



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ April 3, 2007 _____

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

The County had local tax revenue of \$20,478,208 for the year ended June 30, 2006, which included \$1,190,467 in tax credits from the state. The County forwarded \$15,566,852 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,911,356 of the local tax revenue to finance County operations, a 3.1% increase over the prior year. Other revenues included charges for service of \$1,744,692, operating grants, contributions and restricted interest of \$4,379,872, capital grants, contributions and restricted interest of \$1,122,363, local option sales tax of \$606,518, unrestricted investment earnings of \$258,483 and other general revenues of \$143,078.

Expenses for County operations totaled \$11,920,181, a 6.75% increase over the prior year. Expenses included \$4,308,273 for roads and transportation, \$2,215,696 for mental health and \$1,726,408 for public safety and legal services.

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

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JONES COUNTY

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

JUNE 30, 2006

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Jones County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Joe Cruise	Board of Supervisors	Jan 2007
Andy McKean	Board of Supervisors	Jan 2007
Leo M. Cook	Board of Supervisors	Jan 2009
Keith C. Dirks	Board of Supervisors	Jan 2009
Merlin D. Moore	Board of Supervisors	Jan 2009
Janine Sulzner	County Auditor	Jan 2009
Janise M. Miller	County Treasurer	(Retired May 2006)
Amy L Picray (Appointed Jun 2006)	County Treasurer	Nov 2006
Marie Krutzfield	County Recorder	Jan 2007
Mark J. Denniston	County Sheriff	Jan 2009
Connie Sue Ricklefs	County Attorney	Jan 2007
Arnie Andreesen	County Assessor	Jan 2010

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Independent Auditor's Report

To the Officials of Jones County:

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, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Jones County's management. Our responsibility is to express opinions on these financial statements based on our audit.

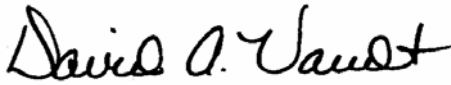
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Jones County at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

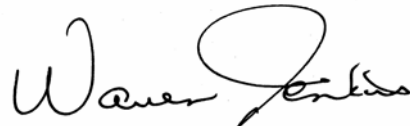
In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2006 on our consideration of Jones County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 16 and 44 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jones County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 21, 2006

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, 2006, along with comparative data for the year ended June 30, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- The County's governmental activities revenues decreased approximately \$727,000, or 5%, from fiscal year 2005 to 2006. Property and other county tax increased approximately \$152,600, or 3%, from fiscal year 2005 to 2006. The County received approximately \$167,000 less from the Iowa Department of Human Services to provide mental health services to its residents. Also, the County received approximately \$634,000 in federal and farm to market funds from the Iowa Department of Transportation for bridge and road projects.
- The County's governmental activities expenses increased approximately \$753,600, or 6.7%, from fiscal year 2005 to 2006. County environment and education expenses increased approximately \$550,000, physical health and social services expenses increased approximately \$98,500 and mental health expenses increased approximately \$90,000. Roads and transportation expenses decreased approximately \$96,600. Various other program expense areas experienced modest increases.
- The County's net assets increased 9%, or approximately \$1,246,000, from June 30, 2005 to June 30, 2006, primarily due to road and bridge construction projects.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of 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 statements by providing information about the most significant funds. The remaining statements provide financial 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.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

2) Proprietary funds account for the County's Internal Service, Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for Empowerment, Emergency Management, E911 and the County Assessor, to name a few.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

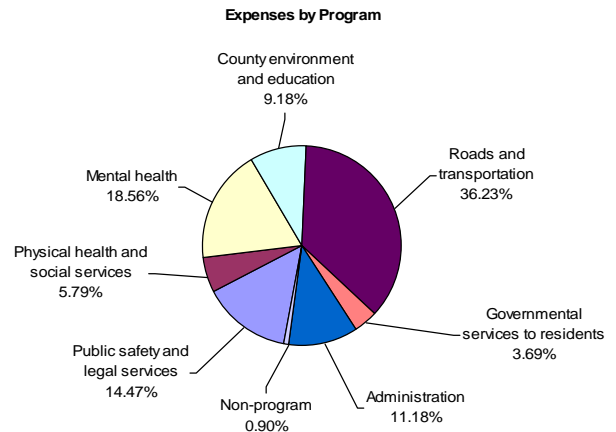
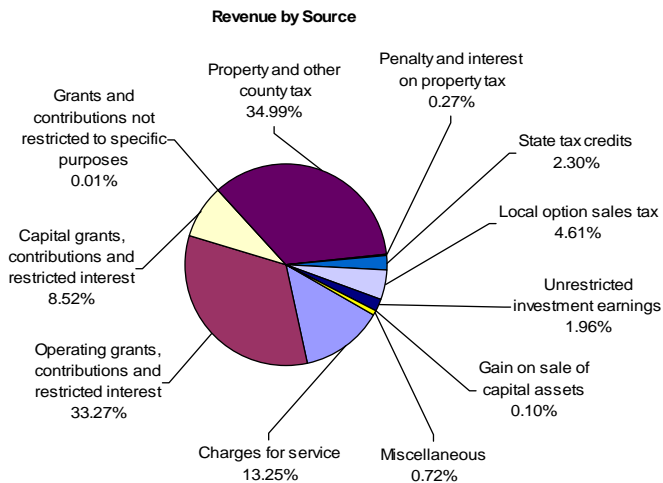
As noted earlier, net assets may serve over time as a useful indicator of financial position. Jones County's combined net assets increased 9% over a year ago, increasing from \$14.1 million to \$15.3 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2006	2005
Current and other assets	\$ 12,195,668	12,437,800
Capital assets	9,467,549	7,553,186
Total assets	<u>21,663,217</u>	<u>19,990,986</u>
Long-term liabilities	230,488	208,975
Other liabilities	6,088,771	5,684,234
Total liabilities	<u>6,319,259</u>	<u>5,893,209</u>
Net assets:		
Invested in capital assets, net of related debt	9,447,512	7,538,926
Restricted	3,952,984	4,819,959
Unrestricted	1,943,462	1,738,892
Total net assets	<u>\$ 15,343,958</u>	<u>14,097,777</u>

Net assets of Jones County's governmental activities increased by \$1,246,181 (\$15,343,958 compared to \$14,097,777). The largest portion of the County's net assets are invested in capital assets (e.g., land, infrastructure, buildings and equipment). Next largest is restricted net assets, which represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at \$1,943,462 at June 30, 2006.

Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2006	2005
Revenues:		
Program revenues:		
Charges for service	\$ 1,744,692	1,750,323
Operating grants, contributions and restricted interest	4,379,872	4,986,759
Capital grants, contributions and restricted interest	1,122,363	1,415,633
General revenues:		
Property and other county tax	4,608,031	4,455,465
Penalty and interest on property tax	35,431	39,641
State tax credits	303,325	306,583
Local option sales tax	606,518	680,333
Grants and contributions not restricted to specific purposes	785	972
Unrestricted investment earnings	258,483	145,080
Gain on sale of capital assets	12,713	37,700
Miscellaneous	94,149	74,913
Total revenues	<u>13,166,362</u>	<u>13,893,402</u>
Program expenses:		
Public safety and legal services	1,726,408	1,692,413
Physical health and social services	694,823	596,278
Mental health	2,215,696	2,125,376
County environment and education	1,090,953	540,773
Roads and transportation	4,308,273	4,404,849
Governmental services to residents	446,143	438,469
Administration	1,330,350	1,310,502
Non-program	106,579	57,738
Interest on long-term debt	956	203
Total expenses	<u>11,920,181</u>	<u>11,166,601</u>
Increase in net assets	1,246,181	2,726,801
Net assets beginning of year	14,097,777	11,370,976
Net assets end of year	<u>\$ 15,343,958</u>	<u>14,097,777</u>



Jones County experienced a small increase (1 percent) in taxable valuation for 2006 (1-1-04 assessment). Jones County increased property tax rates for 2006 by an average of 2.6 percent, generating a 4 percent increase in tax dollars (approximately \$153,000) for County operations. The County increased the General Fund property tax levy rate by \$.16098 per \$1,000 of taxable valuation. The Mental Health Fund property tax levy rate was decreased by \$.01404 per \$1,000 of taxable valuation to maintain a frozen level of property tax support of \$883,021. The Rural Services Fund property tax levy rate was decreased by \$.03248 per \$1,000 of taxable valuation, still representing one of the lowest Rural Services tax levy rates for the County in over seventeen years. The implementation of the 1% local option tax in 1999 has provided a significant amount of property tax relief for the Rural Services Fund. Property tax revenues for next year (2007) are budgeted to increase approximately \$332,000 (7 percent), while property tax rates will increase by an average of only 4%.

INDIVIDUAL MAJOR FUND ANALYSIS

As Jones County completed the year, its governmental funds reported a combined fund balance of \$5.4 million, a decrease of approximately \$909,000 from last year's total of \$6.3 million. The decrease in fund balance is directly attributable to expenditures and net transfers out exceeding revenues in the General Fund, Mental Health Fund, Rural Services Fund and Secondary Roads Fund. 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 2006 with a fund balance of \$1,293,632. This was a decrease from fiscal year 2005 of \$47,954. Expenditures increased due to major software and hardware upgrades for the County's central computer system, which will continue into fiscal year 2007, the implementation of the County's Geographical Information Systems (GIS), including addition of a full-time GIS specialist, increased funding for County Conservation operations and acquisition of new voting equipment. All expenditures for the courthouse tuck pointing project in fiscal years 2005 and 2006 were deducted from the designated/unreserved fund balance set aside for courthouse capital projects. Over the past several years, \$310,000 has been transferred from the General Fund for cash flow purposes to the Hale Bridge Historical Restoration Fund, with \$125,000 being returned to the General Fund by June 30, 2006. It is the intent of the Board of Supervisors to fully reimburse the transferred monies back to the General Fund when the project is completed and all grant reimbursements have been received. The Center Junction Wastewater Project and Capital Projects Funds owe the General Fund \$50,000, with the intent to reimburse all transferred monies back to the General Fund when the projects are completed.
- The Mental Health Fund ended fiscal year 2006 with a balance of \$270,792. The balance decreased by \$59,788 from fiscal year 2005. The decrease is primarily due to a significant decrease in state mental health funding. Jones County received additional state funding in fiscal year 2005 for meeting certain fund balance criteria. However, the increase of funding in 2005 caused the fiscal year 2005 balance to be above the 10% fund balance criteria, causing the funds received from the Department of Human Service in 2006 to be approximately \$167,000 less than in 2005. The fiscal year 2006 balance was just above the 10% fund balance criteria. However, with changes in the funding formula, the amount of state mental health funds to be received in fiscal year 2007 will increase. There were no Jones County mental health clients placed on a waiting list for services in fiscal year 2006. Jones County continues to manage services for its mental health clients while seeking services and programs where funding can be provided from other sources and levels of government.

- The Rural Services Fund ended fiscal year 2006 with a balance of \$279,901, \$26,746 lower than the fiscal year 2005 balance of \$306,647. The County has maintained the same level of taxes levied in the Rural Services Fund since fiscal 2004, with the levy rate reflective of the various changes in the related taxable valuation. The levy rate dropped 2% from fiscal year 2005. The levy rate continues to be one of the lowest in Jones County in over seventeen years, a direct result of the voter approved initiative to place 25% of the local option tax receipts into this fund for property tax relief.
- The Secondary Roads Fund ended fiscal year 2006 with a balance of \$3,465,685, a decrease of \$749,198 from the fiscal year 2005 balance of \$4,214,883. Of the ending balance, \$1.4 million is unspent local option tax funds designated for future road and bridge projects, per voter approval in 1999. Jones County continues an aggressive construction program for fiscal years 2007 and 2008, using local monies, which will have a significant impact on future fund balances. Projected revenues for the Secondary Roads Fund show little, if any, increase, and will not support both the road operations budget and the currently adopted five year road construction plan.

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 Internal Service and 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 the 2006 fiscal year, Jones County amended its budget three times.

The first amendment was made in January 2006 and resulted in an increase in budgeted disbursements related to expenditures associated with historic restoration of the Hale Bridge, phase two of the Grant Wood Trail project, improvements to the Hale Wildlife Area, Kirkwood Community College Career Welding Grant Program, the wastewater projects for Edinburgh Manor and the City of Center Junction and medical examiner expenditures. The amendment reflected increased intergovernmental receipts to offset most of the additional disbursements in the amendment. Only nine departments reflected changes in spending authority and/or receipt adjustments with this budget amendment.

The second amendment was made in March 2006 and resulted in changes in budgeted disbursements for every budgetary function. The most significant changes were additional expenditures for the Hale Bridge restoration project, completion of the courthouse tuck pointing project and County Conservation operations. Total increases of over \$370,000 in other disbursement areas were offset by a more than \$1,200,000 decrease in disbursements for secondary roads operations and roadway construction projects. The amendment reflected increased receipts of approximately \$500,000, with \$275,000 of that increase from grants and other intergovernmental receipts. Nearly all departments reflected some level of change in spending authority and/or receipt adjustments with this budget amendment.

The third amendment was made in May 2006 to increase the budgeted disbursements for the Sheriff's Office due to increased fuel and staffing costs, including overtime. No receipt changes were included in this final amendment.

The County's receipts were \$288,479 less than budgeted, a variance of 2.5%. The most significant variances resulted from the County receiving less intergovernmental receipts than anticipated.

Total disbursements were \$1,134,767 less than the final amended budget. Actual disbursements for the county environment and education, the roads and transportation and the capital projects functions were \$191,309, \$282,247 and \$344,018, respectively, less than

budgeted. County environment and education disbursements were less than budgeted, primarily due to delaying the second phase of the Grant Wood Recreational Trail project until Spring 2007, pending a redesign of the project plan to meet the project budget, to be followed by a successful bid award. Bids received for the project late in fiscal year 2006 were rejected because they exceeded the project budget. Roads and transportation and capital project disbursements were less than budgeted, primarily due to those functions being over budgeted.

Jones County budgets on a cash basis and did not exceed any budgeted amounts for individual departments or functions during the year ended June 30, 2006. Several appropriation adjustments within budgetary functions were adopted during the year to manage budgetary authority for various departments, until the budget could be amended.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, Jones County had approximately \$9,467,549 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1,914,000, or 25 percent, over last year, primarily from road and bridge projects.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2006	2005
Land	\$ 720,139	671,565
Construction in progress	155,143	1,717,171
Buildings	1,104,419	799,113
Equipment and vehicles	2,463,124	2,227,595
Infrastructure	5,024,724	2,137,742
Total	\$ 9,467,549	7,553,186
This year's major additions included:		
Capital assets contributed by the Iowa Department of Transportation		\$ 634,331
Replacement of three dump trucks and other secondary roads equipment and vehicles		372,787
Roadway paving project LFM-C-861--7X-53		573,554
Roadway paving project STP-S-C053(47)-5E-53		115,654
Bridge project L-C-844--73-53		123,322
Bridge project L-LOT825--73-53		154,513
Courthouse improvements		12,019
County Sheriff vehicles		60,564
County Conservation vehicles		60,368
County Auditor voting equipment		186,555
Total		\$ 2,293,667

The County had depreciation expense of \$521,383 in FY06 and total accumulated depreciation of \$5,150,917 at June 30, 2006.

