



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

March 31, 2008

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$20,600,241 for the year ended June 30, 2007, which included \$1,163,828 in tax credits from the state. The County forwarded \$15,351,039 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,249,202 of the local tax revenue to finance County operations, a 6.9% increase over the prior year. Other revenues included charges for service of \$1,927,657, operating grants, contributions and restricted interest of \$4,768,264, capital grants, contributions and restricted interest of \$1,898,966, local option sales tax of \$692,459, unrestricted investment earnings of \$341,925 and other general revenues of \$161,981.

Expenses for County operations totaled \$11,506,705, a 3.5% decrease from the prior year. Expenses included \$3,985,971 for roads and transportation, \$2,353,444 for mental health and \$1,879,266 for public safety and legal services.

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

###

JONES COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2007

Table of Contents

			<u>Page</u>
Officials			3
Independent Auditor’s Report			5-6
Management’s Discussion and Analysis			7-16
Basic Financial Statements:	<u>Exhibit</u>		
Government-wide Financial Statements:			
Statement of Net Assets	A		18
Statement of Activities	B		19
Governmental Fund Financial Statements:			
Balance Sheet	C		20-21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D		23
Statement of Revenues, Expenditures and Changes in Fund Balances	E		24-25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F		26
Proprietary Fund Financial Statements:			
Statement of Net Assets	G		27
Statement of Revenues, Expenses and Changes in Fund Net Assets	H		28
Statement of Cash Flows	I		29
Fiduciary Fund Financial Statement:			
Statement of Fiduciary Assets and Liabilities – Agency Funds	J		30
Notes to Financial Statements			31-42
Required Supplementary Information:			
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds			44-45
Budget to GAAP Reconciliation			46
Notes to Required Supplementary Information – Budgetary Reporting			47
Other Supplementary Information:	<u>Schedule</u>		
Nonmajor Governmental Funds:			
Combining Balance Sheet	1		50-51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2		52-53
Agency Funds:			
Combining Schedule of Fiduciary Assets and Liabilities	3		54-55
Combining Schedule of Changes in Fiduciary Assets and Liabilities	4		56-57
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	5		58-59
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>			61-62
Schedule of Findings			63-66
Staff			67

Jones County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2007)		
Joe Cruise	Board of Supervisors	Jan 2007
Andy McKean	Board of Supervisors	Jan 2007
Leo M. Cook	Board of Supervisors	Jan 2009
Keith C. Dirks	Board of Supervisors	Jan 2009
Merlin D. Moore	Board of Supervisors	Jan 2009
Janine Sulzner	County Auditor	Jan 2009
Amy L Picray	County Treasurer	Nov 2006
Marie Krutzfield	County Recorder	Jan 2007
Mark J. Denniston	County Sheriff	Jan 2009
Connie Sue Ricklefs	County Attorney	Jan 2007
Arnie Andreesen	County Assessor	Jan 2010
(After January 2007)		
Leo M. Cook	Board of Supervisors	Jan 2009
Keith C. Dirks	Board of Supervisors	Jan 2009
Merlin D. Moore	Board of Supervisors	Jan 2009
Joe Cruise	Board of Supervisors	Jan 2011
Andy McKean	Board of Supervisors	Jan 2011
Janine Sulzner	County Auditor	Jan 2009
Amy L Picray	County Treasurer	Jan 2011
Marie Krutzfield	County Recorder	Jan 2011
Mark J. Denniston	County Sheriff	Jan 2009
Connie Sue Ricklefs	County Attorney	Jan 2011
Arnie Andreesen	County Assessor	Jan 2010

Jones County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Officials of Jones County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jones County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Jones County's management. Our responsibility is to express opinions on these financial statements based on our audit.

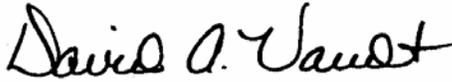
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Jones County at June 30, 2007, 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 March 5, 2008 on our consideration of Jones County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jones County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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

March 5, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jones County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007, along with comparative data for the year ended June 30, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- The County's governmental activities net revenues increased approximately \$1,874,000, or 14%, from fiscal year 2006 to 2007. Property and other county tax increased approximately \$337,000, or 7.3%, from fiscal year 2006 to 2007. The County received approximately \$587,000 from the Iowa Department of Human Services to provide mental health services to its residents, an increase of \$155,000 over fiscal year 2006. The County received a \$327,000 REAP grant and a \$70,000 Iowa Department of Natural Resources Habitat Stamp grant for acquisition of 144 acres of property for conservation purposes (Lost Canyon). The County also received approximately \$1,835,000 in federal and farm to market funds from the Iowa Department of Transportation for bridge and road projects.
- The County's governmental activities net expenses decreased approximately \$413,000, or 3.6%, from fiscal year 2006 to 2007. Public safety expenses increased approximately \$153,000 and mental health expenses increased approximately \$138,000. County environment and education expenses decreased approximately \$522,000 and roads and transportation expenses decreased approximately \$322,000. Various other program expense areas experienced modest changes.
- The County's net assets increased 23%, or approximately \$3,534,000, from June 30, 2006 to June 30, 2007, primarily due to road and bridge construction projects.
- Source: Changes in Net Assets of Governmental Activities.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Jones County's combined net assets increased 23% over a year ago, increasing from \$15.3 million to \$18.9 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

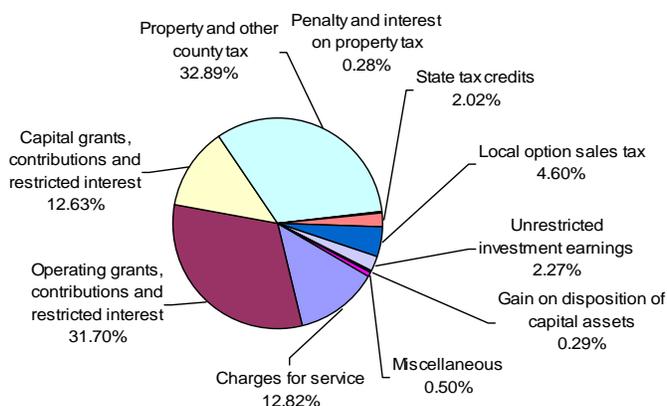
Net Assets of Governmental Activities		
	June 30,	
	2007	2006
Current and other assets	\$ 12,713,815	12,195,668
Capital assets	12,554,801	9,467,549
Total assets	<u>25,268,616</u>	<u>21,663,217</u>
Long-term liabilities	243,457	230,488
Other liabilities	6,147,452	6,088,771
Total liabilities	<u>6,390,909</u>	<u>6,319,259</u>
Net assets:		
Invested in capital assets, net of related debt	12,539,223	9,447,512
Restricted	3,715,742	3,952,984
Unrestricted	<u>2,622,742</u>	<u>1,943,462</u>
Total net assets	<u>\$ 18,877,707</u>	<u>15,343,958</u>

Net assets of Jones County's governmental activities increased \$3,533,749 (\$18,877,707 compared to \$15,343,958). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Next largest is restricted net assets, which represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at \$2,622,742 at June 30, 2007. (Source: Exhibit A)

