



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE

March 19, 2020

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on Jones County, Iowa.

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$18,070,589 for the year ended June 30, 2019, an 11.4% decrease from the prior year. Expenses for County operations for the year ended June 30, 2019 totaled \$15,963,826, a 6.5% increase over the prior year. The decrease in the revenues is due primarily to decrease in contributed capital for secondary roads projects. The increase in the expenses is due primarily to an increase in spending for road maintenance and projects.

AUDIT FINDINGS:

Sand reported two findings related to the receipt and expenditure of taxpayer funds. They are found on pages 74 through 78 of this report. The findings address a lack of segregation of duties and material amounts of accounts payable not properly recorded in the County's financial statements. Sand provided the County with recommendations to address each of these findings.

The County Board of Supervisors and elected officials have a fiduciary responsibility to provide oversight of the County's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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JONES COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2019

Jones County



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Rob Sand
Auditor of State

March 10, 2020

Officials of Jones County
Anamosa, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Jones County for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of Jones County throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and written in a cursive-like font.

Rob Sand
Auditor of State

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Jones County

Officials

(Before January 2019)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ned Rohwedder	Board of Supervisors	Jan 2019
Jon C. Zirkelbach	Board of Supervisors	Jan 2019
Lloyd Eaken	Board of Supervisors	Jan 2021
Wayne Manternach	Board of Supervisors	Jan 2021
Joe Oswald	Board of Supervisors	Jan 2021
Janine Sulzner	County Auditor	Jan 2021
Amy L. Picray	County Treasurer	Jan 2019
Sheri L. Jones (Appointed Aug 2016)	County Recorder	Nov 2018
Greg A. Graver	County Sheriff	Jan 2021
Phil Parsons	County Attorney	Jan 2019
Sarah Benter (Appointed Dec 2017)	County Assessor	Jan 2022

(After January 2019)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lloyd Eaken	Board of Supervisors	Jan 2021
Wayne Manternach	Board of Supervisors	Jan 2021
Joe Oswald	Board of Supervisors	Jan 2021
Ned Rohwedder	Board of Supervisors	Jan 2023
Jon C. Zirkelbach	Board of Supervisors	Jan 2023
Janine Sulzner	County Auditor	Jan 2021
Amy L. Picray	County Treasurer	Jan 2023
Sheri L. Jones	County Recorder	Jan 2023
Greg A. Graver	County Sheriff	Jan 2021
Kristofer Lyons	County Attorney	Jan 2023
Sarah Benter	County Assessor	Jan 2022

Jones County



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Independent Auditor's Report

To the Officials of Jones County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jones County, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Jones County as of June 30, 2019 and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 8 through 16 and 50 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

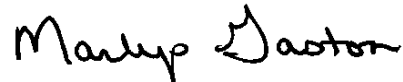
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jones County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2020 on our consideration of Jones County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Jones County's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

March 10, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jones County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2019, along with comparative data for the year ended June 30, 2018. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2019 FINANCIAL HIGHLIGHTS

- Program expenses of the County's governmental activities increased 6.5%, or approximately \$981,000, in fiscal year 2019 compared to fiscal year 2018. Mental health expenses decreased approximately \$91,000, or 11.6%, administration expenses decreased approximately \$34,000, or 1.8%, roads and transportation expenses increased approximately \$857,000, or 12.5%, county environment and education expenses increased approximately \$178,000, or 21.8%, governmental services to residents expenses increased approximately \$8,000, or 1.0%, public safety and legal services expenses decreased approximately \$18,000, or 0.6%, physical health and social services expenses increased approximately \$35,000, or 4.9%, and non-program expenses increased approximately \$45,000, or 47.1%.
- The County's net position increased 4.9%, or approximately \$2,107,000, from June 30, 2018 to June 30, 2019
- Jones County decreased property tax rates for fiscal year 2019 an average of 2.19%, yet only had a 1.4% decrease in budgeted tax dollars (\$116,832) for County operations. The County decreased the fiscal year 2019 general fund property tax levy rate by \$0.47847 to \$5.35728 per \$1,000 of taxable valuation for fiscal year 2019. The County levied taxes for mental health at a rate of \$0.16212 which it had not done in the prior year. The rural services property tax levy rate was increased by \$0.06730 to set the fiscal 2019 rate at \$2.66759 per \$1,000 of taxable valuation. The implementation of the 1% local option sales tax in 1999 continues to provide a significant amount of property tax relief for the Special Revenue, Rural Services Fund. Jones County included a \$0.41351 Debt Service levy for fiscal year 2019 that generated approximately \$450,000 for capital type improvements.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

Fund Financial Statements

The County has two kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Capital Projects Fund, and 4) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County’s own programs. These fiduciary funds include Agency Funds which account for Emergency Management, E-911 and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position of governmental activities.

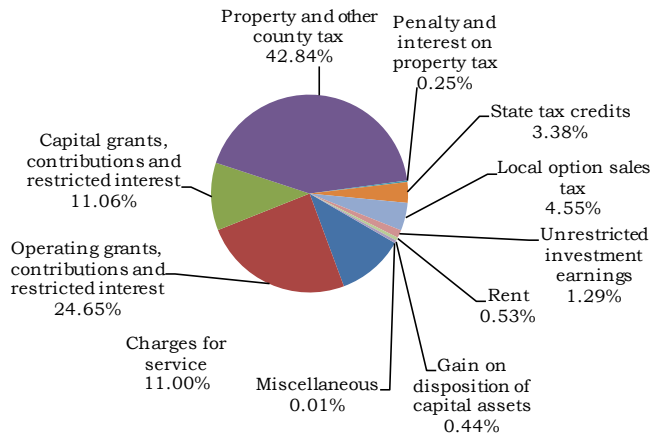
Net Position of Governmental Activities		
	June 30,	
	2019	2018
Current and other assets	\$ 20,340,835	19,422,216
Capital assets	38,089,947	35,946,368
Total assets	58,430,782	55,368,584
Deferred outflows of resources	1,283,948	1,456,285
Long-term liabilities	4,222,656	4,673,473
Other liabilities	1,409,294	833,333
Total liabilities	5,631,950	5,506,806
Deferred inflows of resources	8,511,307	7,853,353
Net position:		
Net investment in capital assets	38,089,947	35,946,368
Restricted	7,998,484	8,341,034
Unrestricted	(516,958)	(822,692)
Total net position	\$ 45,571,473	43,464,710

The largest portion of the County’s net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Next largest is restricted net position, which represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from a deficit of approximately \$823,000 at June 30, 2018 to a deficit of approximately \$517,000 at the end of this year, an increase of 37.2%. Total net position of Jones County’s governmental activities increased 4.9% (approximately \$45.6 million compared to approximately \$43.5 million). This increase is primarily due to a decrease in the net pension liabilities.

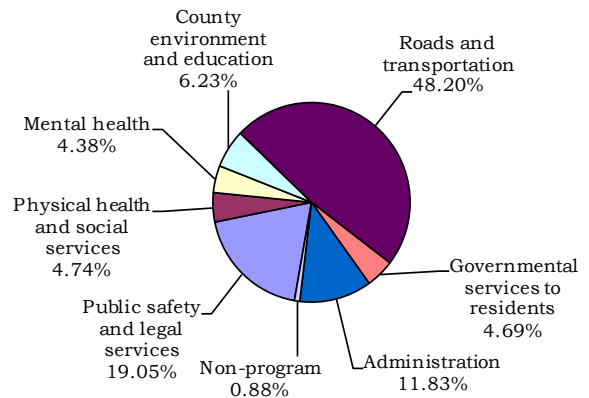
Changes in Net Position of Governmental Activities

