted	387	986
Total net assets	\$ 43,139	42,094

Net assets of Jackson County's governmental activities increased 2.5% (approximately \$42.1 million compared to approximately \$43.1 million). 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 \$986,000 at June 30, 2011 to approximately \$387,000 at the end of this year, a decrease of 60.8%.

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

	Year ended June 30,	
	2012	2011
Revenues:		
Program revenues:		
Charges for service	\$ 968	1,236
Operating grants, contributions and restricted interest	4,970	4,908
Capital grants, contributions and restricted interest	1,535	3,103
General revenues:		
Property tax	5,221	4,891
Penalty and interest on property tax	57	73
State tax credits	230	242
Local option sales tax	804	778
Unrestricted investment earnings	16	26
Gain on disposition of capital assets	95	65
Other general revenues	558	289
Total revenues	14,454	15,611
Program expenses:		
Public safety and legal services	1,700	1,658
Physical health and social services	292	372
Mental health	2,823	2,367
County environment and education	1,289	1,440
Roads and transportation	5,377	5,560
Governmental services to residents	568	579
Administration	1,360	1,397
Total expenses	13,409	13,373
Change in net assets	1,045	2,238
Net assets beginning of year	42,094	39,856
Net assets end of year	\$ 43,139	42,094



Jackson County's net assets of governmental activities increased approximately \$1,045,000 during the year. Revenues for governmental activities decreased approximately \$1,157,000 from the prior year, with capital grants, contributions and restricted interest down from the prior year approximately \$1,568,000, or 50.5%.

The County's property tax rates for fiscal year 2012 increased slightly, from \$8.05137 per \$1,000 of taxable valuation in fiscal year 2011 to \$8.31625 per \$1,000 of taxable valuation in fiscal year 2012. Additionally, the property tax valuation increased approximately \$26.4 million. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase an additional \$105,000 next year.

The cost of all governmental activities this year increased from approximately \$13,373,000 in fiscal year 2011 to approximately \$13,409,000 in fiscal year 2012, about a .3% increase. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was only \$5,934,870 because some of the cost was paid by those directly benefited from the programs (\$968,331) or by other governments and organizations which subsidized certain programs with grants and contributions (\$6,505,355). Overall, the County's governmental program revenues, including intergovernmental aid and fees for service, decreased in fiscal year 2012 from approximately \$9,247,000 to approximately \$7,473,000, principally due to less capital grants funding the construction in progress during fiscal year 2012.

INDIVIDUAL MAJOR FUND ANALYSIS

As Jackson County completed the year, its governmental funds reported a combined fund balance of \$6,078,646, an increase of \$766,151 from last year's total of \$5,312,495. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues decreased \$100,580 and expenditures decreased \$9,935. The ending fund balance decreased \$138,321 from the prior year to \$1,754,596. The decrease in fund balance is due to the County receiving less state grant money in fiscal year 2012.
- The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal year 2012, revenues totaled \$2,459,644, remaining relatively unchanged from the prior year. Expenditures totaled \$2,814,781, an increase of 19% from the prior year. The increase was primarily due to an increase in County provided case management services. The Special Revenue, Mental Health Fund balance at year end decreased \$355,137 from the prior year to (\$539,268).
- The Special Revenue, Rural Services Fund ended fiscal year 2012 with a \$243,508 balance compared to the prior year ending balance of \$250,527. Revenues increased \$171,257 from the prior year. The increase was primarily due to an increase in property tax revenue of approximately \$163,000 for fiscal year 2012. Expenditures totaled \$652,991, which was relatively unchanged from the prior year.
- Special Revenue, Secondary Roads Fund revenues increased \$45,993 and expenditures increased \$159,097 during fiscal year 2012. The increase in revenues is due to an increase in local option sales tax and road use tax revenue in fiscal year 2012. The increase in expenditures was primarily due to an increase in capital project expenditures for fiscal year 2012. The Secondary Roads Fund ended fiscal year 2012 with a \$2,303,172 balance compared to the prior year ending balance of \$1,942,424.
- The Special Revenue, Jackson County Revolving Loan Fund ended fiscal year 2012 with a \$1,363,146 balance compared to the prior year ending balance of \$1,130,336. The increase is due to the Jackson County Revolving Loan Fund receiving \$332,810 in loan repayments from businesses and expending \$100,000 on new loans during fiscal year 2012.

BUDGETARY HIGHLIGHTS

Over the course of the year, Jackson County amended its budget two times. The amendments were made in January 2012, and April 2012 and resulted in an increase in budgeted disbursements, related primarily to roads and transportation.

The County's receipts were \$579,077 more than the amended budget. The most significant increase resulted from the County receiving more in road use tax, FEMA reimbursements and local option sales tax than anticipated.

Total disbursements were \$1,176,628 less than the amended budget. Actual disbursements for the roads and transportation, county environment and education and mental health functions were \$486,654, \$241,687 and \$119,626, respectively, less than budgeted. Disbursements for certain roads and transportation projects were less than anticipated by June 30, 2012. County environment and education disbursements were under budget due to fewer revolving loans in fiscal year 2012 than anticipated. Mental health disbursements were less than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, Jackson County had approximately \$36.8 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of approximately \$600,859, or 1.7%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2012	2011
Land	\$ 1,492	1,491
Intangibles	1,584	1,584
Construction in progress	2,101	3,248
Buildings and improvements	1,430	1,481
Equipment and vehicles	2,955	3,028
Infrastructure	27,196	25,325
Total	\$ 36,758	36,157

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

Road network	\$ 1,554
Equipment and vehicles	567
Total	\$ 2,121

The County had depreciation expense of \$1,510,313 in fiscal year 2012 and total accumulated depreciation of \$21,167,436 at June 30, 2012. More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

Long-Term Debt

At June 30, 2012, 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% of the assessed value of all taxable property within the County's corporate limits. Jackson County's general obligation constitutional debt limit is approximately \$67 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 2013 budget, tax rates and fees charged for various County activities. One of those factors is the economy. The County's nonagricultural employment growth increased in 2011, averaging .2% over the last 5 years, while the population during 2005-2010 decreased 1.5%. Unemployment in the County now stands at 5.2% versus 6.6% a year ago.

