



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

March 31, 2017

Contact: Andy Nielsen
515/ 281-5834

Auditor of State Mary Mosiman today released an audit report on Jones County, Iowa.

The County had local tax revenue of \$30,635,090 for the year ended June 30, 2016, which included \$2,292,511 in tax credits from the state. The County forwarded \$22,572,980 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$8,062,110 of the local tax revenue to finance County operations, a 3.4% increase over the prior year. Other revenues included charges for service of \$1,968,214, operating grants, contributions and restricted interest of \$5,235,771, capital grants, contributions and restricted interest of \$916,005, local option sales tax of \$849,441, unrestricted investment earnings of \$96,750, gain on disposition of capital assets of \$47,902 and other general revenues of \$119,804.

Expenses for County operations for the year ended June 30, 2016 totaled \$14,329,230, a 1% increase over the prior year. Expenses included \$6,518,282 for roads and transportation, \$2,590,927 for public safety and legal services, \$1,731,677 for administration and \$1,111,858 for mental health.

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 <https://auditor.iowa.gov/reports/1610-0053-B00F>.

###

JONES COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2016

Table of Contents

| | | <u>Page</u> |
|--|-----------------|-------------|
| Officials | | 3 |
| Independent Auditor’s Report | | 5-7 |
| Management’s Discussion and Analysis | | 9-17 |
| Basic Financial Statements: | <u>Exhibit</u> | |
| Government-wide Financial Statements: | | |
| Statement of Net Position | A | 19 |
| Statement of Activities | B | 21 |
| Governmental Fund Financial Statements: | | |
| Balance Sheet | C | 22-23 |
| Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position | D | 25 |
| Statement of Revenues, Expenditures and Changes in Fund Balances | E | 26-27 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities | F | 28 |
| Fiduciary Financial Statement: | | |
| Statement of Fiduciary Assets and Liabilities – Agency Funds | G | 29 |
| Notes to Financial Statements | | 31-49 |
| Required Supplementary Information: | | |
| Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds | | 51 |
| Budget to GAAP Reconciliation | | 52 |
| Notes to Required Supplementary Information – Budgetary Reporting | | 53 |
| Schedule of the County’s Proportionate Share of the Net Pension Liability | | 55 |
| Schedule of County Contributions | | 56-57 |
| Notes to Required Supplementary Information – Pension Liability | | 58 |
| Schedule of Funding Progress for the Retiree Health Plan | | 59 |
| Supplementary Information: | <u>Schedule</u> | |
| Nonmajor Governmental Funds: | | |
| Combining Balance Sheet | 1 | 62-63 |
| Combining Schedule of Revenues, Expenditures and Changes in Fund Balances | 2 | 64-65 |
| Agency Funds: | | |
| Combining Schedule of Fiduciary Assets and Liabilities | 3 | 66-67 |
| Combining Schedule of Changes in Fiduciary Assets and Liabilities | 4 | 68-69 |
| Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds | 5 | 70-71 |
| 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 <u>Government Auditing Standards</u> | | 73-74 |
| Schedule of Findings | | 75-79 |
| Staff | | 80 |

Jones County

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--|----------------------|---------------------|
| Keith C. Dirks | Board of Supervisors | (Deceased Aug 2015) |
| Patrick Callahan (Appointed Sept 2015) | Board of Supervisors | Nov 2016 |
| Wayne Manternach | Board of Supervisors | Jan 2017 |
| Joe Oswald | Board of Supervisors | Jan 2017 |
| Ned Rohwedder | Board of Supervisors | Jan 2019 |
| Jon C. Zirkelbach | Board of Supervisors | Jan 2019 |
| Janine Sulzner | County Auditor | Jan 2017 |
| Amy L. Picray | County Treasurer | Jan 2019 |
| Marie Krutzfield | County Recorder | (Retired Aug 2015) |
| Sheri L. Jones (Appointed Aug 2015) | County Recorder | Nov 2018 |
| Greg A. Graver | County Sheriff | Jan 2017 |
| Phil Parsons | County Attorney | Jan 2019 |
| Arnie Andreesen | County Assessor | Jan 2022 |

Jones County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Officials of Jones County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jones County, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Jones County as of June 30, 2016 and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 17 and 51 through 59 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 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jones County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2017 on our consideration of Jones County's internal control over financial reporting and on 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 in considering Jones County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

March 20, 2017

Jones County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jones County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016, along with comparative data for the year ended June 30, 2015. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 8.7%, or approximately \$1,658,000, from fiscal year 2015 to fiscal year 2016. Property and other county tax increased approximately \$139,000, operating grants, contributions and restricted interest increased approximately \$211,000, capital grants, contributions and restricted interest decreased approximately \$2,031,000 and charges for service increased approximately \$99,000.
- Program expenses of the County's governmental activities increased 4.4%, or approximately \$703,000, in fiscal year 2016 compared to fiscal year 2015. Mental health expenses increased approximately \$88,000, or 8.6%, administration expenses increased approximately \$58,000, or 3.5%, roads and transportation expenses increased approximately \$340,000, or 5.5%, county environment and education expenses increased approximately \$57,000, or 6.7%, public safety and legal services expenses increased approximately \$165,000, or 6.8%, physical health and social services expenses increased approximately \$10,000, or 1.4%, and non-program expenses decreased approximately \$99,000, or 56.4%.
- The County's net position, after restatement, increased 10.28%, or approximately \$2,967,000, from June 30, 2015 to June 30, 2016, primarily due to spending less than the available revenues and an increase in property tax.
- Jones County experienced a moderate increase (3.3%) in taxable valuation for fiscal year 2016 (1-1-14 assessment). Jones County decreased property tax rates for fiscal year 2016 an average of 0.62%, yet generated a 2.92% increase in tax dollars for County operations. The County maintained the fiscal year 2015 general property tax levy rate of \$5.52789 per \$1,000 of taxable valuation for fiscal year 2016. The mental health property tax levy rate was decreased \$0.05700 per \$1,000 of taxable valuation to decrease the previously frozen level of property tax support by \$25,134 from \$883,021; said decrease was for a state mandated Medicaid offset carry-over from fiscal year 2015. The rural services property tax levy rate was maintained at the fiscal year 2015 rate of \$2.76289 per \$1,000 of taxable valuation. The implementation of the 1% local option sales tax in 1999 continues to provide a significant amount of property tax relief for the Special Revenue, Rural Services Fund.

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 Position and a Statement of Activities. These provide information about the activities of Jones County as a whole and present an overall view of the County's finances.

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, 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.

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 Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position 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 position changed during the most recent fiscal year. All changes in net position 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 years.

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

Fund Financial Statements

The County has two 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 and 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads. 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) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County’s own programs. These fiduciary funds include Agency Funds which account for Emergency Management, E-911 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.

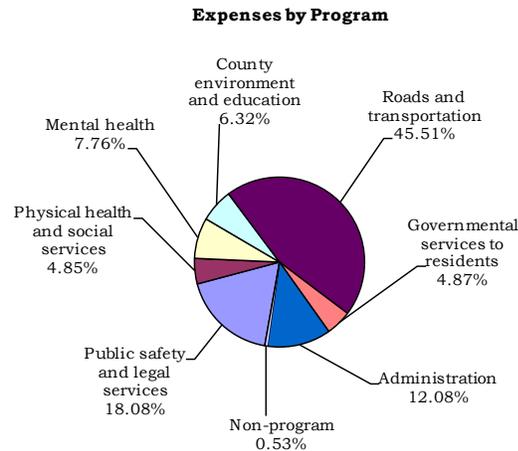
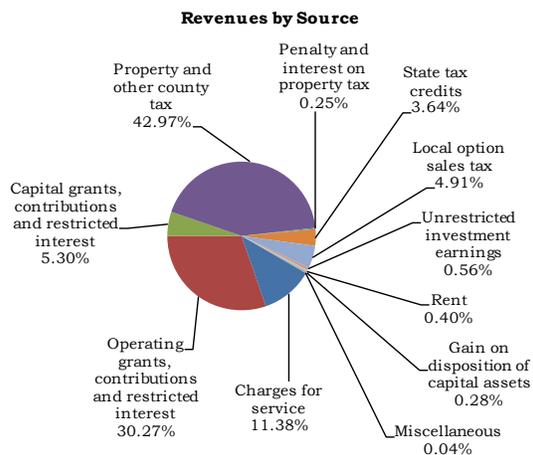
GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Jones County’s combined net position at the end of the fiscal year increased from approximately \$28.9 million to approximately \$31.8 million. The analysis that follows focuses on the changes in the net position of governmental activities.

| Net Position of Governmental Activities | | |
|---|---------------|--------------------|
| | June 30, | |
| | 2016 | 2015 (Restated) |
| Current and other assets | \$ 17,546,673 | 15,808,177 |
| Capital assets | 26,275,503 | 24,727,301 |
| Total assets | 43,822,176 | 40,535,478 |
| Pension related deferred outflows | 585,671 | 578,847 |
| Long-term liabilities | 3,300,111 | 2,657,649 |
| Other liabilities | 1,245,048 | 975,704 |
| Total liabilities | 4,545,159 | 3,633,353 |
| Deferred inflows of resources | 8,028,290 | 8,613,341 |
| Net position: | | |
| Net investment in capital assets | 26,275,503 | 24,727,301 |
| Restricted | 6,701,422 | 5,556,862 |
| Unrestricted | (1,142,527) | (1,416,532) |
| Total net position | \$ 31,834,398 | 28,867,631 |

Net position of Jones County's governmental activities increased \$2,966,767 (\$28,867,631 compared to \$31,834,398). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Next largest is restricted net position, which represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – is reported at \$(1,142,527) at June 30, 2016.

