



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

May 5, 2005

Contact: Andy Nielsen
515/281-5834

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

The County has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

The County had local tax revenue of \$18,067,556 for the year ended June 30, 2004, which included \$1,126,784 in tax credits from the state. The County forwarded \$13,966,010 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,101,546 of the local tax revenue to finance County operations, a 12 percent increase over the prior year. Other revenues included charges for service of \$1,759,681, operating grants, contributions and restricted interest of \$4,469,715, capital grants, contributions and restricted interest of \$1,202,956, local option sales tax of \$678,545, unrestricted investment earnings of \$34,851 and other general revenues of \$258,862.

Expenses for County operations totaled \$11,110,087, and included \$4,722,488 for roads and transportation, \$1,635,579 for mental health and \$1,588,875 for county environment and education.

A copy of the audit report is available for review in the Office of Auditor of State and the County Auditor's office.

###

JACKSON COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2004

Table of Contents

		Page
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	25
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	28
Notes to Financial Statements		29-43
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental and Proprietary Funds		46-47
Budget to GAAP Reconciliation		48
Notes to Required Supplementary Information – Budgetary Reporting		49
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	52-53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	54-55
Internal Service Funds:		
Combining Statement of Net Assets	3	57
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	4	58
Combining Statement of Cash Flows	5	59
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	6	60-61
Combining Schedule of Changes in Fiduciary Assets and Liabilities	7	62-63
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	8	64
Schedule of Expenditures of Federal Awards	9	66-67
Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting		69-70
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance		73-74
Schedule of Findings and Questioned Costs		75-81
Staff		82

Jackson County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David B. Kendell	Board of Supervisors	Jan 2005
J. C. Engel	Board of Supervisors	Jan 2007
John J. Willey	Board of Supervisors	Jan 2007
T. M. Cotton	County Auditor	Jan 2005
Alfred Tebbe, Jr.	County Treasurer	Jan 2007
Phyllis Gerlach	County Recorder	Jan 2007
Russell Kettmann	County Sheriff	Jan 2005
John L. Kies	County Attorney	Jan 2007
William Goettler	County Assessor	Jan 2010

Jackson County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Officials of Jackson County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jackson County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Jackson County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Jackson County at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 14 to the financial statements, for the year ended June 30, 2004, Jackson County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated October 22, 2004 on our consideration of Jackson County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 46 through 49 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Jackson County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 22, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jackson County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Because Jackson County is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the County's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental funds increased 7.7%, or \$804,581, from fiscal 2003 to fiscal 2004. Property and other county tax increased \$418,163.
- Expenditures of the County's governmental funds increased 14.8%, or \$1,537,881, from fiscal 2003 to fiscal 2004. Capital projects expenditures increased \$1,761,623.
- The County's net assets increased 4.8%, or \$1,396,069, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

2) Proprietary funds account for the County's Internal Service Funds for employee self-funded health and dental plans. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Jackson County's combined net assets of governmental activities increased 4.8%, from \$29,334,373 to \$30,730,442, between June 30, 2003 to June 30, 2004. The analysis that follows focuses on the changes in the net assets for governmental activities.

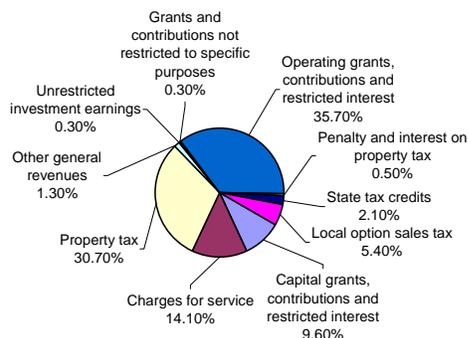
Net Assets of Governmental Activities (Expressed in Thousands)	
	June 30, 2004
Current and other assets	\$ 9,584
Capital assets	26,193
Total assets	<u>35,777</u>
Long-term liabilities	553
Other liabilities	4,494
Total liabilities	<u>5,047</u>
Net assets:	
Invested in capital assets, net of related debt	26,111
Restricted	4,324
Unrestricted	<u>295</u>
Total net assets	<u><u>\$ 30,730</u></u>

The largest portion of the County's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - are approximately \$295,000 at June 30, 2004.

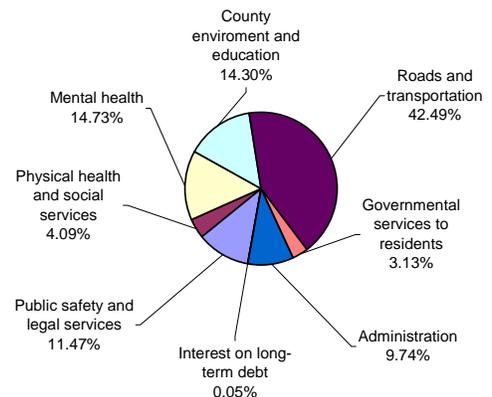
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30, 2004
Revenues:	
Program revenues:	
Charges for service	\$ 1,760
Operating grants, contributions and restricted interest	4,470
Capital grants, contributions and restricted interest	1,203
General revenues:	
Property tax	3,840
Penalty and interest on property tax	62
State tax credits	261
Local option sales tax	678
Grants and contributions not restricted to specific purposes	35
Unrestricted investment earnings	35
Other general revenues	162
Total revenues	12,506
Program expenses:	
Public safety and legal services	1,274
Physical health and social services	454
Mental health	1,636
County environment and education	1,589
Roads and transportation	4,722
Governmental services to residents	348
Administration	1,082
Interest on long-term debt	5
Total expenses	11,110
Increase in net assets	1,396
Net assets beginning of year, as restated	29,334
Net assets end of year	\$ 30,730

Revenue by Source



Expenses by Program



The County increased property tax rates for 2004 by an average of 9.2%. This increase raised the County's property tax revenue by approximately \$418,000 in 2004. Based on increases in the total assessed valuation, property tax revenue is budgeted to increase by an additional \$281,389 next year.

INDIVIDUAL MAJOR FUND ANALYSIS

As Jackson County completed the year, its governmental funds reported a combined fund balance of \$3,630,135, a decrease of \$254,642 from last year's total of \$3,884,777. The decrease in fund balance is primarily attributable to the Special Revenue, Secondary Roads, Local Option Sales Tax and Jackson County Revolving Loan Funds. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures nearly offset each other's increases. The ending fund balance showed an increase of \$221,854 from the prior year to \$411,670.
- The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal 2004, expenditures totaled \$1,732,214, a decrease of 28% from the prior year. The Mental Health Fund balance at year end increased by \$731,912 over the prior year. During fiscal 2004, the County obtained a \$400,000 loan from a local bank for the Mental Health Fund to pay Iowa Department of Human Services bills that had accumulated from prior years. The proceeds from the bank loan were placed in the Mental Health Fund. The Mental Health Fund ending fund balance was \$171,074.
- The Rural Services Fund ended fiscal 2004 with a \$62,367 balance compared to the prior year ending balance of \$95,953. The decrease is primarily due to a decrease of state credits of \$71,058 and a \$50,000 increase in the amount transferred to the Secondary Roads Fund, which were offset by a \$65,216 increase in property tax revenue. There were no significant changes in expenditures from the prior year.
- Secondary Roads Fund expenditures increased by \$54,482 over the prior year, due principally to payroll, benefits and liability insurance. This modest increase in expenditures and a significant decrease in state and federal grant revenue resulted in a decrease in the Secondary Roads Fund ending balance of \$359,149, or 20% from the prior year.
- The Local Option Sales Tax Fund ended fiscal 2004 with a \$915,970 balance compared to the prior year ending balance of \$1,474,256. The decrease is primarily due to increased spending for concrete, paving and road rock for road projects.
- The Jackson County Revolving Loan Fund ended fiscal 2004 with a \$574,192 balance compared to the prior year ending balance of \$743,104. During fiscal 2004, new loans to promote economic growth and well being totaling \$342,000 were provided to two businesses and a \$255,000 advance was provided to the Jackson County Conservation Board for the Hurstville Interpretive Center construction costs. The Jackson County Revolving Loan Fund received \$190,588 in loan repayments from businesses.

