



**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

April 30, 2008

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$19,696,844 for the year ended June 30, 2007, which included \$1,233,519 in tax credits from the state. The County forwarded \$15,073,761 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,623,083 of the local tax revenue to finance County operations, a 2.3 percent increase over the prior year. Other revenues included charges for service of \$783,483, operating grants, contributions and restricted interest of \$4,225,993, capital grants, contributions and restricted interest of \$1,117,753, local option sales tax of \$755,377, unrestricted investment earnings of \$327,710 and other general revenues of \$244,731.

Expenses for County operations totaled \$11,335,753, a 4.5 percent increase over the prior year. Expenses included \$4,653,709 for roads and transportation, \$2,382,523 for mental health and \$1,408,109 for public safety and legal services.

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

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JACKSON COUNTY

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

JUNE 30, 2007

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Jackson County

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------------------|----------------------|---------------------|
| (Before January 2007) | | |
| J. C. Engel | Board of Supervisors | Jan 2007 |
| John J. Willey | Board of Supervisors | Jan 2007 |
| Larry Koos | Board of Supervisors | Jan 2009 |
| Joell Deppe | County Auditor | Jan 2009 |
| Alfred Tebbe, Jr. | County Treasurer | Jan 2007 |
| Phyllis Gerlach | County Recorder | Jan 2007 |
| Russell Kettmann | County Sheriff | Jan 2009 |
| John L. Kies | County Attorney | Jan 2007 |
| William Goettler | County Assessor | Jan 2010 |
| (After January 2007) | | |
| Larry Koos | Board of Supervisors | Jan 2009 |
| Steve Flynn | Board of Supervisors | Jan 2011 |
| John J. Willey | Board of Supervisors | Jan 2011 |
| Joell Deppe | County Auditor | Jan 2009 |
| Alfred Tebbe, Jr. | County Treasurer | Jan 2011 |
| Arlene Schauf | County Recorder | Jan 2011 |
| Russell Kettmann | County Sheriff | Jan 2009 |
| Phil Tabor | County Attorney | Jan 2011 |
| Deb Lane | County Assessor | Jan 2010 |

Jackson County



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Independent Auditor's Report

To the Officials of Jackson County:

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

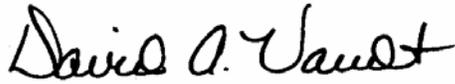
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Jackson County at June 30, 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 April 8, 2008 on our consideration of Jackson County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 44 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jackson County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the 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 8 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

April 8, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2007 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 14.8%, or approximately \$2,093,000, from fiscal 2006 to fiscal 2007. Property and other county tax increased approximately \$105,000, operating grants, contributions and restricted interest decreased approximately \$112,000 and capital grants, contributions and restricted interest decreased approximately \$1,944,000.
- Program expenses of the County's governmental activities increased 4.5%, or approximately \$491,000, from fiscal 2006 to fiscal 2007. Mental health expenses increased approximately \$569,000 and roads and transportation expenses increased approximately \$239,000.
- The County's net assets increased 2%, or approximately \$742,000, from June 30, 2006 to June 30, 2007.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds, the individual Internal Service Funds and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Jackson County's combined net assets of governmental activities increased 2%, from \$37.3 million to \$38 million, between June 30, 2006 and June 30, 2007. The analysis that follows focuses on the changes in the net assets of governmental activities.

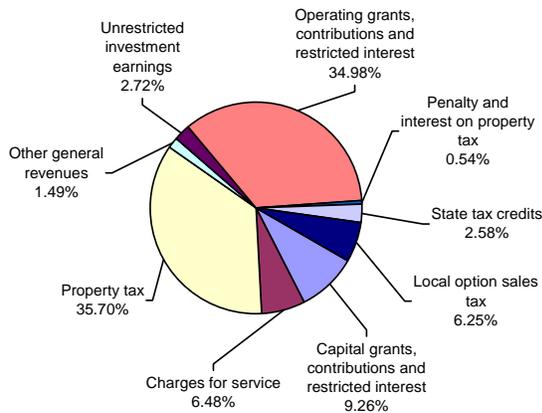
| Net Assets of Governmental Activities (Expressed in Thousands) | | |
|---|------------------|---------------|
| | June 30, | |
| | 2007 | 2006 |
| Current and other assets | \$ 11,351 | 11,466 |
| Capital assets | 32,288 | 31,439 |
| Total assets | <u>43,639</u> | <u>42,905</u> |
| Long-term liabilities | 223 | 296 |
| Other liabilities | 5,344 | 5,280 |
| Total liabilities | <u>5,567</u> | <u>5,576</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 32,266 | 31,427 |
| Restricted | 4,382 | 4,857 |
| Unrestricted | <u>1,424</u> | <u>1,045</u> |
| Total net assets | <u>\$ 38,072</u> | <u>37,329</u> |

The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - were approximately \$1,424,000 at June 30, 2007.

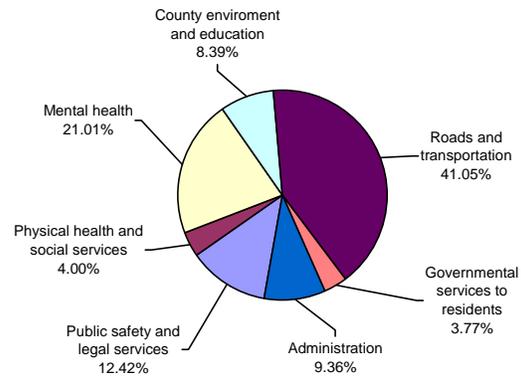
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