| Changes in Net Position of Governmental Activities | | |
|--|----------------------|--------------------|
| | Year ended June 30, | |
| | 2016 | 2015 (Restated) |
| Revenues: | | |
| Program revenues: | | |
| Charges for service | \$ 1,968,214 | 1,869,123 |
| Operating grants, contributions and restricted interest | 5,235,771 | 5,024,348 |
| Capital grants, contributions and restricted interest | 916,005 | 2,947,049 |
| General revenues: | | |
| Property and other county tax | 7,432,701 | 7,293,573 |
| Penalty and interest on property tax | 43,049 | 42,658 |
| State tax credits | 629,409 | 505,731 |
| Local option sales tax | 849,441 | 871,144 |
| Grants and contributions not restricted to specific purposes | | |
| Unrestricted investment earnings | 96,750 | 99,579 |
| Rent | 69,562 | 94,884 |
| Gain on disposition of capital assets | 47,902 | 153,964 |
| Miscellaneous | 7,193 | 52,177 |
| Total revenues | 17,295,997 | 18,954,230 |
| Program expenses: | | |
| Public safety and legal services | 2,590,927 | 2,425,514 |
| Physical health and social services | 695,640 | 685,793 |
| Mental health | 1,111,858 | 1,024,134 |
| County environment and education | 906,311 | 849,664 |
| Roads and transportation | 6,518,282 | 6,177,841 |
| Governmental services to residents | 698,249 | 614,497 |
| Administration | 1,731,677 | 1,673,852 |
| Non-program | 76,286 | 174,835 |
| Total expenses | 14,329,230 | 13,626,130 |
| Change in net position | 2,966,767 | 5,328,100 |
| Net position beginning of year, as restated | 28,867,631 | 23,539,531 |
| Net position end of year | \$ 31,834,398 | 28,867,631 |



INDIVIDUAL MAJOR FUND ANALYSIS

As Jones County completed the year, its governmental funds reported a combined fund balance of approximately \$8.5 million, an increase of approximately \$1.2 million from last year's total of approximately \$7.3 million. The following are the primary reasons for the changes in fund balances of the major funds from the prior year:

The General Fund, the operating fund for Jones County, ended fiscal year 2016 with a fund balance of \$2,980,163. This is an increase of \$469,297 over June 30, 2015. Expenditures increased \$115,474 while revenues increased \$428,079 from fiscal year 2015. The three most significant expenditure changes were in the non-program function, the governmental services to residents function and the public safety and legal services function. The non-program function decreased approximately \$331,000 as there were no additional conservation land acquisitions, nor major associated project expenditures. The governmental services to residents function increased approximately \$174,000. The public safety and legal services function increased approximately \$155,000. Property and other county tax increased \$110,643 due to growth in the taxable valuation (the General Fund levy rate remained the same as the fiscal year 2015 rate). Intergovernmental revenues increased approximately \$266,000, primarily due to an increase in grant receipts, property tax credits and tax replacement receipts. Charges for services revenues increased \$53,657.

The Special Revenue, Mental Health Fund ended fiscal year 2016 with a fund balance of \$1,702,647. The balance increased \$221,431 from June 30, 2015. Expenditures increased 17.9%, or \$121,511, from fiscal year 2015 and revenues decreased 16%, or \$194,762.

The Special Revenue, Rural Services Fund ended fiscal year 2016 with a balance of \$293,999, or \$1,146 more than the June 30, 2015 balance of \$292,853. Property and other county tax increased \$73,968, or 4.4%, due to growth in the taxable valuation (the rural services levy rate remained the same as the fiscal year 2015 rate). 100% of the increase in property tax was used to increase the transfer to the Special Revenue, Secondary Roads Fund to support road maintenance and road projects, increasing the total transfer from \$1,785,000 to \$1,885,000.

The Special Revenue, Secondary Roads Fund ended fiscal year 2016 with a balance of \$3,427,276, an increase of \$514,952 over June 30, 2015 balance of \$2,912,324. Of the ending balance, \$1,713,906 is unspent local option sales tax designated for future road and bridge projects, per voter approval in 1999, and \$538,636 is the value of materials held in inventory and prepaid expenditures at June 30, 2016. The restricted fund balance within the Special Revenue, Secondary Roads Fund reflects a positive balance of \$2,888,640 on a GAAP basis, 20.2% higher than the June 30, 2015 balance of \$2,402,816. Expenditures increased \$427,763, or 6.5%. The County increased its spending for its locally funded road construction activities in fiscal year 2016 by over 2.9% (\$787,200 compared to \$764,868 in fiscal year 2015). Revenues for the Special Revenue, Secondary Roads Fund for fiscal year 2016 reflect an increase from fiscal year 2015 of \$324,494, primarily in intergovernmental revenues related to road and bridge construction projects. \$153,000 was transferred from the General Fund in fiscal year 2016, bringing the total funds transferred to the Secondary Roads Fund to \$2,038,000

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds except the Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis. Over the course of fiscal year 2016, Jones County amended its budget one time. The amendment was made on March 15, 2016 and resulted in changes to budgeted appropriations for nearly every disbursement function and revenue category.

The net total increase in revenue was \$1,009,719, with changes in each revenue category. Of significance was a \$958,292 increase in intergovernmental revenues, primarily reflecting \$318,000 of FEMA reimbursements to Secondary Roads, \$300,000 of additional road use taxes due to legislation increasing the motor fuel tax and subsequent distributions to counties, and \$50,000 of federal bridge replacement funds which were not anticipated when the fiscal year 2016 budget was prepared.

The net total change in budgeted disbursements reflects an increase of \$206,718. Of significance was a \$374,311 increase in budgeted roads and transportation disbursements, primarily as a result of additional road rock and equipment purchases. A \$160,344 increase in public safety and legal services is also reflected, primarily due to the purchase of public safety related computer servers, equipment, and software. A \$125,113 increase in county environment and education is reflected in the budget amendment, primarily due to the payment of engineering design costs on the MonMaq dam project. The budget amendment reflects a \$397,000 decrease in capital projects reflecting a delay in road and bridge construction projects and the Central Park Lake restoration project. Various other less significant changes in disbursements resulted in a net decrease of \$56,050 in the other five functions. Nearly all departments reflected some level of change in spending authority and/or revenue adjustments with this budget amendment.

The following should be noted when comparing the County's cash basis final amended budget to the cash basis operating statement:

The County's actual receipts were \$658,651 more than the final amended budget, a variance of 3.9%. The most significant variances resulted from the County receiving \$545,823 more intergovernmental receipts than anticipated, primarily due to grant receipts, FEMA reimbursements, and increased road use tax.

Total disbursements were \$719,121 less than the final amended budget, a 4.5% variance. Actual disbursements for the public safety and legal services, physical health and social services, mental health, roads and transportation, governmental services to residents, administration, and capital projects functions were all within 10% of the final amended budget. Disbursements for the county environment and education function were \$257,148, or 22%, below budget, primarily due to project delays. Disbursements for the non-program function were \$11,921, or 11.6%, below budget, primarily due to unexpended pass through grant program expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, Jones County had \$26,275,503 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$1,548,202, or 6.3%, over last year, primarily from Secondary Roads Department projects.

| Capital Assets of Governmental Activities at Year End | | |
|---|----------------------|--------------------|
| | June 30, | |
| | 2016 | 2015 (Restated) |
| Land | \$ 3,616,710 | 3,533,166 |
| Construction/intangibles in progress | 447,607 | 604,460 |
| Buildings | 1,798,581 | 1,835,154 |
| Improvements other than buildings | 144,797 | 156,864 |
| Equipment and vehicles | 3,307,825 | 2,743,481 |
| Intangibles, other | 133,286 | 60,000 |
| Infrastructure | 16,826,697 | 15,794,176 |
| Total | <u>\$ 26,275,503</u> | <u>24,727,301</u> |
| This year's major additions included: | | |
| Infrastructure, road network | \$ | 1,540,472 |
| Grade-All excavator | | 339,004 |
| Mack dump truck | | 211,239 |
| Peterbilt dump truck | | 199,400 |
| Total | <u>\$</u> | <u>2,290,115</u> |

The County had depreciation/amortization expense of \$1,242,018 in fiscal year 2016 and total accumulated depreciation/amortization of \$10,840,170 at June 30, 2016.

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

Nearly all of the County's conservation recreational area improvements and property acquisitions were reimbursed with grants and donations.

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

Long-Term Debt

At June 30, 2016, Jones County had no general obligation long-term debt outstanding. Information about the County's long-term liabilities is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Jones County's elected and appointed officials considered many factors when setting the fiscal year 2017 budget, tax rates and the fees charged for various County activities. The primary factors considered were the increase in taxable valuations, changes in funding for mental health services and the Board's desire to invest in county facility upgrades and keep the tax levy rate relatively stable.

Jones County's total taxable valuation for the fiscal year 2017 budget increased 7.6%. By class of property, the County's agricultural valuation increased 8%, industrial valuation increased 2% and residential valuation rose 10%. Commercial valuation reflects a decrease of 10%, however, a new classification of property, multi-residential, was created by legislation which moved qualifying commercial properties into the new classification. When commercial and multi-residential valuations are combined-as they would have been in prior years, the total reflects a 7% increase.

New residential construction in Jones County increased during 2014 for the January 1, 2015 assessment to become taxable in fiscal 2017. Jones County's agricultural land values comprise 33% of Jones County's taxable valuation for fiscal year 2017, while residential values comprise 38% of the total.

The fiscal year 2017 General Fund budget reflects a tax increase of \$271,197 and is projected to produce an unrestricted fund balance on June 30, 2017 of 34.9% of total general operating disbursements (total fund balance of 38.2% of total disbursements). The tax increase of \$271,197 was generated by applying the prior year's (fiscal year 2016) general basic tax levy rate to the new valuation with no further change in the general basic fund tax levy rate, and decreasing the general supplemental tax levy rate by \$0.12276 to more closely match revenues to expenditures. The total General Fund fiscal year 2017 budgeted disbursements (including transfers out) are \$314,898 less than the fiscal year 2016 original budget. The General Fund fiscal year 2017 budget reflects a 3.77% increase in employee wages and benefits, with overall disbursements projected to decrease 3.93%, primarily due to a decrease in equipment purchases (voting equipment was replaced in fiscal year 2016 and no similar significant capital expenditures were included in the fiscal year 2017 General Fund budget). The collective bargaining agreement covering wages to be paid in fiscal year 2017 calls for a 2.75% wage increase for employees in the bargaining unit. A variety of wage increase rates were granted to non-union employees. The Board adopted the salary recommendation of the Compensation Board for the elected officials, with the exception of reducing their own recommended increase by 10% thereby granting salary increases in a range from 1.8% to 4.5%. Budgeted non-tax General Fund receipts are projected to decrease \$173,701, primarily due to a decrease in intergovernmental revenues.