Inflation continues to be lower than the national Consumer Price Index increase. Inflation has been modest here due, in part, to the slow residential housing market and modest increases in energy prices in 2011-2012.

These indicators were taken into account when adopting the budget for fiscal year 2013. For the fiscal year 2013 budget, the County added one major new program, remodeling a house adjacent to the jail property for the Mental Health Department. The house was purchased and renovated with money from the sale of two properties, one received on tax sale and the other donated to the County.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by the close of fiscal year 2013.

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, 2012

	<u>Governmental Activities</u>
Assets	
Cash, pooled investments and cash equivalents	\$ 6,915,814
Receivables:	
Property tax:	
Delinquent	46,530
Succeeding year	5,282,000
Interest and penalty on property tax	41
Accounts	41,581
Accrued interest	38
Revolving loans	516,573
Due from other governments	333,181
Inventories	328,424
Prepaid insurance	119,265
Capital assets, net of accumulated depreciation	<u>36,757,945</u>
Total assets	<u>50,341,392</u>
Liabilities	
Accounts payable	572,743
Salaries and benefits payable	86,556
Due to other governments	824,329
Deferred revenue:	
Succeeding year property tax	5,282,000
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	184,817
Portion due or payable after one year:	
Compensated absences	30,346
Net OPEB liability	<u>221,601</u>
Total liabilities	<u>7,202,392</u>
Net Assets	
Invested in capital assets	36,757,945
Restricted for:	
Supplemental levy purposes	282,061
Rural services purposes	221,909
Secondary roads purposes	1,898,089
Capital projects	629,367
Other purposes	2,962,562
Unrestricted	<u>387,067</u>
Total net assets	<u>\$ 43,139,000</u>

See notes to financial statements.

Jackson County
Statement of Activities
Year ended June 30, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,700,126	74,999	60,818	-	(1,564,309)
Physical health and social services	291,768	52,877	109,973	-	(128,918)
Mental health	2,822,530	19,386	1,677,451	-	(1,125,693)
County environment and education	1,288,755	288,799	94,270	16,637	(889,049)
Roads and transportation	5,377,224	85,282	3,027,594	1,518,612	(745,736)
Governmental services to residents	567,970	349,875	-	-	(218,095)
Administration	1,360,183	97,113	-	-	(1,263,070)
Total	\$ 13,408,556	968,331	4,970,106	1,535,249	(5,934,870)
General Revenues:					
Property and other county tax levied for general purposes					5,220,505
Penalty and interest on property tax					57,071
State tax credits					229,944
Local option sales tax					803,675
Unrestricted investment earnings					15,483
Gain on disposition of capital assets					95,290
Rent					85,778
Miscellaneous					472,477
Total general revenues					6,980,223
Change in net assets					1,045,353
Net assets beginning of year					42,093,647
Net assets end of year					\$ 43,139,000
See notes to financial statements.					

Jackson County
Balance Sheet
Governmental Funds

June 30, 2012

	Special		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 1,685,534	338,110	239,602
Receivables:			
Property tax:			
Delinquent	45,096	1,060	374
Succeeding year	3,272,000	731,000	1,279,000
Interest and penalty on property tax	41	-	-
Accounts	24,050	-	-
Accrued interest	36	-	-
Revolving loans	-	-	-
Due from other funds	189	-	-
Advances to other funds	-	-	-
Due from other governments	29,288	3,642	16,020
Inventories	-	-	-
Prepaid insurance	95,683	-	-
Total assets	\$ 5,151,917	1,073,812	1,534,996
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 35,055	54,354	1,105
Salaries and benefits payable	40,171	5,838	8,428
Due to other funds	5,183	189	-
Due to other governments	384	820,696	2,600
Deferred revenue:			
Succeeding year property tax	3,272,000	731,000	1,279,000
Other	44,528	1,003	355
Advances from other funds	-	-	-
Total liabilities	<u>3,397,321</u>	<u>1,613,080</u>	<u>1,291,488</u>
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid insurance	95,683	-	-
Restricted for:			
Supplemental levy purposes	294,869	-	-
Rural services purposes	-	-	243,508
Secondary roads purposes	-	-	-
Drainage purposes	-	-	-
Conservation land acquisition/capital improvements	97,009	-	-
Capital projects	-	-	-
Jackson County revolving loan	-	-	-
Other purposes	35,357	-	-
Assigned for:			
Andrew Jackson Care Facility	23,920	-	-
Jackson County Farm	116,306	-	-
Attorney collection incentive	36,510	-	-
Other purposes	2,792	-	-
Unassigned	1,052,150	(539,268)	-
Total fund balances	<u>1,754,596</u>	<u>(539,268)</u>	<u>243,508</u>
Total liabilities and fund balances	\$ 5,151,917	1,073,812	1,534,996

See notes to financial statements.

Revenue			
Secondary Roads	Jackson County Revolving Loan	Nonmajor	Total
2,162,952	1,272,602	1,071,976	6,770,776
-	-	-	46,530
-	-	-	5,282,000
-	-	-	41
17,531	-	-	41,581
-	-	1	37
-	516,573	-	516,573
5,337	-	-	5,526
-	90,544	-	90,544
273,283	-	10,948	333,181
328,424	-	-	328,424
23,582	-	-	119,265
<u>2,811,109</u>	<u>1,879,719</u>	<u>1,082,925</u>	<u>13,534,478</u>
445,515	-	36,714	572,743
30,098	-	2,021	86,556
-	-	154	5,526
649	-	-	824,329
-	-	-	5,282,000
31,675	516,573	-	594,134
-	-	90,544	90,544
<u>507,937</u>	<u>516,573</u>	<u>129,433</u>	<u>7,455,832</u>
328,424	-	-	328,424
23,582	-	-	119,265
-	-	-	294,869
-	-	-	243,508
1,951,166	-	-	1,951,166
-	-	98,171	98,171
-	-	-	97,009
-	-	629,367	629,367
-	607,117	-	607,117
-	756,029	225,954	1,017,340
-	-	-	23,920
-	-	-	116,306
-	-	-	36,510
-	-	-	2,792
-	-	-	512,882
<u>2,303,172</u>	<u>1,363,146</u>	<u>953,492</u>	<u>6,078,646</u>
<u>2,811,109</u>	<u>1,879,719</u>	<u>1,082,925</u>	<u>13,534,478</u>

Jackson County

Jackson County

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

June 30, 2012

Total governmental fund balances (page 19)	\$ 6,078,646
 <i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
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 \$57,925,381 and the accumulated depreciation is \$21,167,436.	36,757,945
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	594,134
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.	145,039
Compensated absences payable and other postemployment benefits payable are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(436,764)</u>
Net assets of governmental activities (page 16)	<u><u>\$ 43,139,000</u></u>

See notes to financial statements.