BUDGETARY HIGHLIGHTS

Over the course of the year, Jackson County amended its budget twice. The first amendment was made on April 27, 2004 and resulted in an increase in budgeted disbursements related to a number of grants, increased expenditures for the medical examiner, substance abuse, payment of prior year mental health claims including mental health loan payments, FEMA, landfill assessment, insurance, AS/400 system update, audit, ROW condemnation awards, the Hurstville Interpretive Center construction costs and a timberland purchase. The second amendment was made on May 25, 2004. This amendment was made to account for additional autopsy fees, EMS training grant and Hurstville Interpretive Center costs and Revolving Loan Fund monies to be distributed to approved applicants.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, Jackson County had approximately \$26.2 million 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 approximately \$1.8 million, or 7.2% over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)	
	<u>June 30, 2004</u>
Land	\$ 2,425
Buildings and improvements	655
Equipment and vehicles	2,207
Infrastructure	19,485
Construction in progress	<u>1,421</u>
Total	<u>\$ 26,193</u>

The County had depreciation expense of \$1,056,779 in fiscal 2004 and total accumulated depreciation of \$13,315,208 at June 30, 2004.

The County's fiscal 2004 capital budget included \$2,220,996 for capital projects, principally for road construction and the Hurstville Interpretative Center. More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

Long-Term Debt

At June 30, 2004, Jackson County had approximately \$382,000 in bank loans and other debt outstanding compared to approximately \$17,000 at June 30, 2003, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)	
	<u>June 30, 2004</u>
Capital lease purchase agreements	\$ 82
Bank loan	<u>300</u>
Total	<u>\$ 382</u>

Debt increased primarily as a result of obtaining a \$400,000 bank loan for the Mental Health Fund. The history behind the need for the Mental Health Fund loan started back on July 1, 1995 when the County took over its own case management from the State and hired a mental health director. However, over the course of several years, there was a failure to pay a number of claims, of which most were to the Iowa Department of Human Services, or to set aside funds to pay the overdue claims. When the Board of Supervisors dismissed the director for violating the personnel policy, subsequent investigation by office personnel disclosed the outstanding claims. The Board of Supervisors borrowed \$400,000 after consultation with legal counsel.

In addition, the County entered into a capital lease purchase agreement with IBM to update the AS/400 mainframe computer system.

The County does not carry a general obligation bond rating assigned by national rating agencies since it has not issued any general obligation bonds for a number of years. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Jackson County's general obligation constitutional debt limit is \$33.7 million. Additional information about the County's long-term debt is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Jackson County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and fees charged for various County activities. One of those factors is the economy. The County's nonagricultural employment growth has mirrored its population growth during 1999-2003, averaging per year gains of .3 percent. Unemployment in the County now stands at 5.7 percent versus 7.1 percent a year ago. This compares with the State's unemployment rate of 4.8 percent and the national rate of 5.6 percent.

Inflation in the State continues to be slightly lower than the national Consumer Price Index increase. The State's CPI increase was 3.2 percent for fiscal year 2004 compared with the national rate of 3.4 percent. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2003-2004.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$10.7 million, a decrease of 5.3 percent from the final 2004 budget. Property tax (benefiting from the 2004 rate increase and increases in assessed valuations) and expense reductions are expected to offset this decrease. Jackson County will use this increase in property tax to finance programs we currently offer and offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to fall by approximately \$2,816,000. Increased wage and benefit adjustments are offset by decreased final completion costs of the Hurstville Interpretative Center. The County has added no major new programs or initiatives to the 2005 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly increase by the close of 2005.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Jackson County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact M. Joell Deppe at the Jackson County Auditor's Office, by mail at 201 West Platt, Maquoketa, Iowa 52060 or by phone at (563) 652-3144.

Jackson County

Basic Financial Statements

Jackson County
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 3,148,764
Receivables:	
Property tax:	
Delinquent	15,533
Succeeding year	3,961,000
Interest and penalty on property tax	66,670
Accounts	116,680
Accrued interest	985
Revolving loans	1,082,240
Due from other governments	715,361
Inventories	373,894
Prepaid insurance	103,099
Capital assets (net of accumulated depreciation)	26,192,936
Total assets	<u>35,777,162</u>
Liabilities	
Accounts payable	276,897
Accrued interest payable	3,813
Salaries and benefits payable	94,176
Due to other governments	157,713
Deferred revenue:	
Succeeding year property tax	3,961,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	5,780
Compensated absences	142,724
Portion due or payable after one year:	
Capital lease purchase agreements	76,568
Compensated absences	28,049
Bank loan	300,000
Total liabilities	<u>5,046,720</u>
Net Assets	
Invested in capital assets, net of related debt	26,110,588
Restricted for:	
Supplemental levy purposes	47,004
Secondary roads purposes	2,435,688
Cemetery	19,385
Other purposes	1,822,279
Unrestricted	295,498
Total net assets	<u>\$ 30,730,442</u>

See notes to financial statements.

Jackson County
Statement of Activities
Year ended June 30, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,274,483	105,103	20,849	-	(1,148,531)
Physical health and social services	453,743	49,806	195,243	-	(208,694)
Mental health	1,635,579	257,754	1,159,549	-	(218,276)
County environment and education	1,588,875	793,682	371,696	581,180	157,683
Roads and transportation	4,722,488	140,324	2,722,378	621,776	(1,238,010)
Governmental services to residents	347,560	327,510	-	-	(20,050)
Administration	1,081,895	85,502	-	-	(996,393)
Interest on long-term debt	5,464	-	-	-	(5,464)
Total	\$ 11,110,087	1,759,681	4,469,715	1,202,956	(3,677,735)
General Revenues:					
Property and other county tax levied for general purposes					3,840,300
Penalty and interest on property tax					61,683
State tax credits					261,246
Local option sales tax					678,545
Grants and contributions not restricted to specific purpose					34,883
Unrestricted investment earnings					34,851
Gain on disposal of capital assets					108,488
Miscellaneous					53,808
Total general revenues					5,073,804
Change in net assets					1,396,069
Net assets beginning of year, as restated					29,334,373
Net assets end of year					\$ 30,730,442

See notes to financial statements.