The County budgets roadway construction costs as capital projects expenditures. Jones County historically does not budget as capital projects expenses many items that can be categorized as capital asset expenditures, but rather budgets for those items in the function and fund where those items will be used.

Of the capital asset items shown in the table above, the County Auditor voting equipment was acquired for compliance with the 2002 federal Help America Vote Act (HAVA). A grant in the amount of \$145,000 helped to offset the purchase. Several road construction projects were completed, with the Iowa Department of Transportation contributing over \$634,000 in federal bridge funds and farm to market funds towards construction costs.

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

Long-Term Debt

Jones County entered into a \$9,000 capital lease purchase agreement for Conservation Department equipment at the request of the Conservation Board to help the Department alleviate budget fluctuations for major equipment purchases. This arrangement will assist the Conservation Department to maintain up to date equipment. A \$14,260 capital lease purchase agreement for the same purpose was entered into in fiscal year 2005. Additional information about the County's long-term debt is presented in Note 8 to the financial statements.

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2006	2005
Capital lease purchase agreements	\$ 20,037	14,260

While Jones County does have two small capital lease purchase agreements for Conservation Department equipment, the County currently does not have a Debt Service Fund. The Board of Supervisors pride themselves on a long standing custom of not obligating the Jones County taxpayers to service debt for County operations or projects.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Jones County's elected and appointed officials considered many factors when setting the fiscal year 2007 budget, tax rates and the fees charged for various County activities. The primary factors considered were the small increase in taxable valuations, health insurance costs for County employees and the economy.

Jones County's total General Fund taxable valuation increased 3.1%. The County's agricultural valuation remained steady, commercial valuation increased by 4%, industrial valuation increased by 3.6%, and residential valuation rose by 8%. However, much of this growth in commercial, industrial and residential valuation was in tax increment financing (TIF) districts where the value increases are redirected to the respective cities for urban renewal projects and are not available for general operations of any of the related tax entities. The combination of these factors resulted in a net overall taxable increase for Jones County's budget of only 3.1%. Approximately 70 new residential homes were constructed during 2004 which became taxable for the fiscal year 2007 budget year (a 35% drop from the previous year's record setting number, though still reflective of a strong residential construction industry). Jones County's agricultural land values comprised 34% of Jones County's taxable valuation for fiscal year 2006, while residential type values comprised 42% of the total.

Jones County, like many employers, is faced with rising health costs for its employees. In order to more closely manage the insurance costs for Jones County employees, the Supervisors left the multi-county Iowa State Association of Counties (ISAC) pooled health insurance program and began a self funded plan on May 1, 2001. While this has proven to be more cost effective than if Jones County had stayed in the ISAC group, Jones County's health insurance costs continue to rise at more than the normal rate of inflation. For fiscal year 2007, the Supervisors

once again implemented a 4% increase in premiums for the approximately 100 covered employees and their dependents. The County pays, on average, 89% of the premium, with the employee paying the balance through payroll deduction.

When preparing the fiscal year 2007 budget, County officials and department heads were asked to take into consideration that the consumer price index average annual growth rate for the most recent fiscal year available at that time (through June 30, 2005) was 3.01%. The collective bargaining agreement, covering wages to be paid in fiscal year 2007, calls for a 3% wage increase for employees in the bargaining unit. These factors were taken into account when adopting the budget for fiscal year 2007.

\$14.5 million was initially appropriated in fiscal year 2007, an increase of less than 1% from the original fiscal year 2006 budget. Various expenditure categories reflected increases over fiscal year 2006, while others reflected decreases. The largest changes are a decrease in governmental services to residents for the purchase of voting equipment that was in the fiscal 2006 budget but not in the fiscal 2007 budget and an increase in non-program expenditures for the Kirkwood Community College Career Welding Program, which is 100% offset by Community Development Block Grant funds. Fiscal year 2006 re-estimated expenditures, which reflected a 4.7% increase from the original fiscal year 2006 budget, were considered as well during the budget process. The fiscal year 2007 undesignated General Fund balance (as adjusted for monies advanced to other funds for temporary cash flow purposes) was initially projected to be 18% of expenditures. A property tax increase of approximately \$332,000, a Community Development Block Grant of \$150,000 and a Trail Grant of \$196,000 are the major sources of increased revenues in the fiscal year 2007 General Fund budget.

Use of the local option tax monies designated for road and bridge projects and use of existing cash balances are expected to fund the majority of the budgeted roadway construction disbursements. The Secondary Roads Fund received no revenue from the General Fund in fiscal year 2006 and none is planned for fiscal year 2007. The Board and County Engineer projected a \$707,000 increase in roadway construction from the re-estimated 2006 budget to the fiscal year 2007 budget, as well as a decrease of over \$300,000 in revenue. This resulted in a projected Secondary Roads Fund balance on June 30, 2007 of only \$75,000.

Budgeted expenditures for the Rural Services Fund are projected to decrease by almost \$50,000 as no library capital improvement grants are included in the fiscal year 2007 budget, though regular library funding was increased by 3%. There is no property tax increase for the Rural Services Fund for fiscal year 2007.

Of the projects initially started in fiscal year 2005, the Hale Bridge historical restoration project will be completed in fiscal year 2007 and the Center Junction wastewater project will likely continue into fiscal year 2008. The second phase of the Grant Wood Recreational Trail was expected to begin in fiscal year 2006. However, construction bids received were higher than anticipated and the project was delayed until fiscal year 2007.

Wastewater concerns are quickly becoming an issue of major significance for Jones County. Currently, the County is involved with wastewater projects for the City of Center Junction (see note below), the County owned care facility known as Edinburgh Manor and the unincorporated areas known as Amber and Fairview. In January 2005, the Board of Supervisors entered into a 28E agreement with the Eastern Iowa Regional Utility Service System (EIRUSS), an organization of surrounding counties, to be the management entity for rural, and possibly small town, water and wastewater utility systems. One Jones County Supervisor serves on the EIRUSS Board, with another appointed as an alternate. The County contributes \$5,000 from the Rural Services Fund to financially support the program. The EIRUSS is managing all wastewater projects for which the Board of Supervisors are the responsible party, except the Edinburgh Manor project. Jones County is under an Iowa Department of Natural Resources administrative consent order to remediate the wastewater violations at the Edinburgh Manor lagoon by Fall

2007. Construction on the Edinburgh Manor project is expected to occur in late fiscal year 2007, with the budget amended accordingly. The County is seeking financing options through the Iowa Department of Natural Resources State Revolving Loan Fund. A ten-year general obligation note is anticipated.

Note: The Center Junction wastewater project began with the County slated to be the owner of the system for the City of Center Junction in order to secure the grants and loans necessary to fund the project. The Center Junction project was officially transferred to the EIRUSS during Summer 2005. Jones County will continue to receive the Community Development Block Grant and the United States Department of Agriculture loan obligations were transferred to the EIRUSS.