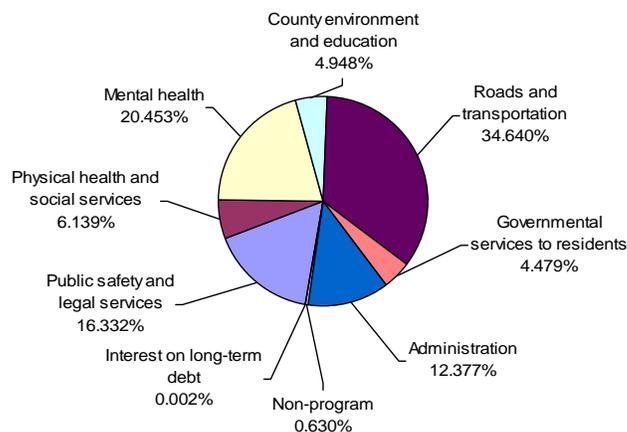
Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2007	2006
Revenues:		
Program revenues:		
Charges for service	\$ 1,927,657	1,744,692
Operating grants, contributions and restricted interest	4,768,264	4,379,872
Capital grants, contributions and restricted interest	1,898,966	1,122,363
General revenues:		
Property and other county tax	4,945,143	4,608,031
Penalty and interest on property tax	42,058	35,431
State tax credits	304,059	303,325
Local option sales tax	692,459	606,518
Grants and contributions not restricted to specific purposes	-	785
Unrestricted investment earnings	341,925	258,483
Gain on disposition of capital assets	44,195	12,713
Miscellaneous	75,728	94,149
Total revenues	15,040,454	13,166,362
Program expenses:		
Public safety and legal services	1,879,266	1,726,408
Physical health and social services	706,369	694,823
Mental health	2,353,444	2,215,696
County environment and education	569,318	1,090,953
Roads and transportation	3,985,971	4,308,273
Governmental services to residents	515,433	446,143
Administration	1,424,183	1,330,350
Non-program	72,482	106,579
Interest on long-term debt	239	956
Total expenses	11,506,705	11,920,181
Increase in net assets	3,533,749	1,246,181
Net assets beginning of year	15,343,958	14,097,777
Net assets end of year	\$ 18,877,707	15,343,958

Revenue by Source



Expenses by Program



Jones County experienced a small increase (3.1 percent) in taxable valuation for 2007 (1-1-05 assessment). Jones County increased property tax rates for 2007 an average of 4 percent, generating a 7 percent increase in tax dollars (approximately \$337,000) for County operations. The County increased the General Fund property tax levy rate \$.33842 per \$1,000 of taxable valuation. The Mental Health Fund property tax levy rate was decreased \$.03847 per \$1,000 of taxable valuation to maintain a frozen level of property tax support of \$883,021. The Rural Services Fund property tax levy rate was decreased \$.05080 per \$1,000 of taxable valuation, continuing to represent one of the lowest Rural Services tax levy rates for the County in over eighteen years. The implementation of the 1% local option tax in 1999 has provided a significant amount of property tax relief for the Rural Services Fund. Property tax revenues for next year (2008) are budgeted to increase approximately \$85,026 (2 percent), while property tax rates will decrease an average of less than 1%.

INDIVIDUAL MAJOR FUND ANALYSIS

As Jones County completed the year, its governmental funds reported a combined fund balance of \$5.7 million, an increase of approximately \$266,000 over last year's total of \$5.4 million. The increase in fund balance is directly attributable to revenues in the General and Rural Services Funds exceeding expenditures and net transfers out. Expenditures exceeded revenues in the Mental Health and Secondary Roads Funds. The following are the primary reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund, the operating fund for Jones County, ended fiscal year 2007 with a fund balance of \$1,712,098. This was an increase from fiscal year 2006 of \$418,466. Expenditures increased approximately \$111,000. A significant decrease is reflected in the governmental services to residents function which is now back to a more consistent expenditure pattern after the acquisition of federally required voting equipment in fiscal year 2006. Another significant decrease is reflected in the administration function, another area now back to a more consistent expenditure pattern after completion of the courthouse tuckpointing project. The County environment and education function reflects a 48% decrease due to near completion of the Hale Bridge Historical Restoration project, which otherwise offset increases in County Conservation operations expenses and the Lost Canyon land acquisition. Over the past several years, \$330,000 has been transferred from the General Fund for cash flow purposes to the Hale Bridge Historical Restoration Fund, with \$317,000 being returned to the General Fund by June 30, 2007. It is the intent of the Board of Supervisors to fully reimburse the transferred monies back to the General Fund when the project is completed and all grant reimbursements have been received. At June 30, 2007, the Center Junction Wastewater Project and Capital Projects Fund owe the General Fund \$65,000. The intent of the Board is to reimburse all transferred monies back to the General Fund when the projects are completed.
- The Mental Health Fund ended fiscal year 2007 with a balance of \$251,607. The balance decreased \$19,185 from June 30, 2006. The decrease is primarily due to expenditures for client services exceeding the available revenues. The mental health property tax levy is frozen by legislative action and the funding from the state is not keeping up with costs. Jones County did receive \$155,000 additional state funding in fiscal year 2007 for meeting certain fund balance criteria. The fiscal year 2007 balance was just above the 10% fund balance criteria for full state funding in fiscal 2008. Changes in the funding formula were anticipated to provide for significant increases in state mental health funding for Jones County in fiscal 2008. However, the state appropriation was not sufficient to fund counties at the level initially anticipated, and Jones County will see a significant decrease in the amount of state mental health funds to be received in fiscal year 2008. There were no Jones County mental health clients placed on a waiting list for services in fiscal year 2007. Jones County continues to manage services for its mental health clients while seeking

services and programs where funding can be provided from other sources and levels of government.

- The Rural Services Fund ended fiscal year 2007 with a balance of \$298,476, \$18,575 higher than the June 30, 2006 balance of \$279,901. The County has maintained the same level of taxes levied in the Rural Services Fund since fiscal 2004, with a levy rate reflective of the various changes in the related taxable valuation. The levy rate decreased 3% from fiscal year 2006. The levy rate continues to be one of the lowest in Jones County in over eighteen years, a direct result of the voter approved initiative to place 25% of the local option tax receipts into this fund for property tax relief.
- The Secondary Roads Fund ended fiscal year 2007 with a balance of \$3,318,011, a decrease of \$147,674 from the June 30, 2006 balance of \$3,465,685. Of the ending balance, \$1.6 million is unspent local option tax funds designated for future road and bridge projects, per voter approval in 1999. Jones County continues an aggressive construction program for fiscal years 2008 and 2009, using local monies, which will have a significant impact on future fund balances. Projected revenues for the Secondary Roads Fund show little, if any, increase, and will not support both the road operations budget and the currently adopted five year road construction plan.
- Source: Exhibits C and E

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds except the Internal Service and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis. Over the course of the 2007 fiscal year, Jones County amended its budget only one time.

The single amendment was made in May 2007 and resulted in changes in budgeted disbursements for every budgetary function with a total net projected increase of nearly \$356,000. The most significant increases were additional disbursements for Conservation related projects such as the Lost Canyon land acquisition and planned development of another portion of the Grant Wood Trail project. The disbursements for these projects is to be offset with grant reimbursements. The other significant increase was for the planned construction of a second cell for the wastewater lagoon at Edinburgh Manor. Total increases of over \$938,000 in other disbursement areas were offset by a more than \$582,000 decrease in disbursements for secondary roads operations and roadway construction projects. The amendment increased receipts approximately \$1,450,000, with \$1,170,000 of the increase from grants and other intergovernmental receipts. Nearly all departments reflected some level of change in spending authority and/or revenue adjustments with this budget amendment.