Jackson County
Balance Sheet
Governmental Funds

June 30, 2004

	Special			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 419,738	333,683	61,575	838,683
Receivables:				
Property tax:				
Delinquent	11,368	3,440	725	-
Succeeding year	2,353,000	712,000	896,000	-
Interest and penalty on property tax	66,670	-	-	-
Accounts	805	20,541	-	-
Accrued interest	896	-	-	-
Revolving loans	-	-	-	-
Due from other funds	-	-	-	2,068
Advances to other funds	-	-	-	-
Due from other governments	44,270	17,190	11,680	280,040
Inventories	-	-	-	373,894
Prepaid insurance	49,203	-	-	53,896
Total assets	\$ 2,945,950	1,086,854	969,980	1,548,581
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 41,544	43,425	859	38,378
Salaries and benefits payable	41,180	5,497	9,208	36,721
Due to other funds	1,944	-	-	-
Due to other governments	2,319	151,447	828	30
Deferred revenue:				
Succeeding year property tax	2,353,000	712,000	896,000	-
Other	94,293	3,411	718	65,273
Advances from other funds	-	-	-	-
Total liabilities	2,534,280	915,780	907,613	140,402
Fund balances:				
Reserved for:				
Supplemental levy purposes	56,195	-	-	-
Cemetery	19,385	-	-	-
Advances to other funds	-	-	-	-
Unreserved, reported in:				
General fund	336,090	-	-	-
Special revenue funds	-	171,074	62,367	1,408,179
Capital projects fund	-	-	-	-
Total fund balances	411,670	171,074	62,367	1,408,179
Total liabilities and fund balances	\$ 2,945,950	1,086,854	969,980	1,548,581

See notes to financial statements.

Revenue				
Local Option Sales Tax	Jackson County Revolving Loan	Nonmajor Governmental		Total
894,470	310,842	173,247		3,032,238
-	-	-		15,533
-	-	-		3,961,000
-	-	-		66,670
95,334	-	-		116,680
-	-	27		923
-	1,082,240	-		1,082,240
-	-	-		2,068
-	255,000	-		255,000
35,041	-	327,140		715,361
-	-	-		373,894
-	-	-		103,099
<u>1,024,845</u>	<u>1,648,082</u>	<u>500,414</u>		<u>9,724,706</u>
13,541	-	135,392		273,139
-	-	1,570		94,176
-	-	124		2,068
-	-	3,089		157,713
-	-	-		3,961,000
95,334	1,073,890	18,556		1,351,475
-	-	255,000		255,000
<u>108,875</u>	<u>1,073,890</u>	<u>413,731</u>		<u>6,094,571</u>
-	-	-		56,195
-	-	-		19,385
-	255,000	-		255,000
-	-	-		336,090
915,970	319,192	178,792		3,055,574
-	-	(92,109)		(92,109)
<u>915,970</u>	<u>574,192</u>	<u>86,683</u>		<u>3,630,135</u>
<u>1,024,845</u>	<u>1,648,082</u>	<u>500,414</u>		<u>9,724,706</u>

Jackson County

Jackson County

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

June 30, 2004

Total governmental fund balances (page 19) \$ 3,630,135

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$39,508,144 and the accumulated depreciation is \$13,315,208. 26,192,936

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 1,351,475

The Internal Service Funds are used by management to charge the costs of partial self funding of the County's health and dental insurance benefit plans to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets. 112,830

Long-term liabilities, including capital lease purchase agreements, bank loans, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (556,934)

Net assets of governmental activities (page 16) \$ 30,730,442

See notes to financial statements.

Jackson County

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

Year ended June 30, 2004

	General	Mental Health	Rural Services	Special Secondary Roads
Revenues:				
Property and other county tax	\$ 2,272,816	735,711	999,325	-
Interest and penalty on property tax	47,843	-	-	-
Intergovernmental	315,869	1,449,440	60,104	2,726,133
Licenses and permits	5,839	-	-	4,658
Charges for service	500,765	73	-	1,999
Use of money and property	43,329	-	-	-
Miscellaneous	87,612	22,454	-	61,738
Total revenues	<u>3,274,073</u>	<u>2,207,678</u>	<u>1,059,429</u>	<u>2,794,528</u>
Expenditures:				
Operating:				
Public safety and legal services	976,820	-	246,453	-
Physical health and social services	211,769	-	-	-
Mental health	-	1,632,214	-	-
County environment and education	499,698	-	190,694	-
Roads and transportation	-	-	-	3,783,539
Governmental services to residents	330,416	-	2,360	-
Administration	1,093,309	-	3,508	-
Debt service	24,291	100,000	-	-
Capital projects	74,459	-	-	20,138
Total expenditures	<u>3,210,762</u>	<u>1,732,214</u>	<u>443,015</u>	<u>3,803,677</u>
Excess (deficiency) of revenues over (under) expenditures	<u>63,311</u>	<u>475,464</u>	<u>616,414</u>	<u>(1,009,149)</u>
Other financing sources (uses):				
Sale of capital assets	982	444	-	-
Operating transfers in	145,883	-	-	650,000
Operating transfers out	(75,000)	(143,996)	(650,000)	-
Capital lease purchase agreement	86,678	-	-	-
Bank loan proceeds	-	400,000	-	-
Total other financing sources (uses)	<u>158,543</u>	<u>256,448</u>	<u>(650,000)</u>	<u>650,000</u>
Net change in fund balances	221,854	731,912	(33,586)	(359,149)
Fund balances beginning of year, as restated	189,816	(560,838)	95,953	1,767,328
Fund balances end of year	<u>\$ 411,670</u>	<u>171,074</u>	<u>62,367</u>	<u>1,408,179</u>

See notes to financial statements.

Revenue			
Local Option Sales Tax	Jackson County Revolving Loan	Nonmajor Governmental	Total
508,909	-	-	4,516,761
-	-	-	47,843
-	-	752,807	5,304,353
-	-	37,860	48,357
-	-	45,321	548,158
-	190,588	410	234,327
-	-	337,183	508,987
508,909	190,588	1,173,581	11,208,786
-	-	21,169	1,244,442
-	-	222,615	434,384
-	-	-	1,632,214
-	359,500	37,540	1,087,432
12,242	-	-	3,795,781
-	-	-	332,776
-	-	-	1,096,817
-	-	-	124,291
1,054,953	-	1,053,895	2,203,445
1,067,195	359,500	1,335,219	11,951,582
(558,286)	(168,912)	(161,638)	(742,796)
-	-	50	1,476
-	-	75,000	870,883
-	-	(1,887)	(870,883)
-	-	-	86,678
-	-	-	400,000
-	-	73,163	488,154
(558,286)	(168,912)	(88,475)	(254,642)
1,474,256	743,104	175,158	3,884,777
915,970	574,192	86,683	3,630,135

Jackson County

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

Year ended June 30, 2004

Net change in fund balances - Total governmental funds (page 23) \$ (254,642)

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

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

Expenditures for capital assets	\$ 2,117,310	
Capital assets contributed by the Iowa Department of Transportation	600,369	
Depreciation expense	<u>(1,056,779)</u>	1,660,900

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 108,488

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

Property tax	15,923	
Other	<u>300,632</u>	316,555

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments, as follows:

Issued	(486,678)	
Repaid	<u>121,687</u>	(364,991)

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 governmental funds, as follows:

Compensated absences	(27,497)	
Interest on long-term debt	<u>(2,861)</u>	(30,358)

Internal Service Funds are used by management to charge the costs of partial self-funding of the employee health and dental insurance benefit plans to individual funds. The change in net assets of the Internal Service Funds are reported with governmental activities. (39,883)

Change in net assets of governmental activities (page 17) \$ 1,396,069

See notes to financial statements.

