



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

**NEWS RELEASE**

FOR RELEASE

June 12, 2007

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$18,970,567 for the year ended June 30, 2006, which included \$1,238,074 in tax credits from the state. The County forwarded \$14,453,572 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,516,995 of the local tax revenue to finance County operations, a 2 percent increase over the prior year. Other revenues included charges for service of \$1,164,973, operating grants, contributions and restricted interest of \$4,337,521, capital grants, contributions and restricted interest of \$3,061,638, local option sales tax of \$647,755, unrestricted investment earnings of \$220,626 and other general revenues of \$222,154.

Expenses for County operations totaled \$10,844,926, an 11 percent increase over the prior year. Expenses included \$4,415,549 for roads and transportation, \$1,812,861 for mental health and \$1,387,003 for public safety and legal services. The increase in expenses for the year was due, in part, to an increase in roads and transportation capital projects.

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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**JACKSON COUNTY**

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

**JUNE 30, 2006**

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**Jackson County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
J. C. Engel	Board of Supervisors	Jan 2007
John J. Willey	Board of Supervisors	Jan 2007
Larry Koos	Board of Supervisors	Jan 2009
Joell Deppe	County Auditor	Jan 2009
Alfred Tebbe, Jr.	County Treasurer	Jan 2007
Phyllis Gerlach	County Recorder	Jan 2007
Russell Kettmann	County Sheriff	Jan 2009
John L. Kies	County Attorney	Jan 2007
William Goettler	County Assessor	Jan 2010

**Jackson County**



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

Independent Auditor's Report

To the Officials of Jackson County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jackson County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Jackson County's management. Our responsibility is to express opinions on these financial statements based on our audit.

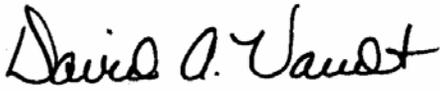
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Jackson County at June 30, 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.

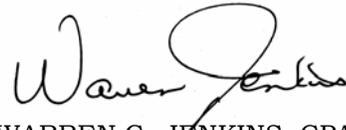
In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2007 on our consideration of Jackson County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 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 Jackson County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the 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 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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

January 23, 2007

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Jackson County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2006 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 8.7%, or approximately \$1,130,000, from fiscal 2005 to fiscal 2006. Property and other county tax increased approximately \$87,000, operating grants and contributions increased approximately \$157,000 and capital grants and contributions increased approximately \$837,000.
- Program expenses of the County's governmental activities increased approximately 11.0%, or \$1,075,000, from fiscal 2005 to fiscal 2006. County environment and education expenses increased approximately \$329,000 and roads and transportation expenses increased approximately \$508,000.
- The County's net assets increased 9.8%, or approximately \$3,327,000, from June 30, 2005 to June 30, 2006.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

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

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

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

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

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

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

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

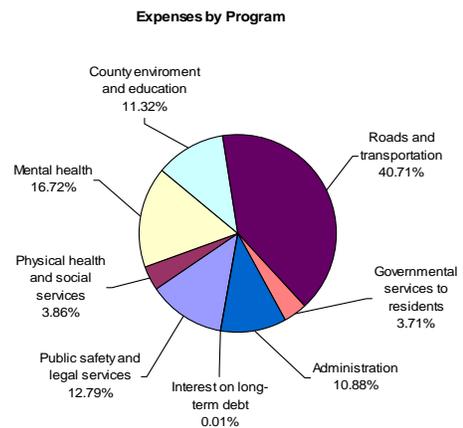
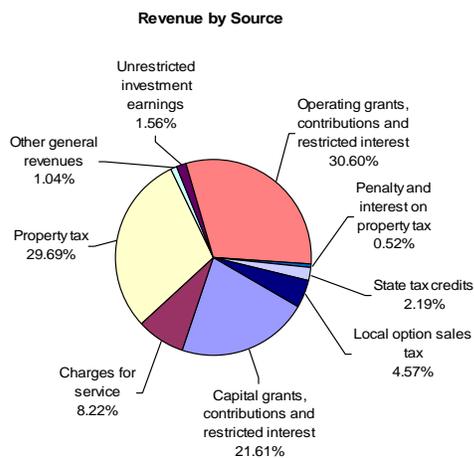
As noted earlier, net assets may serve over time as a useful indicator of financial position. Jackson County's combined net assets of governmental activities increased 9.8%, from \$34 million to \$37.3 million, between June 30, 2005 and June 30, 2006. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2006	2005
Current and other assets	\$ 11,466	10,211
Capital assets	31,439	28,816
Total assets	<u>42,905</u>	<u>39,027</u>
Long-term liabilities	296	440
Other liabilities	5,280	4,585
Total liabilities	<u>5,576</u>	<u>5,025</u>
Net assets:		
Invested in capital assets, net of related debt	31,427	28,768
Restricted	4,857	4,609
Unrestricted	1,045	625
Total net assets	<u>\$ 37,329</u>	<u>34,002</u>

The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - are approximately \$1,045,000 at June 30, 2006.

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

	Year ended June 30,	
	2006	2005
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 1,165	1,287
Operating grants, contributions and restricted interest	4,338	4,181
Capital grants, contributions and restricted interest	3,062	2,225
<b>General revenues:</b>		
Property tax	4,207	4,120
Penalty and interest on property tax	73	70
State tax credits	310	291
Local option sales tax	648	639
Unrestricted investment earnings	221	89
Other general revenues	148	140
<b>Total revenues</b>	<b>14,172</b>	<b>13,042</b>
<b>Program expenses:</b>		
Public safety and legal services	1,387	1,307
Physical health and social services	419	408
Mental health	1,813	1,777
County environment and education	1,228	899
Roads and transportation	4,415	3,907
Governmental services to residents	402	380
Administration	1,180	1,077
Interest on long-term debt	1	15
<b>Total expenses</b>	<b>10,845</b>	<b>9,770</b>
<b>Increase in net assets</b>	<b>3,327</b>	<b>3,272</b>
<b>Net assets beginning of year</b>	<b>34,002</b>	<b>30,730</b>
<b>Net assets end of year</b>	<b>\$ 37,329</b>	<b>34,002</b>