Jackson County

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

Year ended June 30, 2012

	General	Mental Health	Special Rural Services
Revenues:			
Property and other county tax	\$ 3,210,805	749,261	1,260,920
Local option sales tax	-	-	200,918
Interest and penalty on property tax	55,920	-	-
Intergovernmental	367,298	1,690,998	59,134
Licenses and permits	5,138	-	-
Charges for service	560,784	-	-
Use of money and property	101,209	-	-
Miscellaneous	47,608	19,385	-
Total revenues	4,348,762	2,459,644	1,520,972
Expenditures:			
Operating:			
Public safety and legal services	1,239,700	-	435,430
Physical health and social services	117,866	-	-
Mental health	-	2,814,781	-
County environment and education	808,733	-	214,234
Roads and transportation	174,525	-	-
Governmental services to residents	493,029	-	3,327
Administration	1,332,373	-	-
Capital projects	45,852	-	-
Total expenditures	4,212,078	2,814,781	652,991
Excess (deficiency) of revenues over (under) expenditures	136,684	(355,137)	867,981
Other financing sources (uses):			
Sale of capital assets	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(275,005)	-	(875,000)
Total other financing sources (uses)	(275,005)	-	(875,000)
Change in fund balances	(138,321)	(355,137)	(7,019)
Fund balances beginning of year	1,892,917	(184,131)	250,527
Fund balances end of year	\$ 1,754,596	(539,268)	243,508

See notes to financial statements.

Revenue			
Secondary Roads	Jackson County Revolving Loan	Nonmajor	Total
-	-	-	5,220,986
602,757	-	-	803,675
-	-	-	55,920
3,335,135	-	145,433	5,597,998
12,665	-	14,468	32,271
337	-	48,267	609,388
-	332,810	31	434,050
98,536	-	11,382	176,911
4,049,430	332,810	219,581	12,931,199
-	-	-	1,675,130
-	-	167,471	285,337
-	-	-	2,814,781
-	100,000	44,853	1,167,820
4,234,072	-	-	4,408,597
-	-	-	496,356
-	-	-	1,332,373
354,610	-	33,997	434,459
4,588,682	100,000	246,321	12,614,853
(539,252)	232,810	(26,740)	316,346
-	-	449,805	449,805
900,000	-	250,005	1,150,005
-	-	-	(1,150,005)
900,000	-	699,810	449,805
360,748	232,810	673,070	766,151
1,942,424	1,130,336	280,422	5,312,495
2,303,172	1,363,146	953,492	6,078,646

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, 2012

Change in fund balances - Total governmental funds (page 23) \$ 766,151

***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	\$ 804,810	
Capital assets contributed by the Iowa Department of Transportation	1,211,072	
Depreciation expense	<u>(1,510,313)</u>	505,569

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the proceeds from the disposition increase financial resources in the governmental funds. 95,290

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	670	
Other	<u>(251,717)</u>	(251,047)

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	(1,091)	
Other postemployment benefits	<u>(61,345)</u>	(62,436)

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. (8,174)

Change in net assets of governmental activities (page 17) \$1,045,353

See notes to financial statements.

Jackson County
Statement of Net Assets
Proprietary Funds
June 30, 2012

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ 145,038
Accrued interest receivable	<u>1</u>
Total assets	145,039
Liabilities	
Accounts payable	<u>-</u>
Net Assets	
Unrestricted	<u>\$ 145,039</u>
See notes to financial statements.	

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

Year ended June 30, 2012

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds		\$ 98,815
Reimbursements from employees		20,229
Total operating revenues		<u>119,044</u>
Operating expenses:		
Medical claims	\$ 86,787	
Insurance premiums	31,441	
Administrative fees	9,011	127,239
Operating loss		<u>(8,195)</u>
Non-operating revenues:		
Interest income		21
Net loss		<u>(8,174)</u>
Net assets beginning of year		<u>153,213</u>
Net assets end of year		<u><u>\$ 145,039</u></u>
See notes to financial statements.		

Jackson County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2012

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from operating funds and employees	\$ 119,044
Cash paid to suppliers for medical claims, administrative fees and insurance premiums	<u>(127,239)</u>
Net cash used by operating activities	(8,195)
Cash flows from investing activities:	
Interest on investments	<u>26</u>
Net decrease in cash and cash equivalents	(8,169)
Cash and cash equivalents beginning of year	<u>153,207</u>
Cash and cash equivalents end of year	<u>\$ 145,038</u>
See notes to financial statements.	

Jackson County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2012

Assets

Cash and pooled investments:

County Treasurer	\$ 820,815
Other County officials	104,564

Receivables:

Property tax:

Delinquent	28,247
Succeeding year	17,911,000

Accounts	20,804
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Accrued interest	1
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Special assessments:

Delinquent	19,355
Succeeding year	21,696

Due from other governments	9,668
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Total assets	<u>18,936,150</u>
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Liabilities

Accounts payable	4,322
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Salaries and benefits payable	5,559
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Due to other governments	18,805,312
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Trusts payable	104,564
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Compensated absences	16,393
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Total liabilities	<u>18,936,150</u>
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Net assets	<u>\$ -</u>
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See notes to financial statements.

Jackson County

Notes to Financial Statements

June 30, 2012

(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 the following categories.