When comparing the county's cash basis final amended budget to the cash basis operating statement:

- The County's actual receipts were \$391,778 less than the final amended budget, a variance of 2.9%. The most significant variances resulted from the County receiving less intergovernmental receipts than anticipated and the loan proceeds for the Edinburgh wastewater project not disbursed to the County in fiscal year 2007.
- Total disbursements were \$2,031,117 less than the final amended budget. Actual disbursements for the capital projects, roads and transportation, county environment and education and nonprogram current functions were \$1,074,378, \$361,856, \$192,736, and \$113,640, respectively, less than budgeted. County

environment and education disbursements were less than budgeted, primarily due to delaying the second phase of the Grant Wood Recreational Trail project until after July 1, 2007—an option provided the contractor when the bid was awarded in early 2007. Roads and transportation and capital project disbursements were less than budgeted, primarily due to the approved budget reflecting an unrealistically aggressive construction schedule for projects. The capital projects budgetary function also included amounts for the Edinburgh Manor wastewater project for which construction was delayed until late summer 2007 due to regulatory requirements. The non-program expenditure function includes amounts for a pass-through Community Development Block Grant (CDBG) for Kirkwood Community College. This program is not progressing as quickly as initially projected.

- Source: Required Supplementary Information schedule

Jones County budgets on a cash basis and did not exceed any budgeted amounts for individual departments or functions during the year ended June 30, 2007. Several appropriation adjustments within budgetary functions were adopted during the year to manage budgetary authority for various departments until the budget could be amended.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, Jones County had \$12,554,801 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 \$3,087,000, or 33 percent, over last year, primarily from road and bridge projects.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2007	2006
Land	\$ 1,127,087	720,139
Construction in progress	1,329,451	155,143
Buildings	1,069,765	1,104,419
Equipment and vehicles	2,624,472	2,463,124
Infrastructure	6,404,026	5,024,724
Total	\$ 12,554,801	9,467,549
This year's major additions included:		
Capital assets contributed by the Iowa Department of Transportation		\$ 1,636,894
Replacement of a motor grader, three dump trucks and other secondary roads equipment		559,149
County Sheriff vehicles		29,715
County Conservation recreation area improvements and property acquisition		518,809
Edinburgh Manor wastewater lagoon engineering expenses		32,744
Total		\$ 2,777,311

The County had depreciation expense of \$666,086 in FY07 and total accumulated depreciation of \$5,433,386 at June 30, 2007.

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

Several road construction projects were completed, with the Iowa Department of Transportation contributing \$1,636,894 in federal bridge funds and farm to market funds towards construction costs. The Edinburgh Manor lagoon project, completed in the fall of 2007, was required by the Iowa Department of Natural Resources to comply with public facility wastewater discharge regulations. All of the county conservation recreational area improvements and property acquisition were reimbursed with grants, donations, and rent proceeds.

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

Long-Term Debt

Jones County has two small capital lease purchase agreements for Conservation Department equipment.

	Outstanding Debt of Governmental Activities at Year-End	
	June 30,	
	2007	2006
Capital lease purchase agreements	\$ 15,578	20,037

In February 2007, the County entered into a ten year general obligation sewer improvement bond agreement with the State Revolving Fund Loan program for the Edinburgh Manor wastewater project for \$270,000. The interest rate is 3%. Bond proceeds were not disbursed to Jones County until construction began on the project, which was initially expected to begin in spring 2007. Due to various regulatory requirements, construction was delayed until late summer 2007. Bond proceeds were disbursed to the County in August 2007.

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

Jones County's elected and appointed officials considered many factors when setting the fiscal year 2008 budget, tax rates and the fees charged for various County activities. The primary factors considered were the small increase in taxable valuations, health insurance costs for County employees and the economy.

Jones County's total taxable valuation before application of the tax increment increased 1.2%. The County's agricultural valuation remained steady, commercial valuation increased 9%, industrial valuation increased 1%, and residential valuation rose 3%. However, much of this growth in commercial, industrial and residential valuation was in tax increment financing (TIF) districts where the value increases are redirected to the respective cities for urban renewal projects and are not available for general operations of any of the related tax entities. The City of Anamosa temporarily released some of the increment in its TIF area for taxation in fiscal year 2008, a move made to help the City budget, which also makes that valuation available to the County and the Anamosa School District. The combination of these factors resulted in a net overall taxable increase for Jones County's budget of 2.5%. Approximately 109 new residential homes were constructed during 2005 which became taxable for the fiscal year 2008 budget year (a 56% increase from the previous year, and still reflective of a strong residential construction industry in Jones County). Jones County's agricultural land values comprised 33% of Jones County's taxable valuation for fiscal year 2008, while residential values comprised 32% of the total.

Jones County, like many employers, is faced with rising health costs for its employees. In order to more closely manage the insurance costs for Jones County employees, the Supervisors

left the multi-county Iowa State Association of Counties (ISAC) pooled health insurance program and began a self funded plan on May 1, 2001. This move has proven to be more cost effective than if Jones County had stayed in the ISAC group. Jones County's health insurance costs continue to rise at more than the normal rate of inflation, though currently lower than the higher rate of medical cost inflation. For fiscal year 2008, the Supervisors did not implement an increase in the health insurance premiums for the approximately 100 covered employees and their dependents. During preparation of the fiscal 2008 budget, discussion was held regarding the possibility of even waiving one month's premium for both the employee and County at some point during the fiscal year, depending on the fiscal health of the plan as the year progresses. The County pays, on average, 89% of the premium, with the employee paying the balance through payroll deduction.

When preparing the fiscal year 2008 budget, County officials and department heads were asked to take into consideration that the consumer price index average annual growth rate for the most recent fiscal period available at that time from the U.S. Bureau of Labor (third quarter 2005 through third quarter 2006) was 3.32%. The collective bargaining agreement, covering wages to be paid in fiscal year 2008, calls for a 3.25% wage increase for employees in the bargaining unit. These factors were taken into account when adopting the budget for fiscal year 2008.

\$15 million was initially appropriated in fiscal year 2008, an increase of 3.3% from the original fiscal year 2007 budget. Various expenditure categories reflected increases over fiscal year 2007, while others reflected decreases. The largest change is a 52% increase (\$301,764) in county environment and education representing increases for Conservation Department operations and for the Maquoketa River Water Trail project. It is anticipated trail project expenditures will be 100% offset with grants and donations at completion of the project. The next highest dollar increase is \$117,638 for public safety and legal services. This is a 6.3% increase, primarily for operation of the Sheriff's Department. A 16.6% increase (\$74,950) is reflected in the governmental services to residents function, which reflects the cyclical nature of elections and a full budget year for one additional full-time staff member. Fiscal year 2007 re-estimated expenditures (less capital projects) reflected a 3.3% increase from the original fiscal year 2007 budget, and was considered as well during the budget process. The fiscal year 2008 undesignated General Fund balance (as adjusted for monies advanced to other funds for temporary cash flow purposes) was initially projected to be 19% of expenditures. A property tax increase of approximately \$85,000, additional bridge replacement funding of \$618,000 and a Water Trail Grant of \$255,000 are the major sources of increased revenues in the fiscal year 2008 General Fund budget.