The County increased property tax rates for fiscal 2006 by an average of .75%, while property valuations increased 1.8%. These increases raised the County's property tax revenue approximately \$87,000 in fiscal 2006. Based on increases in the total assessed valuation, property tax revenue is budgeted to increase an additional \$143,946 next year.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Jackson County completed the year, its governmental funds reported a combined fund balance of \$4,732,362, an increase of \$466,169 over last year's total of \$4,266,193. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased \$427,588 and expenditures increased \$490,277. The ending fund balance increased \$165,374 over the prior year to \$797,461. The increase in revenues and expenditures was due, in part, to the receipt of \$152,680 of Help America Vote Act funds which were used to purchase voting equipment.
- The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal 2006, expenditures totaled \$1,912,333, an increase of 1.25% over the prior year. The Mental Health Fund balance at year end increased \$145,103 over the prior year to \$655,300.
- The Rural Services Fund ended fiscal 2006 with a \$221,143 balance compared to the prior year ending balance of \$145,981. There were no significant changes in revenues from the prior year.
- Secondary Roads Fund expenditures increased \$331,563 from the prior year, due principally to payments for capital projects. This increase in expenditures and a slight increase in state and federal grant revenue resulted in a decrease in the Secondary Roads Fund ending balance of \$142,575, or 9.5%, from the prior year.
- The Local Option Sales Tax Fund ended fiscal 2006 with a \$910,448 balance compared to the prior year ending balance of \$734,997. The increase is primarily due to decreased spending for concrete, paving and road rock for road projects.
- The Jackson County Revolving Loan Fund ended fiscal 2006 with a \$650,619 balance compared to the prior year ending balance of \$681,870. During fiscal 2006, a new loan to promote economic growth and well being of \$205,000 was provided to one business. The Jackson County Revolving Loan Fund received \$174,249 in loan repayments from businesses.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Jackson County amended its budget once. The amendment was made in May 2006 and resulted in an increase in budgeted disbursements related in part to fuel, natural gas and electric, equipment and supplies purchases, insurance and unemployment, the Juvenile Probation Shelter and the County Farm. The County received more intergovernmental revenues than originally budgeted and earned more interest on investments than originally projected.

The County's receipts were \$4,718 less than the amended budget.

Total disbursements were \$1,063,547 less than the amended budget. Actual disbursements for the mental health and roads and transportation functions were \$513,733 and \$301,127, respectively, less than budgeted. This was primarily due to the County continuing to look for ways to manage the cost of mental health services and work on certain projects not completed prior to June 30, 2006.

Even with the amendment, the County exceeded the budgeted amount in the capital projects function for the year ended June 30, 2006.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2006, Jackson County had approximately \$31.4 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$2.6 million, or 9%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2006	2005
Land	\$ 2,845	2,845
Buildings and improvements	1,629	1,907
Equipment and vehicles	2,722	2,294
Infrastructure	23,408	20,947
Construction in progress	835	823
Total	\$ 31,439	28,816

The County had depreciation expense of \$1,425,130 in fiscal 2006 and total accumulated depreciation of \$14,927,265 at June 30, 2006.

The County's fiscal 2006 capital budget included \$495,500 for capital projects, principally for road construction. More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

### Long-Term Debt

At June 30, 2006, Jackson County had approximately \$113,000 in bank loan and other debt outstanding, compared to approximately \$248,000 at June 30, 2005, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
(Expressed in Thousands)		
	June 30,	
	2006	2005
Capital lease purchase agreements	\$ 13	48
Bank loan	100	200
Total	\$ 113	248

Debt decreased primarily as a result of making loan and other debt payments of approximately \$135,000. The County did not enter into any new lease purchase agreements in FY2006.

The County does not carry a general obligation bond rating assigned by national rating agencies since it has not issued any general obligation bonds for a number of years. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Jackson County's general obligation constitutional debt limit is \$31.8 million. Additional information about the County's long-term debt is presented in Note 8 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Jackson County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates and fees charged for various County activities. One of those factors is the economy. The County's nonagricultural employment growth decreased in 2006, averaging 1 percent over the last 5 years while the population growth during 2000-2005 has increased .2 percent. Unemployment in the County now stands at 4.1 percent versus 5.3 percent a year ago.

Inflation continues to be slightly lower than the national Consumer Price Index increase. Inflation has been modest here due, in part, to the slowing of the residential housing market and modest increases in energy prices in 2005-2006.

These indicators were taken into account when adopting the budget for fiscal year 2007. Jackson County will use the increase in property tax to finance programs we currently offer and offset the effect we expect inflation to have on program costs. The County has added no major new programs or initiatives to the 2007 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly increase by the close of fiscal 2007.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

**Jackson County**

## **Basic Financial Statements**

**Exhibit A**

Jackson County  
Statement of Net Assets  
June 30, 2006

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 5,209,898
Receivables:	
Property tax:	
Delinquent	16,967
Succeeding year	4,156,000
Interest and penalty on property tax	98,981
Accounts	73,978
Accrued interest	7,224
Revolving loans	1,065,113
Due from other governments	449,908
Inventories	275,623
Prepaid insurance	112,721
Capital assets (net of accumulated depreciation)	31,439,191
<b>Total assets</b>	<u>42,905,604</u>
<b>Liabilities</b>	
Accounts payable	428,682
Salaries and benefits payable	131,200
Due to other governments	564,558
Deferred revenue:	
Succeeding year property tax	4,156,000
Long-term liabilities:	
Portion due or payable within one year:	
Bank loan	100,000
Compensated absences	140,359
Portion due or payable after one year:	
Capital lease purchase agreements	12,526
Compensated absences	43,139
<b>Total liabilities</b>	<u>5,576,464</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	31,426,665
Restricted for:	
Mental health purposes	556,149
Secondary roads purposes	2,349,758
Cemetery	16,846
Other purposes	1,933,948
Unrestricted	1,045,774
<b>Total net assets</b>	<u>\$ 37,329,140</u>

See notes to financial statements.

Jackson County  
Statement of Activities  
Year ended June 30, 2006

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,387,003	106,402	12,643	-	(1,267,958)
Physical health and social services	419,047	125,967	139,925	-	(153,155)
Mental health	1,812,861	4,131	1,297,888	-	(510,842)
County environment and education	1,227,634	391,083	47,372	17,769	(771,410)
Roads and transportation	4,415,549	77,088	2,832,990	2,887,149	1,381,678
Governmental services to residents	401,625	307,449	6,703	156,720	69,247
Administration	1,179,887	152,853	-	-	(1,027,034)
Interest on long-term debt	1,320	-	-	-	(1,320)
<b>Total</b>	<b>\$ 10,844,926</b>	<b>1,164,973</b>	<b>4,337,521</b>	<b>3,061,638</b>	<b>(2,280,794)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					4,206,596
Penalty and interest on property tax					73,071
State tax credits					310,399
Local option sales tax					647,755
Unrestricted investment earnings					220,626
Gain on disposition of capital assets					134,504
Miscellaneous					14,579
<b>Total general revenues</b>					<b>5,607,530</b>
Change in net assets					3,326,736
Net assets beginning of year					34,002,404
Net assets end of year					<b>\$ 37,329,140</b>

See notes to financial statements.