Jackson County
Statement of Net Assets
Proprietary Funds
June 30, 2004

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ 116,526
Accrued interest receivable	<u>62</u>
Total assets	116,588
Liabilities	
Accounts payable	<u>3,758</u>
Net Assets	
Unrestricted	<u><u>\$ 112,830</u></u>

See notes to financial statements.

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

Year ended June 30, 2004

	<u>Internal Service</u>
Operating revenues:	
Reimbursements from operating funds	\$ 83,125
Reimbursements from others	14,895
Total operating revenues	<u>98,020</u>
Operating expenses:	
Medical claims	87,396
Insurance premiums	42,909
Administrative fees	8,390
Total operating expenses	<u>138,695</u>
Operating loss	(40,675)
Non-operating revenues:	
Interest income	792
Change in net assets	<u>(39,883)</u>
Net assets beginning of year	<u>152,713</u>
Net assets end of year	<u>\$ 112,830</u>

See notes to financial statements.

Jackson County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2004

	Internal Service
Cash flows from operating activities:	
Cash received from operating funds	\$ 83,125
Cash received from others	14,895
Cash paid to suppliers for services	(134,937)
Net cash used for operating activities	(36,917)
Cash flows from investing activities:	
Interest on investments	814
Net decrease in cash and cash equivalents	(36,103)
Cash and cash equivalents beginning of year	152,629
Cash and cash equivalents end of year	\$ 116,526
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (40,675)
Adjustment to reconcile operating loss to net cash used for operating activities:	
Increase in accounts payable	3,758
Net cash used for operating activities	\$ (36,917)

See notes to financial statements.

Jackson County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2004

Assets

Cash and pooled investments:

County Treasurer	\$ 628,808
Other County officials	502

Receivables:

Property tax:

Delinquent	76,538
Succeeding year	12,649,000

Accounts	25,831
----------	--------

Accrued interest	134
------------------	-----

Special assessments:

Delinquent	7,316
Succeeding year	18,000

Total assets	<u>13,406,129</u>
---------------------	-------------------

Liabilities

Accounts payable	438
------------------	-----

Salaries and benefits payable	5,496
-------------------------------	-------

Due to other governments	13,393,233
--------------------------	------------

Trusts payable	502
----------------	-----

Compensated absences	6,460
----------------------	-------

Total liabilities	<u>13,406,129</u>
--------------------------	-------------------

Net assets	<u><u>\$ -</u></u>
-------------------	--------------------

See notes to financial statements.

Jackson County

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

Asset Class	Amount
Infrastructure	\$ 65,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, death or retirement. No payment for unused sick leave shall be made upon the termination of employment with the County. Full-time employees who do not utilize sick leave during a three-month span are entitled to a one-half day additional floating personal day which will be credited at the end of each calendar quarter. Floating time is credited to the employee's vacation time. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

Unrestricted Net Assets – The unrestricted net assets of the Internal Service Funds are designated for future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amount budgeted in the county environment and education function prior to a budget amendment on May 25, 2004.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$929,377 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Interfund Assets/Liabilities

The detail of due to/due from other funds and advances to/from other funds at June 30, 2004 is as follows:

Due To/Due From Other Funds

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Secondary Roads	General	\$ 1,944
	Special Revenue:	
	Local Health	124
Total		\$ 2,068

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

Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Jackson County Revolving Loan	Capital Projects	\$ 255,000

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Mental Health	\$ 143,996
	Community Development Block Grant	1,887
Special Revenue: Secondary Roads	Special Revenue: Rural Services	650,000
Local Health	General	50,000
Capital Projects	General	25,000
Total		<u>\$ 870,883</u>

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

(5) Jackson County Revolving Loan Fund

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

Upon receipt of the loan payments from the businesses, the funds remain in the Jackson County Revolving Loan Fund for subsequent loans to other businesses. If the program is dissolved, all monies and interest earned will revert to Jackson County. During the year ended June 30, 2004, two loans totaling \$342,000 were made to businesses.

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

<u>Loaned to</u>	<u>Date of Loan</u>	<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Term of Loan</u>	<u>Loan Balance June 30, 2004</u>
Spartan Manufacturing Company	Jan-95	\$ 125,000	5.0%	15 years	\$ 58,428
Maquoketa Newspapers, Inc.	Dec-95	178,000	5.5	10 years	33,303
Spartan Manufacturing Company	Nov-96	78,000	5.5	8 years	16,212
Pacific Coast Feather Company	May-00	236,000	4.5	10 years	154,080
RENOV Developers, Inc.	Feb-00	63,000	4.4	5 years	42,246
Precision Metal Works	Dec-00	204,000	5.5	7 years	111,765
WhatHelps?, Inc.	Jan-01	200,000	4.5	4 years	177,881
Clark Boat Company Inc.	Aug-03	173,750	4.5	15 years	148,691
T. M. Woodworks	Apr-04	255,000	4.0	15 years	252,634
Maquoketa Newspapers, Inc.	Apr-04	87,000	4.0	7 years	<u>87,000</u>
Total					<u>\$ 1,082,240</u>

In addition, the County advanced \$255,000 to the Jackson County Conservation Board for construction costs of the Hurstville Interpretative Center. The advance will be repaid by the Capital Projects Fund.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,213,813	210,787	-	2,424,600
Construction in progress	2,095,614	1,892,172	(2,566,829)	1,420,957
Total capital assets not being depreciated	4,309,427	2,102,959	(2,566,829)	3,845,557
Capital assets being depreciated:				
Buildings and improvements	1,876,556	-	-	1,876,556
Equipment and vehicles	5,534,599	754,161	(504,286)	5,784,474
Infrastructure, road network	25,319,705	2,566,829	-	27,886,534
Infrastructure, other	115,023	-	-	115,023
Total capital assets being depreciated	32,845,883	3,320,990	(504,286)	35,662,587
Less accumulated depreciation for:				
Buildings and improvements	1,189,793	31,449	-	1,221,242
Equipment and vehicles	3,588,486	462,113	(473,333)	3,577,266
Infrastructure, road network	7,930,402	558,616	-	8,489,018
Infrastructure, other	23,081	4,601	-	27,682
Total accumulated depreciation	12,731,762	1,056,779	(473,333)	13,315,208
Total capital assets being depreciated, net	20,114,121	2,264,211	(30,953)	22,347,379
Governmental activities capital assets, net	\$ 24,423,548	4,367,170	(2,597,782)	26,192,936