	Year ended June 30,	
	2019	2018
Revenues:		
Program revenues:		
Charges for service	\$ 1,987,175	1,927,929
Operating grants, contributions and restricted interest	4,455,076	4,753,452
Capital grants, contributions and restricted interest	1,998,832	3,962,961
General revenues:		
Property and other county tax	7,740,059	7,852,310
Penalty and interest on property tax	45,996	43,162
State tax credits	610,321	632,480
Local option sales tax	821,349	857,579
Unrestricted investment earnings	233,670	173,665
Rent	95,234	75,831
Gain on disposition of capital assets	80,334	114,272
Miscellaneous	2,543	9,665
Total revenues	18,070,589	20,403,306
Program expenses:		
Public safety and legal services	3,040,446	3,058,373
Physical health and social services	756,937	721,666
Mental health	698,892	790,128
County environment and education	995,022	816,671
Roads and transportation	7,694,420	6,836,835
Governmental services to residents	748,296	740,588
Administration	1,888,723	1,922,549
Non-program	141,090	95,931
Total expenses	15,963,826	14,982,741
Change in net position	2,106,763	5,420,565
Net position beginning of year	43,464,710	38,044,145
Net position end of year	\$ 45,571,473	43,464,710

Revenues by Source



Expenses by Program



INDIVIDUAL MAJOR FUND ANALYSIS

As Jones County completed the year, its governmental funds reported a combined fund balance of approximately \$10.8 million, an increase of approximately \$64,000 over last year's total of approximately \$10.7 million. The following are the primary reasons for the changes in fund balances of the major funds from the prior year:

The General Fund, the operating fund for Jones County, ended fiscal year 2019 with a fund balance of \$4,463,027. This is an increase of \$124,919 over June 30, 2018. Expenditures increased \$944,808 while revenues increased \$460,472 over fiscal year 2018. The two most significant expenditure changes were in the county environment and education and the capital projects functions.

The county environment and education function in the General Fund increased approximately \$645,000 primarily due to more activity and expenditures incurred on the Wapsipinicon Trail project in fiscal year 2019. The capital projects function increased approximately \$322,000 primarily due to more activity and expenditures incurred on the Central Park Lake restoration project in fiscal year 2019.

Property and other county tax in the General Fund decreased approximately \$413,000 due to the decrease in the property tax rate, as a result of the elimination of the fiscal year 2018 unusual needs levy. Intergovernmental revenues increased approximately \$1,007,000, primarily due to an increase in grant receipts for the Wapsipinicon Trail and the Central Park Lake projects. Miscellaneous revenues decreased approximately \$211,000 due to a decrease in private grants provided for the Central Park Lake project.

The Special Revenue, Mental Health Fund ended fiscal year 2019 with a fund balance of \$659,609. The balance decreased \$330,382 from June 30, 2018. Expenditures decreased 4.7%, or \$34,030, from fiscal year 2018 and revenues increased 115.6%, or \$196,443, primarily as a result of the re-instatement of the tax levy, which had been temporarily suspended in fiscal 2018.

The Special Revenue, Rural Services Fund ended fiscal year 2019 with a balance of \$311,859, or \$2,883 less than the June 30, 2018 balance of \$314,742. Property and other county tax increased \$77,798, or 4.3% due to an increase in the levy rate applied to increased valuation. The transfer to the Secondary Roads Fund to support road maintenance and road projects was increased from \$1,920,000 to \$2,000,000.

The Special Revenue, Secondary Roads Fund ended fiscal year 2019 with a balance of \$4,877,300, a decrease of \$20,948 from the June 30, 2018 balance of \$4,898,248. Of the ending balance, \$2,974,270 is unspent local option sales tax restricted for future road and bridge projects, per voter approval in 1999, and \$436,803 is the value of materials held in inventory and prepaid expenditures at June 30, 2019. The restricted fund balance within the Special Revenue, Secondary Roads Fund reflects a positive balance of \$4,440,497 on a GAAP basis, 0.2% higher than the June 30, 2018 balance of \$4,432,806. Expenditures increased \$1,182,191, or 17.6%. The County increased its spending for its locally funded road construction activities in fiscal year 2019 by over 45.3% (\$1,302,451 compared to \$896,101 in fiscal year 2018), primarily due to construction schedules. Revenues for the Special Revenue, Secondary Roads Fund for fiscal year 2019 reflect an increase from fiscal year 2018 of \$180,685, primarily in intergovernmental revenues related to road and bridge construction projects, offset by a decrease in miscellaneous revenues for a reimbursement for damage done to a County road in fiscal year 2018. In fiscal year 2019, a transfer was made from the Special Revenue, Rural Services Fund in the amount of \$2,000,000, and a transfer was made from the General Fund in the amount of \$170,000, bringing the total funds transferred to the Secondary Roads Fund to \$2,170,000.

The Capital Projects Fund ended fiscal year 2019 with a fund balance of \$337,875. The balance represented funds reserved for various projects not yet completed. The Capital Projects Fund received funding through a single day loan transaction in June 2019. Capital projects expenditures incurred earlier in the year were funded by permanent and temporary transfers from other funds into the Capital Projects Fund.

The Debt Service Fund ended fiscal year 2019 with a fund balance of \$24,450,000 from the debt service levy was used to service a single day loan obligation with no interest.

The County budgets roadway construction and conservation land acquisition and major development costs in the capital projects function. Historically, Jones County had not budgeted other capital projects disbursements in the capital projects function, but rather budgeted for those items in the function and fund where those items would be used. In fiscal 2017, the County established a Capital Projects Fund and began using the capital projects function, where appropriate.

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

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds except the blended component unit and the Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis. Over the course of fiscal year 2019, Jones County amended its budget two times.

The first amendment was made on March 12, 2019 and resulted in changes to budgeted appropriations for every disbursement function and revenue category

The net total increase in revenue (non-transfer) adopted in the March amendment was \$382,663, with changes in most revenue categories. Of significance was a \$234,815 increase in miscellaneous revenues, primarily reflecting changes to grant related revenues and donations towards various projects.

The net total change in budgeted disbursements (non-transfer) adopted in the March amendment reflects a decrease of \$63,312. Of significance was a \$128,217 increase in budgeted public safety and legal services disbursements due to medications and food for jail inmates, a \$172,036 decrease in budgeted mental health disbursements due to the Mental Health Region not needing funds budgeted for services and a \$140,903 decrease in budgeted capital projects disbursements, primarily as a result of road construction, conservation construction, and courthouse facility improvement project schedules. Various other less significant changes in disbursements resulted in a net increase of \$121,410 in the other seven functions. Nearly all departments reflected some level of change in spending authority and/or revenue adjustments with this budget amendment.

The final amendment was made on May 28, 2019 primarily to account for increased road and transportation expenditures due to costs incurred during snow and ice removal, spring road maintenance and an increase in spot rock replacement costs. The total increase in budgeted disbursements (non-transfer) was \$26,385 while there was no change in projected revenue.

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

The County's actual receipts were \$358,318 more than the final amended budget, a variance of 2%. The May 2019 amendment allowed the County to minimize significant variances in budgeted to actual revenues.

Total disbursements were \$1,665,864 less than the final amended budget, an 8.5% variance. Actual disbursements for the public safety and legal services, physical health and social services, mental health, roads and transportation, governmental services to residents, administration, nonprogram current and debt service functions were all within 10% of the final amended budget. Disbursements for the county environment and education function were \$217,445, or 12%, below budget, primarily due to conservation projects being moved into fiscal 2020. Disbursements for the capital projects function were \$469,333, or 17%, below budget, primarily due to road construction scheduling and conservation projects being moved into fiscal 2020.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, Jones County had \$38,089,947 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$2,143,579, or 6.0%, over last year, primarily due to County projects in progress.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2019	2018
Land	\$ 3,993,712	3,804,839
Intangibles, road network	924,305	924,305
Construction/intangibles in progress	3,010,686	1,583,474
Buildings	2,713,316	2,318,744
Improvements other than buildings	108,597	120,663
Equipment and vehicles	4,400,924	4,253,117
Intangibles, other	85,761	96,643
Infrastructure	22,852,646	22,844,583
Total	<u>\$ 38,089,947</u>	<u>35,946,368</u>
This year's major additions included:		
Infrastructure, road network	\$	675,193
Two Caterpillar Motogradars		612,282
JETS Land and Facility		345,450
Anamosa Shop Expansion		311,516
Total	<u>\$</u>	<u>1,944,441</u>

The County had depreciation/amortization expense of \$1,592,673 in fiscal year 2019 and total accumulated depreciation/amortization of \$14,002,183 at June 30, 2019.