Jackson County  
Balance Sheet  
Governmental Funds

June 30, 2006

	General	Mental Health	Rural Services
<b>Assets</b>			
Cash and pooled investments	\$ 1,014,038	1,192,353	225,097
Receivables:			
Property tax:			
Delinquent	12,678	3,607	682
Succeeding year	2,501,000	711,000	944,000
Interest and penalty on property tax	98,981	-	-
Accounts	202	-	-
Accrued interest	6,538	-	-
Revolving loans	-	-	-
Due from other funds	39	-	-
Advances to other funds	-	-	-
Due from other governments	43,242	30,256	14,148
Inventories	-	-	-
Prepaid insurance	54,395	-	-
	<b>\$ 3,731,113</b>	<b>1,937,216</b>	<b>1,183,927</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 229,529	43,799	710
Salaries and benefits payable	54,510	8,104	15,712
Due to other funds	3,457	39	-
Due to other governments	33,570	515,376	1,680
Deferred revenue:			
Succeeding year property tax	2,501,000	711,000	944,000
Other	111,586	3,598	682
Advances from other funds	-	-	-
Total liabilities	<b>2,933,652</b>	<b>1,281,916</b>	<b>962,784</b>
Fund balances:			
Reserved for:			
Cemetery	16,846	-	-
Advance to other funds	-	-	-
Unreserved, reported in:			
General fund	780,615	-	-
Special revenue funds	-	655,300	221,143
Capital projects fund	-	-	-
Total fund balances	<b>797,461</b>	<b>655,300</b>	<b>221,143</b>
	<b>\$ 3,731,113</b>	<b>1,937,216</b>	<b>1,183,927</b>

See notes to financial statements.

Special Revenue				
Secondary Roads	Local Option Sales Tax	Jackson County Revolving Loan	Nonmajor	Total
902,286	868,004	655,619	218,624	5,076,021
-	-	-	-	16,967
-	-	-	-	4,156,000
-	-	-	-	98,981
788	72,988	-	-	73,978
-	-	-	192	6,730
-	-	1,065,113	-	1,065,113
3,653	-	-	-	3,692
-	-	100,000	-	100,000
284,026	42,444	-	35,792	449,908
275,623	-	-	-	275,623
58,326	-	-	-	112,721
<b>1,524,702</b>	<b>983,436</b>	<b>1,820,732</b>	<b>254,608</b>	<b>11,435,734</b>
47,357	-	105,000	2,287	428,682
49,315	-	-	3,559	131,200
-	-	-	196	3,692
492	-	-	13,440	564,558
-	-	-	-	4,156,000
65,273	72,988	1,065,113	-	1,319,240
-	-	-	100,000	100,000
<b>162,437</b>	<b>72,988</b>	<b>1,170,113</b>	<b>119,482</b>	<b>6,703,372</b>
-	-	-	-	16,846
-	-	100,000	-	100,000
-	-	-	-	780,615
1,362,265	910,448	550,619	231,646	3,931,421
-	-	-	(96,520)	(96,520)
<b>1,362,265</b>	<b>910,448</b>	<b>650,619</b>	<b>135,126</b>	<b>4,732,362</b>
<b>1,524,702</b>	<b>983,436</b>	<b>1,820,732</b>	<b>254,608</b>	<b>11,435,734</b>

**Jackson County**

Jackson County

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

June 30, 2006

**Total governmental fund balances (page 19)** \$ 4,732,362

***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 \$46,366,456 and the accumulated depreciation is \$14,927,265. 31,439,191

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 1,319,240

The Internal Service Funds are used by management to charge the costs of partial self funding of the County's health and dental plans to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets. 134,371

Long-term liabilities, including capital lease purchase agreements, bank loan, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (296,024)

**Net assets of governmental activities (page 16)** \$ 37,329,140

See notes to financial statements.

Jackson County

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

Year ended June 30, 2006

	General	Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 2,506,670	739,165	940,289
Local option sales tax	-	-	161,939
Interest and penalty on property tax	55,488	-	-
Intergovernmental	524,432	1,352,158	74,185
Licenses and permits	4,555	-	-
Charges for service	549,335	156	-
Use of money and property	226,431	-	-
Miscellaneous	46,240	4,740	24
Total revenues	<u>3,913,151</u>	<u>2,096,219</u>	<u>1,176,437</u>
<b>Expenditures:</b>			
<b>Operating:</b>			
Public safety and legal services	1,157,685	-	240,304
Physical health and social services	185,684	-	-
Mental health	-	1,812,333	-
County environment and education	598,832	-	208,971
Roads and transportation	-	-	-
Governmental services to residents	548,589	-	2,000
Administration	1,134,383	-	-
Debt service	30,729	100,000	-
Capital projects	658	-	-
Total expenditures	<u>3,656,560</u>	<u>1,912,333</u>	<u>451,275</u>
Excess (deficiency) of revenues over (under) expenditures	<u>256,591</u>	<u>183,886</u>	<u>725,162</u>
<b>Other financing sources (uses):</b>			
Operating transfers in	38,783	-	-
Operating transfers out	(130,000)	(38,783)	(650,000)
Total other financing sources (uses)	<u>(91,217)</u>	<u>(38,783)</u>	<u>(650,000)</u>
Net change in fund balances	165,374	145,103	75,162
Fund balances beginning of year	632,087	510,197	145,981
Fund balances end of year	<u>\$ 797,461</u>	<u>655,300</u>	<u>221,143</u>

See notes to financial statements.

Special Revenue				
Secondary Roads	Local Option Sales Tax	Jackson County Revolving Loan	Nonmajor	Total
-	-	-	-	4,186,124
-	485,816	-	-	647,755
-	-	-	-	55,488
2,844,755	-	-	156,292	4,951,822
10,905	-	-	38,538	53,998
1,155	-	-	20,596	571,242
-	-	174,249	26,472	427,152
82,007	10,325	-	39,503	182,839
2,938,822	496,141	174,249	281,401	11,076,420
-	-	-	7,676	1,405,665
-	-	-	229,475	415,159
-	-	-	-	1,812,333
-	-	205,500	15,676	1,028,979
3,665,867	-	-	-	3,665,867
-	-	-	20,305	570,894
-	-	-	5,742	1,140,125
-	-	-	-	130,729
90,530	320,690	-	28,622	440,500
3,756,397	320,690	205,500	307,496	10,610,251
(817,575)	175,451	(31,251)	(26,095)	466,169
675,000	-	-	105,000	818,783
-	-	-	-	(818,783)
675,000	-	-	105,000	-
(142,575)	175,451	(31,251)	78,905	466,169
1,504,840	734,997	681,870	56,221	4,266,193
1,362,265	910,448	650,619	135,126	4,732,362

Jackson County

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

Year ended June 30, 2006

**Net change in fund balances - Total governmental funds (page 23)** \$ 466,169

**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	\$ 1,048,911	
Capital assets contributed by the Iowa Department of Transportation	2,865,090	
Depreciation expense	(1,425,130)	2,488,871

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 134,504

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	173,095	
Other	(101,544)	71,551

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. 135,529

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

Compensated absences	8,426	
Interest on long-term debt	2,706	11,132

Internal Service Funds are used by management to charge the costs of partial self-funding of the employee health and dental plans to individual funds. The change in net assets of the Internal Service Funds is reported with governmental activities. 18,980

**Change in net assets of governmental activities (page 17)** \$ 3,326,736

See notes to financial statements.

Jackson County  
Statement of Net Assets  
Proprietary Funds  
June 30, 2006

	<u>Internal Service</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 133,877
Accrued interest receivable	<u>494</u>
<b>Total assets</b>	134,371
<b>Liabilities</b>	
None	<u>-</u>
<b>Net Assets</b>	
Unrestricted	<u>\$ 134,371</u>

See notes to financial statements.