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 34,795
Physical health and social services	16,920
Mental health	940
County environment and education	24,791
Roads and transportation	915,138
Governmental services to residents	5,315
Administration	58,880
Total depreciation expense - governmental activities	<u>\$ 1,056,779</u>

(7) Due to Other Governments

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

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	<u>\$ 2,319</u>
Special Revenue:		
Mental Health	Services	151,447
Rural Services	Services	828
Secondary Roads	Services	30
Local Health	Services	475
Emergency Training Grant	Services	<u>2,614</u>
		<u>155,394</u>
Total for governmental funds		<u>\$ 157,713</u>
Agency:		
County Assessor	Collections	\$ 347,507
Schools		8,588,274
Community Colleges		348,320
Corporations		2,744,080
County Hospital		737,502
Townships		179,529
All other		<u>448,021</u>
Total for agency funds		<u>\$ 13,393,233</u>

(8) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	<u>Capital</u>			
	<u>Lease</u>	<u>Compen-</u>	<u>Bank</u>	
	<u>Purchase</u>	<u>sated</u>	<u>Loan</u>	<u>Total</u>
	<u>Agreements</u>	<u>Absences</u>		
Balance beginning of year, as restated	\$ 17,357	143,276	-	160,633
Increases	86,678	165,094	400,000	651,772
Decreases	21,687	137,597	100,000	259,284
Balance end of year	<u>\$ 82,348</u>	<u>170,773</u>	<u>300,000</u>	<u>553,121</u>
Due within one year	<u>\$ 5,780</u>	<u>142,724</u>	<u>-</u>	<u>148,504</u>

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease a 2002 Chevrolet Blazer for the Conservation Department and computer equipment. The following is a schedule of the future minimum lease payments, including interest at 5.90% per annum for the 2002 Chevrolet Blazer and interest ranging from 2.60% to 5.96% per annum for the computer equipment, and the present value of net minimum lease payments under the agreements in effect at June 30, 2004:

Year ending June 30,	Conservation Vehicle	Computer Equipment	Total
2005	\$ 6,482	-	6,482
2006	6,482	30,729	37,211
2007	-	30,729	30,729
2008	-	12,688	12,688
Total minimum lease payments	12,964	74,146	87,110
Less amount representing interest	(1,064)	(3,698)	(4,762)
Present value of net minimum lease payments	\$ 11,900	70,448	82,348

Payments under capital lease purchase agreements totaled \$22,712 for the year ended June 30, 2004.

Bank Loan

On May 3, 2004, Jackson County entered into a loan agreement with Maquoketa State Bank to pay outstanding obligations due to the State for mental health services at state institutions from the Special Revenue, Mental Health Fund. The County borrowed \$400,000, with interest at 4.97% per annum, to be repaid in four annual installments, with the first payment due May 3, 2005. Although the first payment was due on May 5, 2005, the County made a \$100,000 payment on June 2, 2004, resulting in an outstanding loan balance of \$300,000 at June 30, 2004.

(9) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$177,848, \$171,352 and \$162,815, respectively, equal to the required contributions for each year.

(10) Risk Management

Jackson County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 490 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2004 were \$154,861.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks are also reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the County's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members

withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

(11) Jackson County Employee Partial Self-Funded Health Plan

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

(12) Jackson County Employee Self-Funded Dental Plan

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

(13) Construction Commitments

The County has entered into contracts totaling \$1,287,107 for construction of the Hurstville Interpretive Center. As of June 30, 2004, costs of \$959,752 on the project have been incurred. The balance remaining on the project will be paid as work on the project progresses.

The County has also entered into contracts totaling \$455,204 for roadway construction and paving projects. As of June 30, 2004, costs of \$306,130 on the projects have been incurred. The balances remaining on the contracts will be paid as work on the projects progress.

(14) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the County’s financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements report the County’s governmental activities. Beginning net assets for governmental activities has been restated to include capital assets, the Internal Service Funds and the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	<u>Amount</u>
Net assets June 30, 2003, as previously reported	\$ 3,844,566
GASB Interpretation 6 adjustments	40,211
Net assets July 1, 2003, as restated for governmental funds	<u>3,884,777</u>
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$12,731,762	24,423,548
Internal Service Funds	152,713
Long-term liabilities	(161,585)
Deferral of long-term assets	<u>1,034,920</u>
Net assets July 1, 2003, as restated	<u><u>\$ 29,334,373</u></u>

Jackson County

Required Supplementary Information

Jackson County

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

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Receipts:			
Property and other county tax	\$ 4,530,325	-	4,530,325
Interest and penalty on property tax	48,350	-	48,350
Intergovernmental	4,947,270	-	4,947,270
Licenses and permits	49,378	-	49,378
Charges for service	549,262	-	549,262
Use of money and property	239,159	814	239,973
Miscellaneous	508,154	98,020	606,174
Total receipts	10,871,898	98,834	10,970,732
Disbursements:			
Public safety and legal services	1,238,477	-	1,238,477
Physical health and social services	407,120	-	407,120
Mental health	2,065,997	-	2,065,997
County environment and education	1,378,100	-	1,378,100
Roads and transportation	3,775,045	-	3,775,045
Governmental services to residents	330,115	-	330,115
Administration	1,010,006	-	1,010,006
Non-program	-	134,937	134,937
Debt service	100,000	-	100,000
Capital projects	2,062,991	-	2,062,991
Total disbursements	12,367,851	134,937	12,502,788
Excess (deficiency) of receipts over (under) disbursements	(1,495,953)	(36,103)	(1,532,056)
Other financing sources, net	652,651	-	652,651
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(843,302)	(36,103)	(879,405)
Balance beginning of year	3,875,540	152,629	4,028,169
Balance end of year	\$ 3,032,238	116,526	3,148,764

See accompanying independent auditor's report.

Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
		Original	Final	
-	4,530,325	4,489,318	4,585,064	(54,739)
-	48,350	49,966	50,316	(1,966)
-	4,947,270	5,030,127	4,962,112	(14,842)
-	49,378	35,021	43,721	5,657
-	549,262	484,353	541,159	8,103
165	239,808	327,644	277,177	(37,369)
9,407	596,767	727,186	794,962	(198,195)
9,572	10,961,160	11,143,615	11,254,511	(293,351)
-	1,238,477	1,265,448	1,287,833	49,356
-	407,120	386,354	410,935	3,815
-	2,065,997	1,924,773	2,404,773	338,776
5,315	1,372,785	967,319	1,423,970	51,185
-	3,775,045	3,838,456	3,838,456	63,411
-	330,115	348,148	352,493	22,378
-	1,010,006	991,271	1,010,547	541
-	134,937	123,583	137,353	2,416
-	100,000	-	100,000	-
-	2,062,991	1,918,791	2,220,996	158,005
5,315	12,497,473	11,764,143	13,187,356	689,883
4,257	(1,536,313)	(620,528)	(1,932,845)	396,532
-	652,651	8,525	656,304	(3,653)
4,257	(883,662)	(612,003)	(1,276,541)	392,879
56,554	3,971,615	3,746,713	4,026,625	(55,010)
60,811	3,087,953	3,134,710	2,750,084	337,869

Jackson County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 10,871,898	336,888	11,208,786
Expenditures	12,367,851	(416,269)	11,951,582
Net	(1,495,953)	753,157	(742,796)
Other financing sources, net	652,651	(164,497)	488,154
Beginning fund balances	3,875,540	9,237	3,884,777
Ending fund balances	\$ 3,032,238	597,897	3,630,135

	Proprietary Funds		
	Internal Service		
	Cash	Accrual	Accrual
	Basis	Adjust- ments	Basis
Revenues	\$ 98,834	(22)	98,812
Expenses	134,937	3,758	138,695
Net	(36,103)	(3,780)	(39,883)
Beginning net assets	152,629	84	152,713
Ending net assets	\$ 116,526	(3,696)	112,830

See accompanying independent auditor's report.