Use of the local option tax monies designated for road and bridge projects and use of existing cash balances are expected to fund the majority of the budgeted roadway construction disbursements. The Secondary Roads Fund received no revenue from the General Fund in fiscal year 2007 and none is planned for fiscal year 2008. The Board and County Engineer projected a \$535,000 increase in roadway construction from the re-estimated 2007 budget to the fiscal year 2008 budget, as well as an increase of over \$400,000 in revenue. This resulted in a projected Secondary Roads Fund balance on June 30, 2008 of only \$112,511.

Budgeted expenditures for the Rural Services Fund are projected to increase almost \$4,000, primarily for a 3% increase in regular library funding. There is no property tax increase for the Rural Services Fund for fiscal year 2008.

Of the projects initially started in fiscal year 2005, the sidewalks and information kiosks are the only remaining items on the Hale Bridge restoration project and are expected to be completed in fiscal year 2008, and the Center Junction wastewater project will likely continue into late fiscal year 2008. The second phase of the Grant Wood Recreational Trail was initially expected to begin in fiscal year 2006, then delayed until fiscal year 2007. However, due to a variety of obstacles, construction was further delayed until late summer 2007, a delay that was not expected at the time the fiscal year 2008 budget was adopted. The fiscal year 2008 budget was amended in August 2007 to provide spending authority for the project that had previously

been included in the fiscal 2007 budget. The Maquoketa River Water Trail project has expanded into a one-half million dollar, multi-year project with multiple grants and donations secured. Design work is still being completed in late fiscal 2008.

The Edinburgh Wastewater lagoon project was completed in late fall 2007. Regulatory requirements delayed construction of the project which was initially expected to be completed by June 30, 2007. The County entered into a ten-year State Revolving Loan Fund general obligation sewer improvement bond agreement in February 2007, with proceeds disbursed to the County in August 2007. The fiscal 2008 budget was amended in August 2007 to provide the spending authority for project expenditures initially budgeted in fiscal 2007.

The County continues to levy \$100,000 each year for courthouse capital improvements, with the unspent monies reflected on the financial reports as unreserved/designated funds. In the fiscal year 2003 budget, the Board included \$143,800 for the initial stages of replacing the courthouse heating system. Planning and design funds were spent, but at June 30th of that year, there remained \$96,000 of unspent appropriation for that project. The Board designated those remaining funds, along with the portion of that year's General Fund balance exceeding 25% of expenditures, for future courthouse capital improvements, including a boiler. In fiscal year 2004, the Board began annually levying \$100,000 specifically for courthouse capital improvements. Additional funds representing General Fund balances over certain targets have also been added to the designated fund balance for this purpose. While bids have been received twice for the boiler project, the cost has been more than the Board was ready to invest in the project. However, the boiler inspection during late summer 2007 revealed major deficiencies in the boiler and an engineering firm was again contacted to proceed with replacement of the boilers. A steam system is planned rather than the more costly hot water system that had previously been bid in prior years. A bid for the boiler replacement was accepted in February 2008 with the project to begin in April 2008.

Other major courthouse projects, such as the tuck pointing project in 2005 and a plumbing replacement project in 2006, were financed with these funds. The projected balance designated for these purposes at June 30, 2008 is now expected to be approximately \$628,000 after payment of the boiler replacement project expenditures incurred by June 30, 2008. A space needs study conducted by County staff in 2005 highlighted the need for additional space for courthouse services. The Board is currently in negotiations for acquisition of a building to address the County's office and storage space needs. The capital improvement funds will be used to acquire or construct a building to address the space needs at the courthouse, and will continue to be available for other major projects for the aging courthouse.

If the budgetary estimates in the initial fiscal year 2008 budget are realized, the County's overall budgetary operating balance is expected to decrease by the close of 2008. The General and Rural Services Fund balances were projected to increase slightly. The General Fund increase is primarily due to the expected return of most of the temporary cash flow transfers made to other funds for special projects, ie. Hale Bridge Restoration, Center Junction Wastewater Project and the Edinburgh Manor Wastewater Project. The Mental Health Fund balance was projected to increase slightly as well. However, information received in January 2008 indicated an unexpected reduction in state mental health funding will cause the balance to decrease. A substantial decrease is projected in the Secondary Roads Fund balance as a result of an aggressive construction program. Design and construction schedules, as well as a re-evaluation of funding sources, will be considered prior to proceeding with certain road and bridge projects.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Exhibit A

Jones County
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 6,649,605
Receivables:	
Property tax:	
Delinquent	6,039
Succeeding year	5,048,000
Interest and penalty on property tax	14,490
Accounts	93,152
Accrued interest	37,782
Due from other governments	496,157
Inventories	313,685
Prepaid expenses	54,905
Capital assets (net of accumulated depreciation)	12,554,801
	<u>25,268,616</u>
Total assets	
Liabilities	
Accounts payable	539,133
Accrued interest payable	239
Salaries and benefits payable	250,684
Due to other governments	309,396
Deferred revenue:	
Succeeding year property tax	5,048,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	4,184
Compensated absences	106,671
Portion due or payable after one year:	
Capital lease purchase agreements	11,394
Compensated absences	121,208
	<u>6,390,909</u>
Total liabilities	
Net Assets	
Invested in capital assets, net of related debt	12,539,223
Restricted for:	
Supplemental levy purposes	94,982
Mental health purposes	245,883
Secondary roads purposes	3,216,810
Other special revenue purposes	158,067
Unrestricted	2,622,742
	<u>\$ 18,877,707</u>

See notes to financial statements.

Jones County
Statement of Activities
Year ended June 30, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,879,266	451,664	3,700	-	(1,423,902)
Physical health and social services	706,369	257,291	183,338	-	(265,740)
Mental health	2,353,444	5,841	1,439,564	-	(908,039)
County environment and education	569,318	52,775	437,157	44,350	(35,036)
Roads and transportation	3,985,971	447,661	2,692,163	1,820,390	974,243
Governmental services to residents	515,433	321,114	-	-	(194,319)
Administration	1,424,183	26,912	12,342	-	(1,384,929)
Non-program	72,482	364,399	-	34,226	326,143
Interest on long-term debt	239	-	-	-	(239)
Total	\$ 11,506,705	1,927,657	4,768,264	1,898,966	(2,911,818)
General Revenues:					
Property and other county tax levied for general purposes					4,945,143
Penalty and interest on property tax					42,058
State tax credits					304,059
Local option sales tax					692,459
Unrestricted investment earnings					341,925
Gain on disposition of capital assets					44,195
Miscellaneous					75,728
Total general revenues					6,445,567
Change in net assets					3,533,749
Net assets beginning of year					15,343,958
Net assets end of year					\$ 18,877,707

See notes to financial statements.