The County continues to levy \$100,000 each year for courthouse capital improvements with the unspent monies reflected on the financial reports as unreserved/designated funds. In the fiscal 2003 budget, the Board included \$143,800 for the initial stages of replacing the courthouse heating system. Planning and design funds were spent, but at June 30th of that year, there remained \$96,000 of unspent appropriation for that project. The Board designated those remaining funds, along with the portion of that year's General Fund balance exceeding 25% of expenditures, for future courthouse capital improvements, including a boiler. In fiscal year 2004, the Board began annually levying \$100,000 specifically for courthouse capital improvements. Additional funds representing General Fund balances over certain targets have also been added to the designated fund balance for this purpose. While bids have been received twice for the boiler project, the cost has been more than the Board was ready to invest in the project. Other major courthouse projects, such as the tuck pointing project started in mid 2005 and a plumbing replacement project in 2006, have been financed with these funds. The projected balance for these purposes at June 30, 2007 is approximately \$628,000. A space needs study conducted by County staff in 2005 highlighted the need for additional space for courthouse services. The capital improvement funds may be used to acquire or construct a building to address the space needs at the courthouse, as well as other major projects for the aging courthouse.

If the budgetary estimates in the fiscal year 2007 budget are realized, the County's overall budgetary operating balance is expected to decrease by the close of 2007. The General Fund balance is projected to increase by 11%. A substantial decrease is projected in the Secondary Roads Fund balance as a result of an aggressive construction program. Design and construction schedules, as well as a re-evaluation of funding sources, will be considered prior to proceeding with certain road and bridge projects.

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 Assets
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 6,129,878
Receivables:	
Property tax:	
Delinquent	5,510
Succeeding year	4,953,000
Interest and penalty on property tax	13,258
Accounts	41,198
Accrued interest	21,352
Due from other governments	654,262
Inventories	319,075
Prepaid expenses	58,135
Capital assets (net of accumulated depreciation)	<u>9,467,549</u>
Total assets	<u>21,663,217</u>
Liabilities	
Accounts payable	476,883
Accrued interest payable	1,159
Salaries and benefits payable	232,390
Due to other governments	425,339
Deferred revenue:	
Succeeding year property tax	4,953,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	4,459
Compensated absences	96,175
Portion due or payable after one year:	
Capital lease purchase agreements	15,578
Compensated absences	<u>114,276</u>
Total liabilities	<u>6,319,259</u>
Net Assets	
Invested in capital assets, net of related debt	9,447,512
Restricted for:	
Supplemental levy purposes	186,432
Mental health purposes	261,788
Secondary roads purposes	3,374,787
Other special revenue purposes	129,977
Unrestricted	<u>1,943,462</u>
Total net assets	<u><u>\$ 15,343,958</u></u>

See notes to financial statements.

Jones County
Statement of Activities
Year ended June 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest		
Expenses					
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,726,408	382,484	7,485	-	(1,336,439)
Physical health and social services	694,823	263,504	188,829	-	(242,490)
Mental health	2,215,696	11,723	1,259,455	-	(944,518)
County environment and education	1,090,953	67,663	71,149	424,326	(527,815)
Roads and transportation	4,308,273	350,604	2,696,360	634,331	(626,978)
Governmental services to residents	446,143	328,831	145,792	-	28,480
Administration	1,330,350	30,556	10,802	-	(1,288,992)
Non-program	106,579	309,327	-	63,706	266,454
Interest on long-term debt	956	-	-	-	(956)
Total	<u>\$ 11,920,181</u>	<u>1,744,692</u>	<u>4,379,872</u>	<u>1,122,363</u>	<u>(4,673,254)</u>
General Revenues:					
Property and other county tax levied for general purposes					4,608,031
Penalty and interest on property tax					35,431
State tax credits					303,325
Local option sales tax					606,518
Grants and contributions not restricted to specific purpose					785
Unrestricted investment earnings					258,483
Gain on sale of capital assets					12,713
Miscellaneous					94,149
Total general revenues					<u>5,919,435</u>
Change in net assets					1,246,181
Net assets beginning of year					<u>14,097,777</u>
Net assets end of year					<u>\$ 15,343,958</u>

See notes to financial statements.

Jones County
Balance Sheet
Governmental Funds

June 30, 2006

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 1,152,365	577,484	252,799
Receivables:			
Property tax:			
Delinquent	3,545	925	1,040
Succeeding year	3,198,000	834,000	921,000
Interest and penalty on property tax	13,258	-	-
Accounts	7,858	605	-
Accrued interest	19,719	-	-
Due from other funds	256,397	-	-
Due from other governments	114,861	22,985	27,093
Inventories	-	-	-
Prepaid expenditures	-	-	-
	\$ 4,766,003	1,435,999	1,201,932
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 103,773	54,704	-
Salaries and benefits payable	131,167	12,439	-
Due to other funds	6,189	-	-
Due to other governments	14,309	263,174	-
Deferred revenue:			
Succeeding year property tax	3,198,000	834,000	921,000
Other	18,933	890	1,031
Total liabilities	3,472,371	1,165,207	922,031
Fund balances:			
Reserved for supplemental levy purposes	189,656	-	-
Unreserved, designated for capital projects	537,277	-	-
Unreserved, reported in:			
General fund	566,699	-	-
Special revenue funds	-	270,792	279,901
Capital projects fund	-	-	-
Total fund balances	1,293,632	270,792	279,901
	\$ 4,766,003	1,435,999	1,201,932

See notes to financial statements.

<hr/>		
Secondary		
Roads	Nonmajor	Total
<hr/>		
3,190,315	229,148	5,402,111
-	-	5,510
-	-	4,953,000
-	-	13,258
107	15,408	23,978
-	-	19,719
6,189	-	262,586
302,547	186,776	654,262
319,075	-	319,075
58,135	-	58,135
<hr/>		
3,876,368	431,332	11,711,634
<hr/>		
172,840	41,154	372,471
84,591	4,193	232,390
-	256,397	262,586
145,747	2,109	425,339
-	-	4,953,000
7,505	-	28,359
<hr/>		
410,683	303,853	6,274,145
<hr/>		
-	-	189,656
-	-	537,277
-	-	566,699
3,465,685	131,350	4,147,728
-	(3,871)	(3,871)
<hr/>		
3,465,685	127,479	5,437,489
<hr/>		
3,876,368	431,332	11,711,634
<hr/>		

Jones County

Jones County

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

June 30, 2006

Total governmental fund balances (page 21) \$ 5,437,489

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$14,618,466 and the accumulated depreciation is \$5,150,917. 9,467,549

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 28,359

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 642,208

Long-term liabilities, including capital lease purchase agreements payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (231,647)

Net assets of governmental activities (page 18) \$ 15,343,958

See notes to financial statements.

Jones County

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

Year ended June 30, 2006

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,870,814	830,103	1,061,549
Interest and penalty on property tax	38,376	-	-
Intergovernmental	1,101,209	1,314,243	59,111
Licenses and permits	42,916	-	-
Charges for service	497,707	10,739	-
Use of money and property	306,972	10,505	-
Miscellaneous	48,690	984	-
Total revenues	4,906,684	2,166,574	1,120,660
Expenditures:			
Operating:			
Public safety and legal services	1,793,918	-	-
Physical health and social services	489,130	-	-
Mental health	-	2,226,362	-
County environment and education	534,656	-	180,725
Roads and transportation	270,754	-	-
Governmental services to residents	612,336	-	4,181
Administration	1,270,527	-	-
Non-program	48,256	-	-
Capital projects	-	-	-
Total expenditures	5,019,577	2,226,362	184,906
Excess (deficiency) of revenues over (under) expenditures	(112,893)	(59,788)	935,754
Other financing sources (uses):			
Sale of capital assets	5,939	-	-
Operating transfers in	50,000	-	-
Operating transfers out	-	-	(962,500)
Capital lease purchase agreement	9,000	-	-
Total other financing sources (uses)	64,939	-	(962,500)
Net change in fund balances	(47,954)	(59,788)	(26,746)
Fund balances beginning of year	1,341,586	330,580	306,647
Fund balances end of year	\$ 1,293,632	270,792	279,901

See notes to financial statements.