Invested in capital assets consists of capital assets net of accumulated depreciation/amortization.

Restricted net assets result when constraints placed on net asset use are either externally imposed or are 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 and proprietary funds are aggregated and reported as nonmajor governmental and proprietary 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 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 the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance. Beginning July 1, 2010, the portion of local option sales tax to be used for secondary roads construction projects is deposited directly to the Secondary Roads Fund.

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

When an expenditure is incurred in governmental funds which be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications - assigned and then unassigned fund balance.

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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

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, 2012, 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, 1980 (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 to be credited at the end of each calendar quarter. Floating time is credited to the employee's accumulated vacation. 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, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Net Assets – The net assets of the Internal Service Funds are designated for anticipated 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, 2012 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.

In addition, the County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$3,195,639 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 interfund receivables and payables at June 30, 2012 is as follows:

Due To/Due From Other Funds

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Mental Health	\$ 189
Special Revenue: Secondary Roads	General Special Revenue: Local Health	5,183 154
		<u>5,337</u>
Total		<u>\$ 5,526</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	\$ 90,544

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, 2012 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 25,000
	Special Revenue:	
	Rural Services	875,000
		<u>900,000</u>
Local Health	General	65,000
Capital Projects	General	185,005
		<u>185,005</u>
Total		<u>\$ 2,050,005</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 Special Revenue, 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, 2012, one new loan totaling \$100,000 was made to a business.

Outstanding loans receivable of the Jackson County Revolving Loan Fund at June 30, 2012 are as follows:

Loaned to	Date of Loan	Loan Amount	Interest Rate	Term of Loan	Loan Balance June 30, 2012
T M Woodworks	Apr. 6, 2004	\$ 255,000	4.0%	15 years	\$ 83,381
Maquoketa Newspapers, Inc	June 13, 2006	205,000	5.5	7 years	34,319
Precision Metal Works	March 11, 2008	325,000	3.5	7 years	167,842
Maquoketa Newspapers, Inc	Nov. 18, 2008	175,000	4.0	5 years	56,215
Iowa Firewood Products, Inc.	June 4, 2011	90,000	4.0	5 years	74,816
Maquoketa Newspapers, Inc	June 5, 2012	100,000	4.0	7 years	100,000
Total					<u>\$ 516,573</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, 2012 was \$90,544.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,491,443	-	-	1,491,443
Intangibles, road network	1,583,789	-	-	1,583,789
Construction in progress, road network	2,784,980	1,554,082	2,700,161	1,638,901
Construction in progress	462,319	-	-	462,319
Total capital assets not being depreciated	6,322,531	1,554,082	2,700,161	5,176,452
Capital assets being depreciated:				
Buildings	3,222,034	-	-	3,222,034
Improvements other than buildings	127,109	-	-	127,109
Equipment and vehicles	7,617,907	566,920	441,604	7,743,223
Infrastructure, road network	38,760,367	2,700,161	-	41,460,528
Infrastructure, other	196,035	-	-	196,035
Total capital assets being depreciated	49,923,452	3,267,081	441,604	52,748,929
Less accumulated depreciation for:				
Buildings	1,841,964	45,509	-	1,887,473
Improvements other than buildings	25,516	5,692	-	31,208
Equipment and vehicles	4,590,280	629,434	431,774	4,787,940
Infrastructure, road network	13,550,996	821,027	-	14,372,023
Infrastructure, other	80,141	8,651	-	88,792
Total accumulated depreciation	20,088,897	1,510,313	431,774	21,167,436
Total capital assets being depreciated, net	29,834,555	1,756,768	9,830	31,581,493
Governmental activities capital assets, net	\$36,157,086	3,310,850	2,709,991	36,757,945

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 56,523
Physical health and social services	13,019
Mental health	1,142
County environment and education	59,899
Roads and transportation	1,291,931
Governmental services to residents	61,598
Administration	26,201
Total depreciation expense - governmental activities	\$ 1,510,313

(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 at June 30, 2012 is as follows:

Fund	Description	Amount
General	Services	\$ 384
Special Revenue:		
Mental Health	Services	820,696
Rural Services	Services	2,600
Secondary Roads	Services	649
		<u>823,945</u>
Total for governmental funds		<u>\$ 824,329</u>
Agency:		
County Assessor	Collections	\$ 568,569
Schools		10,419,032
Community Colleges		724,478
Corporations		5,341,167
Townships		236,774
County Hospital		897,772
E911 Services		106,207
All other		511,313
Total for agency funds		<u>\$ 18,805,312</u>

(8) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 214,072	160,256	374,328
Increases	284,087	99,743	383,830
Decreases	282,996	38,398	321,394
Balance end of year	<u>\$ 215,163</u>	<u>221,601</u>	<u>436,764</u>
Due within one year	<u>\$ 184,817</u>	-	<u>184,817</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 5.38% of their annual covered salary and the County is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$351,100, \$300,454 and \$257,261, respectively, equal to the required contributions for each year

(10) Other Postemployment Benefits (OPEB)

Plan Description. The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 93 active and 2 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 benefit 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, or until the retiree turns 65 years of age, up to a maximum pay-out of \$5,000 per year.

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, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 99,457
Interest on net OPEB obligation	6,410
Adjustment to annual required contribution	<u>(6,124)</u>
Annual OPEB cost	99,743
Contributions made	<u>(38,398)</u>
Increase in net OPEB obligation	61,345
Net OPEB obligation beginning of year	<u>160,256</u>
Net OPEB obligation end of year	<u><u>\$221,601</u></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, 2012.

For the year ended June 30, 2012, the County contributed \$38,398 to the medical plan. Plan members eligible for benefits contributed \$5,000, or 11.5% 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 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
2011	99,457	29.8	160,256
2012	99,743	38.5	221,601

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, 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 \$4,171,000 and the ratio of the UAAL to covered payroll was 21.2%. As of June 30, 2012, 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 for the Retiree Health Plan, 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 single retiree to \$180 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 of 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 663 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 150% 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, 2012 were \$179,300.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, 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, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, 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% 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) Deficit Fund Balance

The Special Revenue, Mental Health Fund reported an unassigned fund balance deficit of \$539,268 at June 30, 2012.