The fiscal year 2017 Special Revenue, Mental Health Fund levy decreased \$400,000 from maximum allowable level of property tax with the tax rate adjusted lower by \$0.43192 per \$1,000 of taxable valuation to reflect the increase in the taxable valuation, as well as the \$400,000 overall levy decrease. Beginning in fiscal year 2015, Jones County joined with eight other counties to form a 28E mental health region, as required by mental health redesign legislation. Mental health property tax dollars and other resources will be pooled to provide uniform services to clients in the nine-county region. The 28E agreement was amended to provide that each county provide an equal per capita amount of funding to the region. For Jones County, the requested fiscal year 2017 funding is less than Jones County's maximum allowable mental health property tax levy. Jones County's Mental Health Fund balance is sufficient to meet nearly two years of funding to the region based on the currently adopted per capita funding method. The reduction in the levy will help to decrease the fund balance.

The budget for the Special Revenue, Rural Services Fund for fiscal year 2017 reflects a tax decrease of \$12,853. The tax decrease represents the Board's desire to keep revenues in this fund close to proposed disbursements and transfers out. The transfer to the Secondary Road Fund decreased \$41,000 in the fiscal year 2017 budget, as funds from a debt service levy will be used to fund a portion of a new Secondary Road maintenance shop near Monticello.

The Special Revenue, Secondary Roads Fund budget for fiscal year 2017 reflects an increase of \$204,500 in road maintenance disbursements to \$6,050,000, as well as a \$117,000 decrease in the roadway construction budget from the originally budgeted fiscal year 2016 level of \$967,000 to \$850,000 in fiscal year 2017. The County is increasing the amount of funds spent on locally funded construction projects, as well as replacing outdated and worn equipment and updating secondary road facilities. The balance in the fund is projected to increase \$253,000 from the re-estimated fiscal year 2016 balance due to changes in the locally funded construction program. The actual ending fund balance is historically considerably higher than initially projected. Design and construction schedules, as well as a re-evaluation of funding sources and projected fund balances, are always considered prior to proceeding with certain road and bridge projects and equipment purchases.

In fiscal year 2017 the Board of Supervisors took steps to initiate a debt service levy for essential county purposes. The levy was implemented to take advantage of the \$400,000 reduction in the mental health levy, while limiting the overall tax increase in the County budget to only the amounts generated from an increase in taxable valuation, or less. The funds generated from the debt service levy, combined with \$72,000 from the General Fund, will be used to provide facility capital improvements including improvements to the courthouse parking lot and sidewalks, security improvements at the courthouse, window replacements at the Broadway Place Annex, air conditioning upgrades at the courthouse, assist with funding construction of a new Secondary Road maintenance shop near Monticello and provide matching funds for a grant for a JETS transit office and vehicle storage facility. The funds will also be used to provide the local match to federal transportation funds for new JETS transit vans. It is anticipated 100% of the funds borrowed for these projects will be fully paid back by the end of fiscal year 2017 with the debt service levy and additional monies from the General Fund.

The overall fiscal year 2017 budget reflects a seventeen cent (\$0.17279/\$1,000) decrease in the countywide levy rate and an eighteen cent (\$0.18247/\$1,000) decrease in the rural services rate. The combination of the countywide rate and rural rate generates a total thirty-five cent (\$0.35526/\$1,000) total levy rate decrease on rural properties. The adopted budget generates a 3.57% increase (\$283,478) in total tax dollars to be levied to support the budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Jones County
Statement of Net Position
June 30, 2016

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Cash, cash equivalents and pooled investments | \$ 8,421,959 |
| Receivables: | |
| Property tax: | |
| Delinquent | 5,429 |
| Succeeding year | 7,630,000 |
| Interest and penalty on property tax | 20,788 |
| Accounts | 20,075 |
| Accrued interest | 4,273 |
| Special assessments | 1,090 |
| Due from other governments | 904,423 |
| Inventories | 512,798 |
| Prepaid expense | 25,838 |
| Capital assets, net of accumulated depreciation/amortization | 26,275,503 |
| Total assets | 43,822,176 |
| Deferred Outflows of Resources | |
| Pension related deferred outflows | 585,671 |
| Liabilities | |
| Accounts payable | 747,070 |
| Salaries and benefits payable | 309,566 |
| Due to other governments | 188,412 |
| Long-term liabilities: | |
| Portion due or payable within one year: | |
| Compensated absences | 156,580 |
| Portion due or payable after one year: | |
| Compensated absences | 191,213 |
| Net pension liability | 2,880,318 |
| Net OPEB liability | 72,000 |
| Total liabilities | 4,545,159 |
| Deferred Inflows of Resources | |
| Unavailable property tax revenue | 7,630,000 |
| Pension related deferred inflows | 398,290 |
| Total deferred inflows of resources | 8,028,290 |
| Net Position | |
| Net investment in capital assets | 26,275,503 |
| Restricted for: | |
| Supplemental levy purposes | 977,314 |
| Mental health purposes | 1,688,501 |
| Rural services purposes | 306,776 |
| Secondary roads purposes | 3,302,232 |
| Other purposes | 426,599 |
| Unrestricted | (1,142,527) |
| Total net position | \$ 31,834,398 |

See notes to financial statements.

Jones County

Jones County
Statement of Activities
Year ended June 30, 2016

| | Program Revenues | | | | |
|---|----------------------|---------------------------|---|---|--|
| | Expenses | Charges for Service | Contributions and Restricted Interest | Contributions and Restricted Interest | Operating Grants, Capital Grants, Net (Expense) Revenue and Changes in Net Position |
| Functions/Programs: | | | | | |
| Governmental activities: | | | | | |
| Public safety and legal services | \$ 2,590,927 | 261,237 | 55,071 | - | (2,274,619) |
| Physical health and social services | 695,640 | 261,712 | 197,046 | - | (236,882) |
| Mental health | 1,111,858 | 151,292 | 270,712 | - | (689,854) |
| County environment and education | 906,311 | 63,494 | 56,120 | 390,514 | (396,183) |
| Roads and transportation | 6,518,282 | 637,289 | 4,580,642 | 523,441 | (776,910) |
| Governmental services to residents | 698,249 | 406,799 | - | - | (291,450) |
| Administration | 1,731,677 | 137,858 | 120 | 2,050 | (1,591,649) |
| Non-program | 76,286 | 48,533 | 76,060 | - | 48,307 |
| Total | <u>\$ 14,329,230</u> | <u>1,968,214</u> | <u>5,235,771</u> | <u>916,005</u> | <u>(6,209,240)</u> |
| General Revenues: | | | | | |
| Property and other county tax levied for general purposes | | | | \$ 7,432,701 | |
| Penalty and interest on property tax | | | | 43,049 | |
| State tax credits | | | | 629,409 | |
| Local option sales tax | | | | 849,441 | |
| Unrestricted investment earnings | | | | 96,750 | |
| Rent | | | | 69,562 | |
| Gain on disposition of capital assets | | | | 47,902 | |
| Miscellaneous | | | | 7,193 | |
| Total general revenues | | | | <u>9,176,007</u> | |
| Change in net position | | | | | 2,966,767 |
| Net position beginning of year, as restated | | | | | <u>28,867,631</u> |
| Net position end of year | | | | | <u>\$ 31,834,398</u> |

See notes to financial statements.

Jones County
Balance Sheet
Governmental Funds

June 30, 2016

| | Special | | |
|---|---------------------|------------------|-------------------|
| | General | Mental Health | Rural Services |
| Assets | | | |
| Cash, cash equivalents and pooled investments | \$ 3,082,551 | 1,663,961 | 270,985 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | 4,110 | 336 | 983 |
| Succeeding year | 5,112,000 | 449,000 | 1,708,000 |
| Interest and penalty on property tax | 20,788 | - | - |
| Accounts | 6,144 | - | - |
| Accrued interest | 4,273 | - | - |
| Special assessments | 1,090 | - | - |
| Due from other funds | - | - | - |
| Due from other governments | 310,661 | 45,494 | 37,940 |
| Inventories | - | - | - |
| Prepaid expenditures | - | - | - |
| | \$ 8,541,617 | 2,158,791 | 2,017,908 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | |
| Liabilities: | | | |
| Accounts payable | \$ 128,121 | 306 | 115 |
| Salaries and benefits payable | 202,970 | 6,467 | 1,406 |
| Due to other funds | 7,188 | - | - |
| Due to other governments | 8,142 | - | - |
| Total liabilities | 346,421 | 6,773 | 1,521 |
| Deferred inflows of resources: | | | |
| Unavailable revenues: | | | |
| Succeeding year property tax | 5,112,000 | 449,000 | 1,708,000 |
| Other | 103,033 | 371 | 14,388 |
| Total deferred inflows of resources | 5,215,033 | 449,371 | 1,722,388 |
| Fund balances: | | | |
| Nonspendable: | | | |
| Inventories | - | - | - |
| Prepaid expenditures | - | - | - |
| Restricted for: | | | |
| Supplemental levy purposes | 982,522 | - | - |
| Mental health purposes | - | 1,702,647 | - |
| Rural services purposes | - | - | 293,999 |
| Secondary roads purposes | - | - | - |
| Conservation land acquisition/capital improvements | 317,146 | - | - |
| Other purposes | - | - | - |
| Committed for: | | | |
| County facility capital projects/purposes | 29,000 | - | - |
| Conservation dept capital improvements | 20,000 | - | - |
| Aerial tax mapping update project | 5,000 | - | - |
| Unassigned | 1,626,495 | - | - |
| Total fund balances | 2,980,163 | 1,702,647 | 293,999 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 8,541,617 | 2,158,791 | 2,017,908 |

See notes to financial statements.