Jones County
Balance Sheet
Governmental Funds

June 30, 2007

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 1,782,093	511,196	268,558
Receivables:			
Property tax:			
Delinquent	3,852	980	1,207
Succeeding year	3,289,000	837,000	922,000
Interest and penalty on property tax	14,490	-	-
Accounts	16,684	1,869	-
Accrued interest	34,575	-	-
Due from other funds	79,293	-	-
Due from other governments	74,970	46,650	29,899
Inventories	-	-	-
Prepaid expenditures	-	-	-
Total assets	\$ 5,294,957	1,397,695	1,221,664
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 79,875	44,817	-
Salaries and benefits payable	148,657	14,021	-
Due to other funds	8,349	4	-
Due to other governments	36,280	246,962	-
Deferred revenue:			
Succeeding year property tax	3,289,000	837,000	922,000
Other	20,698	3,284	1,188
Total liabilities	3,582,859	1,146,088	923,188
Fund balances:			
Reserved for supplemental levy purposes	98,782	-	-
Unreserved, designated for capital projects	637,277	-	-
Unreserved, reported in:			
General fund	976,039	-	-
Special revenue funds	-	251,607	298,476
Capital projects fund	-	-	-
Total fund balances	1,712,098	251,607	298,476
Total liabilities and fund balances	\$ 5,294,957	1,397,695	1,221,664

See notes to financial statements.

<hr/>		
Secondary		
Roads	Nonmajor	Total
<hr/>		
2,939,034	191,167	5,692,048
-	-	6,039
-	-	5,048,000
-	-	14,490
10	2,387	20,950
-	-	34,575
8,349	-	87,642
315,398	29,240	496,157
313,685	-	313,685
54,905	-	54,905
<hr/>		
3,631,381	222,794	11,768,491
<hr/>		
199,275	13,342	337,309
82,661	5,345	250,684
-	79,289	87,642
25,179	975	309,396
-	-	5,048,000
6,255	-	31,425
<hr/>		
313,370	98,951	6,064,456
<hr/>		
-	-	98,782
-	-	637,277
-	-	976,039
3,318,011	160,457	4,028,551
-	(36,614)	(36,614)
<hr/>		
3,318,011	123,843	5,704,035
<hr/>		
3,631,381	222,794	11,768,491
<hr/>		

Jones County

Jones County

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

June 30, 2007

Total governmental fund balances (page 21) \$ 5,704,035

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 \$17,988,187 and the accumulated depreciation is \$5,433,386. 12,554,801

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 31,425

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 831,142

Long-term liabilities, including capital lease purchase agreements payable, compensated absences payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (243,696)

Net assets of governmental activities (page 18) \$ 18,877,707

See notes to financial statements.

Jones County

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

Year ended June 30, 2007

	Special		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 3,196,593	833,842	914,116
Local option sales tax	-	-	173,115
Interest and penalty on property tax	40,526	-	-
Intergovernmental	1,383,203	1,488,625	55,692
Licenses and permits	38,855	-	-
Charges for service	479,805	3,639	-
Use of money and property	369,996	10,925	-
Miscellaneous	39,951	2,202	-
Total revenues	5,548,929	2,339,233	1,142,923
Expenditures:			
Operating:			
Public safety and legal services	1,866,574	-	-
Physical health and social services	482,561	-	-
Mental health	-	2,358,418	-
County environment and education	810,827	-	133,028
Roads and transportation	279,420	-	-
Governmental services to residents	484,279	-	3,820
Administration	1,153,525	-	-
Non-program	47,984	-	-
Debt service	5,618	-	-
Capital projects	-	-	-
Total expenditures	5,130,788	2,358,418	136,848
Excess (deficiency) of revenues over (under) expenditures	418,141	(19,185)	1,006,075
Other financing sources (uses):			
Sale of capital assets	325	-	-
Operating transfers in	-	-	-
Operating transfers out	-	-	(987,500)
Total other financing sources (uses)	325	-	(987,500)
Net change in fund balances	418,466	(19,185)	18,575
Fund balances beginning of year	1,293,632	270,792	279,901
Fund balances end of year	\$ 1,712,098	251,607	298,476

See notes to financial statements.

Revenue		
Secondary		
Roads	Nonmajor	Total
-	-	4,944,551
519,344	-	692,459
-	-	40,526
2,985,438	217,098	6,130,056
18,399	-	57,254
351	4,327	488,122
-	16,302	397,223
106,672	110,186	259,011
3,630,204	347,913	13,009,202
-	15,653	1,882,227
-	247,016	729,577
-	-	2,358,418
-	22,788	966,643
4,009,778	-	4,289,198
-	7,663	495,762
-	-	1,153,525
-	25,686	73,670
-	-	5,618
761,910	32,743	794,653
4,771,688	351,549	12,749,291
(1,141,484)	(3,636)	259,911
6,310	-	6,635
987,500	181	987,681
-	(181)	(987,681)
993,810	-	6,635
(147,674)	(3,636)	266,546
3,465,685	127,479	5,437,489
3,318,011	123,843	5,704,035

Jones County

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

Year ended June 30, 2007

Net change in fund balances - Total governmental funds (page 25) \$ 266,546

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

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

Expenditures for capital assets	\$ 2,078,884	
Capital assets contributed by the Iowa Department of Transportation	1,636,894	
Depreciation expense	<u>(666,086)</u>	3,049,692

In the Statement of Activities, the gain on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 37,560

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	2,123	
Other	<u>943</u>	3,066

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. 4,459

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

Compensated absences	(17,428)	
Interest on long-term debt	<u>920</u>	(16,508)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's employee health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 188,934

Change in net assets of governmental activities (page 19) \$ 3,533,749

See notes to financial statements.

Jones County
 Statement of Net Assets
 Proprietary Fund
 June 30, 2007

	Internal Service - Employee Group Health
Assets	
Cash and cash equivalents	\$ 957,557
Receivables:	
Accounts	72,202
Interest	3,207
Total assets	1,032,966
Liabilities	
Accounts payable	201,824
Net Assets	
Unrestricted	\$ 831,142

See notes to financial statements.

Exhibit H

Jones County

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

Year ended June 30, 2007

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,005,820
Contributions from outside sources		1,500
Contributions from employees		110,351
Insurance reimbursements		153,483
Total operating revenues		<u>1,271,154</u>
Operating expenses:		
Medical claims	\$ 846,297	
Insurance premiums	213,429	
Administrative fees	39,425	
Miscellaneous	13,492	1,112,643
Operating income		<u>158,511</u>
Non-operating revenues:		
Interest income		30,423
Net income		<u>188,934</u>
Net assets beginning of year		<u>642,208</u>
Net assets end of year		<u><u>\$ 831,142</u></u>

See notes to financial statements.

Jones County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2007

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,005,820
Cash received from employees and others	210,352
Cash paid to suppliers for services	(1,015,231)
Net cash provided by operating activities	200,941
Cash flows from investing activities:	
Interest on investments	28,849
Net increase in cash and cash equivalents	229,790
Cash and cash equivalents beginning of year	727,767
Cash and cash equivalents end of year	\$ 957,557
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 158,511
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts receivable	(54,982)
Increase in accounts payable	97,412
Net cash provided by operating activities	\$ 200,941

See notes to financial statements.

Jones County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

Assets

Cash and pooled investments:

County Treasurer	\$ 846,667
Other County officials	1,445

Receivables:

Property tax:

Delinquent	14,616
Succeeding year	14,446,000

Accounts	35,933
----------	--------

Special assessments	241,300
---------------------	---------

Due from other governments	8,398
----------------------------	-------

Total assets	<u>15,594,359</u>
---------------------	-------------------

Liabilities

Accounts payable	4,678
------------------	-------

Salaries and benefits payable	13,236
-------------------------------	--------

Due to other governments	15,554,970
--------------------------	------------

Trusts payable	1,445
----------------	-------

Compensated absences	20,030
----------------------	--------

Total liabilities	<u>15,594,359</u>
--------------------------	-------------------

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

See notes to financial statements.