(14) Subsequent Events

In January 2013, the Board approved a 10 year loan from the Special Revenue, Jackson County Revolving Loan Fund to the Waste Authority of Jackson County for \$225,000 with an interest rate of 2%.

In April 2013, the County was granted \$508,580 of federal grant funds under Iowa House File 160 to be used for allowable mental health state bills occurring through June 30, 2013.

Jackson County

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, 2012

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 6,026,283	-	6,026,283
Interest and penalty on property tax	56,676	-	56,676
Intergovernmental	5,652,300	-	5,652,300
Licenses and permits	32,291	-	32,291
Charges for service	590,597	-	590,597
Use of money and property	458,505	9	458,496
Miscellaneous	173,422	10,034	163,388
Total receipts	12,990,074	10,043	12,980,031
Disbursements:			
Public safety and legal services	1,712,835	-	1,712,835
Physical health and social services	304,533	-	304,533
Mental health	2,533,359	-	2,533,359
County environment and education	1,181,847	9,015	1,172,832
Roads and transportation	4,439,558	-	4,439,558
Governmental services to residents	518,812	-	518,812
Administration	1,350,317	-	1,350,317
Non-program	-	-	-
Capital projects	146,350	-	146,350
Total disbursements	12,187,611	9,015	12,178,596
Excess (deficiency) of receipts over (under) disbursements	802,463	1,028	801,435
Other financing sources, net	449,805	-	449,805
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,252,268	1,028	1,251,240
Balance beginning of year	5,518,508	99,340	5,419,168
Balance end of year	\$ 6,770,776	100,368	6,670,408

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
5,932,015	5,932,015	94,268
49,670	49,670	7,006
5,137,496	5,310,931	341,369
31,020	31,020	1,271
542,360	542,360	48,237
215,397	404,906	53,590
228,515	130,052	33,336
12,136,473	12,400,954	579,077
1,765,780	1,775,780	62,945
381,210	391,210	86,677
2,652,985	2,652,985	119,626
1,408,083	1,414,519	241,687
4,485,312	4,926,212	486,654
557,783	557,783	38,971
1,390,325	1,409,437	59,120
121,900	-	-
211,072	227,298	80,948
12,974,450	13,355,224	1,176,628
(837,977)	(954,270)	1,755,705
5,025	454,830	(5,025)
(832,952)	(499,440)	1,750,680
4,596,821	5,467,623	(48,455)
3,763,869	4,968,183	1,702,225

Jackson County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 12,990,074	(58,875)	12,931,199
Expenditures	12,187,611	427,242	12,614,853
Net	802,463	(486,117)	316,346
Other financing sources, net	449,805	-	449,805
Beginning fund balances	5,518,508	(206,013)	5,312,495
Ending fund balances	\$ 6,770,776	(692,130)	6,078,646

See accompanying independent auditor's report.

Jackson County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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 \$380,774. 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, 2012, disbursements did not exceed the amounts budgeted.

Jackson County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jan 1, 2009	-	\$ 883	883	0.0%	\$ 3,800	23.2%
2011	Jan 1, 2009	-	883	883	0.0	4,054	21.8
2012	Jan 1, 2009	-	883	883	0.0	4,171	21.2

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.

See accompanying independent auditor's report.

Supplementary Information

Jackson County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2012

	County Recorder's Records Management	Green Island Drainage Districts	Local Health
Assets			
Cash and pooled investments	\$ 5,170	100,368	27,155
Accrued interest receivable	-	-	-
Due from other governments	-	-	8,140
Total assets	\$ 5,170	100,368	35,295
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	2,197	-
Salaries and benefits payable	-	-	1,101
Due to other funds	-	-	154
Advances from other funds	-	-	-
Total liabilities	-	2,197	1,255
Fund balances:			
Restricted for:			
Drainage purposes	-	98,171	-
Capital projects	-	-	-
Other purposes	5,170	-	34,040
Total fund balances	5,170	98,171	34,040
Total liabilities and fund balances	\$ 5,170	100,368	35,295

See accompanying independent auditor's report.

Special Revenue					
Resource					
Enhancement and Protection	Emergency Training Grant	Economic Development Grant	Pioneer Cemetery Trust	Capital Projects	Total
173,793	8,819	-	5,206	751,465	1,071,976
1	-	-	-	-	1
-	-	2,808	-	-	10,948
173,794	8,819	2,808	5,206	751,465	1,082,925
155	-	2,808	-	31,554	36,714
920	-	-	-	-	2,021
-	-	-	-	-	154
-	-	-	-	90,544	90,544
1,075	-	2,808	-	122,098	129,433
-	-	-	-	-	98,171
-	-	-	-	629,367	629,367
172,719	8,819	-	5,206	-	225,954
172,719	8,819	-	5,206	629,367	953,492
173,794	8,819	2,808	5,206	751,465	1,082,925

Jackson County

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

Year ended June 30, 2012

	County Recorder's Records Management	Green Island Drainage Districts	Local Health
Revenues:			
Intergovernmental	\$ -	-	118,763
Licenses and permits	-	-	14,468
Charges for service	4,171	-	396
Use of money and property	1	9	-
Miscellaneous	-	10,034	42
Total revenues	4,172	10,043	133,669
Expenditures:			
Operating:			
Physical health and social services	-	-	167,471
County environment and education	7,065	11,212	-
Capital projects	-	-	-
Total expenditures	7,065	11,212	167,471
Excess (deficiency) of revenues over (under) expenditures	(2,893)	(1,169)	(33,802)
Other financing sources (uses):			
Sale of capital assets	-	-	-
Operating transfers in	-	-	65,000
Total other financing sources (uses)	-	-	65,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,893)	(1,169)	31,198
Fund balances beginning of year	8,063	99,340	2,842
Fund balances end of year	\$ 5,170	98,171	34,040

See accompanying independent auditor's report.