## Jackson County

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

Year ended June 30, 2006

	<u>Internal Service</u>
Operating revenues:	
Reimbursements from operating funds	\$ 96,525
Reimbursements from employees	19,533
Total operating revenues	<u>116,058</u>
Operating expenses:	
Medical claims	65,078
Insurance premiums	27,819
Administrative fees	8,746
Total operating expenses	<u>101,643</u>
Operating income	14,415
Non-operating revenues:	
Interest income	<u>4,565</u>
Change in net assets	18,980
Net assets beginning of year	<u>115,391</u>
Net assets end of year	<u>\$ 134,371</u>

See notes to financial statements.

Jackson County  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2006

	Internal Service
Cash flows from operating activities:	
Cash received from operating funds and employees	\$ 116,057
Cash paid to suppliers for medical claims, administrative fees and insurance premiums	(101,642)
Net cash provided by operating activities	14,415
Cash flows from investing activities:	
Interest on investments	4,320
Net increase in cash and cash equivalents	18,735
Cash and cash equivalents beginning of year	115,142
Cash and cash equivalents end of year	\$ 133,877
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 14,415
Adjustment to reconcile operating income to net cash used by operating activities:	
None	-
Net cash provided by operating activities	\$ 14,415

See notes to financial statements.

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

**Assets**

## Cash and pooled investments:

County Treasurer	\$ 965,803
Other County officials	60,007

## Receivables:

## Property tax:

Delinquent	85,151
Succeeding year	13,084,000

Accounts	215
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Accrued interest	874
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## Special assessments:

Delinquent	13,254
Succeeding year	48,000

<b>Total assets</b>	<u>14,257,304</u>
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**Liabilities**

Accounts payable	23,881
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Salaries and benefits payable	7,889
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Due to other governments	14,152,838
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Trusts payable	60,007
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Compensated absences	12,689
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<b>Total liabilities</b>	<u>14,257,304</u>
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<b>Net assets</b>	<u><u>\$ -</u></u>
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See notes to financial statements.

Jackson County

Notes to Financial Statements

June 30, 2006

**(1) Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 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	\$ 65,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, death or retirement. No payment for unused sick leave shall be made upon the termination of

employment with the County. Full-time employees who do not utilize sick leave during a three-month span are entitled to an additional one-half day of floating personal time which will be credited at the end of each calendar quarter. Floating time is credited to the employee's vacation time. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

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

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the capital projects function.

### **(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 had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,973,851 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

**(3) Interfund Assets/Liabilities**

The detail of due to/due from other funds and advances to/from other funds at June 30, 2006 is as follows:

Due To/Due From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Mental Health	\$ 39
Special Revenue: Secondary Roads	General	3,457
	Special Revenue: Local Health	196
Total		<u>\$ 3,692</u>

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

Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Jackson County Revolving Loan	Capital Projects	<u>\$ 100,000</u>

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

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Mental Health	\$ 38,783
Special Revenue: Secondary Roads	General	25,000
	Special Revenue: Rural Services	650,000
Local Health	General	50,000
Capital Projects	General	55,000
Total		<u>\$ 818,783</u>

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

**(5) Jackson County Revolving Loan Fund**

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

Upon receipt of the loan payments from the businesses, the funds remain in the Jackson County Revolving Loan Fund for subsequent loans to other businesses. If the program is dissolved, all monies and interest earned will revert to Jackson County. During the year ended June 30, 2006, one loan for \$205,000 was made to a business.

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

Loaned to	Date of Loan	Loan Amount	Interest Rate	Term of Loan	Loan Balance June 30, 2006
Clark Boat Company Inc.	24-Aug-93	\$ 273,000	4.5%	15 years	\$ 117,533
Spartan Company	18-Jan-95	125,000	5.0	15 years	39,663
Spartan Company	27-Nov-96	78,000	5.5	7 years	16,212
Pacific Coast Feather Co.	23-May-00	236,000	4.5	10 years	107,258
RENOV Developers, Inc.	29-Feb-00	63,000	4.4	8 years	20,380
Precision Metal Works	5-Dec-00	204,000	5.5	7 years	50,538
WhatHelps?, Inc.	22-Jan-01	200,000	4.5	4 years	182,550
T M Woodworks	6-Apr-04	255,000	4.0	15 years	186,407
Maquoketa Newspapers, Inc	27-Apr-04	87,000	4.0	7 years	64,572
Spartan Company	5-Nov-04	75,000	4.0	7 years	75,000
Maquoketa Newspapers, Inc	13-Jun-06	205,000	5.5	7 years	205,000
Total					<u>\$ 1,065,113</u>

In addition, the County advanced \$255,000 to the Jackson County Conservation Board for construction costs of the Hurstville Interpretative Center. The advance will be repaid by the Capital Projects Fund. The balance outstanding at June 30, 2006 was \$100,000.

**(6) Capital Assets**

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,844,496	-	-	2,844,496
Construction in progress	823,209	3,110,011	3,098,276	834,944
Total capital assets not being depreciated	<u>3,667,705</u>	<u>3,110,011</u>	<u>3,098,276</u>	<u>3,679,440</u>
Capital assets being depreciated:				
Buildings and improvements	3,186,797	6,858	-	3,193,655
Equipment and vehicles	5,943,273	943,199	553,907	6,332,565
Infrastructure, road network	29,947,497	3,098,276	-	33,045,773
Infrastructure, other	115,023	-	-	115,023
Total capital assets being depreciated	<u>39,192,590</u>	<u>4,048,333</u>	<u>553,907</u>	<u>42,687,016</u>
Less accumulated depreciation for:				
Buildings and improvements	1,279,501	284,369	-	1,563,870
Equipment and vehicles	3,649,233	503,944	542,344	3,610,833
Infrastructure, road network	9,083,462	632,216	-	9,715,678
Infrastructure, other	32,283	4,601	-	36,884
Total accumulated depreciation	<u>14,044,479</u>	<u>1,425,130</u>	<u>542,344</u>	<u>14,927,265</u>
Total capital assets being depreciated, net	<u>25,148,111</u>	<u>2,623,203</u>	<u>11,563</u>	<u>27,759,751</u>
Governmental activities capital assets, net	<u>\$ 28,815,816</u>	<u>5,733,214</u>	<u>3,109,839</u>	<u>31,439,191</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 27,270
Physical health and social services	4,330
Mental health	940
County environment and education	57,523
Roads and transportation	1,252,386
Governmental services to residents	23,857
Administration	58,824
Total depreciation expense - governmental activities	<u>\$1,425,130</u>

**(7) Due to Other Governments**

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

Fund	Description	Amount
General	Services	\$ 33,570
Special Revenue:		
Mental Health	Services	515,376
Rural Services	Services	1,680
Secondary Roads	Services	492
Local Health	Services	13,440
		<u>530,988</u>
Total for governmental funds		<u>\$ 564,558</u>
Agency:		
County Assessor	Collections	\$ 623,868
Schools		9,230,073
Community Colleges		394,492
Corporations		2,482,547
Townships		162,435
County Hospital		742,559
All other		516,864
Total for agency funds		<u>\$ 14,152,838</u>

**(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	Bank Loan	Compensated Absences	Total
Balance beginning of year	\$ 48,055	200,000	191,924	439,979
Increases	-	-	192,538	192,538
Decreases	35,529	100,000	200,964	336,493
Balance end of year	<u>\$ 12,526</u>	<u>100,000</u>	<u>183,498</u>	<u>296,024</u>
Due within one year	<u>\$ -</u>	<u>100,000</u>	<u>140,359</u>	<u>240,359</u>

### Capital Lease Purchase Agreements

The County has entered into a capital lease purchase agreement to lease computer equipment. The following is a schedule of the future minimum lease payments, including interest of 3.15% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2006:

Year ending June 30,	Amount
2007	\$ -
2008	12,688
Total minimum lease payments	12,688
Less amount representing interest	(162)
Present value of net minimum lease payments	\$ 12,526

Payments under capital lease purchase agreements totaled \$37,211 during the year ended June 30, 2006.