Jones County

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

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, 2007, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Mental Health	\$ 4
	Senior Dining	1,289
	Hale Bridge Historical Restoration	13,000
	Center Junction Wastewater Project	25,000
	Capital Projects	40,000
Special Revenue:	General	8,349
Secondary Roads		
Total		<u>\$ 87,642</u>

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 987,500
County Recorder's	County Recorder's Electronic	
Records Management	Transaction Fee	181
Total		<u>\$ 987,681</u>

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

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2007 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 720,139	406,948	-	1,127,087
Construction in progress, road network	115,654	2,677,417	(1,547,714)	1,245,357
Construction in progress, other	39,489	44,605	-	84,094
Total capital assets not being depreciated	875,282	3,128,970	(1,547,714)	2,456,538
Capital assets being depreciated:				
Buildings	2,347,620	-	-	2,347,620
Equipment and vehicles	6,290,523	634,799	(394,048)	6,531,274
Infrastructure, road network	5,035,066	1,547,714	-	6,582,780
Infrastructure, other	69,975	-	-	69,975
Total capital assets being depreciated	13,743,184	2,182,513	(394,048)	15,531,649
Less accumulated depreciation for:				
Buildings	1,243,201	34,654	-	1,277,855
Equipment and vehicles	3,827,399	463,020	(383,617)	3,906,802
Infrastructure, road network	74,717	167,014	-	241,731
Infrastructure, other	5,600	1,398	-	6,998
Total accumulated depreciation	5,150,917	666,086	(383,617)	5,433,386
Total capital assets being depreciated, net	8,592,267	1,516,427	(10,431)	10,098,263
Governmental activities capital assets, net	\$ 9,467,549	4,645,397	(1,558,145)	12,554,801

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 47,040
Physical health and social services	7,243
Mental health	1,958
County environment and education	27,191
Roads and transportation	526,443
Governmental services to residents	27,393
Administration	28,818
Total depreciation expense - governmental activities	\$ 666,086

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 36,280
Special Revenue:		
Mental Health	Services	246,962
Secondary Roads	Services and materials	25,179
Senior Dining	Services	46
Center Junction Waste-water Project	Services	929
		<u>273,116</u>
Total for governmental funds		<u>\$ 309,396</u>
Agency:		
Emergency Management	Services	\$ 12,691
E911 Surcharge	Materials	120,112
County Assessor	Collections and materials	444,741
Schools	Collections	9,582,197
Community Colleges	Collections	591,475
Corporations	Collections	3,839,277
Auto License and Use Tax	Collections	339,077
All other	Collections	625,400
Total for agency funds		<u>\$ 15,554,970</u>

(7) Prepaid Rental Agreement

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

The County has elected to amortize prepaid expenditures of \$80,743 over 25 years. At June 30, 2007, the unamortized prepaid expenditure balance was \$54,905.

(8) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Capital Lease Purchase Agreements	Compensated Absences	Total
Balance beginning of year	\$ 20,037	210,451	230,488
Increases	-	225,231	225,231
Decreases	4,459	207,803	212,262
Balance end of year	<u>\$ 15,578</u>	<u>227,879</u>	<u>243,457</u>
Due within one year	<u>\$ 4,184</u>	<u>106,671</u>	<u>110,855</u>

Capital Lease Purchase Agreements

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

The following is a schedule of the future minimum lease payments, including interest ranging from 8.50% to 9.49% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2007:

<u>Year ending June 30,</u>	<u>Amount</u>
2008	\$ 5,618
2009	5,618
2010	5,618
2011	2,183
Total minimum lease payments	<u>19,037</u>
Less amount representing interest	<u>(3,459)</u>
Present value of net minimum lease payments	<u>\$ 15,578</u>

Payments under capital lease purchase agreements totaled \$5,618 for the year ended June 30, 2007.

(9) Deficit Balance

At June 30, 2007, the Capital Projects Fund had a deficit balance of \$36,614. The deficit balance is the result of project costs in excess of available funds. The deficit will be eliminated upon collection of general obligation sewer improvement bond proceeds.

(10) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$233,078, \$219,769 and \$211,774, respectively, equal to the required contributions for each year.

(11) Risk Management

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

(12) Employee Health Insurance Plan

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

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Employee Group Services, Ltd. from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2007 was \$1,005,820.

Amounts payable from the Employee Group Health Fund at June 30, 2007 total \$201,824, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$831,142 at June 30, 2007 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$	104,412
Incurred claims (including claims incurred but not reported at June 30, 2007.)		943,709
Payment on claims during the fiscal year		<u>(846,297)</u>
Unpaid claims end of year	\$	<u>201,824</u>

(13) Subsequent Event

In February 2007, the County entered into a ten year general obligation sewer improvement bond agreement with the State Revolving Loan program for \$270,000 for the purpose of paying the cost of constructing improvements to and expanding the wastewater treatment facilities at Edinburgh Manor. On August 9, 2007, the general obligation sewer improvement bonds were issued.

Required Supplementary Information

Jones County

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

Required Supplementary Information

Year ended June 30, 2007

	<u>Actual</u>
Receipts:	
Property and other county tax	\$ 5,626,067
Interest and penalty on property tax	40,826
Intergovernmental	6,293,795
Licenses and permits	55,416
Charges for service	490,970
Use of money and property	382,389
Miscellaneous	263,858
Total receipts	<u>13,153,321</u>
Disbursements:	
Public safety and legal services	1,861,056
Physical health and social services	727,231
Mental health	2,382,931
County environment and education	1,002,181
Roads and transportation	4,249,452
Governmental services to residents	486,689
Administration	1,149,868
Non-program	83,649
Debt service	5,618
Capital projects	922,752
Total disbursements	<u>12,871,427</u>
Excess (deficiency) of receipts over (under) disbursements	281,894
Other financing sources, net	<u>8,043</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	289,937
Balance beginning of year	<u>5,402,111</u>
Balance end of year	<u>\$ 5,692,048</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual Variance
5,543,449	5,600,134	25,933
44,100	43,200	(2,374)
5,498,024	6,668,120	(374,325)
62,804	61,929	(6,513)
486,825	479,732	11,238
279,757	371,788	10,601
180,324	320,196	(56,338)
12,095,283	13,545,099	(391,778)
1,871,684	1,893,332	32,276
803,182	836,477	109,246
2,450,739	2,488,389	105,458
576,043	1,194,917	192,736
4,725,649	4,611,308	361,856
451,327	489,671	2,982
1,191,692	1,188,412	38,544
234,941	197,289	113,640
6,377	5,619	1
2,235,130	1,997,130	1,074,378
14,546,764	14,902,544	2,031,117
(2,451,481)	(1,357,445)	1,639,339
3,600	277,700	(269,657)
(2,447,881)	(1,079,745)	1,369,682
4,592,751	5,366,845	35,266
2,144,870	4,287,100	1,404,948

Jones County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2007

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 13,153,321	(144,119)	13,009,202
Expenditures	12,871,427	(122,136)	12,749,291
Net	281,894	(21,983)	259,911
Other financing sources, net	8,043	(1,408)	6,635
Beginning fund balances	5,402,111	35,378	5,437,489
Ending fund balances	\$ 5,692,048	11,987	5,704,035

See accompanying independent auditor's report.