| | Year ended June 30, | |
|---|---------------------|---------------|
| | 2007 | 2006 |
| Revenues: | | |
| Program revenues: | | |
| Charges for service | \$ 783 | 1,165 |
| Operating grants, contributions and restricted interest | 4,226 | 4,338 |
| Capital grants, contributions and restricted interest | 1,118 | 3,062 |
| General revenues: | | |
| Property tax | 4,312 | 4,207 |
| Penalty and interest on property tax | 65 | 73 |
| State tax credits | 312 | 310 |
| Local option sales tax | 755 | 648 |
| Unrestricted investment earnings | 328 | 221 |
| Other general revenues | 180 | 148 |
| Total revenues | <u>12,079</u> | <u>14,172</u> |
| Program expenses: | | |
| Public safety and legal services | 1,408 | 1,387 |
| Physical health and social services | 453 | 419 |
| Mental health | 2,382 | 1,813 |
| County environment and education | 951 | 1,228 |
| Roads and transportation | 4,654 | 4,415 |
| Governmental services to residents | 427 | 402 |
| Administration | 1,061 | 1,180 |
| Interest on long-term debt | - | 1 |
| Total expenses | <u>11,336</u> | <u>10,845</u> |
| Increase in net assets | 743 | 3,327 |
| Net assets beginning of year | <u>37,329</u> | <u>34,002</u> |
| Net assets end of year | <u>\$ 38,072</u> | <u>37,329</u> |

Revenue by Source



Expenses by Program



The County decreased property tax rates for fiscal 2007 by .55%, while property valuations increased 3.6%. These changes raised the County's property tax revenue approximately \$105,000 in fiscal 2007. Based on an increase in the tax rates, property tax revenue is budgeted to increase approximately \$133,000 next year.

INDIVIDUAL MAJOR FUND ANALYSIS

As Jackson County completed the year, its governmental funds reported a combined fund balance of \$4,783,051, an increase of \$50,689 over last year's total of \$4,732,362. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased \$223,668 and expenditures increased \$57,795. The ending fund balance increased \$352,355 over the prior year to \$1,149,816. The increase in revenues was due, in part, to the increase in property tax receipts of approximately \$81,000 and an increase in use of money and property of approximately \$107,000 due to better interest rates during fiscal year 2007.
- The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal 2007, revenues totaled \$1,781,399, a decrease of 15% from the prior year. The decrease was due to the County receiving grant funds totaling \$350,410 during fiscal year 2006 that it did not receive during fiscal year 2007. Expenditures totaled \$2,488,908, an increase of 30% over the prior year. The increase was due to the County paying the Iowa Department of Human Services for client claims disputed in prior years. The Mental Health Fund balance at year end decreased \$707,509 from the prior year to (\$52,209).
- The Rural Services Fund ended fiscal 2007 with a \$385,532 balance compared to the prior year ending balance of \$221,143. There were no significant changes in revenues from the prior year.
- Secondary Roads Fund expenditures increased \$483,946 over the prior year, due primarily to payments for capital projects. This increase in expenditures resulted in a decrease in the Secondary Roads Fund ending balance of \$86,455, or 6%, from the prior year.
- The Local Option Sales Tax Fund ended fiscal 2007 with a \$934,790 balance compared to the prior year ending balance of \$910,448. The increase is due, in part, to an increase in local option sales tax revenue of approximately \$81,000.
- The Jackson County Revolving Loan Fund ended fiscal 2007 with a \$904,247 balance compared to the prior year ending balance of \$650,619. The increase is due to the Jackson County Revolving Loan Fund receiving \$258,628 in loan repayments from businesses during fiscal year 2007.

BUDGETARY HIGHLIGHTS

Over the course of the year, Jackson County amended its budget twice. The amendments were made in April and June 2007 and resulted in an increase in budgeted disbursements related, in part, to fuel, natural gas and electric, equipment and supplies, mental health, revolving loans, elections and the County Farm. The County also received more interest on investments than originally projected.

The County's receipts were \$93,099, or .8%, less than the amended budget.

Total disbursements were \$830,839 less than the amended budget. Actual disbursements for the mental health and capital projects functions were \$137,164 and \$550,729, respectively, less than budgeted. This was primarily due to the County continuing to look for ways to manage the cost of mental health services and work on certain projects was not completed prior to June 30, 2007. In addition, the County had fewer capital project expenditures than originally budgeted.

Even with the amendments, the County exceeded the budgeted amount in the county environment and education, roads and transportation and debt service functions for the year ended June 30, 2007.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, Jackson County had approximately \$32.3 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$849,000, or 3%, over last year.

| Capital Assets of Governmental Activities at Year End | | |
|---|-----------|--------|
| (Expressed in Thousands) | | |
| | June 30, | |
| | 2007 | 2006 |
| Land | \$ 2,845 | 2,845 |
| Buildings and improvements | 1,577 | 1,629 |
| Equipment and vehicles | 2,894 | 2,722 |
| Infrastructure | 24,972 | 23,408 |
| Construction in progress | - | 835 |
| Total | \$ 32,288 | 31,439 |

This years major additions included (in thousands):

| | |
|-----------------------------------|-----------------|
| Secondary roads projects | \$ 1,361 |
| Road and transportation equipment | 515 |
| Courthouse improvement projects | 123 |
| Conservation equipment | <u>75</u> |
| Total | <u>\$ 2,074</u> |

The County had depreciation expense of \$1,338,731 in fiscal 2007 and total accumulated depreciation of \$15,950,661 at June 30, 2007.

More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

Long-Term Debt

At June 30, 2007, Jackson County had approximately \$22,000 in a capital lease purchase agreement outstanding, compared to a bank loan and a capital lease purchase agreement totaling approximately \$113,000 at June 30, 2006.

Debt decreased primarily as a result of making loan and other debt payments of approximately \$120,000. The County entered into one new lease purchase agreement during fiscal year 2007 for a dump truck.