<u>Secondary</u>		
<u>Roads</u>	<u>Nonmajor</u>	<u>Total</u>
454,889	-	5,217,355
-	-	38,376
2,720,763	620,177	5,815,503
29,429		72,345
-	4,740	513,186
-	13,568	331,045
88,773	141,236	279,683
<u>3,293,854</u>	<u>779,721</u>	<u>12,267,493</u>
-	12,046	1,805,964
-	209,483	698,613
-	-	2,226,362
-	469,356	1,184,737
3,742,747	-	4,013,501
-	2,815	619,332
-	-	1,270,527
-	60,936	109,192
1,278,659	-	1,278,659
<u>5,021,406</u>	<u>754,636</u>	<u>13,206,887</u>
<u>(1,727,552)</u>	<u>25,085</u>	<u>(939,394)</u>
15,854	-	21,793
962,500	21,129	1,033,629
-	(71,129)	(1,033,629)
-	-	9,000
<u>978,354</u>	<u>(50,000)</u>	<u>30,793</u>
(749,198)	(24,915)	(908,601)
4,214,883	152,394	6,346,090
<u>3,465,685</u>	<u>127,479</u>	<u>5,437,489</u>

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, 2006

Net change in fund balances - Total governmental funds (page 25) \$ (908,601)

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

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

Expenditures for capital assets	\$ 1,810,495	
Capital assets contributed by the Iowa Department of Transportation	634,331	
Depreciation expense	(521,383)	1,923,443

In the Statement of Activities, the gain on the sale of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (9,080)

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

Property tax	(4,966)	
Other	(1,245)	(6,211)

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

Issued	(9,000)	
Repaid	3,223	(5,777)

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	(15,736)	
Interest on long-term debt	(956)	(16,692)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's employee health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 269,099

Change in net assets of governmental activities (page 19) \$ 1,246,181

See notes to financial statements.

Jones County
 Statement of Net Assets
 Proprietary Fund
 June 30, 2006

	Internal Service - Employee Group Health
Assets	
Cash and cash equivalents	\$ 727,767
Receivables:	
Accounts	17,220
Interest	1,633
Total assets	746,620
Liabilities	
Accounts payable	104,412
Net Assets	
Unrestricted	\$ 642,208

See notes to financial statements.

Exhibit H

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

Year ended June 30, 2006

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 971,025
Contributions from outside sources		4,329
Contributions from employees		107,269
Insurance reimbursements		86,666
Total operating revenues		<u>1,169,289</u>
Operating expenses:		
Medical claims	\$ 665,802	
Insurance premiums	200,677	
Administrative fees	38,804	
Miscellaneous	4,984	
Operating income	<u> </u>	<u>910,267</u>
Non-operating revenues:		
Interest income		10,077
Net income		<u>269,099</u>
Net assets beginning of year		<u>373,109</u>
Net assets end of year		<u>\$ 642,208</u>

See notes to financial statements.

Jones County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2006

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 971,025
Cash received from employees and others	191,883
Cash paid to suppliers for services	(883,692)
Net cash provided by operating activities	279,216
Cash flows from investing activities:	
Interest on investments	8,444
Net increase in cash and cash equivalents	287,660
Cash and cash equivalents beginning of year	440,107
Cash and cash equivalents end of year	\$ 727,767
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 259,022
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts receivable	(6,381)
Decrease in accounts payable	7,767
Decrease in prepaid expense	18,808
Net cash provided by operating activities	\$ 279,216

See notes to financial statements.

Jones County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2006

Assets

Cash and pooled investments:

County Treasurer	\$ 789,367
Other County officials	469

Receivables:

Property tax:

Delinquent	14,257
Succeeding year	14,646,000

Accounts	30,620
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Special assessments	251,393
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Due from other governments	1,005
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Total assets	<u>15,733,111</u>
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Liabilities

Accounts payable	4,514
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Salaries and benefits payable	10,778
-------------------------------	--------

Due to other governments	15,698,450
--------------------------	------------

Trusts payable	469
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Compensated absences	18,900
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Total liabilities	<u>15,733,111</u>
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Net assets	<u><u>\$ -</u></u>
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See notes to financial statements.

Jones County

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Jones County Assessor's Conference Board, Jones County Emergency Management Commission and Jones County Joint E911 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.

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Jones County Solid Waste Management Commission, 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 and Jones County Communications Commission.

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

Proprietary Fund – An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation 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, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

Net Assets – The net assets of the Internal Service, Employee Group Health Fund is designated for future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Senior Dining	\$ 1,397
	Hale Bridge Historical Restoration	205,000
	Center Junction Wastewater Project	25,000
	Capital Projects	25,000
Special Revenue:	General	
Secondary Roads		6,189
Total		<u>\$ 31,189</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, 2006 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Center Junction Wastewater Project	\$ 25,000
	Capital Projects	25,000
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	962,500
Capital Projects	Special Revenue:	
	Care Facility Wastewater Project	21,129
Total		<u>\$ 1,033,629</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, 2006 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 671,565	48,574	-	720,139
Construction in progress, road network	1,484,384	1,577,893	(2,946,623)	115,654
Construction in progress, other	232,787	12,019	(205,317)	39,489
Total capital assets not being depreciated	<u>2,388,736</u>	<u>1,638,486</u>	<u>(3,151,940)</u>	<u>875,282</u>
Capital assets being depreciated:				
Buildings	2,007,659	339,961	-	2,347,620
Equipment and vehicles	5,954,521	690,196	(354,194)	6,290,523
Infrastructure, road network	2,088,443	2,946,623	-	5,035,066
Infrastructure, other	69,975	-	-	69,975
Total capital assets being depreciated	<u>10,120,598</u>	<u>3,976,780</u>	<u>(354,194)</u>	<u>13,743,184</u>
Less accumulated depreciation for:				
Buildings	1,208,546	34,655	-	1,243,201
Equipment and vehicles	3,726,926	427,087	(326,614)	3,827,399
Infrastructure, road network	16,476	58,241	-	74,717
Infrastructure, other	4,200	1,400	-	5,600
Total accumulated depreciation	<u>4,956,148</u>	<u>521,383</u>	<u>(326,614)</u>	<u>5,150,917</u>
Total capital assets being depreciated, net	<u>5,164,450</u>	<u>3,455,397</u>	<u>(27,580)</u>	<u>8,592,267</u>
Governmental activities capital assets, net	<u>\$ 7,553,186</u>	<u>5,093,883</u>	<u>(3,179,520)</u>	<u>9,467,549</u>

Depreciation expense was charged to the following functions

Governmental activities:	
Public safety and legal services	\$ 46,575
Physical health and social services	1,774
Mental health	2,558
County environment and education	33,305
Roads and transportation	379,352
Governmental services to residents	27,394
Administration	30,425
Total depreciation expense - governmental activities	<u>\$ 521,383</u>

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 14,309
Special Revenue:		
Mental Health	Services	263,174
Secondary Roads	Services and materials	145,747
Senior Dining	Services	2,109
		<u>411,030</u>
Total for governmental funds		<u>\$ 425,339</u>
Agency:		
Emergency Management	Services	\$ 10,007
E911 Surcharge	Materials	57,325
County Assessor	Collections and materials	488,800
Schools	Collections	9,635,499
Community Colleges	Collections	586,022
Corporations	Collections	3,958,131
Auto License and Use Tax	Collections	335,906
All other	Collections	626,760
Total for agency funds		<u>\$ 15,698,450</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 was for twenty-five years and will be 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 expenditures of \$80,743 over 25 years. At June 30, 2006, the unamortized prepaid expenditure balance was \$58,135.