Jackson County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Green Island Drainage Districts and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The Board has elected to include Internal Service Funds in the County budget. 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 10 major classes of expenditures known as functions, not by fund. These 10 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. Budgeted function disbursements include disbursements for the General Fund, the Special Revenue Funds, the Capital Projects Fund and the Internal Service Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,423,213. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2004, disbursements exceeded the amount budgeted in the county environment and education function prior to amendment of the budget.

Jackson County

Other Supplementary Information

Jackson County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2004

	Recorder's Records Management	Recorder's Electronic Transaction Fee	Green Island Drainage Districts	Local Health	Special Resource Enhancement and Protection
Assets					
Cash and pooled investments	\$ 11,478	22,727	60,811	25,015	25,838
Accrued interest receivable	6	12	-	-	8
Due from other governments	-	-	-	14,009	165
Total assets	\$ 11,484	22,739	60,811	39,024	26,011
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	-	-	66	-
Salaries and benefits payable	-	-	-	1,570	-
Due to other funds	-	-	-	124	-
Due to other governments	-	-	-	475	-
Deferred revenue	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	-	-	-	2,235	-
Fund equity:					
Unreserved fund balances, reported in:					
Special revenue funds	11,484	22,739	60,811	36,789	26,011
Capital projects fund	-	-	-	-	-
Total fund equity	11,484	22,739	60,811	36,789	26,011
Total liabilities and fund equity	\$ 11,484	22,739	60,811	39,024	26,011

See accompanying independent auditor's report.

Revenue							
Emergency Training Grant	Sheriff's Forfeiture Property	Local Law Enforcement	Conservation Land Acquisition	Pioneer Cemetery Trust	Capital Projects		Total
-	1,030	120	18,032	1,775	6,421		173,247
-	1	-	-	-	-		27
2,614	-	-	-	-	310,352		327,140
2,614	1,031	120	18,032	1,775	316,773		500,414
-	-	-	-	-	135,326		135,392
-	-	-	-	-	-		1,570
-	-	-	-	-	-		124
2,614	-	-	-	-	-		3,089
-	-	-	-	-	18,556		18,556
-	-	-	-	-	255,000		255,000
2,614	-	-	-	-	408,882		413,731
-	1,031	120	18,032	1,775	-		178,792
-	-	-	-	-	(92,109)		(92,109)
-	1,031	120	18,032	1,775	(92,109)		86,683
2,614	1,031	120	18,032	1,775	316,773		500,414

Jackson County

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

Year ended June 30, 2004

	Special			
	Recorder's Records Management	Recorder's Electronic Transaction Fee	Green Island Drainage Districts	Local Health
Revenues:				
Intergovernmental	\$ -	-	-	126,906
Licenses and permits	-	-	-	37,860
Charges for service	5,389	22,689	-	7,764
Use of money and property	48	50	165	-
Miscellaneous	-	-	9,407	3,533
Total revenues	<u>5,437</u>	<u>22,739</u>	<u>9,572</u>	<u>176,063</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Physical health and social services	-	-	-	222,615
County environment and education	-	-	4,465	-
Capital projects	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>4,465</u>	<u>222,615</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,437</u>	<u>22,739</u>	<u>5,107</u>	<u>(46,552)</u>
Other financing sources (uses):				
Sale of capital assets	-	-	-	50
Operating transfers in	-	-	-	50,000
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,050</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>5,437</u>	<u>22,739</u>	<u>5,107</u>	<u>3,498</u>
Fund balances beginning of year, as restated	<u>6,047</u>	<u>-</u>	<u>55,704</u>	<u>33,291</u>
Fund balances end of year	<u>\$ 11,484</u>	<u>22,739</u>	<u>60,811</u>	<u>36,789</u>

See accompanying independent auditor's report.

Revenue									
Resource Enhancement and Protection	Emergency Training Grant	Community Development Block Grant	Sheriff's Forfeiture Property	Local Law Enforcement	Conservation Land Acquisition	Pioneer Cemetery Trust	Capital Projects	Total	
21,792	17,399	-	-	-	804	-	585,906	752,807	
-	-	-	-	-	-	-	-	37,860	
-	-	-	-	-	9,479	-	-	45,321	
140	-	-	6	1	-	-	-	410	
-	-	-	-	-	22,386	657	301,200	337,183	
21,932	17,399	-	6	1	32,669	657	887,106	1,173,581	
-	21,169	-	-	-	-	-	-	21,169	
-	-	-	-	-	-	-	-	222,615	
11,197	-	-	-	-	21,878	-	-	37,540	
14,227	-	-	-	-	15,470	-	1,024,198	1,053,895	
25,424	21,169	-	-	-	37,348	-	1,024,198	1,335,219	
(3,492)	(3,770)	-	6	1	(4,679)	657	(137,092)	(161,638)	
-	-	-	-	-	-	-	-	50	
-	-	-	-	-	-	-	25,000	75,000	
-	-	(1,887)	-	-	-	-	-	(1,887)	
-	-	(1,887)	-	-	-	-	25,000	73,163	
(3,492)	(3,770)	(1,887)	6	1	(4,679)	657	(112,092)	(88,475)	
29,503	3,770	1,887	1,025	119	22,711	1,118	19,983	175,158	
26,011	-	-	1,031	120	18,032	1,775	(92,109)	86,683	

Jackson County

Jackson County
 Combining Statement of Net Assets
 Internal Service Funds

June 30, 2004

	Employee Partial Self-Funded Health Plan	Employee Self-Funded Dental Plan	Total
Assets			
Cash and cash equivalents	\$ 101,472	15,054	116,526
Accrued interest receivable	56	6	62
Total assets	101,528	15,060	116,588
Liabilities			
Accounts payable	-	3,758	3,758
Net Assets			
Unrestricted	\$ 101,528	11,302	112,830

See accompanying independent auditor's report.