### Bank Loan

On May 3, 2004, Jackson County entered into a loan agreement with Maquoketa State Bank to pay outstanding obligations due to the State for mental health services at state institutions from the Special Revenue, Mental Health Fund. The County borrowed \$400,000, with interest at 4.97% per annum, to be repaid in four annual installments, with the first payment due May 3, 2005. However, the County made a \$100,000 prepayment in June 2004. The County made additional prepayments of \$20,000 in each of the months of July, August, September and October of 2004 and in February 2005. For the year ended June 30, 2006, the County made one payment of \$100,000, resulting in an outstanding loan balance of \$100,000 at June 30, 2006.

### **(9) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 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 \$196,586, \$187,788 and \$177,848, respectively, equal to the required contributions for each year.

**(10) Risk Management**

Jackson County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 531 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2006 were \$169,313.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the County's financial statements. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

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

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

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

**(12) Jackson County Employee Self-Funded Dental Plan**

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

**(13) Construction Commitments**

The County has entered into contracts totaling \$606,845 for roadway construction and paving projects. As of June 30, 2006, costs of \$244,920 on the projects have been incurred. The balances remaining on the contracts will be paid as work on the projects progress.

**(14) Deficit Fund Balance**

The Capital Projects Fund had a deficit balance of \$96,520 at June 30, 2006. The deficit will be eliminated with the receipt of future grant funds and local revenues.

**Required Supplementary Information**

Jackson County

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

Required Supplementary Information

Year ended June 30, 2006

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 4,834,715	-	4,834,715
Interest and penalty on property tax	53,513	-	53,513
Intergovernmental	4,928,246	-	4,928,246
Licenses and permits	53,998	-	53,998
Charges for service	564,680	-	564,680
Use of money and property	583,618	-	583,618
Miscellaneous	187,523	9,786	177,737
Total receipts	<u>11,206,293</u>	<u>9,786</u>	<u>11,196,507</u>
<b>Disbursements:</b>			
Public safety and legal services	1,406,002	-	1,406,002
Physical health and social services	409,345	-	409,345
Mental health	1,574,465	-	1,574,465
County environment and education	941,457	2,598	938,859
Roads and transportation	3,636,707	-	3,636,707
Governmental services to residents	387,972	-	387,972
Administration	1,096,461	-	1,096,461
Non-program	-	-	-
Debt service	-	-	-
Capital projects	634,966	-	634,966
Total disbursements	<u>10,087,375</u>	<u>2,598</u>	<u>10,084,777</u>
Excess (deficiency) of receipts over (under) disbursements	1,118,918	7,188	1,111,730
Other financing sources, net	-	-	-
Excess of receipts and other financing sources over disbursements and other financing uses	1,118,918	7,188	1,111,730
Balance beginning of year	<u>3,957,103</u>	<u>62,254</u>	<u>3,894,849</u>
Balance end of year	<u>\$ 5,076,021</u>	<u>69,442</u>	<u>5,006,579</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Net Variance
Original	Final	
4,920,370	4,920,370	(85,655)
49,920	49,920	3,593
4,760,446	4,841,280	86,966
57,077	57,077	(3,079)
552,075	519,102	45,578
226,167	483,340	100,278
310,046	330,136	(152,399)
10,876,101	11,201,225	(4,718)
1,391,506	1,412,133	6,131
419,988	447,231	37,886
2,088,198	2,088,198	513,733
924,721	977,943	39,084
3,763,834	3,937,834	301,127
402,154	388,990	1,018
1,088,052	1,149,555	53,094
144,246	144,246	144,246
30,729	30,729	30,729
499,313	571,465	(63,501)
10,752,741	11,148,324	1,063,547
123,360	52,901	1,058,829
25	25	(25)
123,385	52,926	1,058,804
3,530,915	4,514,592	(619,743)
3,654,300	4,567,518	439,061

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Jackson 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	\$ 11,206,293	(129,873)	11,076,420
Expenditures	10,087,375	522,876	10,610,251
Net	1,118,918	(652,749)	466,169
Beginning fund balances	3,957,103	309,090	4,266,193
Ending fund balances	\$ 5,076,021	(343,659)	4,732,362

See accompanying independent auditor's report.

Jackson 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 blended component units, Internal Service Funds and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 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, the Special Revenue Funds and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$395,583. The budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the 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 exceeded the amount budgeted in the capital projects function.

**Jackson County**

**Other Supplementary Information**

Jackson County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2006

	Recorder's Records Management	Recorder's Electronic Transaction Fee	Green Island Drainage Districts	Local Health	Special Resource Enhancement and Protection
<b>Assets</b>					
Cash and pooled investments	\$ 18,830	585	69,442	26,354	29,706
Accrued interest receivable	72	-	-	-	116
Due from other governments	-	-	-	29,590	6,202
<b>Total assets</b>	<b>\$ 18,902</b>	<b>585</b>	<b>69,442</b>	<b>55,944</b>	<b>36,024</b>
<b>Liabilities and Fund Equity</b>					
Liabilities:					
Accounts payable	\$ 60	-	-	752	-
Salaries and benefits payable	-	-	-	2,854	705
Due to other funds	-	-	-	196	-
Due to other governments	-	-	-	13,440	-
Advances from other funds	-	-	-	-	-
Total liabilities	60	-	-	17,242	705
Fund equity:					
Unreserved fund balances, reported in:					
Special revenue funds	18,842	585	69,442	38,702	35,319
Capital projects fund	-	-	-	-	-
Total fund equity	18,842	585	69,442	38,702	35,319
<b>Total liabilities and fund equity</b>	<b>\$ 18,902</b>	<b>585</b>	<b>69,442</b>	<b>55,944</b>	<b>36,024</b>

See accompanying independent auditor's report.