| <u>Revenue</u> | | |
|------------------|-----------------|-------------------|
| Secondary | | |
| <u>Roads</u> | <u>Nonmajor</u> | <u>Total</u> |
| 3,305,358 | 99,104 | 8,421,959 |
| - | - | 5,429 |
| - | 361,000 | 7,630,000 |
| - | - | 20,788 |
| 3,564 | 10,367 | 20,075 |
| - | - | 4,273 |
| - | - | 1,090 |
| 7,188 | - | 7,188 |
| 510,328 | - | 904,423 |
| 512,798 | - | 512,798 |
| 25,838 | - | 25,838 |
| <u>4,365,074</u> | <u>470,471</u> | <u>17,553,861</u> |
| 618,510 | 18 | 747,070 |
| 98,723 | - | 309,566 |
| - | - | 7,188 |
| 180,270 | - | 188,412 |
| <u>897,503</u> | <u>18</u> | <u>1,252,236</u> |
| - | 361,000 | 7,630,000 |
| 40,295 | - | 158,087 |
| <u>40,295</u> | <u>361,000</u> | <u>7,788,087</u> |
| 512,798 | - | 512,798 |
| 25,838 | - | 25,838 |
| - | - | 982,522 |
| - | - | 1,702,647 |
| - | - | 293,999 |
| 2,888,640 | - | 2,888,640 |
| - | - | 317,146 |
| - | 109,453 | 109,453 |
| - | - | 29,000 |
| - | - | 20,000 |
| - | - | 5,000 |
| - | - | 1,626,495 |
| <u>3,427,276</u> | <u>109,453</u> | <u>8,513,538</u> |
| <u>4,365,074</u> | <u>470,471</u> | <u>17,553,861</u> |

Jones County

Jones County

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

June 30, 2016

Total governmental fund balances (page 23) \$ 8,513,538

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

Capital assets used in governmental activities are not current financial resources and therefore, are not reposted in the governmental funds. The cost of assets is \$37,115,673 and the accumulated depreciation is \$10,840,170. 26,275,503

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 158,087

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

| | | |
|--------------------------------|------------------|---------|
| Deferred outflows of resources | \$ 585,671 | |
| Deferred inflows of resources | <u>(398,290)</u> | 187,381 |

Long-term liabilities, including compensated absences payable, net pension liability and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (3,300,111)

Net position of governmental activities (page 19) \$31,834,398

See notes to financial statements.

Jones County

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

Year ended June 30, 2016

| | Special | | |
|--|---------------------|------------------|--------------------|
| | General | Mental Health | Rural Services |
| Revenues: | | | |
| Property and other county tax | \$ 4,884,170 | 800,660 | 1,749,688 |
| Local option sales tax | 138 | - | 208,095 |
| Interest and penalty on property tax | 42,938 | - | - |
| Intergovernmental | 2,172,042 | 222,431 | 118,697 |
| Licenses and permits | 59,653 | - | - |
| Charges for service | 623,816 | - | 9,700 |
| Use of money and property | 172,188 | - | 1 |
| Miscellaneous | 302,902 | - | 100 |
| Total revenues | <u>8,257,847</u> | <u>1,023,091</u> | <u>2,086,281</u> |
| Expenditures: | | | |
| Operating: | | | |
| Public safety and legal services | 2,690,188 | - | - |
| Physical health and social services | 702,077 | - | - |
| Mental health | 313,780 | 801,660 | - |
| County environment and education | 728,768 | - | 194,508 |
| Roads and transportation | 427,236 | - | - |
| Governmental services to residents | 788,390 | - | 5,627 |
| Administration | 1,758,826 | - | - |
| Non-program | 89,655 | - | - |
| Capital projects | 136,630 | - | - |
| Total expenditures | <u>7,635,550</u> | <u>801,660</u> | <u>200,135</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>622,297</u> | <u>221,431</u> | <u>1,886,146</u> |
| Other financing sources (uses): | | | |
| Sale of capital assets | - | - | - |
| Transfers in | - | - | - |
| Transfers out | (153,000) | - | (1,885,000) |
| Total other financing sources (uses) | <u>(153,000)</u> | <u>-</u> | <u>(1,885,000)</u> |
| Change in fund balances | 469,297 | 221,431 | 1,146 |
| Fund balances beginning of year | <u>2,510,866</u> | <u>1,481,216</u> | <u>292,853</u> |
| Fund balances end of year | <u>\$ 2,980,163</u> | <u>1,702,647</u> | <u>293,999</u> |

See notes to financial statements.

| Revenue | | |
|-------------|----------|-------------|
| Secondary | | |
| Roads | Nonmajor | Total |
| - | - | 7,434,518 |
| 624,285 | - | 832,518 |
| - | - | 42,938 |
| 4,663,668 | 16,087 | 7,192,925 |
| 11,157 | - | 70,810 |
| 206 | 3,458 | 637,180 |
| - | 181 | 172,370 |
| 123,705 | 28,121 | 454,828 |
| 5,423,021 | 47,847 | 16,838,087 |
| - | 32,723 | 2,722,911 |
| - | - | 702,077 |
| - | - | 1,115,440 |
| - | - | 923,276 |
| 6,173,761 | - | 6,600,997 |
| - | 2,875 | 796,892 |
| - | - | 1,758,826 |
| - | - | 89,655 |
| 787,200 | - | 923,830 |
| 6,960,961 | 35,598 | 15,633,904 |
| (1,537,940) | 12,249 | 1,204,183 |
| 14,892 | - | 14,892 |
| 2,038,000 | - | 2,038,000 |
| - | - | (2,038,000) |
| 2,052,892 | - | 14,892 |
| 514,952 | 12,249 | 1,219,075 |
| 2,912,324 | 97,204 | 7,294,463 |
| 3,427,276 | 109,453 | 8,513,538 |

Jones County

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

Year ended June 30, 2016

Change in fund balances - Total governmental funds (page 27) \$ 1,219,075

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/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation/amortization expense in the current year, as follows:

| | | |
|---|--------------------|-----------|
| Expenditures for capital assets | \$ 2,346,279 | |
| Capital assets contributed by the Iowa Department of Transportation | 410,931 | |
| Depreciation/amortization expense | <u>(1,242,018)</u> | 1,515,192 |

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 33,010

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

| | | |
|--------------|------------|-------|
| Property tax | (1,817) | |
| Other | <u>894</u> | (923) |

The current year County share of IPERS contributions is reported as expenditures in the governmental funds but is reported as deferred outflows of resources in the Statement of Net Position. 455,394

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 | (10,608) | |
| Other posteemployment benefits | (8,000) | |
| Pension expense | <u>(236,373)</u> | <u>(254,981)</u> |

Change in net position of governmental activities (page 21) \$ 2,966,767

See notes to financial statements.

Jones County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

Assets

| | |
|---|-------------------|
| Cash, cash equivalents and pooled investments: | |
| County Treasurer | \$ 7,850,916 |
| Other County officials | 15,161 |
| Receivables: | |
| Property tax: | |
| Delinquent | 17,833 |
| Succeeding year | 20,531,000 |
| Accounts | 79,200 |
| Accrued interest | 6,009 |
| Special assessments | 89,810 |
| Due from other governments | 88,265 |
| Prepaid expenses | 1,442 |
| Capital assets, net of accumulated depreciation | 706,763 |
| Total assets | 29,386,399 |

Liabilities

| | |
|--|-------------------|
| Accounts payable | 1,728,538 |
| Salaries and benefits payable | 22,839 |
| Due to other governments | 26,508,938 |
| Trusts payable | 15,161 |
| Compensated absences | 42,176 |
| Estimated liability for landfill closure and posclosure care | 1,068,747 |
| Total liabilities | 29,386,399 |
| Net position | \$ - |

See notes to financial statements.

Jones County

Jones County

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Jones County Assessor's Conference Board, Jones County Emergency Management Commission, Jones County Solid Waste Commission and Jones County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County. Condensed financial statements for the Jones County Solid Waste Commission are included in Note 12 to the financial statements.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Multi-County Cooperative Child Support Agreement, East Central Iowa Employment and Training Consortium, Medical Emergency Response Group, Eastern Iowa Regional Housing Authority, Eastern Iowa Regional Utility Service Systems Commission, Jones County Crime Commission, Jones County Economic Development Commission, Jones County Communications Commission and East Central Iowa Mental Health Region.

B. Basis of Presentation

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

The Statement of Net Position presents the County’s nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints 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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

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

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, intellectual disabilities 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 Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary roads construction and maintenance.

Additionally, the County reports the following funds:

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 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 position 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 can 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 – committed, assigned and then unassigned fund balances.

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at amortized cost.

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes 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, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2015.

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 more than 15 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, 2016, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

| Asset Class | Estimated Useful lives (In Years) |
|-----------------------|-----------------------------------|
| Buildings | 25 - 50 |
| Building improvements | 25 - 50 |
| Infrastructure | 10 - 65 |
| Intangibles | 2 - 65 |
| Equipment | 3 - 20 |
| Vehicles | 5 - 15 |

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the County after the measurement date but before the end of the County’s reporting period.

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide 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, 2016. 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 financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

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.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension 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.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected with the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent 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 inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on IPERS' investments.