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

Long-Term Debt

At June 30, 2019, Jones County had no general obligation long-term debt outstanding. Information about the County's long-term liabilities is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Jones County's elected and appointed officials considered many factors when setting the fiscal year 2020 budget, tax rates and the fees charged for various County activities. The primary factors considered were the increase in taxable valuations, changes in funding for mental health services, needed facility improvements and repairs and the Board's desire to invest in County facility upgrades and keep the tax levy rate relatively stable.

Jones County's total taxable valuation for the fiscal year 2020 budget increased 4.6%. By class of property, the County's agricultural valuation increased 3%, residential valuation rose 7%, commercial valuation reflects a 6% increase and industrial valuation reflects a decrease of 16%. The multi-residential valuation decreased by 9%, primarily reflective of an adjustment in the state ordered rollback. New residential construction in Jones County increased during 2017 for the January 1, 2018 assessment to become taxable in fiscal 2020. Jones County's agricultural land values comprise 33% of Jones County's taxable valuation, while residential values continue to comprise 39% of the total.

The fiscal year 2020 General Fund budget reflects a tax increase of \$258,484 and is projected to produce an unrestricted fund balance on June 30, 2020 of 27.9% of total general operating disbursements (total General Fund balance of 31.2% of total disbursements). The tax increase of \$258,484 was generated by applying the same General Basic and General Supplemental tax levy rates as fiscal year 2019, to the increased valuation. The total General Fund fiscal year 2020 budgeted disbursements (including transfers out) are \$83,464 less than the original 2019 fiscal year budget. The General Fund fiscal year 2020 budget reflects a 4.43% increase in employee wages and benefits, with overall disbursements projected to decrease by less than 1%, primarily due to increases in general operating expenses being offset by the reduction in construction expenses due to completion of major conservation projects. The collective bargaining agreement covering wages to be paid in fiscal year 2020 calls for a 2.5% wage increase for employees in the bargaining unit. A variety of wage increase rates were granted to non-union employees. The Board reduced by 39% the salary increases recommended by the Compensation Board for the elected Attorney, Auditor, Recorder, Sheriff and Treasurer, and by 44% for their own salaries. Budgeted non-tax General Fund receipts are projected to decrease \$598,613, primarily due to a reduction in projected intergovernmental grant reimbursements, as the Central Park Lake Restoration and Wapsipinicon Trail projects received the majority of their grant funding in fiscal year 2019, with only remaining grant funds anticipated in fiscal year 2020 as the projects close out.

The fiscal year 2020 Special Revenue, Mental Health Fund levy was established at a rate sufficient to meet projected expenses when considering the projected ending fund balance, and is \$555,000, or 74%, below the maximum permitted by law. The Board will carefully re-evaluate the status of the mental health fund, fiscal obligations to the region and current legislation prior to establishing a levy for fiscal 2021.

The budget for the Special Revenue, Rural Services Fund for fiscal year 2020 reflects a tax increase of \$70,617. The tax increase represents the Board's desire to keep revenues in this fund close to proposed disbursements and transfers out, and to try to maintain a consistent levy rate from year to year when possible. The tax levy rate is the same as the tax levy rate from fiscal year 2019. The transfer to the Secondary Road Fund increased \$65,000 in the fiscal year 2020 budget to help fund Secondary Road expenditures.

The Special Revenue, Secondary Roads Fund budget for fiscal year 2020 reflects an increase of \$240,600 in road maintenance disbursements to \$6,362,400, and a \$1,180,000 increase in the roadway construction budget from the originally budgeted fiscal year 2019 level of \$1,820,000 to \$3,000,000 in fiscal year 2020. The County is increasing the amount of funds spent on locally funded construction projects, as well as replacing outdated and worn equipment and updating secondary road facilities for fiscal year 2020. This will result in the projected balance in the fund at the end of the fiscal year to decrease \$2,327,400 from the original projected fiscal year beginning fund balance. The actual ending fund balance is historically considerably higher than initially projected. Design and construction schedules, as well as a re-evaluation of funding sources and projected fund balances, are always considered prior to proceeding with certain road and bridge projects and equipment purchases.

In fiscal year 2020, the Board of Supervisors took steps to initiate for a fourth year, a debt service levy for essential county purposes. The levy was implemented to take advantage of savings from the reduction in the mental health levy. By balancing the various levy adjustments, the Board was able to keep the increase in total taxes levied to a 4.24% increase (\$350,541) from fiscal year 2019. The funds generated from the debt service levy are restricted to be used to construct repairs and improvements to County buildings and grounds, including the County Courthouse, the Broadway Place Annex, Conservation Department facilities and the Anamosa Secondary Road Maintenance Shop/Engineer's Office; improve and equip the regional transit authority*; construct the Temple Hill Secondary Road Maintenance Shop; and construct a public works garage. (*The funds will also be used to provide the local match for federal transportation funds for new JETS transit vans.) It is anticipated 100% of the funds borrowed for these projects will be fully paid back by the end of fiscal year 2020 with the debt service levy.

The overall fiscal year 2020 budget reflects no change in either the countywide levy rate nor in the rural services rate. The adopted budget generates a 4.24% increase (\$350,541) in total tax dollars to be levied to support the County budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Exhibit A

Jones County
Statement of Net Position
June 30, 2019

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 10,950,052
Receivables:	
Property tax:	
Delinquent	9,195
Succeeding year	8,041,000
Interest and penalty on property tax	21,615
Accounts	13,354
Accrued interest	20,950
Special assessments	15,986
Due from other governments	831,880
Inventories	420,654
Prepaid expense	16,149
Capital assets, net of accumulated depreciation/amortization	38,089,947
Total assets	<u>58,430,782</u>
Deferred Outflows of Resources	
Pension related deferred outflows	1,277,499
OPEB related deferred outflows	6,449
Total deferred outflows of resources	<u>1,283,948</u>
Liabilities	
Accounts payable	970,395
Salaries and benefits payable	371,955
Due to other governments	66,944
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	186,550
Portion due or payable after one year:	
Compensated absences	230,501
Net pension liability	3,663,531
Total OPEB liability	142,074
Total liabilities	<u>5,631,950</u>
Deferred Inflows of Resources	
Unavailable property tax revenue	8,041,000
Pension related deferred inflows	443,500
OPEB related deferred inflows	26,807
Total deferred inflows of resources	<u>8,511,307</u>
Net Position	
Net investment in capital assets	38,089,947
Restricted for:	
Supplemental levy purposes	1,167,148
Mental health purposes	642,555
Rural services purposes	311,928
Secondary roads purposes	4,679,611
Debt service	462
Capital projects	427,413
Other purposes	769,367
Unrestricted	(516,958)
Total net position	<u>\$ 45,571,473</u>

See notes to financial statements.

Jones County

Statement of Activities

Year ended June 30, 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 3,040,446	307,099	372	-	(2,732,975)
Physical health and social services	756,937	203,191	260,552	-	(293,194)
Mental health	698,892	192,987	-	-	(505,905)
County environment and education	995,022	57,167	34,783	1,200,996	297,924
Roads and transportation	7,694,420	674,713	4,077,656	797,836	(2,144,215)
Governmental services to residents	748,296	442,317	-	-	(305,979)
Administration	1,888,723	106,940	2,604	-	(1,779,179)
Non-program	141,090	2,761	79,109	-	(59,220)
Total	\$ 15,963,826	1,987,175	4,455,076	1,998,832	(7,522,743)
General Revenues:					
Property and other county tax levied for general purposes					
General purposes				\$ 7,320,461	
Debt service				419,598	
Penalty and interest on property tax				45,996	
State tax credits				610,321	
Local option sales tax				821,349	
Unrestricted investment earnings				233,670	
Rent				95,234	
Gain on disposition of capital assets				80,334	
Miscellaneous				2,543	
Total general revenues				9,629,506	
Change in net position				2,106,763	
Net position beginning of year				43,464,710	
Net position end of year				\$ 45,571,473	

See notes to financial statements.