The County does not carry a general obligation bond rating assigned by national rating agencies since it has not issued any general obligation bonds for a number of years. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Jackson County's general obligation constitutional debt limit is \$33 million. Additional information about the County's long-term debt is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Jackson County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates and fees charged for various County activities. One of those factors is the economy. The County's nonagricultural employment growth decreased in 2006, averaging 1% over the last 5 years while the population growth during 2000-2005 has increased .2%. Unemployment in the County now stands at 4.4% versus 4.2% a year ago.

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

These indicators were taken into account when adopting the budget for fiscal year 2008. Jackson County will use the increase in property tax to finance programs we currently offer and offset the effect we expect inflation to have on program costs. The County has added no major new programs or initiatives to the 2008 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly increase by the close of fiscal 2008.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Jackson County

Basic Financial Statements

Exhibit A

Jackson County
Statement of Net Assets
June 30, 2007

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Cash and pooled investments | \$ 5,140,168 |
| Receivables: | |
| Property tax: | |
| Delinquent | 18,028 |
| Succeeding year | 4,302,000 |
| Interest and penalty on property tax | 111,102 |
| Accounts | 69,261 |
| Accrued interest | 22,574 |
| Revolving loans | 808,845 |
| Due from other governments | 539,233 |
| Inventories | 223,273 |
| Prepaid insurance | 116,101 |
| Capital assets (net of accumulated depreciation) | <u>32,288,194</u> |
| Total assets | <u>43,638,779</u> |
| Liabilities | |
| Accounts payable | 192,486 |
| Salaries and benefits payable | 132,186 |
| Due to other governments | 717,912 |
| Deferred revenue: | |
| Succeeding year property tax | 4,302,000 |
| Long-term liabilities: | |
| Portion due or payable within one year: | |
| Capital lease purchase agreement | 6,833 |
| Compensated absences | 190,483 |
| Portion due or payable after one year: | |
| Capital lease purchase agreement | 14,920 |
| Compensated absences | <u>10,442</u> |
| Total liabilities | <u>5,567,262</u> |
| Net Assets | |
| Invested in capital assets, net of related debt | 32,266,441 |
| Restricted for: | |
| Secondary roads purposes | 2,262,153 |
| Supplemental levy purposes | 143,018 |
| Cemetery | 22,127 |
| Other purposes | 1,953,886 |
| Unrestricted | <u>1,423,892</u> |
| Total net assets | <u>\$ 38,071,517</u> |

See notes to financial statements.

Jackson 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 | \$ 1,408,109 | 70,469 | 81,040 | - | (1,256,600) |
| Physical health and social services | 452,559 | 36,958 | 196,067 | - | (219,534) |
| Mental health | 2,382,523 | 911 | 991,534 | - | (1,390,078) |
| County environment and education | 950,667 | 178,935 | 239,370 | - | (532,362) |
| Roads and transportation | 4,653,709 | 55,753 | 2,717,982 | 1,117,753 | (762,221) |
| Governmental services to residents | 427,416 | 332,779 | - | - | (94,637) |
| Administration | 1,060,608 | 107,678 | - | - | (952,930) |
| Interest on long-term debt | 162 | - | - | - | (162) |
| Total | \$ 11,335,753 | 783,483 | 4,225,993 | 1,117,753 | (5,208,524) |
| General Revenues: | | | | | |
| Property and other county tax levied for general purposes | | | | | 4,311,515 |
| Penalty and interest on property tax | | | | | 64,631 |
| State tax credits | | | | | 311,568 |
| Local option sales tax | | | | | 755,377 |
| Unrestricted investment earnings | | | | | 327,710 |
| Gain on disposition of capital assets | | | | | 92,668 |
| Miscellaneous | | | | | 87,432 |
| Total general revenues | | | | | 5,950,901 |
| Change in net assets | | | | | 742,377 |
| Net assets beginning of year | | | | | 37,329,140 |
| Net assets end of year | | | | | \$ 38,071,517 |

See notes to financial statements.

Jackson County
Balance Sheet
Governmental Funds

June 30, 2007

| | Special | | | |
|--------------------------------------|---------------------|------------------|-------------------|--------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Assets | | | | |
| Cash and pooled investments | \$ 1,052,410 | 686,838 | 388,387 | 872,514 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 13,423 | 3,701 | 904 | - |
| Succeeding year | 2,592,000 | 715,000 | 995,000 | - |
| Interest and penalty on property tax | 111,102 | - | - | - |
| Accounts | 1,579 | 4,002 | - | - |
| Accrued interest | 21,657 | - | - | - |
| Revolving loans | - | - | - | - |
| Due from other funds | - | - | - | 31 |
| Advances to other funds | - | - | - | - |
| Due from other governments | 143,999 | 31,639 | 14,722 | 270,733 |
| Inventories | - | - | - | 223,273 |
| Prepaid insurance | 56,637 | - | - | 59,464 |
| | \$ 3,992,807 | 1,441,180 | 1,399,013 | 1,426,015 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 32,994 | 101,074 | 755 | 54,309 |
| Salaries and benefits payable | 56,920 | 8,695 | 15,142 | 47,701 |
| Due to other funds | - | - | - | - |
| Due to other governments | 36,552 | 664,919 | 1,680 | 179 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 2,592,000 | 715,000 | 995,000 | - |
| Other | 124,525 | 3,701 | 904 | 48,016 |
| Advances from other funds | - | - | - | - |
| Total liabilities | 2,842,991 | 1,493,389 | 1,013,481 | 150,205 |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Cemetery | 22,127 | - | - | - |
| Supplemental levy purposes | 155,300 | - | - | - |
| Advance to other funds | - | - | - | - |
| Unreserved, reported in: | | | | |
| General fund | 972,389 | - | - | - |
| Special revenue funds | - | (52,209) | 385,532 | 1,275,810 |
| Capital projects fund | - | - | - | - |
| Total fund balances | 1,149,816 | (52,209) | 385,532 | 1,275,810 |
| | \$ 3,992,807 | 1,441,180 | 1,399,013 | 1,426,015 |