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.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2016 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 ensure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2016 is as follows:

| Receivable Fund | Payable Fund | Amount |
|------------------|--------------|----------|
| Special Revenue: | | |
| Secondary Roads | General | \$ 7,188 |

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

| Transfer to | Transfer from | Amount |
|------------------|------------------|--------------|
| Special Revenue: | | |
| Secondary Roads | General | \$ 153,000 |
| | Special Revenue: | |
| | Rural Services | 1,885,000 |
| Total | | \$ 2,038,000 |

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2016 was as follows:

| | Balance Beginning of Year | Restatement (See Note 16) | Balance Beginning of Year (as restated) | Increases | Decreases | Balance End of Year |
|---|---------------------------------|------------------------------|--|-----------|-----------|---------------------------|
| Governmental activities: | | | | | | |
| Capital assets not being depreciated/amortized: | | | | | | |
| Land | \$ 3,533,166 | - | 3,533,166 | 83,544 | - | 3,616,710 |
| Construction in progress, road network | - | 547,741 | 547,741 | 1,100,835 | 1,648,576 | - |
| Construction in progress | 56,719 | - | 56,719 | 390,888 | - | 447,607 |
| Total capital assets not being depreciated/amortized | 3,589,885 | 547,741 | 4,137,626 | 1,575,267 | 1,648,576 | 4,064,317 |
| Capital assets being depreciated/amortized: | | | | | | |
| Buildings | 3,299,046 | - | 3,299,046 | 39,238 | - | 3,338,284 |
| Improvements other than buildings | 241,331 | - | 241,331 | - | - | 241,331 |
| Equipment and vehicles | 8,383,642 | - | 8,383,642 | 1,193,478 | 490,366 | 9,086,754 |
| Intangibles | 60,000 | - | 60,000 | 91,607 | - | 151,607 |
| Infrastructure, road network | 17,904,548 | - | 17,904,548 | 1,540,472 | - | 19,445,020 |
| Infrastructure, other | 788,360 | - | 788,360 | - | - | 788,360 |
| Total capital assets being depreciated/amortized | 30,676,927 | - | 30,676,927 | 2,864,795 | 490,366 | 33,051,356 |
| Less accumulated depreciation/amortization for: | | | | | | |
| Buildings | 1,463,892 | - | 1,463,892 | 75,811 | - | 1,539,703 |
| Improvements other than buildings | 84,467 | - | 84,467 | 12,067 | - | 96,534 |
| Equipment and vehicles | 5,640,161 | - | 5,640,161 | 627,868 | 489,100 | 5,778,929 |
| Intangibles, other | - | - | - | 18,321 | - | 18,321 |
| Infrastructure, road network | 2,808,700 | - | 2,808,700 | 492,184 | - | 3,300,884 |
| Infrastructure, other | 90,032 | - | 90,032 | 15,767 | - | 105,799 |
| Total accumulated depreciation/amortization | 10,087,252 | - | 10,087,252 | 1,242,018 | 489,100 | 10,840,170 |
| Total capital assets being depreciated/amortized, net | 20,589,675 | - | 20,589,675 | 1,622,777 | 1,266 | 22,211,186 |
| Governmental activities capital assets, net | \$ 24,179,560 | 547,741 | 24,727,301 | 3,198,044 | 1,649,842 | 26,275,503 |

Depreciation/amortization expense was charged to the following functions:

| | | |
|---|--|---------------------|
| Governmental activities: | | |
| Public safety and legal services | | \$ 124,153 |
| Physical health and social services | | 313 |
| County environment and education | | 66,678 |
| Roads and transportation | | 961,603 |
| Governmental services to residents | | 10,180 |
| Administration | | 79,091 |
| Total depreciation/amortization expense - governmental activities | | <u>\$ 1,242,018</u> |

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2016 is as follows:

| Fund | Description | Amount |
|----------------------------------|--------------------------|----------------------|
| General | Services | \$ 8,142 |
| Special Revenue: | | |
| Secondary Roads | Services and materials | 180,270 |
| Total for governmental funds | | <u>\$ 188,412</u> |
| Agency: | | |
| County Offices | Collections | \$ 26 |
| Agricultural Extension Education | Collections | 213,579 |
| County Assessor | Collections | 1,003,925 |
| Schools | Collections | 13,785,114 |
| Community Colleges | Collections | 1,028,696 |
| Corporations | Collections | 4,950,466 |
| Townships | Collections | 275,405 |
| Auto License and Use Tax | Collections | 490,465 |
| Jones County Solid Waste | | |
| Management Commission | Collections and services | 1,979,374 |
| MHDS - ECR | Collections | 2,248,661 |
| All other | Collections | 533,227 |
| Total for agency funds | | <u>\$ 26,508,938</u> |

(7) Prepaid Rental Agreement

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

The County has elected to amortize prepaid expenses of \$80,743 over 25 years. At June 30, 2016 the unamortized prepaid expense balance was \$25,838.

(8) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2016 is as follows:

| | Compen- sated Absences | Net Pension Liability | Net OPEB Liability | Total |
|---------------------------|------------------------------|-----------------------------|--------------------------|-----------|
| Balance beginning of year | \$ 337,185 | 2,256,464 | 64,000 | 2,657,649 |
| Increases | 308,506 | 623,854 | 18,700 | 951,060 |
| Decreases | 297,898 | - | 10,700 | 308,598 |
| Balance end of year | \$ 347,793 | \$ 2,880,318 | 72,000 | 3,300,111 |
| Due within one year | \$ 156,580 | - | - | 156,580 |

(9) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member’s first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member’s highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally at age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff’s, deputy’s and protection occupation member’s monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member’s highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll, for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.88% of covered payroll, for a total rate of 19.76%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2016 totaled \$455,394.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the County reported a liability of \$2,880,318 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the County's proportion was 0.058300%, which was an increase of 0.001403% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the County recognized pension expense of \$236,373. At June 30, 2016 the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 42,915 | 25,073 |
| Changes of assumptions | 78,205 | 21,278 |
| Net difference between projected and actual earnings on IPERS' investments | - | 303,756 |
| Changes in proportion and differences between County contributions and the County's proportionate share of contributions | 9,157 | 48,183 |
| County contributions subsequent to the measurement date | 455,394 | - |
| Total | <u>\$ 585,671</u> | <u>398,290</u> |

\$455,394 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | Amount |
|-------------------------|---------------------|
| 2016 | \$ (136,270) |
| 2017 | (136,270) |
| 2018 | (136,270) |
| 2019 | 141,158 |
| 2020 | (361) |
| Total | <u>\$ (268,013)</u> |

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

| | |
|--|---|
| Rate of inflation (effective June 30, 2014) | 3.00% per annum. |
| Rates of salary increase (effective June 30, 2010) | 4.00 to 17.00% average, including inflation. Rates vary by membership group. |
| Long-term investment rate of return (effective June 30, 1996) | 7.50% compounded annually, net of investment expense, including inflation. |
| Wage growth (effective June 30, 1990) | 4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation. |

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Asset Allocation | Long-Term Expected Real Rate of Return |
|------------------------|------------------|--|
| Core plus fixed income | 28% | 2.04% |
| Domestic equity | 24 | 6.29 |
| International equity | 16 | 6.75 |
| Private equity/debt | 11 | 11.32 |
| Real estate | 8 | 3.48 |
| Credit opportunities | 5 | 3.63 |
| U.S. TIPS | 5 | 1.91 |
| Other real assets | 2 | 6.24 |
| Cash | 1 | (0.71) |
| Total | 100% | |

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

| | 1% Decrease (6.50%) | Discount Rate (7.50%) | 1% Increase (8.50%) |
|--|---------------------------|-----------------------------|---------------------------|
| County's proportionate share of the net pension liability | \$ 5,613,346 | 2,880,318 | 575,688 |

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2016.

(10) Risk Management

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

(11) 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 96 active and two retired members in the plan. Retired participants must be age 55 or older at retirement, except retired sheriffs or deputies may be age 50 or older if the sheriff or deputy has 22 years of service or more.

The medical/prescription drug benefits are provided through a fully insured medical plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2016 the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

| | |
|--|------------------|
| Annual required contribution | \$ 19,700 |
| Interest on net OPEB obligation | 2,900 |
| Adjustment to annual required contribution | <u>(3,900)</u> |
| Annual OPEB cost | 18,700 |
| Contributions made | <u>(10,700)</u> |
| Increase in net OPEB obligation | 8,000 |
| Net OPEB obligation beginning of year | <u>64,000</u> |
| Net OPEB obligation end of year | <u>\$ 72,000</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, 2016.

For the year ended June 30, 2016, the County contributed \$10,700 to the medical plan. The plan member eligible for benefits contributed \$14,010, or 57% 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 |
|---------------------|------------------|--|---------------------|
| 2014 | \$ 13,500 | 33.3% | \$ 59,000 |
| 2015 | 13,500 | 63.0 | 64,000 |
| 2016 | 18,700 | 57.2 | 72,000 |

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was \$134,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$134,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,309,000 and the ratio of the UAAL to covered payroll was 3.1%. As of June 30, 2016, 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, 2015 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 5%. The ultimate medical trend rate is 5%. An inflation rate of 3% is assumed for the purpose of this computation.

Mortality rates are from the RP-2014 Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the Actuary's Pension Handbook and applying the termination factors using the scale T-8 and T-11 tables.

Projected claim costs of the medical plan are \$975 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(12) Jointly Governed Organization

The County participates in the Jones County Solid Waste Management Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Agency Funds because of the County's fiduciary relationship with the organization. The following condensed financial statements are for the year ended June 30, 2016.

| <u>Condensed Statement of Net Position</u> | |
|---|---------------------|
| Assets | |
| Current assets: | |
| Cash, cash equivalents and investments | \$ 970,078 |
| Receivables: | |
| Accounts and other | 54,518 |
| Due from other governments | 6,699 |
| Prepaid items | 1,442 |
| Total current assets | <u>1,032,737</u> |
| Noncurrent assets: | |
| Restricted certificates of deposit | 1,355,281 |
| Capital assets, net of accumulated depreciation | <u>706,763</u> |
| Total noncurrent assets | <u>2,062,044</u> |
| Total assets | <u>3,094,781</u> |
| Deferred Outflows of Resources | |
| Pension related deferred outflows | <u>12,460</u> |
| Liabilities | |
| Current liabilities: | |
| Accounts payable | 28,427 |
| Salaries and benefits payable | 6,829 |
| Due to other governments | 22,483 |
| Compensated absences payable | 11,404 |
| Total current liabilities | <u>69,143</u> |
| Non-current liabilities: | |
| Estimated liability for landfill closure and postclosure care | 1,068,747 |
| Net pension liability | <u>72,365</u> |
| Total non-current liabilities | <u>1,141,112</u> |
| Total liabilities | <u>1,210,255</u> |
| Deferred Inflows of Resources | |
| Pension related deferred inflows | <u>13,791</u> |
| Net position | |
| Net investment in capital assets | 706,763 |
| Restricted for closure and postclosure care | 286,534 |
| Unrestricted | <u>889,898</u> |
| Total net position | <u>\$ 1,883,195</u> |