Jones County
Balance Sheet
Governmental Funds

June 30, 2019

	General	Special	
		Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 4,580,289	559,243	296,086
Receivables:			
Property tax:			
Delinquent	6,193	204	2,337
Succeeding year	5,521,000	182,000	1,920,000
Interest and penalty on property tax	21,615	-	-
Accounts	12,422	-	-
Accrued interest	20,950	-	-
Special assessments	15,986	-	-
Due from other funds	-	-	-
Due from other governments	304,103	113,349	17,475
Inventories	-	-	-
Prepaid expenditures	-	-	-
Total assets	\$ 10,482,558	854,796	2,235,898
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 137,118	5,081	44
Salaries and benefits payable	242,489	7,913	1,773
Due to other funds	3,649	-	-
Due to other governments	49,026	-	-
Total liabilities	<u>432,282</u>	<u>12,994</u>	<u>1,817</u>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	5,521,000	182,000	1,920,000
Other	66,249	193	2,222
Total deferred inflows of resources	<u>5,587,249</u>	<u>182,193</u>	<u>1,922,222</u>
Fund balances:			
Nonspendable:			
Inventories and prepaid expenditures	-	-	-
Restricted for:			
Supplemental levy purposes	1,177,273	-	-
Mental health purposes	-	659,609	-
Rural services purposes	-	-	311,859
Secondary roads purposes	-	-	-
Conservation land acquisition/capital improvements	89,538	-	-
Debt service	-	-	-
Capital projects	-	-	-
Conservation department projects	593,874	-	-
Other purposes	8,501	-	-
Committed for:			
County facility capital projects/purposes	269,124	-	-
Voting equipment replacement	60,000	-	-
Aerial tax mapping update project	71,000	-	-
Unassigned	2,193,717	-	-
Total fund balances	<u>4,463,027</u>	<u>659,609</u>	<u>311,859</u>
Total liabilities, deferred inflows of resources and fund balances	\$ 10,482,558	854,796	2,235,898

See notes to financial statements.

Revenue				
Secondary Roads	Capital Projects	Debt Service	Nonmajor	Total
4,985,470	360,546	-	168,418	10,950,052
-	-	461	-	9,195
-	-	418,000	-	8,041,000
-	-	-	-	21,615
932	-	-	-	13,354
-	-	-	-	20,950
-	-	-	-	15,986
3,649	-	-	-	3,649
396,953	-	-	-	831,880
420,654	-	-	-	420,654
16,149	-	-	-	16,149
<u>5,823,807</u>	<u>360,546</u>	<u>418,461</u>	<u>168,418</u>	<u>20,344,484</u>
804,055	22,671	-	1,426	970,395
119,780	-	-	-	371,955
-	-	-	-	3,649
17,918	-	-	-	66,944
<u>941,753</u>	<u>22,671</u>	<u>-</u>	<u>1,426</u>	<u>1,412,943</u>
-	-	418,000	-	8,041,000
4,754	-	437	-	73,855
<u>4,754</u>	<u>-</u>	<u>418,437</u>	<u>-</u>	<u>8,114,855</u>
436,803	-	-	-	436,803
-	-	-	-	1,177,273
-	-	-	-	659,609
-	-	-	-	311,859
4,440,497	-	-	-	4,440,497
-	-	-	-	89,538
-	-	24	-	24
-	337,875	-	-	337,875
-	-	-	-	593,874
-	-	-	166,992	175,493
-	-	-	-	269,124
-	-	-	-	60,000
-	-	-	-	71,000
-	-	-	-	2,193,717
<u>4,877,300</u>	<u>337,875</u>	<u>24</u>	<u>166,992</u>	<u>10,816,686</u>
<u>5,823,807</u>	<u>360,546</u>	<u>418,461</u>	<u>168,418</u>	<u>20,344,484</u>

Jones County

Jones County

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

June 30, 2019

Total governmental fund balances (page 21) \$ 10,816,686

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

Capital assets used in governmental activities are not current financial resources and therefore, are not reposted in the governmental funds. The cost of assets is \$52,092,130 and the accumulated depreciation/amortization is \$14,002,183. 38,089,947

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 73,855

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

Deferred outflows of resources	\$ 1,283,948	
Deferred inflows of resources	<u>(470,307)</u>	813,641

Long-term liabilities, including compensated absences payable, net pension liability and total OPEB liability are not due and payable in the current year and, therefore, are not reported in the governmental funds. (4,222,656)

Net position of governmental activities (page 18) \$ 45,571,473

See notes to financial statements.

Jones County

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

Year ended June 30, 2019

	Special		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 5,286,538	159,967	1,870,665
Local option sales tax	-	-	221,200
Interest and penalty on property tax	41,656	-	-
Intergovernmental	2,590,838	206,357	119,353
Licenses and permits	59,678	-	-
Charges for service	665,889	-	7,600
Use of money and property	337,726	-	-
Miscellaneous	385,698	-	25
Total revenues	<u>9,368,023</u>	<u>366,324</u>	<u>2,218,843</u>
Expenditures:			
Operating:			
Public safety and legal services	2,974,261	-	-
Physical health and social services	763,300	-	-
Mental health	2,106	696,706	-
County environment and education	1,419,125	-	214,934
Roads and transportation	492,327	-	-
Governmental services to residents	726,640	-	6,792
Administration	1,790,139	-	-
Non-program	82,990	-	-
Debt service	-	-	-
Capital projects	832,268	-	-
Total expenditures	<u>9,083,156</u>	<u>696,706</u>	<u>221,726</u>
Excess (deficiency) of revenues over (under) expenditures	<u>284,867</u>	<u>(330,382)</u>	<u>1,997,117</u>
Other financing sources (uses):			
Proceeds long term debt	-	-	-
Sale of capital assets	1,052	-	-
Transfers in	9,000	-	-
Transfers out	(170,000)	-	(2,000,000)
Total other financing sources (uses)	<u>(159,948)</u>	<u>-</u>	<u>(2,000,000)</u>
Change in fund balances	124,919	(330,382)	(2,883)
Fund balances beginning of year	4,338,108	989,991	314,742
Fund balances end of year	<u>\$ 4,463,027</u>	<u>659,609</u>	<u>311,859</u>

See notes to financial statements.

Revenue				
Secondary Roads	Capital Projects	Debt Service	Nonmajor	Total
-	-	419,598	-	7,736,768
663,599	-	-	-	884,799
-	-	-	-	41,656
4,844,465	-	35,783	10,190	7,806,986
14,541	-	-	-	74,219
300	-	-	3,555	677,344
-	-	-	891	338,617
114,219	400	-	20,933	521,275
5,637,124	400	455,381	35,569	18,081,664
-	-	-	4,746	2,979,007
-	-	-	-	763,300
-	-	-	-	698,812
-	-	-	3,617	1,637,676
6,579,555	-	-	-	7,071,882
-	-	-	3,996	737,428
-	-	-	-	1,790,139
-	-	-	-	82,990
-	-	450,000	-	450,000
1,302,451	176,968	-	-	2,311,687
7,882,006	176,968	450,000	12,359	18,522,921
(2,244,882)	(176,568)	5,381	23,210	(441,257)
-	450,000	-	-	450,000
53,934	-	-	-	54,986
2,170,000	5,367	-	-	2,184,367
-	-	(5,367)	(9,000)	(2,184,367)
2,223,934	455,367	(5,367)	(9,000)	504,986
(20,948)	278,799	14	14,210	63,729
4,898,248	59,076	10	152,782	10,752,957
4,877,300	337,875	24	166,992	10,816,686

Jones County

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

Year ended June 30, 2019

Change in fund balances - Total governmental funds (page 25) \$ 63,729

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

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

Expenditures for capital assets	\$ 3,710,904	
Depreciation/amortization expense	<u>(1,592,673)</u>	2,118,231

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 25,348

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

Property tax	3,291	
Other	<u>(90,362)</u>	(87,071)

The current year County share of IPERS contributions is reported as expenditures in the governmental funds but is reported as deferred outflows of resources in the Statement of Net Position. 533,693

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

Compensated absences	349	
Pension expense	(542,483)	
OPEB expense	<u>(5,033)</u>	<u>(547,167)</u>

Change in net position of governmental activities (page 19) **\$ 2,106,763**

See notes to financial statements.