See notes to financial statements.

| Revenue | | | |
|---------------------------|----------------------------------|----------------|-------------------|
| Local Option Sales Tax | Jackson County Revolving Loan | Nonmajor | Total |
| 890,624 | 829,247 | 247,534 | 4,967,554 |
| - | - | - | 18,028 |
| - | - | - | 4,302,000 |
| - | - | - | 111,102 |
| 63,680 | - | - | 69,261 |
| - | - | 252 | 21,909 |
| - | 808,845 | - | 808,845 |
| - | - | - | 31 |
| - | 75,000 | - | 75,000 |
| 44,166 | - | 33,974 | 539,233 |
| - | - | - | 223,273 |
| - | - | - | 116,101 |
| 998,470 | 1,713,092 | 281,760 | 11,252,337 |
| - | - | 3,354 | 192,486 |
| - | - | 3,728 | 132,186 |
| - | - | 31 | 31 |
| - | - | 14,582 | 717,912 |
| - | - | - | 4,302,000 |
| 63,680 | 808,845 | - | 1,049,671 |
| - | - | 75,000 | 75,000 |
| 63,680 | 808,845 | 96,695 | 6,469,286 |
| - | - | - | 22,127 |
| - | - | - | 155,300 |
| - | 75,000 | - | 75,000 |
| - | - | - | 972,389 |
| 934,790 | 829,247 | 256,585 | 3,629,755 |
| - | - | (71,520) | (71,520) |
| 934,790 | 904,247 | 185,065 | 4,783,051 |
| 998,470 | 1,713,092 | 281,760 | 11,252,337 |

Jackson County

Jackson County

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

June 30, 2007

Total governmental fund balances (page 19) \$ 4,783,051

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 \$48,238,855 and the accumulated depreciation is \$15,950,661. 32,288,194

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 1,049,671

The Internal Service Funds are used by management to charge the costs of partial self-funding of the County's health and dental plans to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets. 173,279

Long-term liabilities, including a capital lease purchase agreement and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (222,678)

Net assets of governmental activities (page 16) \$ 38,071,517

See notes to financial statements.

Jackson County

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

Year ended June 30, 2007

| | Special | | | |
|---|---------------------|------------------|-------------------|--------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Revenues: | | | | |
| Property and other county tax | \$ 2,588,032 | 736,194 | 986,190 | - |
| Local option sales tax | - | - | 188,844 | - |
| Interest and penalty on property tax | 52,467 | - | - | - |
| Intergovernmental | 555,684 | 1,042,224 | 75,854 | 2,844,071 |
| Licenses and permits | 5,440 | - | - | 9,375 |
| Charges for service | 571,499 | 11 | - | 493 |
| Use of money and property | 333,373 | - | - | - |
| Miscellaneous | 30,324 | 2,970 | 12 | 73,449 |
| Total revenues | <u>4,136,819</u> | <u>1,781,399</u> | <u>1,250,900</u> | <u>2,927,388</u> |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | 1,243,501 | - | 229,724 | - |
| Physical health and social services | 190,708 | - | - | - |
| Mental health | - | 2,388,908 | - | - |
| County environment and education | 722,797 | - | 204,731 | - |
| Roads and transportation | - | - | - | 3,794,055 |
| Governmental services to residents | 401,414 | - | 2,056 | - |
| Administration | 1,128,650 | - | - | - |
| Debt service | 20,826 | 100,000 | - | - |
| Capital projects | 6,459 | - | - | 446,288 |
| Total expenditures | <u>3,714,355</u> | <u>2,488,908</u> | <u>436,511</u> | <u>4,240,343</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>422,464</u> | <u>(707,509)</u> | <u>814,389</u> | <u>(1,312,955)</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | - | 1,226,500 |
| Operating transfers out | (100,000) | - | (650,000) | - |
| Capital lease purchase agreement | 29,891 | - | - | - |
| Total other financing sources (uses) | <u>(70,109)</u> | <u>-</u> | <u>(650,000)</u> | <u>1,226,500</u> |
| Net change in fund balances | 352,355 | (707,509) | 164,389 | (86,455) |
| Fund balances beginning of year | <u>797,461</u> | <u>655,300</u> | <u>221,143</u> | <u>1,362,265</u> |
| Fund balances end of year | <u>\$ 1,149,816</u> | <u>(52,209)</u> | <u>385,532</u> | <u>1,275,810</u> |

See notes to financial statements.

| Revenue | | | |
|--------------|----------------|----------|-------------|
| Local Option | Jackson County | | |
| Sales Tax | Revolving Loan | Nonmajor | Total |
| - | - | - | 4,310,416 |
| 566,533 | - | - | 755,377 |
| - | - | - | 52,467 |
| - | - | 174,147 | 4,691,980 |
| - | - | 33,038 | 47,853 |
| - | - | 19,282 | 591,285 |
| - | 258,628 | 45,901 | 637,902 |
| 9,309 | - | 34,292 | 150,356 |
| 575,842 | 258,628 | 306,660 | 11,237,636 |
| - | - | 4,021 | 1,477,246 |
| - | - | 246,448 | 437,156 |
| - | - | - | 2,388,908 |
| - | 5,000 | 35,075 | 967,603 |
| - | - | - | 3,794,055 |
| - | - | - | 403,470 |
| - | - | 20,877 | 1,149,527 |
| - | - | - | 120,826 |
| - | - | 25,300 | 478,047 |
| - | 5,000 | 331,721 | 11,216,838 |
| 575,842 | 253,628 | (25,061) | 20,798 |
| - | - | 75,597 | 1,302,097 |
| (551,500) | - | (597) | (1,302,097) |
| - | - | - | 29,891 |
| (551,500) | - | 75,000 | 29,891 |
| 24,342 | 253,628 | 49,939 | 50,689 |
| 910,448 | 650,619 | 135,126 | 4,732,362 |
| 934,790 | 904,247 | 185,065 | 4,783,051 |