Revenue								
Emergency Training Grant	Sheriff's Forfeiture Property	Local Law Enforcement	Conservation Land Acquisition	Pioneer Cemetery Trust	Jackson County Farm	Capital Projects		Total
150	1,084	126	25,014	2,875	40,978	3,480		218,624
-	4	-	-	-	-	-		192
-	-	-	-	-	-	-		35,792
150	1,088	126	25,014	2,875	40,978	3,480		254,608
-	-	-	-	-	1,475	-		2,287
-	-	-	-	-	-	-		3,559
-	-	-	-	-	-	-		196
-	-	-	-	-	-	-		13,440
-	-	-	-	-	-	100,000		100,000
-	-	-	-	-	1,475	100,000		119,482
150	1,088	126	25,014	2,875	39,503	-		231,646
-	-	-	-	-	-	(96,520)		(96,520)
150	1,088	126	25,014	2,875	39,503	(96,520)		135,126
150	1,088	126	25,014	2,875	40,978	3,480		254,608

Jackson County

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

Year ended June 30, 2006

	Recorder's Records Management	Recorder's Electronic Transaction Fee	Green Island Drainage Districts	Local Health	Special Resource Enhancement and Protection
Revenues:					
Intergovernmental	\$ -	-	-	120,345	16,164
Licenses and permits	-	-	-	38,538	-
Charges for service	3,975	6,703	-	8,998	-
Use of money and property	657	182	149	-	1,033
Miscellaneous	-	-	9,637	274	-
Total revenues	4,632	6,885	9,786	168,155	17,197
Expenditures:					
Operating:					
Public safety and legal services	-	-	-	-	-
Physical health and social services	-	-	-	229,475	-
County environment and education	-	-	2,598	-	7,731
Governmental services to residents	1,968	18,337	-	-	-
Administration	-	-	-	-	-
Capital projects	-	-	-	-	300
Total expenditures	1,968	18,337	2,598	229,475	8,031
Excess (deficiency) of revenues over (under) expenditures	2,664	(11,452)	7,188	(61,320)	9,166
Other financing sources:					
Operating transfers in	-	-	-	50,000	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	2,664	(11,452)	7,188	(11,320)	9,166
Fund balances beginning of year	16,178	12,037	62,254	50,022	26,153
Fund balances end of year	\$ 18,842	585	69,442	38,702	35,319

See accompanying independent auditor's report.

Revenue								
Emergency Training Grant	Sheriff's Forfeiture Property	Local Law Enforcement	Conservation Land Acquisition	Pioneer Cemetery Trust	Jackson County Farm	Capital Projects	Total	
4,238	-	-	4,866	-	-	10,679	156,292	
-	-	-	-	-	-	-	38,538	
-	-	-	920	-	-	-	20,596	
-	39	4	-	-	24,408	-	26,472	
-	-	-	615	1,050	20,837	7,090	39,503	
4,238	39	4	6,401	1,050	45,245	17,769	281,401	
7,676	-	-	-	-	-	-	7,676	
-	-	-	-	-	-	-	229,475	
-	-	-	5,347	-	-	-	15,676	
-	-	-	-	-	-	-	20,305	
-	-	-	-	-	5,742	-	5,742	
-	-	-	6,178	-	-	22,144	28,622	
7,676	-	-	11,525	-	5,742	22,144	307,496	
(3,438)	39	4	(5,124)	1,050	39,503	(4,375)	(26,095)	
-	-	-	-	-	-	55,000	105,000	
(3,438)	39	4	(5,124)	1,050	39,503	50,625	78,905	
3,588	1,049	122	30,138	1,825	-	(147,145)	56,221	
150	1,088	126	25,014	2,875	39,503	(96,520)	135,126	

**Jackson County**

Jackson County  
Combining Schedule of Net Assets  
Internal Service Funds

June 30, 2006

	Employee Partial Self-Funded Health Plan	Employee Self-Funded Dental Plan	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 91,024	42,853	133,877
Accrued interest receivable	346	148	494
<b>Total assets</b>	91,370	43,001	134,371
<b>Liabilities</b>			
None	-	-	-
<b>Net Assets</b>			
Unrestricted	\$ 91,370	43,001	134,371

See accompanying independent auditor's report.

**Schedule 4**

## Jackson County

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

Year ended June 30, 2006

	Employee Partial Self-Funded Health Plan	Employee Self-Funded Dental Plan	Total
Operating revenues:			
Reimbursements from operating funds	\$ 54,615	41,910	96,525
Reimbursements from employees	12,171	7,362	19,533
Total operating revenues	66,786	49,272	116,058
Operating expenses:			
Medical claims	35,244	29,834	65,078
Insurance premiums	27,819	-	27,819
Administrative fees	4,956	3,790	8,746
Total operating expenses	68,019	33,624	101,643
Operating income (loss)	(1,233)	15,648	14,415
Non-operating revenues:			
Interest income	3,356	1,209	4,565
Change in net assets	2,123	16,857	18,980
Net assets beginning of year	89,247	26,144	115,391
Net assets end of year	\$ 91,370	43,001	134,371

See accompanying independent auditor's report.

Jackson County  
Combining Schedule of Cash Flows  
Internal Service Funds

Year ended June 30, 2006

	Employee Partial Self-Funded Health Plan	Employee Self-Funded Dental Plan	Total
Cash flows from operating activities:			
Cash received from operating funds and employees	\$ 66,785	49,272	116,057
Cash paid to suppliers for medical claims, insurance premiums and administrative fees	(68,018)	(33,624)	(101,642)
Net cash provided (used) for operating activities	(1,233)	15,648	14,415
Cash flows from investing activities:			
Interest on investments	3,207	1,113	4,320
Net increase in cash and cash equivalents	1,974	16,761	18,735
Cash and cash equivalents beginning of year	89,050	26,092	115,142
Cash and cash equivalents end of year	\$ 91,024	42,853	133,877
<b>Reconciliation of operating income (loss) to net cash provided (used) for operating activities:</b>			
Operating income (loss)	\$ (1,233)	15,648	14,415
Adjustment to reconcile operating income (loss) to net cash provided (used) for operating activities:			
None	-	-	-
Net cash provided (used) for operating activities	\$ (1,233)	15,648	14,415

See accompanying independent auditor's report.

Jackson County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	3,138	295,272	238,661
Other County officials	4,377	-	-	-
Receivables:				
Property tax:				
Delinquent	-	622	1,719	46,412
Succeeding year	-	125,000	347,000	8,945,000
Accounts	-	-	215	-
Accrued interest	-	-	-	-
Special assessments:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
<b>Total assets</b>	<b>\$ 4,377</b>	<b>128,760</b>	<b>644,206</b>	<b>9,230,073</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	237	-
Salaries and benefits payable	-	-	7,412	-
Due to other governments	-	128,760	623,868	9,230,073
Trusts payable	4,377	-	-	-
Compensated absences	-	-	12,689	-
<b>Total liabilities</b>	<b>\$ 4,377</b>	<b>128,760</b>	<b>644,206</b>	<b>9,230,073</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Auto License and Use Tax	E911 Service Commission	Other	Total
9,622	95,840	4,309	19,915	-	226,706	72,340	965,803
-	-	-	-	-	-	55,630	60,007
1,870	30,707	126	3,644	-	-	51	85,151
383,000	2,356,000	158,000	719,000	-	-	51,000	13,084,000
-	-	-	-	-	-	-	215
-	-	-	-	-	848	26	874
-	-	-	-	-	-	-	-
-	-	-	-	-	-	13,254	13,254
-	-	-	-	-	-	48,000	48,000
394,492	2,482,547	162,435	742,559	-	227,554	240,301	14,257,304
-	-	-	-	-	23,644	-	23,881
-	-	-	-	-	-	477	7,889
394,492	2,482,547	162,435	742,559	-	203,910	184,194	14,152,838
-	-	-	-	-	-	55,630	60,007
-	-	-	-	-	-	-	12,689
394,492	2,482,547	162,435	742,559	-	227,554	240,301	14,257,304