Special Revenue						
Resource						
Enhancement and Protection	Emergency Training Grant	Economic Development Grant	Pioneer Cemetery Trust	Capital Projects		Total
12,526	6,709	7,435	-	-		145,433
-	-	-	-	-		14,468
43,700	-	-	-	-		48,267
21	-	-	-	-		31
-	-	-	1,306	-		11,382
56,247	6,709	7,435	1,306	-		219,581
-	-	-	-	-		167,471
19,141	-	7,435	-	-		44,853
-	-	-	-	33,997		33,997
19,141	-	7,435	-	33,997		246,321
37,106	6,709	-	-	(33,997)		(26,740)
-	-	-	-	449,805		449,805
-	-	-	-	185,005		250,005
-	-	-	-	634,810		699,810
37,106	6,709	-	1,306	600,813		673,070
135,613	2,110	-	3,900	28,554		280,422
172,719	8,819	-	5,206	629,367		953,492

Jackson County

Jackson County
 Combining Schedule of Net Assets
 Internal Service Funds

June 30, 2012

	Employee Partial Self-Funded Health Plan	Employee Self-Funded Dental Plan	Total
Assets			
Cash and cash equivalents	\$ 117,598	27,440	145,038
Accrued interest receivable	1	-	1
Total assets	117,599	27,440	145,039
Liabilities			
None	-	-	-
Net Assets			
Unrestricted	\$ 117,599	27,440	145,039

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, 2012

	Employee Partial Self-Funded Health Plan	Employee Self-Funded Dental Plan	Total
Operating revenues:			
Reimbursements from operating funds	\$ 48,252	50,563	98,815
Reimbursements from employees	9,590	10,639	20,229
Total operating revenues	57,842	61,202	119,044
Operating expenses:			
Medical claims	29,718	57,069	86,787
Insurance premiums	31,441	-	31,441
Administrative fees	4,833	4,178	9,011
Total operating expenses	65,992	61,247	127,239
Operating loss	(8,150)	(45)	(8,195)
Non-operating revenues:			
Interest income	17	4	21
Change in net assets	(8,133)	(41)	(8,174)
Net assets beginning of year	125,732	27,481	153,213
Net assets end of year	\$ 117,599	27,440	145,039

See accompanying independent auditor's report.

Jackson County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2012

	Employee Partial Self-Funded Health Plan	Employee Self-Funded Dental Plan	Total
Cash flows from operating activities:			
Cash received from operating funds and employees	\$ 57,842	61,202	119,044
Cash paid to suppliers for medical claims, insurance premiums and administrative fees	(65,992)	(61,247)	(127,239)
Net cash used by operating activities	(8,150)	(45)	(8,195)
Cash flows from investing activities:			
Interest on investments	21	5	26
Net change in cash and cash equivalents	(8,129)	(40)	(8,169)
Cash and cash equivalents beginning of year	125,727	27,480	153,207
Cash and cash equivalents end of year	\$ 117,598	27,440	145,038

See accompanying independent auditor's report.

Jackson County

Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	3,325	195,275	188,059
Other County officials	7,470	-	-	-
Receivables:				
Property tax:				
Delinquent	-	263	571	14,973
Succeeding year	-	181,000	394,000	10,216,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Special assessments:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 7,470	184,588	589,846	10,419,032
Liabilities				
Accounts payable	\$ -	-	-	-
Salaries and benefits payable	-	-	4,884	-
Due to other governments	-	184,588	568,569	10,419,032
Trusts payable	7,470	-	-	-
Compensated absences	-	-	16,393	-
Total liabilities	\$ 7,470	184,588	589,846	10,419,032

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	E911 Service Commission	Other	Total
13,486	96,083	3,710	14,493	79,923	226,461	820,815
-	-	-	-	-	97,094	104,564
992	10,084	64	1,279	-	21	28,247
710,000	5,235,000	233,000	882,000	-	60,000	17,911,000
-	-	-	-	20,804	-	20,804
-	-	-	-	1	-	1
-	-	-	-	-	19,355	19,355
-	-	-	-	-	21,696	21,696
-	-	-	-	9,668	-	9,668
724,478	5,341,167	236,774	897,772	110,396	424,627	18,936,150
-	-	-	-	4,189	133	4,322
-	-	-	-	-	675	5,559
724,478	5,341,167	236,774	897,772	106,207	326,725	18,805,312
-	-	-	-	-	97,094	104,564
-	-	-	-	-	-	16,393
724,478	5,341,167	236,774	897,772	110,396	424,627	18,936,150

Jackson County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2012

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	Schools
Balances beginning of year	\$ 6,938	185,462	752,923	10,547,245
Additions:				
Property and other county tax	-	186,329	408,553	10,500,571
E911 surcharge	-	-	-	-
State tax credits	-	8,111	22,069	459,235
Drivers license fees	-	-	-	-
Office fees and collections	383,971	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	271,488	96	8,826	5,281
Total additions	655,459	194,536	439,448	10,965,087
Deductions:				
Agency remittances:				
To other funds	221,519	-	-	-
To other governments	171,464	195,410	602,525	11,093,300
Trusts paid out	261,944	-	-	-
Total deductions	654,927	195,410	602,525	11,093,300
Balances end of year	\$ 7,470	184,588	589,846	10,419,032

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Auto License and Use Tax	E911 Service Commission	Other	Total
757,722	5,302,652	224,885	810,092	-	89,611	352,358	19,029,888
730,315	5,273,664	241,225	903,691	-	-	62,730	18,307,078
-	-	-	-	-	130,086	-	130,086
32,329	137,484	10,706	35,354	-	-	2,931	708,219
-	-	-	-	40,934	-	-	40,934
-	-	-	-	-	-	-	383,971
-	-	-	-	5,494,260	-	-	5,494,260
-	-	-	-	-	-	13,787	13,787
-	-	-	-	-	-	831,057	831,057
382	1,662	69	421	-	-	295,826	584,051
763,026	5,412,810	252,000	939,466	5,535,194	130,086	1,206,331	26,493,443
-	-	-	-	199,405	-	-	420,924
796,270	5,374,295	240,111	851,786	5,335,789	109,301	319,214	25,089,465
-	-	-	-	-	-	814,848	1,076,792
796,270	5,374,295	240,111	851,786	5,535,194	109,301	1,134,062	26,587,181
724,478	5,341,167	236,774	897,772	-	110,396	424,627	18,936,150