Jones County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2019

Assets

Cash and pooled investments:	
County Treasurer	\$ 3,509,170
Other County officials	5,202
Receivables:	
Property tax:	
Delinquent	23,473
Succeeding year	22,200,000
Accounts	98,735
Accrued interest	10,771
Special assessments	44,985
Due from other governments	70,193
Prepaid expenses	1,470
Capital assets, net of accumulated depreciation	687,170
Total assets	26,651,169

Liabilities

Accounts payable	41,512
Salaries and benefits payable	26,709
Due to other governments	25,585,172
Trusts payable	4,702
Compensated absences	28,950
Estimated liability for landfill closure and posclosure care	964,124
Total liabilities	26,651,169
Net position	\$ -

See notes to financial statements.

Jones County

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

These financial statements present Jones 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 Unit – The following component unit is an entity which is legally separate from the County, but is so intertwined with the County it is, in substance, the same as the County. It is reported as part of the County and blended into the appropriate fund.

The Friends of Jones County Conservation and Nature Center has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Jones County Conservation Board. These donations are to be used to purchase items not included in the County's budget. The financial transactions of the Foundation are reported as a nonmajor special revenue fund.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Jones County Assessor’s Conference Board, Jones County Emergency Management Commission, Jones County Solid Waste Commission and Jones County Joint 911 Service Board. Financial transactions of these organizations are included in the County’s financial statements only to the extent of the County’s fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County. Condensed financial statements for the Jones County Solid Waste Commission are included in Note 13 to the financial statements.

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

B. Basis of Presentation

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

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

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

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Net position restricted through enabling legislation consists of the balance of the unusual needs levy for Conservation Department projects.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary roads construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

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

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

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

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year.

By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as a deferred inflow of resources 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, 2017 assessed property valuations; is for the tax accrual period July 1, 2018 through June 30, 2019 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2018.

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

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not more than 15 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2019, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Intangibles	50,000
Road right of way easements	25,000
Equipment and vehicles	5,000

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2019. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on Jones County's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied, unrecognized items not yet charged to pension and OPEB expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2019 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue:		
Secondary Roads	General	<u>\$ 3,649</u>

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 170,000
	Special Revenue:	
	Rural Services	<u>2,000,000</u>
		<u>2,170,000</u>
Resource Enhancement and Protection	General	9,000
Capital Projects	Debt Service	<u>5,367</u>
Total		<u>\$ 2,184,367</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2019 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 3,804,839	188,873	-	3,993,712
Intangibles, road network	924,305	-	-	924,305
Construction in progress, road network	257,817	888,678	675,193	471,302
Construction in progress	1,325,657	1,689,588	475,861	2,539,384
Total capital assets not being depreciated/amortized	6,312,618	2,767,139	1,151,054	7,928,703
Capital assets being depreciated/amortized:				
Buildings	4,061,215	555,575	47,690	4,569,100
Improvements other than buildings	241,331	-	-	241,331
Equipment and vehicles	10,714,179	958,963	660,323	11,012,819
Intangibles	151,607	9,300	-	160,907
Infrastructure, road network	26,715,717	675,193	-	27,390,910
Infrastructure, other	788,360	-	-	788,360
Total capital assets being depreciated/amortized	42,672,409	2,199,031	708,013	44,163,427
Less accumulated depreciation/amortization for:				
Buildings	1,742,471	117,129	3,816	1,855,784
Improvements other than buildings	120,668	12,066	-	132,734
Equipment and vehicles	6,461,062	776,166	625,333	6,611,895
Intangibles, other	54,964	20,182	-	75,146
Infrastructure, road network	4,522,161	651,362	-	5,173,523
Infrastructure, other	137,333	15,768	-	153,101
Total accumulated depreciation/amortization	13,038,659	1,592,673	629,149	14,002,183
Total capital assets being depreciated/amortized, net	29,633,750	606,358	78,864	30,161,244
Governmental activities capital assets, net	\$ 35,946,368	3,373,497	1,229,918	38,089,947

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 137,228
Physical health and social services	1,153
County environment and education	69,910
Roads and transportation	1,259,734
Governmental services to residents	10,181
Administration	114,467
Total depreciation/amortization expense - governmental activities	\$ 1,592,673

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2019 is as follows:

Fund	Description	Amount
General	Services	\$ 49,026
Special Revenue:		
Secondary Roads	Services and materials	17,918
Total for governmental funds		<u>\$ 66,944</u>
Agency:		
Agricultural Extension Education	Collections	\$ 226,185
County Assessor		720,297
Schools		15,144,546
Community Colleges		1,249,378
Corporations		4,928,471
Townships		285,018
Auto License and Use Tax		505,100
Jones County Solid Waste Management Commission		1,857,403
All other		668,774
Total for agency funds		<u>\$ 25,585,172</u>

(7) Prepaid Rental Agreement

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

The County has elected to amortize prepaid expenses of \$80,743 over 25 years. At June 30, 2019 the unamortized prepaid expense balance was \$16,149.

(8) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	General Obligation Notes	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year	\$ -	417,400	4,121,821	134,252	4,673,473
Increases	450,000	350,062	-	12,066	812,128
Decreases	450,000	350,411	458,290	4,244	1,262,945
Balance end of year	<u>\$ -</u>	<u>417,051</u>	<u>3,663,531</u>	<u>142,074</u>	<u>4,222,656</u>
Due within one year	<u>\$ -</u>	<u>186,550</u>	<u>-</u>	<u>-</u>	<u>186,550</u>

General Obligation Notes

On February 20, 2018, the County adopted a resolution anticipating the future authorization of a general obligation loan agreement and providing for the levy of taxes to pay the principal of a general obligation loan. On June 11, 2019, the County issued a \$450,000, no interest, general obligation note to Citizens Bank for the purpose of paying the costs of various County improvements. The County paid the \$450,000 general obligation note in full on June 11, 2019.

(9) Pension Plan

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

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

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

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

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

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

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

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

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

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

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

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 9.76% of covered payroll, for a total rate of 19.52%. Protection occupation members contributed 6.81% of covered payroll and the County contributed 10.21% of covered payroll, for a total rate of 17.02%.

The County's contributions to IPERS for the year ended June 30, 2019 totaled \$533,693.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the County reported a liability of \$3,663,531 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the County's proportion was 0.057892%, which was a decrease of 0.003985% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019 the County recognized pension expense of \$542,483. At June 30, 2019 the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33,795	111,697
Changes of assumptions	661,401	140,387
Net difference between projected and actual earnings on IPERS' investments	-	137,334
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	48,610	54,082
County contributions subsequent to the measurement date	533,693	-
Total	<u>\$ 1,277,499</u>	<u>443,500</u>

\$533,693 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2020	\$ 280,104
2021	135,888
2022	(64,150)
2023	(36,965)
2024	(14,571)
Total	<u>\$ 300,306</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 6,965,421	3,663,531	894,302

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

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2019.

(10) Risk Management

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

(11) Other Postemployment Benefits (OPEB)

Plan Description – The County administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Jones County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>98</u>
Total	<u>99</u>

Total OPEB Liability – The County’s total OPEB liability of \$142,074 was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions – The total June 30, 2019 OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement. The roll forward calculations assume all actuarial assumptions are exactly realized.

Rate of inflation	
(effective June 30, 2018)	3.00% per annum.
Rates of salary increase	3.00% per annum, including
(effective June 30, 2018)	inflation.
Discount rate	3.58% compounded annually,
(effective June 30, 2018)	including inflation.
Healthcare cost trend rate	5.00% annually.
(effective June 30, 2018)	

Discount Rate – The discount rate used to measure the total OPEB liability was 3.58% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	<u>\$ 134,252</u>
Changes for the year:	
Service cost	7,082
Interest	4,984
Differences between expected and actual experiences	-
Changes in assumptions	-
Benefit payments	<u>(4,244)</u>
Net changes	<u>7,822</u>
Total OPEB liability end of year	<u>\$ 142,074</u>

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.58%) or 1% higher (4.58%) than the current discount rate.