Jones County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, 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 \$355,780. 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, 2007, disbursements did not exceed the amounts budgeted.

Jones County

Other Supplementary Information

Jones County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

	Special			
	County Recorder's Records Management	Conservation Land Acquisition	Senior Dining	Jail Commissary
Assets				
Cash and pooled investments	\$ 20,394	9,271	53,941	13,653
Accounts receivable	-	-	1,747	640
Due from other governments	-	-	9,321	-
Total assets	\$ 20,394	9,271	65,009	14,293
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ 5,813	-	6,780	640
Salaries and benefits payable	-	-	4,905	-
Due to other funds	-	-	1,289	-
Due to other governments	-	-	46	-
Total liabilities	5,813	-	13,020	640
Fund equity:				
Unreserved fund balances	14,581	9,271	51,989	13,653
Total liabilities and fund equity	\$ 20,394	9,271	65,009	14,293

See accompanying independent auditor's report.

Revenue							
Law Enforcement Canine	Resource Enhancement and Protection	Hale Bridge Historical Restoration	Historical Preservation Commission	Center Junction Wastewater Project	Capital Projects		Total
8,525	29,726	28,802	14,118	9,351	3,386		191,167
-	-	-	-	-	-		2,387
-	3,341	-	-	16,578	-		29,240
8,525	33,067	28,802	14,118	25,929	3,386		222,794
109	-	-	-	-	-		13,342
-	440	-	-	-	-		5,345
-	-	13,000	-	25,000	40,000		79,289
-	-	-	-	929	-		975
109	440	13,000	-	25,929	40,000		98,951
8,416	32,627	15,802	14,118	-	(36,614)		123,843
8,525	33,067	28,802	14,118	25,929	3,386		222,794

Jones County

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

Year ended June 30, 2007

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Conservation Land Acquisition	Special Senior Dining
Revenues:				
Intergovernmental	\$ -	-	-	126,823
Charges for service	4,327	-	-	-
Use of money and property	258	1	5,415	-
Miscellaneous	-	-	-	107,268
Total revenues	4,585	1	5,415	234,091
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Physical health and social services	-	-	-	247,016
County environment and education	-	-	2,852	-
Governmental services to residents	7,663	-	-	-
Non-program	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	7,663	-	2,852	247,016
Excess (deficiency) of revenues over (under) expenditures	(3,078)	1	2,563	(12,925)
Other financing sources (uses):				
Operating transfers in	181	-	-	-
Operating transfers out	-	(181)	-	-
Total other financing sources (uses)	181	(181)	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2,897)	(180)	2,563	(12,925)
Fund balances beginning of year	17,478	180	6,708	64,914
Fund balances end of year	\$ 14,581	-	9,271	51,989

See accompanying independent auditor's report.

Revenue								
Jail Commissary	Law Enforcement Canine	Resource Enhancement and Protection	Hale Bridge Historical Restoration	Historical Preservation Commission	Center Junction Wastewater Project	Capital Projects	Total	
-	-	11,699	44,350	-	34,226	-	217,098	
-	-	-	-	-	-	-	4,327	
10,098	-	426	-	104	-	-	16,302	
-	200	450	-	2,268	-	-	110,186	
10,098	200	12,575	44,350	2,372	34,226	-	347,913	
6,050	9,603	-	-	-	-	-	15,653	
-	-	-	-	-	-	-	247,016	
-	-	8,425	6,031	5,480	-	-	22,788	
-	-	-	-	-	-	-	7,663	
-	-	-	-	-	25,686	-	25,686	
-	-	-	-	-	-	32,743	32,743	
6,050	9,603	8,425	6,031	5,480	25,686	32,743	351,549	
4,048	(9,403)	4,150	38,319	(3,108)	8,540	(32,743)	(3,636)	
-	-	-	-	-	-	-	181	
-	-	-	-	-	-	-	(181)	
-	-	-	-	-	-	-	-	
4,048	(9,403)	4,150	38,319	(3,108)	8,540	(32,743)	(3,636)	
9,605	17,819	28,477	(22,517)	17,226	(8,540)	(3,871)	127,479	
13,653	8,416	32,627	15,802	14,118	-	(36,614)	123,843	

Jones County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,071	165,172	160,532	9,790
Other County officials	1,445	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	154	363	10,665	685
Succeeding year	-	132,000	310,000	9,411,000	581,000
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 1,445	134,225	475,535	9,582,197	591,475
Liabilities					
Accounts payable	\$ -	-	408	-	-
Salaries and benefits payable	-	-	10,598	-	-
Due to other governments	-	134,225	444,741	9,582,197	591,475
Trusts payable	1,445	-	-	-	-
Compensated absences	-	-	19,788	-	-
Total liabilities	\$ 1,445	134,225	475,535	9,582,197	591,475

See accompanying independent auditor's report.

Corporations	Townships	City Special Aseessments	Auto License and Use Tax	Other	Total
63,835	3,322	2,083	339,077	100,785	846,667
-	-	-	-	-	1,445
2,442	296	-	-	11	14,616
3,773,000	221,000	-	-	18,000	14,446,000
-	-	-	-	35,933	35,933
-	-	241,300	-	-	241,300
-	-	-	-	8,398	8,398
3,839,277	224,618	243,383	339,077	163,127	15,594,359
-	-	-	-	4,270	4,678
-	-	-	-	2,638	13,236
3,839,277	224,618	243,383	339,077	155,977	15,554,970
-	-	-	-	-	1,445
-	-	-	-	242	20,030
3,839,277	224,618	243,383	339,077	163,127	15,594,359

Jones County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2007

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 469	125,389	521,987	9,635,499	586,022
Additions:					
Property and other county tax	-	131,777	309,613	9,405,461	580,960
E911 surcharges	-	-	-	-	-
State tax credits	-	7,565	20,929	582,104	35,390
Office fees and collections	406,259	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	279,267	-	-	-	-
Miscellaneous	-	-	1,317	-	-
Total additions	685,526	139,342	331,859	9,987,565	616,350
Deductions:					
Agency remittances:					
To other funds	208,294	-	-	-	-
To other governments	195,982	130,506	378,311	10,040,867	610,897
Trusts paid out	280,274	-	-	-	-
Total deductions	684,550	130,506	378,311	10,040,867	610,897
Balances end of year	\$ 1,445	134,225	475,535	9,582,197	591,475

See accompanying independent auditor's report.