Schedule 4

Jackson County

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

Year ended June 30, 2004

	Employee Partial Self-Funded Health Plan	Employee Self-Funded Dental Plan	Total
Operating revenues:			
Reimbursements from operating funds	\$ 53,044	30,081	83,125
Reimbursements from others	10,151	4,744	14,895
Total operating revenues	<u>63,195</u>	<u>34,825</u>	<u>98,020</u>
Operating expenses:			
Medical claims	50,023	37,373	87,396
Insurance premiums	42,909	-	42,909
Administrative fees	4,700	3,690	8,390
Total operating expenses	<u>97,632</u>	<u>41,063</u>	<u>138,695</u>
Operating loss	(34,437)	(6,238)	(40,675)
Non-operating revenues:			
Interest income	720	72	792
Change in net assets	<u>(33,717)</u>	<u>(6,166)</u>	<u>(39,883)</u>
Net assets beginning of year	<u>135,245</u>	<u>17,468</u>	<u>152,713</u>
Net assets end of year	<u>\$ 101,528</u>	<u>11,302</u>	<u>112,830</u>

See accompanying independent auditor's report.

Jackson County
 Combining Statement of Cash Flows
 Internal Service Funds

Year ended June 30, 2004

	Employee Partial Self-Funded Health Plan	Employee Self-Funded Dental Plan	Total
Cash flows from operating activities:			
Cash received from operating funds	\$ 53,044	30,081	83,125
Cash received from others	10,151	4,744	14,895
Cash paid to suppliers for services	(97,632)	(37,305)	(134,937)
Net cash used for operating activities	(34,437)	(2,480)	(36,917)
Cash flows from investing activities:			
Interest on investments	740	74	814
Net decrease in cash and cash equivalents	(33,697)	(2,406)	(36,103)
Cash and cash equivalents beginning of year	135,169	17,460	152,629
Cash and cash equivalents end of year	\$ 101,472	15,054	116,526
Reconciliation of operating loss to net cash used for operating activities:			
Operating loss	\$ (34,437)	(6,238)	(40,675)
Adjustment to reconcile operating loss to net cash used for operating activities:			
Increase in accounts payable	-	3,758	3,758
Net cash used for operating activities	\$ (34,437)	(2,480)	(36,917)

See accompanying independent auditor's report.

Jackson County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	1,985	130,059	177,133
Other County officials	502	-	-	-
Receivables:				
Property tax:				
Delinquent	-	458	1,101	42,141
Succeeding year	-	95,000	228,000	8,369,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Special assessments:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Total assets	\$ 502	97,443	359,160	8,588,274
Liabilities				
Accounts payable	\$ -	-	246	-
Salaries and benefits payable	-	-	4,947	-
Due to other governments	-	97,443	347,507	8,588,274
Trusts payable	502	-	-	-
Compensated absences	-	-	6,460	-
Total liabilities	\$ 502	97,443	359,160	8,588,274

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	E911 Service Commission	Other	Total
7,682	40,537	3,380	15,030	189,337	63,665	628,808
-	-	-	-	-	-	502
1,638	27,543	149	3,472	-	36	76,538
339,000	2,676,000	176,000	719,000	-	47,000	12,649,000
-	-	-	-	25,831	-	25,831
-	-	-	-	125	9	134
-	-	-	-	-	7,316	7,316
-	-	-	-	-	18,000	18,000
348,320	2,744,080	179,529	737,502	215,293	136,026	13,406,129
-	-	-	-	192	-	438
-	-	-	-	-	549	5,496
348,320	2,744,080	179,529	737,502	215,101	135,477	13,393,233
-	-	-	-	-	-	502
-	-	-	-	-	-	6,460
348,320	2,744,080	179,529	737,502	215,293	136,026	13,406,129

Jackson County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 985	96,903	425,559	8,801,423
Additions:				
Property and other county tax	-	98,176	236,632	8,676,998
E911 surcharge	-	-	-	-
State tax credits	-	6,642	16,246	601,574
Drivers license fees	-	-	-	-
Office fees and collections	363,595	-	-	-
Electronic transaction fee	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	89,979	-	-	-
Miscellaneous	-	221	5,245	18,706
Total additions	453,574	105,039	258,123	9,297,278
Deductions:				
Agency remittances:				
To other funds	231,430	-	-	-
To other governments	133,197	104,499	324,522	9,510,427
Trusts paid out	89,430	-	-	-
Total deductions	454,057	104,499	324,522	9,510,427
Balances end of year	\$ 502	97,443	359,160	8,588,274

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Auto License and Use Tax	E911 Service Commission	Other	Total
376,561	2,724,624	166,607	736,823	-	249,449	133,170	13,712,104
352,061	2,760,560	182,972	744,323	-	-	48,750	13,100,472
-	-	-	-	-	115,595	-	115,595
25,782	149,113	11,699	50,360	-	-	4,122	865,538
-	-	-	-	140,812	-	-	140,812
-	-	-	-	-	-	-	363,595
-	-	-	-	-	-	26,662	26,662
-	-	-	-	4,177,642	-	-	4,177,642
-	-	-	-	-	-	7,037	7,037
-	-	-	-	-	-	129,564	219,543
860	1,251	260	1,676	-	13,118	147,784	189,121
378,703	2,910,924	194,931	796,359	4,318,454	128,713	363,919	19,206,017
-	-	-	-	163,311	-	-	394,741
406,944	2,891,468	182,009	795,680	4,155,143	162,869	230,531	18,897,289
-	-	-	-	-	-	130,532	219,962
406,944	2,891,468	182,009	795,680	4,318,454	162,869	361,063	19,511,992
348,320	2,744,080	179,529	737,502	-	215,293	136,026	13,406,129

Schedule 8

Jackson County

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

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property and other county tax	\$ 4,516,761	4,098,598	3,713,550	3,502,473
Interest and penalty on property tax	47,843	52,331	51,111	50,556
Intergovernmental	5,304,353	5,088,078	4,913,882	5,087,919
Licenses and permits	48,357	41,993	38,028	24,451
Charges for service	548,158	495,619	448,717	409,736
Use of money and property	234,327	353,827	434,063	500,954
Miscellaneous	508,987	273,759	92,682	139,806
Total	\$ 11,208,786	10,404,205	9,692,033	9,715,895
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,244,442	1,183,667	1,133,274	1,081,588
Physical health and social services	434,384	422,338	469,567	472,152
Mental health	1,632,214	2,394,395	2,272,613	2,063,079
County environment and education	1,087,432	825,127	766,505	1,406,479
Roads and transportation	3,795,781	3,792,710	3,955,263	3,498,761
Governmental services to residents	332,776	337,012	314,645	346,384
Administration	1,096,817	1,016,630	882,829	790,994
Debt service	124,291	-	-	-
Capital projects	2,203,445	441,822	502,556	125,887
Total	\$ 11,951,582	10,413,701	10,297,252	9,785,324

See accompanying independent auditor's report.