	<u>1% Decrease (2.58%)</u>	<u>Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Total OPEB liability	\$ 154,033	142,074	131,208

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

	<u>1% Decrease (4.00%)</u>	<u>Healthcare Cost Trend Rate (5.00%)</u>	<u>1% Increase (6.00%)</u>
Total OPEB liability	\$ 128,122	142,074	158,101

OPEB Expense and Deferred Outflows of Resources and deferred inflows of resources Related to OPEB – For the year ended June 30, 2019, the County recognized OPEB expense of \$5,033. At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(26,807)
Changes in assumptions	6,449	-
Total	<u>\$ 6,449</u>	<u>(26,807)</u>

The amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30,	Amount
2020	\$ (2,789)
2021	(2,789)
2022	(2,789)
2023	(2,789)
2024	(2,789)
Thereafter	<u>(6,413)</u>
	<u>\$ (20,358)</u>

(12) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2019 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Anamosa	Urban renewal and economic development projects	\$ 3,697
City of Monticello	Urban renewal and economic development projects	30,032

(13) Jointly Governed Organization

The County participates in the Jones County Solid Waste Management Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Agency Funds because of the County's fiduciary relationship with the organization. The following financial statements are for the year ended June 30, 2019.

Statement of Net Position	
Assets	
Current assets:	
Cash and cash equivalents	\$ 82,535
Investments	825,729
Receivables:	
Accounts and other	96,595
Due from other governments	2,808
Prepaid items	1,470
Total current assets	<u>1,009,137</u>
Noncurrent assets:	
Restricted certificates of deposit	1,182,160
Capital assets, net of accumulated depreciation	687,170
Total noncurrent assets	<u>1,869,330</u>
Total assets	<u>2,878,467</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>35,457</u>
Liabilities	
Current liabilities:	
Accounts payable	38,754
Salaries and benefits payable	8,449
Due to other governments	30,825
Compensated absences payable	9,738
Total current liabilities	<u>87,766</u>
Non-current liabilities:	
Estimated liability for landfill closure and postclosure care	964,124
Net pension liability	106,047
Total non-current liabilities	<u>1,070,171</u>
Total liabilities	<u>1,157,937</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>6,911</u>
Net position	
Net investment in capital assets	687,170
Restricted for closure and postclosure care	218,037
Unrestricted	843,869
Total net position	<u>\$ 1,749,076</u>

Statement of Revenues, Expenses and Changes in Net Position

Operating revenues:	
Assessments	\$ 103,630
Gate fees	736,027
Other operating revenues	<u>13,784</u>
Total operating revenues	<u>853,441</u>
Operating expenses:	
Salaries and benefits	179,245
Solid waste hauling and disposal	509,245
Depreciation	59,494
Other operating expenses	<u>168,402</u>
Total operating expenses	<u>916,386</u>
Operating loss	(62,945)
Non-operating revenues:	
Interest income	<u>41,781</u>
Change in net position	(21,164)
Net position beginning of year	<u>1,770,240</u>
Net position end of year	<u>\$ 1,749,076</u>

Statement of Cash Flows

Cash flows from operating activities:	
Cash received from gate fees	\$ 718,587
Cash received from assessments	103,630
Cash received from other operating receipts	13,784
Cash paid to employees for services	(176,461)
Cash paid to suppliers for goods and services	<u>(707,496)</u>
Net cash used by operating activities	<u>(47,956)</u>
Cash flows from investing activities:	
Purchase of certificates of deposit	(923,455)
Sale of certificates of deposit	918,896
Interest received	<u>8,910</u>
Net cash provided by investing activities	<u>4,351</u>
Net decrease in cash and cash equivalents	(43,605)
Cash and cash equivalents beginning of year	<u>126,140</u>
Cash and cash equivalents end of year	<u>\$ 82,535</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (62,945)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	59,494
Closure and postclosure care	(32,600)
Other changes in assets and liabilities	<u>(11,905)</u>
Total adjustments	<u>14,989</u>
Net cash used by operating activities	<u>\$ (47,956)</u>

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

These costs for the Commission have been estimated at \$946,000 for closure as of June 30, 2019 and the portion of the liability that has been recognized is \$946,000. During the year ended June 30, 2009, the Commission stopped accepting waste at the landfill and began transferring waste to Milan, Illinois.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2019, assets of \$1,162,839 are restricted for these purposes. They are reported as restricted certificates of deposit in the condensed Statement of Net Position.

The total closure costs for the Commission's transfer station have been estimated at \$18,124 as of June 30, 2019 and the portion of the liability that has been recognized is \$18,124. The Commission has begun accumulating resources to fund these costs and, at June 30, 2019, assets of \$19,322 are restricted for these purposes. They are reported as restricted certificates of deposit in the condensed Statement of Net Position.

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

MHDS-ECR, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa, includes the following member counties: Benton County, Bremer County, Buchanan County, Delaware County, Dubuque County, Iowa County, Jones County, Johnson County and Linn County. The financial activity of Jones County's Special Revenue, Mental Health Fund is included in the MHDS-ECR for the year ended June 30, 2019, as follows:

Revenues:		
Property and other county tax		\$ 159,967
Intergovernmental:		
State tax credits	\$ 13,370	
Payments from regional fiscal agent	<u>192,987</u>	<u>206,357</u>
Total revenues		<u>366,324</u>
Expenditures:		
Services to persons with mental illness		75,624
General administration:		
Direct administration	117,363	
Distribution to regional fiscal agent	<u>503,719</u>	<u>621,082</u>
Total expenditures		<u>696,706</u>
Excess of expenditures over revenues		(330,382)
Fund balance beginning of year		<u>989,991</u>
Fund balance end of year		<u>\$ 659,609</u>

(15) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

(16) Subsequent Events

In January 2020, the County awarded a \$508,650 bid to The Wilson Group to replace the windows and doors in the Jones County Courthouse.

In February 2020, the County approved the issuance of \$448,000 of general obligation loan with Citizens Bank at an interest rate of 1.69% with re-payment in full by June 30, 2020 for the purpose of paying the costs of constructing repairs and improvements to county buildings and grounds, improving and equipping the regional transit authority, constructing the Temple Hill Secondary Road Maintenance Shop and constructing a public works garage.

In February 2020, the County purchased a motor grader from Altorfer Inc in the amount of \$332,046 less \$60,000 trade-in.

Jones County

Required Supplementary Information

Jones County

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

Required Supplementary Information

Year ended June 30, 2019

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 8,620,333	-	8,620,333
Interest and penalty on property tax	41,500	-	41,500
Intergovernmental	7,684,642	-	7,684,642
Licenses and permits	73,042	-	73,042
Charges for service	729,033	-	729,033
Use of money and property	333,935	-	333,935
Miscellaneous	533,457	6,505	526,952
Total receipts	18,015,942	6,505	18,009,437
Disbursements:			
Public safety and legal services	3,116,311	-	3,116,311
Physical health and social services	756,608	-	756,608
Mental health	693,951	-	693,951
County environment and education	1,603,104	3,617	1,599,487
Roads and transportation	6,385,498	-	6,385,498
Governmental services to residents	737,166	-	737,166
Administration	1,756,265	-	1,756,265
Non-program	85,676	-	85,676
Debt service	450,000	-	450,000
Capital projects	2,335,180	-	2,335,180
Total disbursements	17,919,759	3,617	17,916,142
Excess (deficiency) of receipts over (under) disbursements	96,183	2,888	93,295
Other financing sources, net	504,986		504,986
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	601,169	2,888	598,281
Balance beginning of year	10,348,883	8,515	10,340,368
Balance end of year	\$ 10,950,052	11,403	10,938,649