| Condensed Statement of Revenues, Expenses and Changes in Net Position | |
|---|----------------------------|
| Operating revenues: | |
| Assessments | \$ 93,507 |
| Gate fees | 593,281 |
| Other operating revenues | 12,498 |
| Total operating revenues | <u>699,286</u> |
| Operating expenses: | |
| Salaries and benefits | 138,049 |
| Solid waste hauling and disposal | 447,472 |
| Other operating expenses | 163,761 |
| Total operating expenses | <u>749,282</u> |
| Operating loss | (49,996) |
| Non-operating revenues: | |
| Interest income | 25,809 |
| Sale of capital assets | 2,600 |
| Total non-operating revenues | <u>28,409</u> |
| Change in net position | (21,587) |
| Net position beginning of year | <u>1,904,782</u> |
| Net position end of year | <u><u>\$ 1,883,195</u></u> |

| Condensed Statement of Cash Flows | |
|---|---------------------------|
| Net cash used by operating activities | \$ (48,606) |
| Net cash provided by financing activities | 2,600 |
| Net cash provided by investing activities | 6,294 |
| Net decrease in cash and cash equivalents | (39,712) |
| Cash and cash equivalents beginning of year | 114,984 |
| Cash and cash equivalents end of year | <u>\$ 75,272</u> |
| Reconciliation of operating loss to net cash used by operating activities: | |
| Operating loss | <u>\$ (49,996)</u> |
| Adjustments to reconcile operating loss to net cash used by operating activities: | |
| Depreciation | 27,977 |
| Closure and postclosure care | (21,700) |
| Other changes in assets and liabilities | (4,887) |
| Total adjustments | <u>1,390</u> |
| Net cash used by operating activities | <u><u>\$ (48,606)</u></u> |

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Commission have been estimated at \$1,051,100 for closure as of June 30, 2016 and the portion of the liability that has been recognized is \$1,051,100. During the year ended June 30, 2009, the Commission stopped accepting waste at the landfill and began transferring waste to Milan, Illinois.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2016, assets of \$1,336,738 are restricted for these purposes. They are reported as restricted certificates of deposit in the condensed Statement of Net Position.

The total closure costs for the Commission's transfer station have been estimated at \$17,647 as of June 30, 2016 and the portion of the liability that has been recognized is \$17,647. The Commission has begun accumulating resources to fund these costs and, at June 30, 2016, assets of \$18,543 are restricted for these purposes. They are reported as restricted certificates of deposit in the condensed Statement of Net Position.

(13) Pending Litigation and Contingent Liabilities

The County is subject to pending litigation seeking damages. The amount and probability of loss, if any, is not determinable.

(14) Jones County Financial Information Included in the Mental Health/Disability Services of the East Central Region (MHDS-ECR)

MHDS-ECR, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective October 7, 2013, includes the following member counties: Benton County, Bremer County, Buchanan County, Delaware County, Dubuque County, Iowa County, Jones County, Johnson County and Linn County. The financial activity of Jones County's Special Revenue, Mental Health Fund is included in the MHDS-ECR for the year ended June 30, 2016, as follows:

| | | | |
|---|-----------|---------|---------------------|
| Revenues: | | | |
| Property and other county tax | | | \$ 800,660 |
| Intergovernmental: | | | |
| State tax credits | \$ 58,733 | | |
| Distribution from regional fiscal agent | 150,496 | | |
| Other | 13,202 | 222,431 | |
| Total revenues | | | 1,023,091 |
| Expenditures: | | | |
| Services to persons with mental illness | | | 43,290 |
| General administration: | | | |
| Direct administration | 105,826 | | |
| Distribution to regional fiscal agent | 652,544 | 758,370 | |
| Total expenditures | | | 801,660 |
| Excess of revenues over expenditures | | | 221,431 |
| Fund balance beginning of year | | | 1,481,216 |
| Fund balance end of year | | | <u>\$ 1,702,647</u> |

(15) Subsequent Events

The case of Hosch v. Jones County, for the condemnation of land for straightening of a gravel road, was settled in July 2016. The County was required to pay \$308,827 to Hosch Land LLC with the final payment of the settlement being made in August 2016.

The County accepted a bid in July 2016 to award Horsfield Construction Inc. the contract of \$2,152,984 for a capital overlay project for County Road E45

(16) Restatement

Beginning net position for governmental activities was restated to properly report the beginning balance for capital assets, as follows:

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Net position, June 30, 2015, as previously reported | \$ 28,319,890 |
| Correction to increase capital assets for infrastructure substantiated by County records | <u>547,741</u> |
| Net position July 1, 2015, as restated | <u><u>\$ 28,867,631</u></u> |

Required Supplementary Information

Jones County

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

Required Supplementary Information

Year ended June 30, 2016

| | Actual | Budgeted Amounts | | Final to |
|---|-------------------|-------------------|-------------------|--------------------|
| | | Original | Final | Actual Variance |
| Receipts: | | | | |
| Property and other county tax | \$ 8,311,920 | 8,334,139 | 8,287,287 | 24,633 |
| Interest and penalty on property tax | 42,983 | 44,800 | 44,500 | (1,517) |
| Intergovernmental | 7,675,261 | 6,171,146 | 7,129,438 | 545,823 |
| Licenses and permits | 70,809 | 69,495 | 71,928 | (1,119) |
| Charges for service | 635,945 | 555,105 | 606,295 | 29,650 |
| Use of money and property | 171,023 | 183,528 | 167,678 | 3,345 |
| Miscellaneous | 440,551 | 321,909 | 382,715 | 57,836 |
| Total receipts | 17,348,492 | 15,680,122 | 16,689,841 | 658,651 |
| Disbursements: | | | | |
| Public safety and legal services | 2,711,244 | 2,596,966 | 2,757,310 | 46,066 |
| Physical health and social services | 716,520 | 798,438 | 766,038 | 49,518 |
| Mental health | 1,141,116 | 1,373,463 | 1,255,303 | 114,187 |
| County environment and education | 921,596 | 1,053,631 | 1,178,744 | 257,148 |
| Roads and transportation | 6,517,508 | 6,261,929 | 6,636,240 | 118,732 |
| Governmental services to residents | 792,025 | 818,714 | 813,623 | 21,598 |
| Administration | 1,786,784 | 1,791,626 | 1,877,423 | 90,639 |
| Non-program | 90,570 | 88,687 | 102,491 | 11,921 |
| Debt service | - | 500 | 500 | 500 |
| Capital projects | 739,188 | 1,145,000 | 748,000 | 8,812 |
| Total disbursements | 15,416,551 | 15,928,954 | 16,135,672 | 719,121 |
| Excess (deficiency) of receipts over (under) disbursements | 1,931,941 | (248,832) | 554,169 | 1,377,772 |
| Other financing sources, net | 14,892 | - | 15,000 | (108) |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 1,946,833 | (248,832) | 569,169 | 1,377,664 |
| Balance beginning of year | 6,475,127 | 4,105,487 | 5,572,957 | 902,170 |
| Balance end of year | \$ 8,421,960 | 3,856,655 | 6,142,126 | 2,279,834 |

See accompanying independent auditor's report.

Jones County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2016

| | Governmental Funds | | |
|------------------------------|--------------------|-----------------------------|------------------------------|
| | Cash Basis | Accrual Adjust- ments | Modified Accrual Basis |
| Revenues | \$ 17,348,492 | (510,405) | 16,838,087 |
| Expenditures | 15,416,551 | 217,353 | 15,633,904 |
| Net | 1,931,941 | (727,758) | 1,204,183 |
| Other financing sources, net | 14,892 | - | 14,892 |
| Beginning fund balances | 6,475,127 | 819,336 | 7,294,463 |
| Ending fund balances | \$ 8,421,960 | 91,578 | 8,513,538 |

See accompanying independent auditor's report.

Jones County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2016

The 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, the Internal Service Fund 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, the Debt Service Fund 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, one budget amendment increased budgeted disbursements by \$206,718. The budget amendment is 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 E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2016, disbursements did not exceed that amount budgeted by function.

Jones County

Jones County

Schedule of the County's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Two Years*
(In Thousands)

Required Supplementary Information

| | 2016 | 2015 |
|---|-----------|-----------|
| County's proportion of the net pension liability | 0.058300% | 0.056897% |
| County's proportionate share of the net pension liability | \$ 2,880 | 2,256 |
| County's covered-employee payroll | \$ 4,827 | 4,699 |
| County's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 59.66% | 48.01% |
| IPERS' net position as a percentage of the total pension liability | 85.19% | 87.61% |

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

Jones County

Schedule of County Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Required Supplementary Information

| | 2016 | 2015 | 2014 | 2013 |
|---|----------|-------|-------|-------|
| Statutorily required contribution | \$ 455 | 440 | 429 | 407 |
| Contributions in relation to the statutorily required contribution | (455) | (440) | (429) | (407) |
| Contribution deficiency (excess) | \$ - | - | - | - |
| County's covered-employee payroll | \$ 5,003 | 4,827 | 4,699 | 4,568 |
| Contributions as a percentage of covered-employee payroll | 9.09% | 9.12% | 9.13% | 8.91% |

See accompanying independent auditor's report.

| 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|-------|-------|-------|-------|-------|-------|
| 389 | 323 | 296 | 282 | 252 | 233 |
| (389) | (323) | (296) | (282) | (252) | (233) |
| - | - | - | - | - | - |
| 4,637 | 4,367 | 4,290 | 4,281 | 4,024 | 3,820 |
| 8.39% | 7.40% | 6.90% | 6.59% | 6.26% | 6.10% |

Jones County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Jones County

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

Required Supplementary Information

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------|--------------------------|-------------------------------|---------------------------------------|-----------------------------|--------------------|---------------------|---|
| 2011 | July 1, 2009 | - | \$ 163 | 163 | 0.00% | \$ 3,775 | 4.30% |
| 2012 | July 1, 2009 | - | 163 | 163 | 0.00 | 3,992 | 4.10 |
| 2013 | July 1, 2012 | - | 120 | 120 | 0.00 | 3,972 | 3.01 |
| 2014 | July 1, 2012 | - | 120 | 120 | 0.00 | 4,109 | 3.00 |
| 2015 | July 1, 2012 | - | 120 | 120 | 0.00 | 4,194 | 3.00 |
| 2016 | July 1, 2015 | - | 134 | 134 | 0.00 | 4,309 | 3.10 |

See Note 11 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.