Jackson County

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

Year ended June 30, 2007

Net change in fund balances - Total governmental funds (page 23) \$ 50,689

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

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

| | | |
|---|--------------------|---------|
| Expenditures for capital assets | \$ 1,111,333 | |
| Capital assets contributed by the Iowa Department of Transportation | 983,733 | |
| Depreciation expense | <u>(1,338,731)</u> | 756,335 |

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 92,668

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 | 13,263 | |
| Other | <u>(282,832)</u> | (269,569) |

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

| | | |
|--------|----------------|--------|
| Issued | (29,891) | |
| Repaid | <u>120,664</u> | 90,773 |

Compensated absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (17,427)

Internal Service Funds are used by management to charge the costs of the partial self-funding of the County's health and dental plans to individual funds. The change in net assets of the Internal Service Funds is reported with governmental activities. 38,908

Change in net assets of governmental activities (page 17) \$ 742,377

See notes to financial statements.

Jackson County
 Statement of Net Assets
 Proprietary Funds
 June 30, 2007

| | <u>Internal Service</u> |
|-----------------------------|-----------------------------|
| Assets | |
| Cash and cash equivalents | \$ 172,614 |
| Accrued interest receivable | <u>665</u> |
| Total assets | 173,279 |
| Liabilities | |
| None | <u>-</u> |
| Net Assets | |
| Unrestricted | <u><u>\$ 173,279</u></u> |

See notes to financial statements.

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

Year ended June 30, 2007

| | <u>Internal Service</u> |
|-------------------------------------|-----------------------------|
| Operating revenues: | |
| Reimbursements from operating funds | \$ 95,668 |
| Reimbursements from employees | 18,789 |
| Total operating revenues | <u>114,457</u> |
| Operating expenses: | |
| Medical claims | 45,484 |
| Insurance premiums | 28,357 |
| Administrative fees | 8,640 |
| Total operating expenses | <u>82,481</u> |
| Operating income | 31,976 |
| Non-operating revenues: | |
| Interest income | <u>6,932</u> |
| Net income | 38,908 |
| Net assets beginning of year | <u>134,371</u> |
| Net assets end of year | <u>\$ 173,279</u> |

See notes to financial statements.

Jackson County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2007

| | <u>Internal Service</u> |
|---|-----------------------------|
| Cash flows from operating activities: | |
| Cash received from operating funds and employees | \$ 114,457 |
| Cash paid to suppliers for medical claims, administrative fees and insurance premiums | (82,481) |
| Net cash provided by operating activities | <u>31,976</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>6,761</u> |
| Net increase in cash and cash equivalents | 38,737 |
| Cash and cash equivalents beginning of year | <u>133,877</u> |
| Cash and cash equivalents end of year | <u>\$ 172,614</u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 31,976 |
| Adjustment to reconcile operating income to net cash provided by operating activities: | |
| None | <u>-</u> |
| Net cash provided by operating activities | <u>\$ 31,976</u> |

See notes to financial statements.

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

Assets

| | |
|------------------------------|-------------------|
| Cash and pooled investments: | |
| County Treasurer | \$ 784,008 |
| Other County officials | 53,316 |
| Receivables: | |
| Property tax: | |
| Delinquent | 87,550 |
| Succeeding year | 13,359,000 |
| Accrued interest | 1,131 |
| Special assessments: | |
| Delinquent | 13,946 |
| Succeeding year | 40,000 |
| Total assets | <u>14,338,951</u> |

Liabilities

| | |
|-------------------------------|-------------------|
| Accounts payable | 3,272 |
| Salaries and benefits payable | 7,509 |
| Due to other governments | 14,269,179 |
| Trusts payable | 53,316 |
| Compensated absences | 5,675 |
| Total liabilities | <u>14,338,951</u> |

Net assets \$ -

See notes to financial statements.

Jackson County

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the 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 | \$ 65,000 |
| Land, buildings and improvements | 25,000 |
| Equipment and vehicles | 5,000 |

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

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

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

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

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

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

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

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

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the county environment and education, roads and transportation and debt service functions and disbursements in certain departments exceeded the amounts appropriated.

(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 had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,281,742 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Interfund Assets/Liabilities

The detail of due to/due from other funds and advances to/from other funds at June 30, 2007 is as follows:

Due To/Due From Other Funds

| Receivable Fund | Payable Fund | Amount |
|-------------------------------------|----------------------------------|--------------|
| Special Revenue: Secondary Roads | Special Revenue: Local Health | <u>\$ 31</u> |

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

Advances To/From Other Funds

| Receivable Fund | Payable Fund | Amount |
|---|------------------|------------------|
| Special Revenue: Jackson County Revolving Loan | Capital Projects | <u>\$ 75,000</u> |

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

(4) Interfund Transfers

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

| Transfer to | Transfer from | Amount |
|-------------------------------------|--|---------------------|
| Special Revenue: Secondary Roads | General | \$ 25,000 |
| | Special Revenue: Rural Services | 650,000 |
| | Local Option Sales Tax | 551,500 |
| Recorder's Records Management | Recorder's Electronic Transaction Fee | 597 |
| Local Health | General | 50,000 |
| Capital Projects | General | <u>25,000</u> |
| Total | | <u>\$ 1,302,097</u> |

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

(5) Jackson County Revolving Loan Fund

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

Upon receipt of loan payments from the businesses, the funds remain in the Jackson County Revolving Loan Fund for subsequent loans to other businesses. If the program is dissolved, all monies and interest earned will revert to Jackson County. During the year ended June 30, 2007, no new loans were made.