Jackson County

Schedule 9

Jackson County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Expenditures
Indirect:			
U.S. Department of Agriculture: Iowa Department of Human Services: State Administrative Matching Grants for Food Stamp Program	10.561		\$ 8,948
U.S. Department of Interior: National Park Service: Silos and Smokestacks National Heritage Area: Unknown Title	15.000		6,250
U.S. Department of Justice: Governor's Office of Drug Control Policy: Byrne Formula Grant Program	16.579	03D-1353	19,581
U. S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction	20.205	STP-ES-C049(31)-81-49	467,615
Iowa Department of Public Safety: Governor's Traffic Safety Bureau: Safety Incentive Grants for Use of Seatbelts	20.604	PAP04-157, Task 78	3,450
			<u>471,065</u>
U.S. Department of Health and Human Services: Iowa Department of Public Health: Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5883BT51	5,914
Linn County Public Health: Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5884BT12	4,056
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283		17,220
			<u>27,190</u>

Jackson County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-through Number	Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		11,600
Refugee and Entrant Assistance-State Administered Programs	93.566		39
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		2,121
Foster Care - Title IV-E	93.658		5,338
Adoption Assistance	93.659		1,412
Medical Assistance Program	93.778		11,671
Social Services Block Grant	93.667		7,627
Social Services Block Grant	93.667		102,362
			109,989
			142,170
Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
State Domestic Preparedness Equipment Support Program	97.004		300
Hazard Mitigation Grant	97.039	0996-0168	2,175
Emergency Management Performance Grants	97.042		9,001
State and Local All Hazards Emergency Operations Planning	97.051		10,271
			21,747
Total			\$ 696,951

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

See accompanying independent auditor's report.

Jackson County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Officials of Jackson County:

We have audited the financial statements of Jackson County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 22, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 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. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jackson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Jackson County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

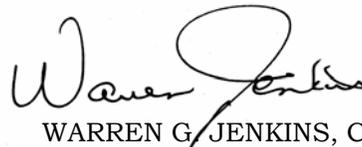
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item II-A-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Jackson County and other parties to whom Jackson County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 22, 2004

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance**

Jackson County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance

To the Officials of Jackson County:

Compliance

We have audited the compliance of Jackson County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2004. Jackson County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Jackson County's management. Our responsibility is to express an opinion on Jackson County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jackson County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Jackson County's compliance with those requirements.

In our opinion, Jackson County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Jackson County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Jackson County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving internal control over compliance and its operations that we considered material weaknesses.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 22, 2004

Jackson County
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control of the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction Grant.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Jackson County did not qualify as a low-risk auditee.

Jackson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-04 Segregation of Duties – During our review of the internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) The opening and listing of mail receipts and the collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash receipts.	Treasurer
(2) Secondary roads supply inventory – The receiving, issuing, accounting and storing responsibilities are not properly segregated. Also, an independent person who is not responsible for the inventory records does not verify inventory counts.	County Engineer

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

Responses:

Treasurer – The opening of mail and a listing of certain items from the mail collection will be listed in a book and checked at a later date. I will try to make this a priority and will follow the internal trail of that piece of mail. Each employee will be audited spontaneously.

County Engineer – This issue has not changed from last year. The limited amount of manpower we have is not enough to do as the State Auditor recommends. We tried to handle this issue by having someone from the shop sign all tickets, but that does not seem to fulfill the Auditor's requirements.

Jackson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Therefore, either the Assistant Engineer, Road Superintendent or County Engineer will do random inventory checks at least every quarter and place them in the inventory files. A copy will be provided to the County Auditor's office for their records.

Conclusion – Responses accepted.

- II-B-04 County Sheriff – Jail inmate account receipts were not deposited until the end of each month.

Recommendation – All receipts should be deposited intact on a timely basis.

Response – The jail administrator will prepare weekly or biweekly deposits, depending on the amount of activity the account has.

Conclusion – Response accepted.

- II-C-04 County Assessor and E911 Service Commission – A warrant was requisitioned, written and held at year end from each of the County Assessor and E911 Service Commission Agency Funds, totaling \$28,800 and \$20,000, respectively, for a mapping project. As of October 1, 2004, these warrants were still being held.

Recommendation - Warrants should not be requisitioned, written and held since this can weaken the internal control over expenditures if it is not determined all goods and services have been received prior to approving the voucher.

Response – It is not the policy of the Assessor's Office and the E911 Service Commission to requisition warrants prior to services being provided. In this particular case we were following the payment schedule according to the contract with the Geographic Information System contractor. The project was scheduled to be completed in June and this was the final payment. At the end of June there were unanticipated production problems delaying the project. I therefore made the decision to withhold sending the final payment until we received the completed project. This was agreeable with the contractor.

Conclusion – Response acknowledged. Warrants should not be written if all goods and services have not been received.

Jackson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

No material weaknesses in internal control over the major program were noted.

Jackson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-04 Depository Resolution – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

IV-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 exceeded the amount budgeted in the county environment and education function prior to a budget amendment on May 25, 2004.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The Board approved payments from the Revolving Loan Fund without checking the budget function area. The Board will check budget figures prior to approving large expenditures.

Conclusion – Response accepted.

IV-C-04 Questionable Expenditures – Lodging expense of \$1,276 was paid to The Inn at Okoboji for eight nights (four each) for the County Attorney and Assistant County Attorney to attend the County Attorney Spring Training Conference in Arnold's Park, Iowa. This expenditure may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

Recommendation - According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

The Board of Supervisors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including the requirement for proper documentation of the public purpose served.

Response – The Board will require documentation of the public purpose to be served by such expenditures.

Conclusion – Response accepted.

IV-D-04 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

Jackson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

IV-E-04 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Business and Relationship to County	Transaction Description	Amount
Ward's Repair Shop, owner is husband of Board of Public Health and Zoning secretary	Parts, welding and repair	\$ 2,312
Zeimet's Garage Inc., owner is husband of Auditor's Office Deputy	Vehicle maintenance and repair	2,038

The transactions with Ward's Repair Shop and Zeimet's Garage, Inc. may represent conflicts of interest as defined in Chapter 331.342 of the Code of Iowa since the total cumulative transactions for each individual were greater than \$1,500 during the fiscal year.

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

Response – The Board will consult with the County Attorney about these expenditures.

Conclusion – Response accepted.

IV-F-04 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be periodically reviewed to ensure the coverage is adequate for current operations.

IV-G-04 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-H-04 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-04 Deposits and Pooled Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policies were noted.

IV-J-04 Deficit Cash Balances – The Special Revenue, Local Health Fund had a deficit cash balance of \$3,279 on November 30, 2003. This appears to violate Chapter 331.476 of the Code of Iowa.

Jackson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Recommendation – Claims should not be approved for payment when funds are not available unless the debt is authorized by resolution of the Board of Supervisors and takes the form of anticipatory warrants, loans from other formal short-term debt instruments or obligations.

Response – The Board will check fund balances prior to approving claims.

Conclusion – Response accepted.

IV-K-03 Financial Condition – The Capital Projects Fund had a deficit fund balance of \$92,109 at June 30, 2004.

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

Response – The Board will be transferring \$25,000 to the Capital Projects Fund this year and \$50,000 more over the next two years. There are several private donations being collected on an annual basis. More grants will be applied for in addition to those outstanding grant monies not yet collected.

Conclusion – Response accepted.

IV-L-03 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.

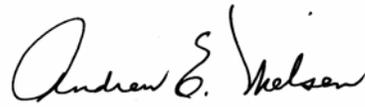
Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

Jackson County

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager
Darryl J. Brumm, CPA, Senior Auditor II
Brad T. Holtan, Staff Auditor
Cynthia R. Ellingson, Assistant Auditor
Corinne M. Johnson, Assistant Auditor
Trisha M. Dirks, Assistant Auditor
Heather B. Allen, Staff Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State