Jones County

Supplementary Information

Jones County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2016

| | County Recorder's Records Management | Special Law Enforcement Proceeds |
|---|---|---|
| Assets | | |
| Cash and pooled investments | \$ 22,748 | 2,126 |
| Receivables: | | |
| Succeeding year property tax | - | - |
| Accounts | - | - |
| Total assets | \$ 22,748 | 2,126 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | |
| Liabilities: | | |
| Accounts | \$ - | - |
| Deferred inflows of resources: | | |
| Succeeding year property tax | - | - |
| Fund balances: | | |
| Restricted for other purposes | 22,748 | 2,126 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 22,748 | 2,126 |

See accompanying independent auditor's report.

| Revenue | | | | |
|------------------------|-------------------------------------|---------------------------------|--------------|---------|
| Law Enforcement Canine | Resource Enhancement and Protection | Drug Abuse Resistance Education | Debt Service | Total |
| 138 | 73,940 | 152 | - | 99,104 |
| - | - | - | 361,000 | 361,000 |
| 9,867 | - | 500 | - | 10,367 |
| 10,005 | 73,940 | 652 | 361,000 | 470,471 |
| 18 | - | - | - | 18 |
| - | - | - | 361,000 | 361,000 |
| 9,987 | 73,940 | 652 | - | 109,453 |
| 10,005 | 73,940 | 652 | 361,000 | 470,471 |

Jones County

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

Year ended June 30, 2016

| | County Recorder's Records Management | Special Law Enforcement Proceeds | Special Law Enforcement Canine |
|------------------------------------|---|---|---|
| Revenues: | | | |
| Intergovernmental | \$ - | - | - |
| Charges for service | 3,458 | - | - |
| Use of money and property | 11 | - | - |
| Miscellaneous | - | 3,765 | 23,631 |
| Total revenues | 3,469 | 3,765 | 23,631 |
| Expenditures: | | | |
| Operating: | | | |
| Public safety and legal services | - | 2,650 | 30,000 |
| Governmental services to residents | 2,875 | - | - |
| Total expenditures | 2,875 | 2,650 | 30,000 |
| Change in fund balances | 594 | 1,115 | (6,369) |
| Fund balances beginning of year | 22,154 | 1,011 | 16,356 |
| Fund balances end of year | \$ 22,748 | 2,126 | 9,987 |

See accompanying independent auditor's report.

| Revenue | | | | |
|----------------------------------|---------------------------------------|-----------------|---|---------|
| Resource | | | | |
| Enhancement and Protection | Drug Abuse Resistance Education | Debt Service | | Total |
| 16,087 | - | - | - | 16,087 |
| - | - | - | - | 3,458 |
| 170 | - | - | - | 181 |
| - | 725 | - | - | 28,121 |
| 16,257 | 725 | - | - | 47,847 |
| - | 73 | - | - | 32,723 |
| - | - | - | - | 2,875 |
| - | 73 | - | - | 35,598 |
| 16,257 | 652 | - | - | 12,249 |
| 57,683 | - | - | - | 97,204 |
| 73,940 | 652 | - | - | 109,453 |

Jones County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2016

| | County Offices | Agricultural Extension Education | County Assessor | Schools | Community Colleges |
|--|-------------------|--|--------------------|-------------------|-----------------------|
| Assets | | | | | |
| Cash, cash equivalents and pooled investments: | | | | | |
| County Treasurer | \$ - | 2,420 | 557,532 | 155,699 | 10,925 |
| Other County officials | 15,161 | - | - | - | - |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | - | 159 | 361 | 10,415 | 771 |
| Succeeding year | - | 211,000 | 482,000 | 13,619,000 | 1,017,000 |
| Accounts | 26 | - | - | - | - |
| Accrued interest | - | - | - | - | - |
| Special assessments | - | - | - | - | - |
| Due from other governments | - | - | - | - | - |
| Prepaid expenses | - | - | - | - | - |
| Capital assets, net of accumulated depreciation | - | - | - | - | - |
| Total assets | \$ 15,187 | 213,579 | 1,039,893 | 13,785,114 | 1,028,696 |
| Liabilities | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | - | 146 | - | - |
| Salaries and benefits payable | - | - | 12,686 | - | - |
| Due to other governments | 26 | 213,579 | 1,003,925 | 13,785,114 | 1,028,696 |
| Trusts payable | 15,161 | - | - | - | - |
| Compensated absences | - | - | 23,136 | - | - |
| Estimated liability for landfill closure and posclosure care | - | - | - | - | - |
| Total liabilities | \$ 15,187 | 213,579 | 1,039,893 | 13,785,114 | 1,028,696 |

See accompanying independent auditor's report.

| Corporations | Townships | Auto License and Use Tax | Solid Waste Management Commission | MHDS-ECR | Other | Total |
|--------------|-----------|--------------------------|-----------------------------------|-----------|---------|------------|
| 45,511 | 3,254 | 490,465 | 2,325,359 | 3,907,571 | 352,180 | 7,850,916 |
| - | - | - | - | - | - | 15,161 |
| 5,955 | 151 | - | - | - | 21 | 17,833 |
| 4,899,000 | 272,000 | - | - | - | 31,000 | 20,531,000 |
| - | - | - | 49,186 | 16,020 | 13,968 | 79,200 |
| - | - | - | 5,332 | 616 | 61 | 6,009 |
| - | - | - | - | - | 89,810 | 89,810 |
| - | - | - | 6,699 | 23,600 | 57,966 | 88,265 |
| - | - | - | 1,442 | - | - | 1,442 |
| - | - | - | 706,763 | - | - | 706,763 |
| 4,950,466 | 275,405 | 490,465 | 3,094,781 | 3,947,807 | 545,006 | 29,386,399 |
| - | - | - | 28,427 | 1,699,146 | 819 | 1,728,538 |
| - | - | - | 6,829 | - | 3,324 | 22,839 |
| 4,950,466 | 275,405 | 490,465 | 1,979,374 | 2,248,661 | 533,227 | 26,508,938 |
| - | - | - | - | - | - | 15,161 |
| - | - | - | 11,404 | - | 7,636 | 42,176 |
| - | - | - | 1,068,747 | - | - | 1,068,747 |
| 4,950,466 | 275,405 | 490,465 | 3,094,781 | 3,947,807 | 545,006 | 29,386,399 |

Jones County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2016

| Assets and Liabilities | County | Agricultural | County | | Community |
|------------------------------------|-----------|------------------------|-----------|------------|-----------|
| | Offices | Extension Education | Assessor | Schools | Colleges |
| Balances beginning of year | \$ 6,289 | 208,789 | 855,493 | 13,346,400 | 948,709 |
| Additions: | | | | | |
| Property and other county tax | - | 215,617 | 500,541 | 13,902,793 | 1,037,364 |
| E-911 surcharges | - | - | - | - | - |
| State tax credits | - | 15,194 | 43,057 | 976,167 | 69,559 |
| Office fees and collections | 447,109 | - | - | - | - |
| Auto licenses, use tax and postage | - | - | - | - | - |
| Assessments | - | - | - | - | - |
| Trusts | 135,459 | - | - | - | - |
| Miscellaneous | - | - | - | - | - |
| Total additions | 582,568 | 230,811 | 543,598 | 14,878,960 | 1,106,923 |
| Deductions: | | | | | |
| Agency remittances: | | | | | |
| To other funds | 201,104 | - | - | - | - |
| To other governments | 244,783 | 226,021 | 359,198 | 14,440,246 | 1,026,936 |
| Trusts paid out | 127,783 | - | - | - | - |
| Total deductions | 573,670 | 226,021 | 359,198 | 14,440,246 | 1,026,936 |
| Balances end of year | \$ 15,187 | 213,579 | 1,039,893 | 13,785,114 | 1,028,696 |

See accompanying independent auditor's report.

| Corporations | Townships | Auto License and Use Tax | Solid Waste Management Commission | MHDS-ECR | Other | Total |
|--------------|-----------|--------------------------|-----------------------------------|------------|---------|------------|
| 5,304,248 | 264,481 | 482,281 | 3,155,573 | 3,363,979 | 492,441 | 28,428,683 |
| 4,945,802 | 277,280 | - | - | - | 30,481 | 20,909,878 |
| - | - | - | - | - | 69,584 | 69,584 |
| 540,569 | 16,136 | - | - | - | 2,420 | 1,663,102 |
| - | - | - | - | - | - | 447,109 |
| - | - | 6,163,826 | - | - | 289 | 6,164,115 |
| - | - | - | - | - | 5,681 | 5,681 |
| - | - | - | - | - | - | 135,459 |
| - | - | - | 730,296 | 18,495,703 | 462,399 | 19,688,398 |
| 5,486,371 | 293,416 | 6,163,826 | 730,296 | 18,495,703 | 570,854 | 49,083,326 |
| - | - | 265,416 | - | - | - | 466,520 |
| 5,840,153 | 282,492 | 5,890,226 | 791,088 | 17,911,875 | 518,289 | 47,531,307 |
| - | - | - | - | - | - | 127,783 |
| 5,840,153 | 282,492 | 6,155,642 | 791,088 | 17,911,875 | 518,289 | 48,125,610 |
| 4,950,466 | 275,405 | 490,465 | 3,094,781 | 3,947,807 | 545,006 | 29,386,399 |