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

| Loaned to | Date of Loan | Loan Amount | Interest Rate | Term of Loan | Loan Balance June 30, 2007 |
|---------------------------|---------------|-------------|---------------|--------------|----------------------------|
| Clark Boat Company Inc. | Aug. 24, 1993 | \$ 273,000 | 4.5% | 15 years | \$ 100,873 |
| Spartan Company | Jan. 18, 1995 | 125,000 | 5.0 | 15 years | 28,869 |
| Pacific Coast Feather Co. | May 23, 2000 | 236,000 | 4.5 | 10 years | 82,222 |
| RENOV Developers, Inc. | Feb. 29, 2000 | 63,000 | 4.4 | 8 years | 9,806 |
| Precision Metal Works | Dec. 5, 2000 | 204,000 | 5.5 | 7 years | 20,149 |
| WhatHelps?, Inc. | Jan. 22, 2001 | 200,000 | 4.5 | 4 years | 182,550 |
| T M Woodworks | Apr. 6, 2004 | 255,000 | 4.0 | 15 years | 151,400 |
| Maquoketa Newspapers, Inc | Apr. 27, 2004 | 87,000 | 4.0 | 7 years | 52,668 |
| Maquoketa Newspapers, Inc | June 13, 2006 | 205,000 | 5.5 | 7 years | 180,308 |
| Total | | | | | <u>\$ 808,845</u> |

The WhatHelps?, Inc. loan has been restructured and the first payment is to be received in September 2007.

In addition, the County advanced \$255,000 to the Jackson County Conservation Board for construction costs of the Hurstville Interpretative Center. The advance will be repaid by the Capital Projects Fund. The balance outstanding at June 30, 2007 was \$75,000.

(6) 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 | \$ 2,844,496 | - | - | 2,844,496 |
| Construction in progress | 834,944 | 1,360,485 | 2,195,429 | - |
| Total capital assets not being depreciated | <u>3,679,440</u> | <u>1,360,485</u> | <u>2,195,429</u> | <u>2,844,496</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 3,193,655 | 33,710 | - | 3,227,365 |
| Equipment and vehicles | 6,332,565 | 720,055 | 322,864 | 6,729,756 |
| Infrastructure, road network | 33,045,773 | 2,195,429 | - | 35,241,202 |
| Infrastructure, other | 115,023 | 81,013 | - | 196,036 |
| Total capital assets being depreciated | <u>42,687,016</u> | <u>3,030,207</u> | <u>322,864</u> | <u>45,394,359</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 1,563,870 | 85,834 | - | 1,649,704 |
| Equipment and vehicles | 3,610,833 | 540,351 | 315,335 | 3,835,849 |
| Infrastructure, road network | 9,715,678 | 703,894 | - | 10,419,572 |
| Infrastructure, other | 36,884 | 8,652 | - | 45,536 |
| Total accumulated depreciation | <u>14,927,265</u> | <u>1,338,731</u> | <u>315,335</u> | <u>15,950,661</u> |
| Total capital assets being depreciated, net | <u>27,759,751</u> | <u>1,691,476</u> | <u>7,529</u> | <u>29,443,698</u> |
| Governmental activities capital assets, net | <u>\$ 31,439,191</u> | <u>3,051,961</u> | <u>2,202,958</u> | <u>32,288,194</u> |

Depreciation expense was charged to the following functions:

| | |
|--|---------------------|
| Governmental activities: | |
| Public safety and legal services | \$ 35,767 |
| Physical health and social services | 16,057 |
| Mental health | 2,082 |
| County environment and education | 55,226 |
| Roads and transportation | 1,170,157 |
| Governmental services to residents | 23,857 |
| Administration | 35,585 |
| Total depreciation expense - governmental activities | <u>\$ 1,338,731</u> |

Equipment costing \$41,462 was purchased under a capital lease purchase agreement. Accumulated and current year depreciation on this equipment total \$4,146 for the year ended June 30, 2007.

(7) Due to Other Governments

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

| <u>Fund</u> | <u>Description</u> | <u>Amount</u> |
|------------------------------|--------------------|----------------------|
| General | Services | <u>\$ 36,552</u> |
| Special Revenue: | | |
| Mental Health | Services | 664,919 |
| Rural Services | Services | 1,680 |
| Secondary Roads | Services | 179 |
| Local Health | Services | <u>14,582</u> |
| | | <u>681,360</u> |
| Total for governmental funds | | <u>\$ 717,912</u> |
| Agency: | | |
| County Assessor | Collections | \$ 559,449 |
| Schools | | 9,283,623 |
| Community Colleges | | 392,663 |
| Corporations | | 2,569,862 |
| Townships | | 173,391 |
| County Hospital | | 741,704 |
| All other | | <u>548,487</u> |
| Total for agency funds | | <u>\$ 14,269,179</u> |

(8) Changes in Long-Term Liabilities

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

| | <u>Capital</u> | | | |
|---------------------------|-------------------|-------------|-----------------|----------------|
| | <u>Lease</u> | <u>Bank</u> | <u>Compen-</u> | |
| | <u>Purchase</u> | <u>Loan</u> | <u>sated</u> | <u>Total</u> |
| | <u>Agreements</u> | | <u>Absences</u> | |
| Balance beginning of year | \$ 12,526 | 100,000 | 183,498 | 296,024 |
| Increases | 29,891 | - | 186,878 | 216,769 |
| Decreases | 20,664 | 100,000 | 169,451 | 290,115 |
| Balance end of year | <u>\$ 21,753</u> | <u>-</u> | <u>200,925</u> | <u>222,678</u> |
| Due within one year | <u>\$ 6,833</u> | <u>-</u> | <u>190,483</u> | <u>197,316</u> |

Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement to lease a dump truck and had an existing agreement for computer equipment which was paid off in fiscal year 2007. The following is a schedule of the future minimum lease payments, including interest at a rate of 6% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2007:

| Year ending June 30, | Amount |
|--|------------------|
| 2008 | \$ 8,138 |
| 2009 | 8,138 |
| 2010 | 8,138 |
| Total minimum lease payments | <u>24,414</u> |
| Less amount representing interest | <u>(2,661)</u> |
| Present value of net minimum lease payments | <u>\$ 21,753</u> |

Payments under capital lease purchase agreements totaled \$20,664 during the year ended June 30, 2007.

Bank Loan

On May 3, 2004, Jackson County entered into a loan agreement with Maquoketa State Bank to pay outstanding obligations due to the State for mental health services at state institutions from the Special Revenue, Mental Health Fund. The County borrowed \$400,000, with interest at 4.97% per annum, to be repaid in four annual installments, with the first payment due May 3, 2005. However, the County made a \$100,000 prepayment in June 2004. The County made additional prepayments of \$20,000 in each of the months of July, August, September and October of 2004 and in February 2005. For the year ended June 30, 2006, the County made one payment of \$100,000. During fiscal year 2007, the County made the final payment of \$100,000.

(9) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$203,774, \$196,586 and \$187,788, respectively, equal to the required contributions for each year.

(10) Risk Management

Jackson County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2007 were \$173,665.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

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

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

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

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

(12) Jackson County Employee Self-Funded Dental Plan

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

(13) Deficit Fund Balances

The Special Revenue, Mental Health Fund and the Capital Projects Fund had deficit fund balances of \$52,209 and \$71,520, respectively, at June 30, 2007. These deficits will be eliminated with the receipt of future grant funds and local revenues.

Required Supplementary Information

Jackson County

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

Required Supplementary Information

Year ended June 30, 2007

| | Actual | Less Funds not Required to be Budgeted | Net |
|---|---------------------|---|-------------------|
| Receipts: | | | |
| Property and other county tax | \$ 5,063,536 | - | 5,063,536 |
| Interest and penalty on property tax | 54,160 | - | 54,160 |
| Intergovernmental | 4,659,111 | - | 4,659,111 |
| Licenses and permits | 36,234 | - | 36,234 |
| Charges for service | 603,755 | - | 603,755 |
| Use of money and property | 645,940 | - | 645,940 |
| Miscellaneous | 152,996 | 10,128 | 142,868 |
| Total receipts | <u>11,215,732</u> | <u>10,128</u> | <u>11,205,604</u> |
| Disbursements: | | | |
| Public safety and legal services | 1,468,190 | - | 1,468,190 |
| Physical health and social services | 437,994 | - | 437,994 |
| Mental health | 2,157,376 | - | 2,157,376 |
| County environment and education | 1,040,326 | 834 | 1,039,492 |
| Roads and transportation | 3,737,819 | - | 3,737,819 |
| Governmental services to residents | 584,836 | - | 584,836 |
| Administration | 1,174,028 | - | 1,174,028 |
| Non-program | - | - | - |
| Debt service | 120,826 | - | 120,826 |
| Capital projects | 503,046 | - | 503,046 |
| Total disbursements | <u>11,224,441</u> | <u>834</u> | <u>11,223,607</u> |
| Excess (deficiency) of receipts over (under) disbursements | (8,709) | 9,294 | (18,003) |
| Other financing sources (uses) | <u>(99,758)</u> | - | <u>(99,758)</u> |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | (108,467) | 9,294 | (117,761) |
| Balance beginning of year | <u>5,076,021</u> | <u>69,442</u> | <u>5,006,579</u> |
| Balance end of year | <u>\$ 4,967,554</u> | <u>78,736</u> | <u>4,888,818</u> |

See accompanying independent auditor's report.

| Budgeted Amounts | | Final to Net Variance |
|-------------------|-------------------|-----------------------------|
| Original | Final | |
| 5,030,494 | 5,030,494 | 33,042 |
| 50,000 | 50,000 | 4,160 |
| 5,151,063 | 4,849,842 | (190,731) |
| 57,477 | 47,477 | (11,243) |
| 550,105 | 521,605 | 82,150 |
| 305,147 | 505,989 | 139,951 |
| 294,581 | 293,296 | (150,428) |
| <u>11,438,867</u> | <u>11,298,703</u> | <u>(93,099)</u> |
| 1,456,957 | 1,495,487 | 27,297 |
| 459,498 | 480,498 | 42,504 |
| 2,268,784 | 2,294,540 | 137,164 |
| 987,554 | 1,010,357 | (29,135) |
| 3,578,564 | 3,728,564 | (9,255) |
| 403,630 | 618,614 | 33,778 |
| 1,167,294 | 1,215,676 | 41,648 |
| 144,246 | 144,246 | 144,246 |
| 12,689 | 12,689 | (108,137) |
| 1,166,810 | 1,053,775 | 550,729 |
| <u>11,646,026</u> | <u>12,054,446</u> | <u>830,839</u> |
| (207,159) | (755,743) | 737,740 |
| 15,025 | 14,428 | (114,186) |
| (192,134) | (741,315) | 623,554 |
| <u>4,232,389</u> | <u>5,138,783</u> | <u>(132,204)</u> |
| <u>4,040,255</u> | <u>4,397,468</u> | <u>491,350</u> |

Jackson 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 | \$ 11,215,732 | 21,904 | 11,237,636 |
| Expenditures | 11,224,441 | (7,603) | 11,216,838 |
| Net | (8,709) | 29,507 | 20,798 |
| Other financing sources (uses) | (99,758) | 129,649 | 29,891 |
| Beginning fund balances | 5,076,021 | (343,659) | 4,732,362 |
| Ending fund balances | \$ 4,967,554 | (184,503) | 4,783,051 |

See accompanying independent auditor's report.