Jackson County

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

For the Last Ten Years

	2012	2011	2010	2009
Revenues:				
Property and other county tax	\$ 5,220,986	4,891,514	4,868,615	4,655,350
Local option sales tax	803,675	778,066	766,653	764,321
Interest and penalty on property tax	55,920	68,360	74,007	68,728
Intergovernmental	5,597,998	5,713,471	5,863,638	5,289,424
Licenses and permits	32,271	41,803	32,714	51,226
Charges for service	609,388	592,693	576,132	584,280
Use of money and property	434,050	331,760	342,637	555,246
Miscellaneous	176,911	249,269	179,597	158,821
Total	\$ 12,931,199	12,666,936	12,703,993	12,127,396
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,675,130	1,677,192	1,550,118	1,587,048
Physical health and social services	285,337	363,810	416,161	405,912
Mental health	2,814,781	2,365,214	2,205,598	2,338,041
County environment and education	1,167,820	1,377,842	1,728,069	1,269,915
Roads and transportation	4,408,597	4,181,338	4,249,632	4,277,452
Governmental services to residents	496,356	511,650	478,631	533,597
Administration	1,332,373	1,383,627	1,244,206	1,479,792
Debt service	-	-	-	-
Capital projects	434,459	420,028	1,000,473	756,772
Total	\$ 12,614,853	12,280,701	12,872,888	12,648,529

See accompanying independent auditor's report.

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
4,461,330	4,310,416	4,186,124	4,106,769	3,838,216	3,427,264
759,479	755,377	647,755	639,096	678,545	671,334
58,101	52,467	55,488	55,188	47,843	52,331
5,782,271	4,691,980	4,951,822	4,983,896	5,304,353	5,088,078
53,864	47,853	53,998	61,439	48,357	41,993
587,675	591,285	571,242	535,022	548,158	495,619
556,668	637,902	427,152	280,786	234,327	353,827
308,945	150,356	182,839	222,767	508,987	273,759
12,568,333	11,237,636	11,076,420	10,884,963	11,208,786	10,404,205
1,482,897	1,477,246	1,405,665	1,276,490	1,244,442	1,183,667
392,247	437,156	415,159	390,865	434,384	422,338
2,124,388	2,388,908	1,812,333	1,788,575	1,632,214	2,394,395
1,465,164	967,603	1,028,979	960,173	1,087,432	825,127
4,062,384	3,794,055	3,665,867	3,690,936	3,795,781	3,792,710
419,451	403,470	570,894	374,677	332,776	337,012
1,322,125	1,149,527	1,140,125	990,874	1,096,817	1,016,630
-	120,826	130,729	137,217	124,291	-
696,035	478,047	440,500	640,235	2,203,445	441,822
11,964,691	11,216,838	10,610,251	10,250,042	11,951,582	10,413,701

Schedule 9

Jackson County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Expenditures
Direct:			
U.S. Department of the Interior:			
Payments in Lieu of Taxes	15.226		\$ 20,906
U.S. Fish and Wildlife Service:			
Fish and Wildlife Management Assistance	15.608	3018AG149	2,394
Total direct			<u>23,300</u>
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>5,980</u>
U.S. Department of Defense:			
Office of Treasurer of State of Iowa:			
Payments to States in Lieu of Real Estate Taxes	12.112		<u>97,368</u>
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CDBG EDSA-07-EDSA-016	<u>7,436</u>
National Park Service:			
Silos and Smokestacks National Heritage Area:			
National Heritage Area Federal Financial Assistance	15.939		<u>919</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069		<u>18,400</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance-State Administered Programs	93.566		<u>10</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>1,315</u>
Foster Care - Title IV-E	93.658		<u>2,182</u>
Adoption Assistance	93.659		<u>637</u>
Children's Health Insurance Program	93.767		<u>21</u>
Medical Assistance Program	93.778		<u>5,619</u>
Social Services Block Grant	93.667		<u>1,910</u>
Social Services Block Grant	93.667		<u>80,531</u>
			<u>82,441</u>

Jackson County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Expenditures
Indirect (continued):			
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance			
(Presidentially Declared Disasters)	97.036	FEMA-4018-DR-IA	326,650
Hazard Mitigation Grant	97.039		13,874
Emergency Management Performance Grants	97.042		25,588
Homeland Security Grant Program	97.067	2010-SS-T0-0031-01/02/03	1,918
Homeland Security Grant Program	97.067	EMW-2011-SS-00071-S01-01/02/03	1,100
			3,018
Total indirect			591,458
Total			<u>\$ 614,758</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 in 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**

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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, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated June 4, 2013. 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

Management of Jackson County is responsible for establishing and maintaining effective 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-12 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-12 through II-E-12 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 which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 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 the 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.


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 4, 2013

Jackson County

**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**



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Mary Mosiman, CPA
Auditor of State

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

To the Officials of 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 its major federal program for the year ended June 30, 2012. 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, 2012.

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.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of 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.


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 4, 2013

Jackson County
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- (g) The major program is CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters).
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Jackson County did not qualify as a low-risk auditee.

Jackson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-12 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) Protective Payee Accounts - Responsibilities for collection and reconciliation functions 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) Bank reconciliations are not reviewed periodically by an independent person for propriety.	Recorder
(5) The Engineer is to perform periodic inventory counts to ensure proper segregation of duties between those who issue, receive and store inventory. Periodic 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, including elected officials, 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 the signature or initials of the reviewer and the date of the review.

Responses:

Treasurer – We will have an independent person review bank reconciliations monthly. We will have an independent staff member review the mail listing monthly. We will review our segregation of duties and separate these duties as much as possible with our limited staff.

Jackson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

General Relief – Reconciliations will be prepared by the Protective Payee Officer for review by the CPC Director. Checks will be prepared by the Protective Payee Officer and given to the CPC Director to compare to the check register and approve prior to being mailed. Deposits will be prepared by the Protective Payee Officer and initialed by the Mental Health department and taken to bank.