Jones County

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

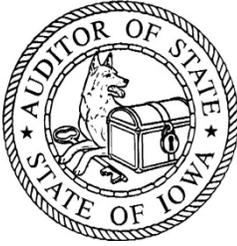
For the Last Ten Years

| | 2016 | 2015 | 2014 | 2013 |
|--------------------------------------|----------------------|-------------------|-------------------|-------------------|
| Revenues: | | | | |
| Property and other county tax | \$ 7,434,518 | 7,280,962 | 7,072,449 | 6,811,736 |
| Local option sales tax | 832,518 | 917,239 | 799,323 | 858,480 |
| Interest and penalty on property tax | 42,938 | 42,982 | 45,618 | 45,497 |
| Intergovernmental | 7,192,925 | 6,661,282 | 5,915,710 | 5,117,782 |
| Licenses and permits | 70,810 | 73,594 | 57,568 | 56,841 |
| Charges for service | 637,180 | 581,223 | 559,166 | 595,182 |
| Use of money and property | 172,370 | 197,919 | 194,765 | 169,640 |
| Miscellaneous | 454,828 | 436,108 | 605,283 | 773,992 |
| Total | \$ 16,838,087 | 16,191,309 | 15,249,882 | 14,429,150 |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | \$ 2,722,911 | 2,537,685 | 2,437,181 | 2,415,219 |
| Physical health and social services | 702,077 | 696,151 | 670,071 | 705,651 |
| Mental health | 1,115,440 | 1,035,751 | 1,118,618 | 1,105,325 |
| County environment and education | 923,276 | 886,991 | 760,787 | 822,763 |
| Roads and transportation | 6,600,997 | 6,158,379 | 5,969,549 | 5,462,477 |
| Governmental services to residents | 796,892 | 619,073 | 595,338 | 604,835 |
| Administration | 1,758,826 | 1,806,532 | 1,600,204 | 1,523,341 |
| Non-program | 89,655 | 420,735 | 488,353 | 683,283 |
| Debt service | - | - | - | - |
| Capital projects | 923,830 | 764,868 | 995,249 | 185,357 |
| Total | \$ 15,633,904 | 14,926,165 | 14,635,350 | 13,508,251 |

See accompanying independent auditor's report.

| Modified Accrual Basis | | | | | |
|------------------------|------------|------------|------------|------------|------------|
| 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
| 6,201,839 | 5,823,796 | 5,560,528 | 5,142,689 | 5,039,929 | 4,944,551 |
| 776,241 | 817,836 | 763,075 | 753,271 | 745,100 | 692,459 |
| 45,878 | 43,251 | 45,386 | 40,303 | 51,273 | 40,526 |
| 6,983,623 | 6,152,216 | 7,294,072 | 6,663,391 | 5,459,916 | 6,130,056 |
| 71,408 | 63,011 | 64,694 | 58,847 | 63,133 | 57,254 |
| 563,242 | 569,839 | 539,851 | 553,916 | 529,861 | 488,122 |
| 180,357 | 216,425 | 255,423 | 257,293 | 370,789 | 397,223 |
| 449,883 | 427,913 | 372,901 | 445,307 | 355,767 | 259,011 |
| 15,272,471 | 14,114,287 | 14,895,930 | 13,915,017 | 12,615,768 | 13,009,202 |
| 2,259,095 | 2,134,638 | 2,067,063 | 2,093,055 | 1,926,539 | 1,882,227 |
| 705,535 | 758,680 | 766,459 | 690,390 | 649,771 | 729,577 |
| 2,747,884 | 2,341,471 | 2,125,968 | 2,357,861 | 2,405,752 | 2,358,418 |
| 1,403,336 | 938,442 | 1,708,968 | 951,581 | 843,139 | 966,643 |
| 5,488,545 | 5,534,155 | 4,925,870 | 5,013,318 | 5,181,336 | 4,289,198 |
| 608,099 | 540,325 | 570,903 | 551,949 | 516,672 | 495,762 |
| 1,586,149 | 1,359,275 | 1,593,790 | 1,364,766 | 1,168,905 | 1,153,525 |
| 28,885 | 34,171 | 82,726 | 135,130 | 100,033 | 73,670 |
| - | 167,265 | 60,902 | 29,243 | 41,126 | 5,618 |
| 888,496 | 44,369 | 1,460,545 | 815,014 | 1,036,367 | 794,653 |
| 15,716,024 | 13,852,791 | 15,363,194 | 14,002,307 | 13,869,640 | 12,749,291 |

Jones County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Officials of Jones County:

We have audited 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jones County, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jones County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jones County's internal control. Accordingly, we do not express an opinion on the effectiveness of Jones County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

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 deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

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 deficiency described in the accompanying Schedule of Findings as item (C) to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Jones County's Responses to the Findings

Jones County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Jones County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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


MARY MOSIMAN, CPA
Auditor of State

March 20, 2017

Jones County
Schedule of Findings
Year ended June 30, 2016

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregations of Duties

Criteria – During our review of internal controls, the existing procedures 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. The following were identified for which no compensating controls exist:

Condition –

County Recorder – Responsibilities for the collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash. In addition, the responsibility for signing checks is not segregated from the responsibility for handling petty cash/change funds, approving disbursements and recording cash receipts.

County Extension Office – Generally, one or two individuals in the County Extension Office may have control over collecting, depositing and reconciling receipts. Bank reconciliations are not prepared by an independent person.

Transfer Station – Generally, one individual has control over account billings, collections, deposit preparation and reconciliation functions.

Cause – The County offices noted above have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the County’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Current personnel, including elected officials and personnel from other County offices, should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be documented by the signature or initials of the reviewer and the date of the review.

Jones County

Schedule of Findings

Year ended June 30, 2016

Responses –

County Recorder – It is difficult to gain assistance from external offices. Also, we hired a third employee to be part time due to the activity in the office. Segregation of duties is performed in accordance with auditing standards beginning in fall 2015 and voided receipts are now being independently reviewed.

County Extension Office – Our office has hired a bookkeeper who receives all accounting records from our office and also receives the bank statement to process bank reconciliations. Extension Council members review financial transactions and bank reconciliations processed by our outsourced bookkeeper at monthly council meetings. The County Director is responsible for providing approved financial reports/documents presented to Extension Council members.

Transfer Station – We will review our operating procedures to obtain the maximum internal control possible. The accounts receivable reconciliation is presented monthly and approved at the Commission meetings.

Conclusions – Responses accepted.

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County's financial statements.

Condition – A material prior period misstatement was identified in County infrastructure construction in progress. Note 16 to the financial statements describes the prior period adjustment.

Cause – The County Engineer did not have procedures to review Farm-to-Market infrastructure construction in progress transactions to ensure the County's financial statements are accurate and reliable.

Effect – Lack of these procedures resulted in County employees not detecting the errors in the normal course of performing their assigned functions. As a result, a material restatement to the County's financial statements was necessary.

Recommendation – The County Engineer should implement procedures to ensure all County infrastructure additions and deletions are identified and properly reported in the County's financial statements.

Jones County

Schedule of Findings

Year ended June 30, 2016

Response – The County Engineer will develop procedures to ensure compliance with GASB 34 reporting requirements for infrastructure additions and deletions. Said procedures shall provide for supervisory review.

Conclusion – Response accepted.

(C) Disaster Recovery Plan

Criteria – Properly designed policies and procedures pertaining to control activities over the County’s implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable, regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition – A documented disaster recovery plan for processing critical jobs in the event of a major hardware or software failure or temporary or permanent destruction of the Courthouse has not been developed. The County has not developed a disaster recovery plan which provides for a backup site, procedures to be followed to prepare the site for equipment and identifies staff responsibilities.

Cause – Management has not required a written policy for offsite storage for back-up records.

Effect – The failure to have a formal disaster recovery plan could result in the County’s inability to function in the event of a disaster or continue County business without interruption. Storing back-up records off-site helps ensure financial and other information is readily available in the case of a disaster or emergency

Recommendation – The County should ensure a disaster recovery plan is developed and documented which includes the previously mentioned items.

Response – The County will continue to work with department heads and other key personnel to develop a disaster recovery plan which will address continuation of government operations and procedures in the event of a major hardware or software failure, or the temporary or permanent destruction of the Courthouse. The County will continue to work on development of the plan until it addresses the anticipated needs of the County.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted

Jones County
Schedule of Findings
Year ended June 30, 2016

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2016 did not exceed the amounts budgeted by function.
- (2) 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.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – The following business transactions between the County and County officials or employees were noted:

| Vendor and County Connection | Transaction Description | Amount |
|---|----------------------------|----------------|
| K Sulzner Construction Spouse of County Auditor | Truck rental | \$ 474 |
| WM Burger Son works for County Engineer | Land survey | 686 |
| Keith Dirks Auto Body Owned by Father of Sheriff’s Secretary | Auto repair | 19,793 |
| Front Range Gear Owned by Sheriff’s Deputy Trevor Martensen | Drone Life jackets | 4,001 1,858 |

The transactions with K Sulzner Construction and WM Burger do not appear to represent a conflict of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since the total transactions with each were less than \$1,500 during the fiscal year.

The transactions with Keith Dirks Auto Body do not appear to represent conflicts of interest in accordance with Chapter 331.342(2)(d) since the Sheriff’s secretary is not directly affected as a result of the transactions and her duties of employment do not directly involve procurement or preparation of any part of the transactions.

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with Front Range Gear may represent a conflict of interest since total transactions exceeded \$1,500 during the year and transactions were not competitively bid.

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

Jones County

Schedule of Findings

Year ended June 30, 2016

Response – The Board has reviewed the matter with legal counsel. The Sheriff and Conservation Director have subsequently provided documentation of pricing from other non-related party vendors as a comparison to the amounts paid to Front Range Gear. The documentation indicates the amounts paid to Front Range Gear were reasonable and comparable to other vendors. The Board will again remind department heads of the importance of adhering to the requirements of Iowa Code Section 331.342. The Board adopted a purchasing policy in June 2016 that specifically references adherence to these provisions.

Conclusion – Response accepted.

- (5) 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.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- (8) 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).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2016 for the County Extension Office did not exceed the amount budgeted.

- (10) Financial Assurance – The Jones County Solid Waste Management Commission has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

| | |
|---|--------------------|
| Total estimated costs for closure and postclosure care | <u>\$1,068,747</u> |
| Amount the Commission has restricted and reserved for closure and postclosure care at June 30, 2016 | <u>\$1,355,281</u> |

Jones County

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager
Stephen J. Hoffman, Senior Auditor
Joseph B. Sparks, Staff Auditor
Ryan P. Swanson, CPA, Staff Auditor
Alex W. Case, Assistant Auditor
Alex D. Dau, Assistant Auditor
Justin D. Jones, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State