(8) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Capital Lease Purchase Agreements	Compensated Absences	Total
Balance beginning of year	\$ 14,260	194,715	208,975
Increases	9,000	229,356	238,356
Decreases	3,223	213,620	216,843
Balance end of year	<u>\$ 20,037</u>	<u>210,451</u>	<u>230,488</u>
Due within one year	<u>\$ 4,459</u>	<u>96,175</u>	<u>100,634</u>

Capital Lease Purchase Agreements

The County entered into capital lease purchase agreements for mowers in May 2005 and May 2006 with historical costs of \$14,260 and \$9,033, respectively.

The following is a schedule of the future minimum lease payments, including interest ranging from 8.50% to 9.49% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2006:

<u>Year ending June 30,</u>	<u>Amount</u>
2007	\$ 5,618
2008	5,618
2009	5,618
2010	5,618
2011	2,183
Total minimum lease payments	<u>24,655</u>
Less amount representing interest	<u>(4,618)</u>
Present value of net minimum lease payments	<u>\$ 20,037</u>

Payments under capital lease purchase agreements totaled \$5,618 for the year ended June 30, 2006.

(9) Deficit Balances

At June 30, 2006, funds with deficit balances were as follow:

Special Revenue Funds:	
Hale Bridge Historical Restoration	\$ 22,517
Center Junction Wastewater Project	8,540
Capital Projects Fund	3,871

These deficit balances are the result of project costs in excess of available funds. These deficits will be eliminated upon collection of project revenues.

(10) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$219,769, \$211,774 and \$204,045, respectively, equal to the required contributions for each year.

(11) 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.

(12) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Employee Group Services, Ltd. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Employee Group Services, Ltd. from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2006 was \$971,025.

Amounts payable from the Employee Group Health Fund at June 30, 2006 total \$104,412, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$642,208 at June 30, 2006 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$	96,645
Incurred claims (including claims incurred but not reported at June 30, 2006)		665,802
Payment on claims during the fiscal year		<u>(658,035)</u>
Unpaid claims end of year	\$	<u><u>104,412</u></u>

Required Supplementary Information

Jones County

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

Required Supplementary Information

Year ended June 30, 2006

	<u>Actual</u>
Receipts:	
Property and other county tax	\$ 5,215,042
Interest and penalty on property tax	39,212
Intergovernmental	5,733,583
Licenses and permits	72,649
Charges for service	509,094
Use of money and property	344,969
Miscellaneous	290,988
Total receipts	<u>12,205,537</u>
Disbursements:	
Public safety and legal services	1,789,116
Physical health and social services	690,152
Mental health	2,238,038
County environment and education	1,137,818
Roads and transportation	4,069,130
Governmental services to residents	614,795
Administration	1,361,136
Non-program	98,641
Debt service	-
Capital projects	1,162,982
Total disbursements	<u>13,161,808</u>
Excess (deficiency) of receipts over (under) disbursements	(956,271)
Other financing sources, net	29,385
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(926,886)
Balance beginning of year	<u>6,328,997</u>
Balance end of year	<u><u>\$ 5,402,111</u></u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual Variance
5,198,015	5,242,258	(27,216)
44,100	44,600	(5,388)
5,193,460	6,118,274	(384,691)
53,834	69,784	2,865
475,105	494,725	14,369
225,971	267,797	77,172
157,214	256,578	34,410
11,347,699	12,494,016	(288,479)
1,755,086	1,804,053	14,937
764,701	775,447	85,295
2,293,497	2,340,288	102,250
613,744	1,329,127	191,309
4,817,835	4,351,377	282,247
620,401	626,901	12,106
1,261,517	1,376,205	15,069
48,622	182,751	84,110
-	3,426	3,426
2,330,000	1,507,000	344,018
14,505,403	14,296,575	1,134,767
(3,157,704)	(1,802,559)	846,288
7,000	28,100	(1,285)
(3,150,704)	(1,774,459)	847,573
5,682,083	6,328,997	-
2,531,379	4,554,538	847,573

Jones County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 12,205,537	61,956	12,267,493
Expenditures	13,161,808	45,079	13,206,887
Net	(956,271)	16,877	(939,394)
Other financing sources, net	29,385	1,408	30,793
Beginning fund balances	6,328,997	17,093	6,346,090
Ending fund balances	\$ 5,402,111	35,378	5,437,489

See accompanying independent auditor's report.

Jones County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund and the 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 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments decreased budgeted disbursements by \$208,828. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted.

Jones County

Other Supplementary Information

Jones County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2006

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Conservation Land Acquisition	Senior Dining	Special Jail Commissary
Assets					
Cash and pooled investments	\$ 17,478	180	6,708	63,353	10,014
Accounts receivable	-	-	-	7,938	253
Due from other governments	-	-	-	7,671	-
Total assets	\$ 17,478	180	6,708	78,962	10,267
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	-	-	6,733	662
Salaries and benefits payable	-	-	-	3,809	-
Due to other funds	-	-	-	1,397	-
Due to other governments	-	-	-	2,109	-
Total liabilities	-	-	-	14,048	662
Fund equity:					
Unreserved fund balances	17,478	180	6,708	64,914	9,605
Total liabilities and fund equity	\$ 17,478	180	6,708	78,962	10,267

See accompanying independent auditor's report.

Revenue							
Law Enforcement Canine	Resource Enhancement and Protection	Hale Bridge Historical Restoration	Historical Preservation Commission	Center Junction Wastewater Project	Capital Projects		Total
10,602	22,668	33,987	17,226	25,803	21,129		229,148
7,217	-	-	-	-	-		15,408
-	6,193	171,183	-	1,729	-		186,776
17,819	28,861	205,170	17,226	27,532	21,129		431,332
-	-	22,687	-	11,072	-		41,154
-	384	-	-	-	-		4,193
-	-	205,000	-	25,000	25,000		256,397
-	-	-	-	-	-		2,109
-	384	227,687	-	36,072	25,000		303,853
17,819	28,477	(22,517)	17,226	(8,540)	(3,871)		127,479
17,819	28,861	205,170	17,226	27,532	21,129		431,332

Jones County

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

Year ended June 30, 2006

	Special				
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Conservation Land Acquisition	Senior Dining	Jail Commissary
Revenues:					
Intergovernmental	\$ -	-	-	120,241	-
Charges for service	4,740	-	-	-	-
Use of money and property	179	5	2,715	-	10,269
Miscellaneous	-	-	-	111,812	-
Total revenues	<u>4,919</u>	<u>5</u>	<u>2,715</u>	<u>232,053</u>	<u>10,269</u>
Expenditures:					
Operating:					
Public safety and legal services	-	-	-	-	7,451
Physical health and social services	-	-	-	209,483	-
County environment and education	-	-	5,023	-	-
Governmental services to residents	280	2,535	-	-	-
Non-program	-	-	-	-	-
Total expenditures	<u>280</u>	<u>2,535</u>	<u>5,023</u>	<u>209,483</u>	<u>7,451</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,639</u>	<u>(2,530)</u>	<u>(2,308)</u>	<u>22,570</u>	<u>2,818</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>4,639</u>	<u>(2,530)</u>	<u>(2,308)</u>	<u>22,570</u>	<u>2,818</u>
Fund balances beginning of year	<u>12,839</u>	<u>2,710</u>	<u>9,016</u>	<u>42,344</u>	<u>6,787</u>
Fund balances end of year	<u>\$ 17,478</u>	<u>180</u>	<u>6,708</u>	<u>64,914</u>	<u>9,605</u>

See accompanying independent auditor's report.