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
8,603,842	8,616,201	4,132
42,050	42,050	(550)
7,341,739	7,423,551	261,091
62,136	66,606	6,436
616,955	604,582	124,451
204,941	236,396	97,539
426,918	661,733	(134,781)
<u>17,298,581</u>	<u>17,651,119</u>	<u>358,318</u>
3,092,969	3,223,571	107,260
786,569	798,571	41,963
878,666	706,630	12,679
1,809,143	1,816,932	217,445
6,624,581	7,003,593	618,095
754,827	767,275	30,109
1,936,031	1,915,368	159,103
89,107	95,553	9,877
458,457	450,000	-
3,188,583	2,804,513	469,333
<u>19,618,933</u>	<u>19,582,006</u>	<u>1,665,864</u>
(2,320,352)	(1,930,887)	2,024,182
475,000	505,125	(139)
(1,845,352)	(1,425,762)	2,024,043
8,518,644	10,311,929	28,439
<u>6,673,292</u>	<u>8,886,167</u>	<u>2,052,482</u>

Jones County

Jones County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2019

	<u>Governmental Funds</u>		
	<u>Cash</u>	<u>Accrual</u>	<u>Modified</u>
	<u>Basis</u>	<u>Adjustments</u>	<u>Accrual</u>
			<u>Basis</u>
Revenues	\$ 18,015,942	65,722	18,081,664
Expenditures	17,919,759	603,162	18,522,921
Net	96,183	(537,440)	(441,257)
Other financing sources, net	504,986	-	504,986
Beginning fund balances	10,348,883	404,074	10,752,957
Ending fund balances	<u>\$ 10,950,052</u>	<u>(133,366)</u>	<u>10,816,686</u>

See accompanying independent auditor's report.

Jones County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2019

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments decreased budgeted disbursements by \$36,927. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2019, disbursements did not exceed the amounts budgeted

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 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission. During the year ended June 30, 2019, disbursements did not exceed the amounts budgeted.

Jones County

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

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

Required Supplementary Information

	2019	2018	2017	2016	2015
County's proportion of the net pension liability	0.057892%	0.061877%	0.060335%	0.058300%	0.056897%
County's proportionate share of the net pension liability	\$ 3,664	4,122	3,797	2,880	2,256
County's covered payroll	\$ 5,384	5,291	5,003	4,827	4,699
County's proportionate share of the net pension liability as a percentage of its covered payroll	68.05%	77.91%	75.89%	59.66%	48.01%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

Jones County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 534	487	480	455
Contributions in relation to the statutorily required contribution	<u>(534)</u>	<u>(487)</u>	<u>(480)</u>	<u>(455)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 5,595	5,384	5,291	5,003
Contributions as a percentage of covered payroll	9.54%	9.05%	9.07%	9.09%

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
440	429	407	389	323	296
(440)	(429)	(407)	(389)	(323)	(296)
-	-	-	-	-	-
4,827	4,699	4,568	4,637	4,367	4,290
9.12%	9.13%	8.91%	8.39%	7.40%	6.90%

Jones County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2019

Changes of benefit terms:

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

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2018:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

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

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

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

Jones County

Schedule of Changes in the County's
Total OPEB Liability, Related Ratios and Notes

For the Current Year
Required Supplementary Information

	<u>2019</u>	<u>2018</u>
Service cost	\$ 7,082	6,876
Interest cost	4,984	4,783
Difference between expected and actual experiences	-	(34,151)
Changes in assumptions	-	8,215
Benefit payments	<u>(4,244)</u>	<u>(8,283)</u>
Net change in total OPEB liability	<u>7,822</u>	<u>(22,560)</u>
Total OPEB liability beginning of year	<u>134,252</u>	<u>156,812</u>
Total OPEB liability end of year	<u>\$ 142,074</u>	<u>134,252</u>
Covered-employee payroll	\$ 4,839,023	4,698,081
Total OPEB liability as a percentage of covered-employee payroll	2.9%	2.9%

See accompanying independent auditor's report.

Notes to Schedule of Changes in the County's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2019	3.58%
Year ended June 30, 2018	3.58%
Year ended June 30, 2017	4.50%

Jones County

Supplementary Information

Jones County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2019

		Special
	County Recorder's Records Management	Special Law Enforcement Proceeds
Assets		
Cash and pooled investments	\$ 25,428	1,632
Liabilities and Fund Balances		
Liabilities:		
Accounts	\$ 1,419	-
Fund balances:		
Restricted for other purposes	24,009	1,632
Total liabilities and fund balances	\$ 25,428	1,632

See accompanying independent auditor's report.

Revenue

Law Enforcement Canine	Resource Enhancement and Protection	Drug Abuse Resistance Education	Friends of Jones County Conservation	Total
24,537	105,193	225	11,403	168,418
7	-	-	-	1,426
24,530	105,193	225	11,403	166,992
24,537	105,193	225	11,403	168,418

Jones County

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

Year ended June 30, 2019

	Special		
	County Recorder's Records Management	Special Law Enforcement Proceeds	Law Enforcement Canine
Revenues:			
Intergovernmental	\$ -	-	-
Charges for service	3,555	-	-
Use of money and property	13	-	-
Miscellaneous	-	-	14,183
Total revenues	<u>3,568</u>	-	<u>14,183</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	2,904
County environment and education	-	-	-
Governmental services to residents	3,996	-	-
Total expenditures	<u>3,996</u>	-	<u>2,904</u>
Excess (deficiency) of revenues over (under) expenditures	(428)	-	11,279
Other financing sources (uses):			
Transfers out	-	-	-
Change in fund balances	(428)	-	11,279
Fund balances beginning of year	<u>24,437</u>	<u>1,632</u>	<u>13,251</u>
Fund balances end of year	<u>\$ 24,009</u>	<u>1,632</u>	<u>24,530</u>

See accompanying independent auditor's report.

<u>Revenue</u>				
<u>Resource</u>				
<u>Enhancement and Protection</u>	<u>Drug Abuse Resistance Education</u>	<u>Friends of Jones County Conservation</u>		<u>Total</u>
10,190	-	-		10,190
-	-	-		3,555
878	-	-		891
-	245	6,505		20,933
11,068	245	6,505		35,569
-	1,842	-		4,746
-	-	3,617		3,617
-	-	-		3,996
-	1,842	3,617		12,359
11,068	(1,597)	2,888		23,210
(9,000)	-	-		(9,000)
2,068	(1,597)	2,888		14,210
103,125	1,822	8,515		152,782
105,193	225	11,403		157,992

Jones County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2019

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	933	281,755	57,806	4,977
Other County officials	5,202	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	252	517	16,740	1,401
Succeeding year	-	225,000	461,000	15,070,000	1,243,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Capital assets, net of accumulated depreciation	-	-	-	-	-
Total assets	\$ 5,202	226,185	743,272	15,144,546	1,249,378
Liabilities					
Liabilities:					
Accounts payable	\$ 500	-	881	-	-
Salaries and benefits payable	-	-	13,843	-	-
Due to other governments	-	226,185	720,297	15,144,546	1,249,378
Trusts payable	4,702	-	-	-	-
Compensated absences	-	-	8,251	-	-
Estimated liability for landfill closure and posclosure care	-	-	-	-	-
Total liabilities	\$ 5,202	226,185	743,272	15,144,546	1,249,378

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Solid Waste Management Commission	Other	Total
41,254	676	505,100	2,090,424	526,245	3,509,170
-	-	-	-	-	5,202
4,217	342	-	-	4	23,473
4,883,000	284,000	-	-	34,000	22,200,000
-	-	-	85,824	12,911	98,735
-	-	-	10,771	-	10,771
-	-	-	-	44,985	44,985
-	-	-	2,808	67,385	70,193
-	-	-	1,470	-	1,470
-	-	-	687,170	-	687,170
4,928,471	285,018	505,100	2,878,467	685,530	26,651,169
-	-	-	38,754	1,377	41,512
-	-	-	8,449	4,417	26,709
4,928,471	285,018	505,100	1,857,403	668,774	25,585,172
-	-	-	-	-	4,702
-	-	-	9,737	10,962	28,950
-	-	-	964,124	-	964,124
4,928,471	285,018	505,100	2,878,467	685,530	26,651,169