Recorder – The Recorder’s office has three employees, including the County Recorder. We try to check and double check almost all of our work with a second employee. The County Recorder will have an employee of the County who is not an employee of the Recorder’s office check the County Recorder’s bank statements in the future.

Engineer – The County will begin doing spot inventory counts semi-annually.

Conclusion – Responses accepted. Officials should also consider the use of personnel from other offices to obtain the maximum internal control possible.

II-B-12 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 of Supervisors 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 Board of Supervisors approved a Jackson County Purchasing/Credit Card Policy on February 19, 2013.

Conclusion – Response accepted.

II-C-12 Computer Systems – During our review of internal control, the existing control activities in the County’s computer systems were evaluated to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulation. The County does not have written policies for logging off unattended computers or for ensuring software not licensed to the County is not installed on County computers.

Recommendation – The County should develop written policies addressing the above items in order to improve the County’s control over its computer systems. A written disaster recovery plan should be developed.

Response – The County Auditor’s Office is currently working on revising the County’s computer policy which will include procedures for logging off unattended computers and add language to ensure software not licensed to the County is not installed on County computers.

Conclusion – Response accepted.

Jackson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

II-D-12 Drill Account – In August 1997, the County Conservation Board received a Living Roadway Trust Fund Grant (REAP) to be used for the purchase of a native grass drill. The grant funds were used to purchase a grass drill with additional funding provided equally by the County Conservation Board, Jackson County Secondary Roads, the Andrew/Jackson Demonstration Farm Board and Jackson County Pheasants Forever. The native grass drill was to be rented out to citizens of Jackson County to plant grass cover for the pheasant population. The Andrew/Jackson Demonstration Farm Board maintained the drill account for the drill rental.

In January 2004, the original drill was sold and the County Conservation Board, the Andrew/Jackson Demonstration Farm Board and Jackson County Pheasants Forever split the purchase of the new drill. In 2007, the Andrew/Jackson Demonstration Farm Board disbanded and the drill account was transferred to the County Conservation Board which assisted with the drill rental. However, the drill account was in the name of Jackson County Pheasants Forever.

In June 2010, the second drill was replaced with a new drill. The new drill was financed using funds from the drill account and the trade-in of the old drill. At this time, the drill account was still being maintained by the County Conservation Board in the name of Jackson County Pheasants Forever. The portion of the drill account attributable to the County, including receipts and disbursements, has not been identified or recorded in the County's accounting system or in the County's annual budget.

Recommendation – The County should consult legal counsel regarding this matter and recover the funds belonging to the County. In addition, all collections for the drill account attributable to the County should be remitted to the County Treasurer and used in accordance with Board of Supervisor approval.

Response – The Jackson County Conservation Board and Pheasants Forever approved a Buy/Sell Agreement on February 19, 2013 where the Conservation Board now owns 100% of the Traux No-Till Drill. A check of \$8,680.37 was made payable to Jackson County Pheasants Forever and a check of \$7,868.81 was made payable to the Jackson County Auditor which closed the Pheasants Forever No-Till Drill Account at Bellevue State Bank. The \$7,868.81 was remitted to the County Treasurer's Office and placed in Fund 04002 – Traux Drill Account.

Conclusion – Response accepted.

II-E-12 County Sheriff – Although book balances are reconciled to bank account balances, the reconciliations are not reviewed by an independent person.

Recommendation – Bank reconciliations should be reviewed by an independent person and evidenced with the signature or initials of the reviewer and the date of review.

Response – We will begin initialing bank reconciliations starting with February 2013.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Jackson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No matters were reported.

Jackson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 Certified Budget - Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted.

IV-B-12 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-12 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-12 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 Clausung, Engineer’s Office, wife sells advertising at KMAQ	Job advertising	\$ 139
Edward Clark, Sheriff’s Office Deputy, and Kim Clark, Sheriff’s Office Civil Administrator, Brother and Husband, respectively, own Clark’s Sales and Service	Equipment, parts and repair	1,785
Edward Clark, Sheriff’s Office Deputy and Kim Clark, Sheriff’s Office Civil Administrator, Brother and Husband, respectively, own Clark’s Saw Center	Equipment, parts and repair	2,030
Mary Stickley, Auditor’s Office Deputy, Husband owns Stickley Electric Service	Electrical parts and repair	8,296
Mary Stickley, Auditor’s Office Deputy, owns Old Capital Cup Co. Inc.	Custodial and cleaning supplies	2,809
Troy Patzner, Assessor’s Office, Wife owns Patzner’s Pro Shop	Clothing and Uniforms	713
Rosie Schwager, works in County Attorney’s Office, Husband owns Schwager’s Auto	Auto repair	117

The transactions with Clark’s Sales and Service, Clark’s Saw Center, Stickley Electric Service and Old Capital Cup Co. 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 remainder of the transactions do not appear to represent a conflict of interest since cumulative transactions with each 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, 2012

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-12 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be periodically reviewed to ensure the coverage is adequate for current operations.

IV-F-12 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-12 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-12 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-12 Deficit Fund Balance – The Special Revenue, Mental Health Fund had a deficit fund balance of \$539,268 at June 30, 2012.

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 fund balance on a cash basis and did not incur a deficit until accruals were taken into account.

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

IV-J-12 County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Certain Agricultural Extension Council minutes were not signed as required by Chapter 176A.14(3) of the Code of Iowa.

Recommendation – All minutes should be signed to authenticate the action taken.

Response – We will pay closer attention to making sure minutes are signed. Double checking after meetings that flagged areas are signed.

Conclusion – Response accepted.

Jackson County

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager
Daniel L. Grady, Senior Auditor II
Kelly L. Hilton, Senior Auditor
James H. Pitcher, CPA, Staff Auditor
Cory A. Lee, Staff Auditor
Kelsey J. Kranz, Assistant Auditor
Jessica L. Barloon, Assistant Auditor
Jesse J. Probasco, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State