Revenue									
Special Law Enforcement Proceeds	Law Enforcement Canine	Resource Enhancement and Protection	Hale Bridge Historical Restoration	Historical Preservation Commission	Center Junction Wastewater Project	Care Facility Wastewater Project	Capital Projects		Total
-	-	11,904	424,326	-	63,706	-	-	-	620,177
-	-	-	-	-	-	-	-	-	4,740
1	-	331	-	68	-	-	-	-	13,568
-	7,485	-	-	21,939	-	-	-	-	141,236
1	7,485	12,235	424,326	22,007	63,706	-	-	-	779,721
258	4,337	-	-	-	-	-	-	-	12,046
-	-	-	-	-	-	-	-	-	209,483
-	-	8,459	451,093	4,781	-	-	-	-	469,356
-	-	-	-	-	-	-	-	-	2,815
-	-	-	-	-	60,936	-	-	-	60,936
258	4,337	8,459	451,093	4,781	60,936	-	-	-	754,636
(257)	3,148	3,776	(26,767)	17,226	2,770	-	-	-	25,085
-	-	-	-	-	-	-	-	21,129	21,129
-	-	-	-	-	(25,000)	(21,129)	(25,000)	(25,000)	(71,129)
-	-	-	-	-	(25,000)	(21,129)	(3,871)	(3,871)	(50,000)
(257)	3,148	3,776	(26,767)	17,226	(22,230)	(21,129)	(3,871)	(3,871)	(24,915)
257	14,671	24,701	4,250	-	13,690	21,129	-	-	152,394
-	17,819	28,477	(22,517)	17,226	(8,540)	-	(3,871)	(3,871)	127,479

Jones County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash and pooled investments:				
County Treasurer	\$ -	2,253	181,610	165,267
Other County officials	469	-	-	-
Receivables:				
Property tax:				
Delinquent	-	136	377	10,232
Succeeding year	-	123,000	340,000	9,460,000
Accounts	-	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ 469	125,389	521,987	9,635,499
Liabilities				
Accounts payable	\$ -	-	4,514	-
Salaries and benefits payable	-	-	10,015	-
Due to other governments	-	125,389	488,800	9,635,499
Trusts payable	469	-	-	-
Compensated absences	-	-	18,658	-
Total liabilities	\$ 469	125,389	521,987	9,635,499

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Aselements	Auto License and Use Tax	Other	Total
7,378	42,523	3,704	6,631	335,906	44,095	789,367
-	-	-	-	-	-	469
644	2,608	246	-	-	14	14,257
578,000	3,913,000	213,000	-	-	19,000	14,646,000
-	-	-	-	-	30,620	30,620
-	-	-	251,393	-	-	251,393
-	-	-	-	-	1,005	1,005
586,022	3,958,131	216,950	258,024	335,906	94,734	15,733,111
-	-	-	-	-	-	4,514
-	-	-	-	-	763	10,778
586,022	3,958,131	216,950	258,024	335,906	93,729	15,698,450
-	-	-	-	-	-	469
-	-	-	-	-	242	18,900
586,022	3,958,131	216,950	258,024	335,906	94,734	15,733,111

Jones County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 635	129,209	622,841	9,675,436
Additions:				
Property and other county tax	-	122,832	339,644	9,446,696
E911 surcharges	-	-	-	-
State tax credits	-	8,376	21,966	618,877
Office fees and collections	376,605	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	248,812	-	-	-
Miscellaneous	-	-	1,607	-
Total additions	625,417	131,208	363,217	10,065,573
Deductions:				
Agency remittances:				
To other funds	218,709	-	-	-
To other governments	155,800	135,028	464,071	10,105,510
Trusts paid out	251,074	-	-	-
Total deductions	625,583	135,028	464,071	10,105,510
Balances end of year	\$ 469	125,389	521,987	9,635,499

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
424,837	3,633,945	211,358	44,998	400,295	98,364	15,241,918
577,159	3,964,284	210,908	-	-	18,187	14,679,710
-	-	-	-	-	120,805	120,805
27,412	196,157	13,007	-	-	1,347	887,142
-	-	-	-	-	-	376,605
-	-	-	-	4,032,660	224	4,032,884
-	-	-	305,177	-	-	305,177
-	-	-	-	-	-	248,812
-	-	-	-	-	41,401	43,008
604,571	4,160,441	223,915	305,177	4,032,660	181,964	20,694,143
-	-	-	-	167,257	-	385,966
443,386	3,836,255	218,323	92,151	3,929,792	185,594	19,565,910
-	-	-	-	-	-	251,074
443,386	3,836,255	218,323	92,151	4,097,049	185,594	20,202,950
586,022	3,958,131	216,950	258,024	335,906	94,734	15,733,111

Jones County

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

For the Last Six Years

	Modified Accrual		
	2006	2005	2004
Revenues:			
Property and other county tax	\$ 5,217,355	5,136,777	4,944,141
Interest and penalty on property tax	38,376	41,809	43,800
Intergovernmental	5,815,503	6,384,409	4,836,462
Licenses and permits	72,345	59,517	46,118
Charges for service	513,186	505,718	513,303
Use of money and property	331,045	226,899	154,548
Fines, forfeitures and defaults	-	-	-
Miscellaneous	279,683	276,380	371,759
Total	\$ 12,267,493	12,631,509	10,910,131
Expenditures:			
Operating:			
Public safety and legal services	\$ 1,805,964	1,713,155	1,636,654
Physical health and social services	698,613	605,430	767,276
Mental health	2,226,362	2,127,455	2,168,835
County environment and education	1,184,737	554,528	571,865
Roads and transportation	4,013,501	4,355,370	4,427,394
Governmental services to residents	619,332	448,029	385,668
Administration	1,270,527	1,202,306	959,960
Non-program	109,192	38,133	35,667
Capital projects	1,278,659	1,994,791	385,766
Total	\$ 13,206,887	13,039,197	11,339,085

See accompanying independent auditor's report.