Jones County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2019

Assets and Liabilities	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Balances beginning of year	\$ 4,127	225,187	1,005,869	13,577,211	1,188,032
Additions:					
Property and other county tax	-	228,954	491,390	15,320,802	1,264,012
911 surcharges	-	-	-	-	-
State tax credits	-	16,121	37,229	972,371	85,703
Office fees and collections	494,273	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	273,101	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	767,374	245,075	528,619	16,293,173	1,349,715
Deductions:					
Agency remittances:					
To other funds	194,074	-	-	-	-
To other governments	300,199	244,077	791,216	14,725,838	1,288,369
Trusts paid out	272,026	-	-	-	-
Total deductions	766,299	244,077	791,216	14,725,838	1,288,369
Balances end of year	\$ 5,202	226,185	743,272	15,144,546	1,249,378

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Solid Waste Management Commission	MHDS-ECR	Other	Total
5,086,812	286,791	495,230	2,926,664	5,627,014	613,577	31,036,514
4,890,323	289,528	-	-	-	33,836	22,518,845
-	-	-	-	-	59,831	59,831
540,300	16,863	-	-	-	2,698	1,671,285
-	-	-	-	-	-	494,273
-	-	6,594,226	-	-	256	6,594,482
-	-	-	-	-	15,994	15,994
-	-	-	-	-	-	273,101
-	-	-	895,222	67	505,210	1,400,499
5,430,623	306,391	6,594,226	895,222	67	617,825	33,028,310
-	-	313,153	-	-	-	507,227
5,588,964	308,164	6,271,203	943,419	5,627,081	545,872	36,634,402
-	-	-	-	-	-	272,026
5,588,964	308,164	6,584,356	943,419	5,627,081	545,872	37,413,655
4,928,471	285,018	505,100	2,878,467	-	685,530	26,651,169

Jones County

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

For the Last Ten Years

	2019	2018	2017	2016
Revenues:				
Property and other county tax	\$ 7,736,768	7,849,305	7,693,151	7,434,518
Local option sales tax	884,799	834,067	857,403	832,518
Interest and penalty on property tax	41,656	43,490	40,000	42,938
Intergovernmental	7,806,986	6,525,175	6,450,432	7,192,925
Licenses and permits	74,219	55,973	51,086	70,810
Charges for service	677,344	690,298	640,945	637,180
Use of money and property	338,617	258,880	214,765	172,370
Miscellaneous	521,275	1,066,863	437,154	454,828
Total	\$ 18,081,664	17,324,051	16,384,936	16,838,087
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,979,007	2,996,084	2,752,376	2,722,911
Physical health and social services	763,300	715,706	722,072	702,077
Mental health	698,812	795,583	1,157,430	1,115,440
County environment and education	1,637,676	978,695	948,592	923,276
Roads and transportation	7,071,882	6,285,831	6,836,332	6,600,997
Governmental services to residents	737,428	717,962	677,712	796,892
Administration	1,790,139	1,815,971	1,707,156	1,758,826
Non-program	82,990	82,243	93,130	89,655
Debt service	450,000	383,021	400,000	-
Capital projects	2,311,687	1,874,604	354,087	923,830
Total	\$ 18,522,921	16,645,700	15,648,887	15,633,904

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
7,280,962	7,072,449	6,811,736	6,201,839	5,823,796	5,560,528
917,239	799,323	858,480	776,241	817,836	763,075
42,982	45,618	45,497	45,878	43,251	45,386
6,661,282	5,915,710	5,117,782	6,983,623	6,152,216	7,294,072
73,594	57,568	56,841	71,408	63,011	64,694
581,223	559,166	595,182	563,242	569,839	539,851
197,919	194,765	169,640	180,357	216,425	255,423
436,108	605,283	773,992	449,883	427,913	372,901
<u>16,191,309</u>	<u>15,249,882</u>	<u>14,429,150</u>	<u>15,272,471</u>	<u>14,114,287</u>	<u>14,895,930</u>
2,537,685	2,437,181	2,415,219	2,259,095	2,134,638	2,067,063
696,151	670,071	705,651	705,535	758,680	766,459
1,035,751	1,118,618	1,105,325	2,747,884	2,341,471	2,125,968
886,991	760,787	822,763	1,403,336	938,442	1,708,968
6,158,379	5,969,549	5,462,477	5,488,545	5,534,155	4,925,870
619,073	595,338	604,835	608,099	540,325	570,903
1,806,532	1,600,204	1,523,341	1,586,149	1,359,275	1,593,790
420,735	488,353	683,283	28,885	34,171	82,726
-	-	-	-	167,265	60,902
764,868	995,249	185,357	888,496	44,369	1,460,545
<u>14,926,165</u>	<u>14,635,350</u>	<u>13,508,251</u>	<u>15,716,024</u>	<u>13,852,791</u>	<u>15,363,194</u>



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

To the Officials of Jones County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jones County, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 10, 2020.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Jones County's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Jones County's Responses to the Findings

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

Purpose of this Report

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

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



Marlys K. Gaston, CPA
Deputy Auditor of State

March 10, 2020

Jones County
Schedule of Findings
Year ended June 30, 2019

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregations of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County's financial statements.

Condition –

County Extension Office – Generally, one or two individuals in the County Extension Office may have control over collecting, depositing and reconciling receipts.

Conservation – Generally, one individual in the Conservation Office may have control over collecting, depositing and reconciling receipts.

Transfer Station – Generally, one individual has control over account billings, collections, deposit preparation and reconciliation functions. Additionally, incoming mail is not opened by an employee who is not authorized to make entries to the accounting records.

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

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

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

Jones County
Schedule of Findings
Year ended June 30, 2019

Responses –

County Extension Office – We will continue to document processes with our Financial policy. We will continue to limit the number of staff that have access. Our Extension Council Financial Committee will continue to review accounts, reports and staff processes.

Conservation – We are working on potential solutions.

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

Conclusions – Response accepted.

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County's financial statements.

Condition – A material amount of payables was not properly recorded in the County's financial statements. An adjustment was subsequently made by the County to properly include this amount in the financial statements.

Cause – County policies do not require, and procedures have not been established to require independent review of year-end cut-off transactions to ensure the County's financial statements are accurate and reliable.

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

Recommendation – The County should establish procedures to ensure all payables are identified and properly reported in the County's financial statements and accrual classifications are proper.

Response – The County Auditor will continue to remind department heads in writing at the beginning of each fiscal year to review all invoices to ensure all payables are identified and properly reported for the County's financial statements and accrual classifications.

Conclusion – Response accepted.

Jones County
Schedule of Findings
Year ended June 30, 2019

INSTANCES OF NON-COMPLIANCE:

No matters were noted

Jones County
Schedule of Findings
Year ended June 30, 2019

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 did not exceed the amounts budgeted by function.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – The following business transactions between the County and County officials or employees were noted:

Vendor and County Connection	Transaction Description	Amount
K Sulzner Construction, owner is Spouse of the County Auditor	Equipment delivery	\$ 497
Dlc Custom Builders LLC, owner is spouse of Senior Dining employee	Various installation projects	830
Keith Dirks Auto Body Inc. Owned by father of the County Sheriff’s Secretary	Auto repair	20,682
Bait, Guns and More, owner is Jones County Landfill employee	Supplies for conservation	86
Regina Engelbart County employee	Laundry services	275
Sheila Kirby County employee	Laundry services	520

The transactions with K Sulzner Construction, Dlc Custom Builders LLC, Bait, Guns and More, Regina Engelbart and Sheila Kirby, do not appear to represent conflicts of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since the total transactions with each were less than \$1,500 during the fiscal year.

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

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be periodically reviewed to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.

Jones County

Schedule of Findings

Year ended June 30, 2019

- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2019 for the County Extension Office did not exceed the amount budgeted.

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

Total estimated costs for closure and postclosure care	<u>\$ 964,124</u>
Amount the Commission has restricted and reserved for closure and postclosure care at June 30, 2019	<u>\$ 1,182,160</u>

Jones County

Staff

This audit was performed by:

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William J. Sallen, CPA, Staff Auditor
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