Jackson 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
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 502	116,954	510,494	8,785,213
Additions:				
Property and other county tax	-	128,674	358,846	9,233,304
E911 surcharge	-	-	-	-
State tax credits	-	8,576	26,752	642,101
Drivers license fees	-	-	-	-
Office fees and collections	347,413	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	-	-	-
Miscellaneous	509,769	59	51,771	4,274
Total additions	857,182	137,309	437,369	9,879,679
Deductions:				
Agency remittances:				
To other funds	203,299	-	-	-
To other governments	144,378	125,503	303,657	9,434,819
Trusts paid out	505,630	-	-	-
Total deductions	853,307	125,503	303,657	9,434,819
Balances end of year	\$ 4,377	128,760	644,206	9,230,073

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Auto License and Use Tax	E911 Service Commission	Other	Total
357,244	2,864,537	179,295	743,668	(3,507)	191,048	195,590	13,941,038
394,424	2,448,483	165,634	743,558	-	-	52,974	13,525,897
-	-	-	-	-	133,104	-	133,104
25,958	151,439	13,950	54,430	-	-	4,469	927,675
-	-	-	-	53,752	-	-	53,752
-	-	-	-	-	-	-	347,413
-	-	-	-	-	-	4,310	4,310
-	-	-	-	4,261,298	-	-	4,261,298
-	-	-	-	-	-	2,591	2,591
-	-	-	-	-	-	558,037	558,037
180	1,137	42	378	-	349	141,372	709,331
420,562	2,601,059	179,626	798,366	4,315,050	133,453	763,753	20,523,408
-	-	-	-	177,977	-	-	381,276
383,314	2,983,049	196,486	799,475	4,133,566	96,947	225,519	18,826,713
-	-	-	-	-	-	493,523	999,153
383,314	2,983,049	196,486	799,475	4,311,543	96,947	719,042	20,207,142
394,492	2,482,547	162,435	742,559	-	227,554	240,301	14,257,304

**Jackson County**

Jackson County  
 Schedule of Revenues By Source and Expenditures By Function -  
 All Governmental Funds  
 For the Last Six Years

	Modified Accrual Basis					
	2006	2005	2004	2003	2002	2001
<b>Revenues:</b>						
Property and other county tax	\$ 4,186,124	4,106,769	3,838,216	3,427,264	3,100,851	2,914,848
Local option sales tax	647,755	639,096	678,545	671,334	612,699	587,625
Interest and penalty on property tax	55,488	55,188	47,843	52,331	51,111	50,556
Intergovernmental	4,951,822	4,983,896	5,304,353	5,088,078	4,913,882	5,087,919
Licenses and permits	53,998	61,439	48,357	41,993	38,028	24,451
Charges for service	571,242	535,022	548,158	495,619	448,717	409,736
Use of money and property	427,152	280,786	234,327	353,827	434,063	500,954
Miscellaneous	182,839	222,767	508,987	273,759	92,682	139,806
<b>Total</b>	<b>\$ 11,076,420</b>	<b>10,884,963</b>	<b>11,208,786</b>	<b>10,404,205</b>	<b>9,692,033</b>	<b>9,715,895</b>
<b>Expenditures:</b>						
<b>Operating:</b>						
Public safety and legal services	\$ 1,405,665	1,276,490	1,244,442	1,183,667	1,133,274	1,081,588
Physical health and social services	415,159	390,865	434,384	422,338	469,567	472,152
Mental health	1,812,333	1,788,575	1,632,214	2,394,395	2,272,613	2,063,079
County environment and education	1,028,979	960,173	1,087,432	825,127	766,505	1,406,479
Roads and transportation	3,665,867	3,690,936	3,795,781	3,792,710	3,955,263	3,498,761
Governmental services to residents	570,894	374,677	332,776	337,012	314,645	346,384
Administration	1,140,125	990,874	1,096,817	1,016,630	882,829	790,994
Debt service	130,729	137,217	124,291	-	-	-
Capital projects	440,500	640,235	2,203,445	441,822	502,556	125,887
<b>Total</b>	<b>\$ 10,610,251</b>	<b>10,250,042</b>	<b>11,951,582</b>	<b>10,413,701</b>	<b>10,297,252</b>	<b>9,785,324</b>

See accompanying independent auditor's report.

**Schedule 9**

Jackson County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program 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		\$ 8,211
U.S. Department of Interior:			
National Park Service:			
Silos and Smokestacks National Heritage Area: Unknown Title	15.000		4,750
U.S. Department of Justice:			
Governor's Office of Drug Control Policy:			
Edward Byrne Memorial Formula Grant Program	16.579	05JAG-E44	19,581
U.S. Department of Transportation:			
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
Safety Incentive Grants for Use of Seat Belts	20.604	PAP06-157, Task 87	2,291
Safety Incentives to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605	PAP05-163, Task 37	6,875
U.S. General Services Administration:			
Iowa Secretary of State:			
Help America Vote Act Requirements Payments	90.401	06-HAVA-49-100	152,680
Help America Vote Act Requirements Payments	90.401	06-HAVA-49-SAI	4,040
			156,720
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health and Social Services Emergency Fund	93.003	5886EM148	5,185
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	5884BT12	29,638
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		9,940
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		2,350
Foster Care - Title IV-E	93.658		5,095

Jackson County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Adoption Assistance	93.659		1,254
Medical Assistance Program	93.778		13,264
Social Services Block Grant	93.667		6,550
Social Services Block Grant	93.667		99,544
			<u>106,094</u>
U.S. Corporation for National and Community Service:			
Iowa Commission on Volunteer Service Eastern Iowa Conservation Alliance:			
AmeriCorps	94.006	04-AF-16	3,339
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
State Domestic Preparedness Equipment Support Program	97.004	SHSGP I	12,522
State Domestic Preparedness Equipment Support Program	97.004	SHSGP II	25,327
			<u>37,849</u>
Emergency Management Performance Grants	97.042	CERT	2,243
Homeland Security Grant Program	97.067	2004 HGSP	101,664
Total			<u>\$ 516,343</u>

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

See accompanying independent auditor's report.

**Jackson County**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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

To the Officials of Jackson County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jackson County, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 23, 2007. 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 Jackson 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Jackson County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in 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, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

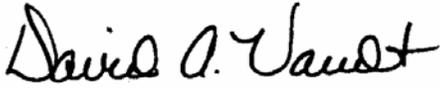
Compliance and Other Matters

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

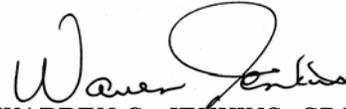
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all 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 Jackson County and other parties to whom Jackson County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 23, 2007

**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**

**Jackson County**



**OFFICE OF AUDITOR OF STATE**  
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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 Jackson County:

Compliance

We have audited the compliance of Jackson County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2006. Jackson 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 its major federal programs are the responsibility of Jackson County's management. Our responsibility is to express an opinion on Jackson County's compliance based on our audit.