Corpora- tions	Townships	City Special Assess- ments	Auto License and Use Tax	Other	Total
3,958,131	216,950	258,024	335,906	94,734	15,733,111
3,826,684	219,810	-	-	16,965	14,491,270
-	-	-	-	125,168	125,168
199,899	12,225	-	-	1,657	859,769
-	-	-	-	-	406,259
-	-	-	4,167,009	227	4,167,236
-	-	56,704	-	-	56,704
-	-	-	-	-	279,267
-	162	-	-	100,419	101,898
4,026,583	232,197	56,704	4,167,009	244,436	20,487,571
-	-	-	161,882	-	370,176
4,145,437	224,529	71,345	4,001,956	176,043	19,975,873
-	-	-	-	-	280,274
4,145,437	224,529	71,345	4,163,838	176,043	20,626,323
3,839,277	224,618	243,383	339,077	163,127	15,594,359

Jones County

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

For the Last Seven Years

	Modified Accrual		
	2007	2006	2005
Revenues:			
Property and other county tax	\$ 4,944,551	4,610,837	4,456,444
Local option sales tax	692,459	606,518	680,333
Interest and penalty on property tax	40,526	38,376	41,809
Intergovernmental	6,130,056	5,815,503	6,384,409
Licenses and permits	57,254	72,345	59,517
Charges for service	488,122	513,186	505,718
Use of money and property	397,223	331,045	226,899
Fines, forfeitures and defaults	-	-	-
Miscellaneous	259,011	279,683	276,380
Total	\$ 13,009,202	12,267,493	12,631,509
Expenditures:			
Operating:			
Public safety and legal services	\$ 1,882,227	1,805,964	1,713,155
Physical health and social services	729,577	698,613	605,430
Mental health	2,358,418	2,226,362	2,127,455
County environment and education	966,643	1,184,737	554,528
Roads and transportation	4,289,198	4,013,501	4,355,370
Governmental services to residents	495,762	619,332	448,029
Administration	1,153,525	1,270,527	1,202,306
Non-program	73,670	109,192	38,133
Debt service	5,618	-	-
Capital projects	794,653	1,278,659	1,994,791
Total	\$ 12,749,291	13,206,887	13,039,197

See accompanying independent auditor's report.

Basis				
	2004	2003	2002	2001
	4,328,573	4,233,483	4,008,666	3,815,210
	615,568	603,405	526,171	572,876
	43,800	41,833	41,304	40,568
	4,836,462	5,734,114	5,496,228	5,204,746
	46,118	40,199	42,091	38,277
	513,303	488,311	425,337	548,030
	154,548	233,775	224,710	375,217
	-	-	3,556	256
	371,759	215,666	55,600	61,266
	10,910,131	11,590,786	10,823,663	10,656,446
	1,636,654	1,587,393	1,490,438	1,360,901
	767,276	655,087	417,424	485,193
	2,168,835	2,157,138	2,156,418	2,217,737
	571,865	524,010	583,125	493,586
	4,427,394	4,202,859	3,519,321	3,895,875
	385,668	339,057	337,641	303,117
	959,960	958,153	974,493	877,548
	35,667	224,953	30,238	17,201
	-	-	-	-
	385,766	408,995	366,079	244,276
	11,339,085	11,057,645	9,875,177	9,895,434

Jones County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Officials of Jones County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jones County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 5, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jones County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Jones County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jones County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including a deficiency we consider to be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Jones County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Jones County's financial statements that is more than inconsequential will not be prevented or detected by Jones County's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Jones County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item (C) is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

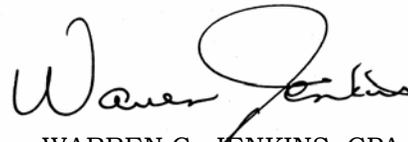
Jones County's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Jones County's responses and, accordingly, we express no opinion on them.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 5, 2008

Jones County
Schedule of Findings
Year ended June 30, 2007

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

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

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

Response – Jones County Historic Preservation Commission failed to once again provide their financial transactions to the County Auditor for inclusion in the County’s budget and financial reports. The Jones County Board of Supervisors met with representatives of the Jones County Historic Preservation Commission on January 15, 2008. The Commission has agreed to seek legal counsel to establish the Commission as a separate legal entity (i.e. non-profit corporation, etc.) before June 30, 2008, which is expected to eliminate the need to include their transactions in Jones County’s financial reports.

Conclusion – Response accepted.

- (B) County Sheriff’s Office – A reconciliation of book to bank balances was performed for all accounts as of June 30, 2007. However, these were not performed in a timely manner. Additionally, the quarterly fees for the quarter ending September 30, 2006 were not remitted to the County Treasurer until January 3, 2007.

Recommendation – Book balances should be reconciled timely at the end of each month to bank account balances. Quarterly fees should be remitted to the County Treasurer on a timely basis.

Response – From this point on, we will comply with the above recommendations.

Conclusion – Response accepted.

Jones County

Schedule of Findings

Year ended June 30, 2007

- (C) Financial Reporting – During the audit, we identified material amounts of infrastructure additions which were not properly recorded in the County’s financial statements. Additionally, several assets were not subsequently taken off the capital assets records when sold and a material grant revenue was not properly classified by program revenue type. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all infrastructure additions are properly recorded and included in the County’s financial statements. Additionally, all capital assets should be promptly deleted from the capital asset listing when disposed of and all revenues should be properly classified by revenue type to ensure proper reporting in the County’s financial statements.

Response – The Secondary Roads Department will establish procedures to ensure proper inclusion of infrastructure changes in the County’s financial statements. All department heads will be reminded to promptly return written documentation to the County Auditor’s Office when selling or disposing of capital assets. Revenue reports will be reviewed more carefully to verify revenues are properly reported.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Jones County
Schedule of Findings
Year ended June 30, 2007

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
K. Sulzner Construction, husband of County Auditor	Doors and vents	\$ 801
Phil Dirks, Board of Supervisor’s brother	Painting: Per bid	5,094
	Not bid	1,365
Hughes Garage, brother of Secondary Roads employee	Repair work	350
Keith Dirks, County Board of Supervisor	Painting, per bid	1,175
Phyllis Dircks, Senior Dining employee	Laundry	180

In accordance with Chapters 331.342(10) and 331.342(3), respectively, of the Code of Iowa, except for the transactions with Phil Dirks, the above transactions do not appear to represent a conflict of interest since the cumulative amount by individual was less than \$1,500 during the fiscal year. A transaction with Phil Dirks for \$5,094 does not appear to represent a conflict of interest since it was awarded through competitive bidding procedures. Subsequent work was performed, but the amount was less than \$1,500. Additionally, the transaction with Keith Dirks was awarded through competitive bidding procedures.

- (5) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be periodically reviewed to ensure the coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Jones County

Schedule of Findings

Year ended June 30, 2007

(7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.

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

(9) Financial Condition – The Capital Projects Fund had a deficit balance of \$36,614 at June 30, 2007.

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

Response – The modified accrual basis deficit balance is reflective of monies owed to the County's General Fund, as a result of temporary cash flow transfers to enable payment of bills from the Capital Projects Fund. The amounts owed the General Fund will be repaid when the proceeds of the general obligation bond for the Edinburgh Manor Wastewater Project are received in fiscal year 2008.

Conclusion – Response accepted.

(10) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2007 for the County Extension Office did not exceed the amount budgeted.

(11) Credit Card – The County Extension Office has a credit card. The Extension Council has not adopted a formal policy to regulate use of the credit card and to establish procedures for the proper accounting of credit card charges.

Recommendation – The Extension Council should adopt a formal written policy regulating use of the credit card. The policy, at a minimum, should address who controls the credit card, who is authorized to use the credit card and for what purpose, as well as the types of supporting documentation required to substantiate charges.

Response – A policy has been drafted and plans are to be finalized and signed by the Extension Council at an upcoming meeting.

Conclusion – Response accepted.

Jones County

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager
Darryl J. Brumm, CPA, Senior Auditor II
Daniel L. Durbin, CPA Staff Auditor
Brett C. Conner, Assistant Auditor
R. Curtis Nelsen, Assistant Auditor
Curtis J. Froehlich, Auditor Intern



Andrew E. Nielsen, CPA
Deputy Auditor of State