Basis		
2003	2002	2001
4,836,888	4,534,837	4,388,086
41,833	41,304	40,568
5,734,114	5,496,228	5,204,746
40,199	42,091	38,277
488,311	425,337	548,030
233,775	224,710	375,217
-	3,556	256
215,666	55,600	61,266
11,590,786	10,823,663	10,656,446

1,587,393	1,490,438	1,360,901
655,087	417,424	485,193
2,157,138	2,156,418	2,217,737
524,010	583,125	493,586
4,202,859	3,519,321	3,895,875
339,057	337,641	303,117
958,153	974,493	877,548
224,953	30,238	17,201
408,995	366,079	244,276
11,057,645	9,875,177	9,895,434

Schedule 6

Jones County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		\$ 10,938
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228	04-WS-049	61,182
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-C053(43)--8J-53	16,059
Highway Planning and Construction	20.205	STP-ES-C053(45)--81-53	151,098
			<u>167,157</u>
U.S. Election Assistance Commission:			
Iowa Secretary of State:			
Help America Vote Act Requirements Payments	90.401	06-HAVA--53-100	145,793
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Levels in Children	93.197		4,504
Iowa Department of Human Services:			
Human Services Administrative Reimbursement:			
Temporary Assistance for Needy Families	93.558		13,193
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		3,128
Foster Care - Title IV-E	93.658		6,813
Adoption Assistance	93.659		1,672
Medical Assistance Program	93.778		17,655
Social Services Block Grant	93.667		8,996
Social Services Block Grant	93.667		77,746
			<u>86,742</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
State Domestic Preparedness Equipment Support (\$72,287 provided to subrecipients)	97.004	HSGP	79,835
United Way of America:			
Emergency Food and Shelter National Board Program	97.024		7,750
Total			<u>\$ 606,362</u>

Jones County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

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

See accompanying independent auditor's report.

Jones County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on 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 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, 2006, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated December 21, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

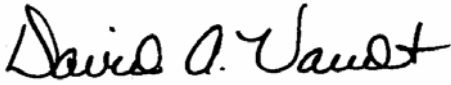
Compliance and Other Matters

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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

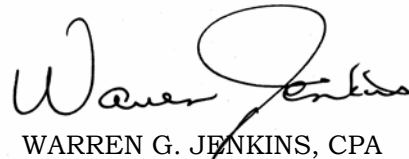
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all 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.

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

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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 21, 2006

**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance in
Accordance with OMB Circular A-133**

Jones County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
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Des Moines, Iowa 50319-0004

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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Officials of Jones County:

Compliance

We have audited the compliance of Jones County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Jones County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Jones County's management. Our responsibility is to express an opinion on Jones County's compliance based on our audit.

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

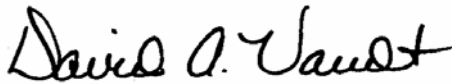
In our opinion, Jones County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

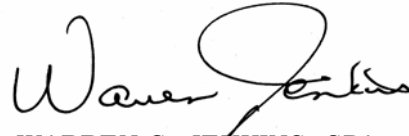
The management of Jones County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Jones County's internal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

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 21, 2006

Jones County
Schedule of Findings and Questioned Costs
Year ended June 30, 2006

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements, which was not considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA Number 20.205 – Highway Planning and Construction Program and CFDA Number 90.401 – Help America Vote Act Requirements Payments.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Jones County did not qualify as a low-risk auditee.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part II: Findings Related to the Financial Statements:

REPORTABLE CONDITION:

II-A-06 Jones County Historic Preservation Commission – Hale Bridge Bank Account – The County received donations and contributions which were deposited into a checking account. These collections were not reflected in the County’s accounting system and have not been included in the County’s annual budget or financial reports.

Recommendation – This activity should be included in the County’s annual budget and financial statements and disbursements should be charged to the appropriate expenditure account.

Response – Various attempts were made by the County Auditor throughout the fiscal year to obtain information regarding the Hale Bridge Bank Account from the persons involved in the Bridge group. The Bridge group declined to provide information that would have made it possible to include the activities of the Hale Bridge Bank Account in the County’s fiscal year 2006 budget and cash and modified accrual financial statements. The Bridge group has been encouraged to form a non-profit corporation and discontinue use of the County’s federal employer identification number.

Conclusion – Response acknowledged. Unless the Bridge group is a part of the County, it should not use the County’s federal employer identification number.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Jones County
Schedule of Findings and Questioned Costs
Year ended June 30, 2006

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted.

IV-B-06 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-06 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-06 Business Transactions – The following business transactions between the County and County officials or employees were noted:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Delbert Loop, husband of Dispatcher	Rent	\$ 150

In accordance with Chapters 331.342(10) and 331.342(3), respectively, of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since the cumulative amount was less than \$1,500 during the fiscal year.

IV-E-06 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be periodically reviewed to ensure the coverage is adequate for current operations.

IV-F-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.

IV-H-06 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-06 Financial Condition – The Special Revenue, Hale Bridge Historical Restoration and Center Junction Wastewater Project Funds and the Capital Projects Fund had deficit balances of \$22,517, \$8,540 and \$3,871, respectively, at June 30, 2006.

Recommendation – The County should investigate alternatives to eliminate these deficits in order to return these funds to sound financial positions.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Response – The modified accrual basis deficit balances are reflective of monies owed the County’s General Fund, as a result of temporary cash flow transfers to enable the payment of bills from the Special Revenue and Capital Projects Funds for said projects. These are on-going projects and it is anticipated that additional project revenues should help eliminate these deficits and return these funds to a sound financial position. The monies owed the General Fund for the Center Junction Wastewater Project will be repaid upon receipt of a U.S. Department of Agriculture loan to the Eastern Iowa Rural Utility Service System.

Conclusion – Response accepted.

IV-J-06 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, 2006 for the County Extension Office did not exceed the amount budgeted. However, the Extension Council approved payment of bonuses to employees on June 27, 2006. These expenditures may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

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

The Extension Council should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the Extension Council should establish written policies and procedures which document the public purpose served.

Response – We were unaware of any instructions or restrictions documented in the Extension Field and County Operations Guide in regard to paying bonuses to staff. We received no comment when we conducted a similar procedure in fiscal year 2004. Upon closer inspection, we found a variation in the wording of the motion used in 2004 which did provide a reason for paying the bonuses at that time. Therefore, we have taken steps to create a file that will provide us with necessary documentation as to the similar reasons for the bonuses paid to staff during fiscal year 2006. The file will also serve as an instruction base for processing future bonuses if they are deemed necessary.

Conclusion – Response accepted.

IV-K-06 Credit Cards – The County Extension Office has a credit card. The Extension Council has not adopted a formal policy to regulate the use of the credit card and to establish procedures for the proper accounting of credit card charges. Additionally, on December 15, 2005, late fees and interest of \$29 were paid on the credit card.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Recommendation – The Extension Council should adopt a formal written policy regulating the use of credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purpose, as well as the types of supporting documentation required to substantiate charges. The County Extension Office should ensure credit card payments are paid timely to avoid late fees and interest charges.

Response – We have collected sample copies of a credit card policy. We are in the process of adapting such policies to meet our County office needs. We plan to add the credit card policy to our Fiscal Policy during the revision/approval in 2007.

In regards to the timely payment of credit card bills to avoid late fees and interest charges, the noted late payment occurred due to the timing of the billing/payment/mail delivery and the holiday season during December 2005. We continue to monitor the payments so this does not happen again.

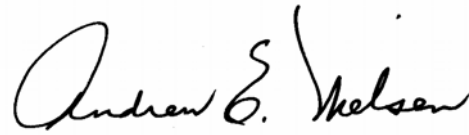
Conclusion – Response accepted.

Jones County

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager
Darryl J. Brumm, CPA, Senior Auditor II
Daniel L. Grady, Staff Auditor
Bradley A. Meisterling, Staff Auditor
Aaron P. Wagner, Assistant Auditor
Bryan Walker, Auditor Intern

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

Andrew E. Nielsen, CPA
Deputy Auditor of State