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

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

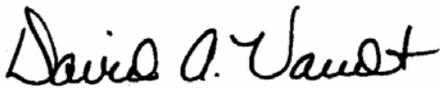
Internal Control Over Compliance

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

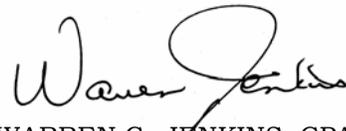
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course

of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving internal control over compliance and its operations that we considered 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 Jackson County and other parties to whom Jackson County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 23, 2007

Jackson 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) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control of the major 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 are 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 93.667 – Social Services Block Grant
  - 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) Jackson County did not qualify as a low-risk auditee.

Jackson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

**Part II: Findings Related to the Financial Statements:**

**REPORTABLE CONDITIONS:**

II-A-06 Segregation of Duties – During our review of internal control, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

- (1) The opening and listing of mail receipts and the collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash receipts.
- (2) Protective Payee Accounts – Responsibilities for collection and reconciliation functions are not segregated from those for recording and accounting for cash receipts.

Applicable Offices

Treasurer

General Relief

The responsibilities for expenditure preparation and approval functions are not segregated from those for recording cash disbursements.

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

Responses:

Treasurer – The opening of mail and listing of certain items from the mail collection will be listed in a red book and checked at a later date to see that the employee processed on demand. Each employee is responsible for their own cash drawer with the collections turned over to the individual charged with balancing the accounts who in turn prepares the deposits and turns them over to the Treasurer to re-check and deposit the funds on demand. Bank reconciliation is checked by a 2nd party and initialed as such.

General Relief – After each monthly reconciliation I will make that report available to the Auditor's Office for review. Included in that report will be the entire bank statement.

Conclusion – Responses accepted.

Jackson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

II-B-06 Reconciliation of Protective Payee Bank Account to Social Security Report – The Protective Payee bank account and Social Security report did not reconcile.

Recommendation – To provide better control over financial transactions and overall accountability, procedures should be established to reconcile the Protective Payee bank account to the Social Security report. Any variances should be investigated and corrected in a timely manner. Reconciliations should be reviewed by an independent person.

Response – After reviewing the outcome of the Protective Payee audit and having discussions with the Jackson County Auditor’s Office the following procedures have been implemented.

- (1) After each monthly reconciliation, the JCPP (Jackson County Protective Payee) will make available to the JCAO (Jackson County Auditor’s Office) a complete reconciliation report to include a complete bank statement.
- (2) JCAO will request, at random, a payee client file to review all monthly checks written and match documentation.

The JCPP believes the reason for the discrepancy was due to miscoding within the account and believes after careful review of all sub-accounts, this has been corrected.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

Jackson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCE OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

No matters were reported.

Jackson 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 exceeded the amount budgeted in the capital projects function.

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

Response – Care will be taken in the future to not over spend.

Conclusion – Response accepted.

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 – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Jan Ward, Board of Public Health and Zoning secretary, Husband owns Ward’s Repair Shop	Parts, welding and repair	\$ 580
Edward Clark, Sheriff’s Office Deputy, Brother owns Clark’s Saw Center	Chainsaw parts and repair	5,287
Mary Stickley, Auditor’s Office Deputy (beginning May 1, 2006), Husband owns Stickley Electric Service	Electrical parts and repair	2,429
Kathy Zeimet, Auditor’s Office Deputy (thru October 18, 2005), Husband owns Zeimet’s Garage Inc.	Vehicle maintenance and repair	570

The transactions with Clark’s Saw Center and Stickley Electric Service may represent conflicts of interest as defined in Chapter 331.342 of the Code of Iowa since the total cumulative transactions for each individual were greater then \$1,500 during the fiscal year.

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with Ward’s Repair Shop and Zeimet’s Garage Inc. do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the year.

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

Jackson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Response – After visiting with Elected Officials and/or Department Heads the Auditor has determined the business transactions between the County and County Officials or employees were done in good business judgment as Jackson County has limited service providers for services within the area.

Conclusion – Response acknowledged. The County should consult legal counsel regarding the disposition of this matter.

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

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

Certain minutes of the meetings of the County Board of Supervisors were not signed.

Four closed sessions were not entered into in accordance with Iowa Code Chapter 21.5.

Recommendation – The County should ensure minutes are signed as required and closed sessions are held in compliance with Chapter 21.5 of the Code of Iowa.

Response – In the future the Auditor's staff will check for signatures at the time the documents are copied into the official minute book.

Typically our closed sessions are held at regular Board meetings with action documented in the regular meeting minutes. Those closed sessions were overlooked due to being scheduled other than regular Board meetings. All closed sessions are recorded with detailed minutes kept in a secure place. Care will be taken in the future to document all closed session regardless of action or not in the official minute book.

Conclusion – Response accepted.

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

IV-H-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).

Jackson County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

IV-I-06 Financial Condition – The Capital Projects Fund had a deficit fund balance of \$96,520 at June 30, 2006.

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

Response – The deficit balance was due to accrual entries. Cash was available in the fund on June 30<sup>th</sup>. Care will be taken in the future to account for accrual activity.

Conclusion – Response accepted.

IV-J-06 Vacation/Compensatory Time – Per review of personnel policy, employees are allowed to accumulate a maximum of 80 hours of compensatory time and a maximum of 10 days of vacation time. As of June 30, 2006, several employees carried balances in excess of the allowable maximums.

Recommendation – Controls should be in place to prevent employees from accumulating vacation time and compensatory time in excess of the maximum allowed per the personnel policy.

Response – A discussion was held with each Elected Official and/or Department Head on personnel policy maximum of compensatory time and vacation time with direction given to meet with their employee(s) and put together an action plan to meet our personnel policy maximums. The Auditor's Office will monitor a Benefits Report on a monthly basis to ensure all employees are within the allowable maximums.

Conclusion – Response accepted.

IV-K-06 County Assessor – Disbursements during the year ended June 30, 2006 for the Special Appraisers Fund exceeded the amount budgeted.

Recommendation – The budget should have been amended in sufficient amount in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The total disbursements for the County Assessor's Office did not exceed what was budgeted.

Conclusion – Response acknowledged. Although the combined disbursements did not exceed the budget in total, the Assessment Expense and Special Appraisers Funds are separate funds on the budget document and should be monitored separately.

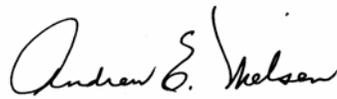
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Jackson County

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager  
Sheila M. Jensen, Senior Auditor  
Billie Jo Heth, Senior Auditor  
Carmon K. Kutcher, Staff Auditor  
Gelu Sherpa, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State