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$408,420. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the county environment and education, roads and transportation and debt service functions and disbursements in certain departments exceeded the amounts appropriated.

Jackson County

Other Supplementary Information

Jackson County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2007

| | | Green Island Drainage Districts | Local Health | Resource Enhancement and Protection | Special Emergency Training Grant |
|---|------------------|--|-----------------|--|---|
| Assets | | | | | |
| Cash and pooled investments | \$ 25,016 | 78,736 | 14,096 | 36,373 | 3,522 |
| Accrued interest receivable | 98 | 1 | - | 148 | - |
| Due from other governments | - | - | 21,547 | 3,346 | 6,886 |
| Total assets | \$ 25,114 | 78,737 | 35,643 | 39,867 | 10,408 |
| Liabilities and Fund Equity | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ - | 1,719 | 1,217 | - | - |
| Salaries and benefits payable | - | - | 2,974 | 754 | - |
| Due to other funds | - | - | 31 | - | - |
| Due to other governments | - | - | 14,582 | - | - |
| Advances from other funds | - | - | - | - | - |
| Total liabilities | - | 1,719 | 18,804 | 754 | - |
| Fund equity: | | | | | |
| Unreserved fund balances, reported in: | | | | | |
| Special revenue funds | 25,114 | 77,018 | 16,839 | 39,113 | 10,408 |
| Capital projects fund | - | - | - | - | - |
| Total fund equity | 25,114 | 77,018 | 16,839 | 39,113 | 10,408 |
| Total liabilities and fund equity | \$ 25,114 | 78,737 | 35,643 | 39,867 | 10,408 |

See accompanying independent auditor's report.

| Revenue | | | | | | | | |
|-------------------------------------|-----------------------------|--------------------------|-------------------------------------|-------------------------------------|------------------------------|---------------------------|---------------------|----------------|
| Sheriff's Forfeiture Property | Local Law Enforcement | Historic Preservation | Attorney Collection Incentive | Conservation Land Acquisition | Pioneer Cemetery Trust | Jackson County Farm | Capital Projects | Total |
| 1,137 | 132 | 778 | - | 12,295 | 3,900 | 68,069 | 3,480 | 247,534 |
| 5 | - | - | - | - | - | - | - | 252 |
| - | - | - | 2,195 | - | - | - | - | 33,974 |
| 1,142 | 132 | 778 | 2,195 | 12,295 | 3,900 | 68,069 | 3,480 | 281,760 |
| - | - | - | - | 418 | - | - | - | 3,354 |
| - | - | - | - | - | - | - | - | 3,728 |
| - | - | - | - | - | - | - | - | 31 |
| - | - | - | - | - | - | - | - | 14,582 |
| - | - | - | - | - | - | - | 75,000 | 75,000 |
| - | - | - | - | 418 | - | - | 75,000 | 96,695 |
| 1,142 | 132 | 778 | 2,195 | 11,877 | 3,900 | 68,069 | - | 256,585 |
| - | - | - | - | - | - | - | (71,520) | (71,520) |
| 1,142 | 132 | 778 | 2,195 | 11,877 | 3,900 | 68,069 | (71,520) | 185,065 |
| 1,142 | 132 | 778 | 2,195 | 12,295 | 3,900 | 68,069 | 3,480 | 281,760 |

Jackson County

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

Year ended June 30, 2007

| | Recorder's Records Management | Recorder's Electronic Transaction Fee | Green Island Drainage Districts | Local Health | Resource Enhancement and Protection | Special Emergency Training Grant |
|--|-------------------------------------|--|--|-----------------|--|---|
| Revenues: | | | | | | |
| Intergovernmental | \$ - | - | - | 137,010 | 19,320 | 14,279 |
| Licenses and permits | - | - | - | 32,318 | - | - |
| Charges for service | 4,651 | - | - | 4,631 | - | - |
| Use of money and property | 1,024 | 12 | 134 | - | 1,670 | - |
| Miscellaneous | - | - | 9,995 | 626 | 16 | - |
| Total revenues | 5,675 | 12 | 10,129 | 174,585 | 21,006 | 14,279 |
| Expenditures: | | | | | | |
| Operating: | | | | | | |
| Public safety and legal services | - | - | - | - | - | 4,021 |
| Physical health and social services | - | - | - | 246,448 | - | - |
| County environment and education | - | - | 2,553 | - | 17,212 | - |
| Administration | - | - | - | - | - | - |
| Capital projects | - | - | - | - | - | - |
| Total expenditures | - | - | 2,553 | 246,448 | 17,212 | 4,021 |
| Excess (deficiency) of revenues over (under) expenditures | 5,675 | 12 | 7,576 | (71,863) | 3,794 | 10,258 |
| Other financing sources: | | | | | | |
| Operating transfers in | 597 | - | - | 50,000 | - | - |
| Operating transfers out | - | (597) | - | - | - | - |
| Total other financing sources (uses) | 597 | (597) | - | 50,000 | - | - |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | 6,272 | (585) | 7,576 | (21,863) | 3,794 | 10,258 |
| Fund balances beginning of year | 18,842 | 585 | 69,442 | 38,702 | 35,319 | 150 |
| Fund balances end of year | \$ 25,114 | - | 77,018 | 16,839 | 39,113 | 10,408 |

See accompanying independent auditor's report.

| Revenue | | | | | | | | |
|-------------------------------------|-----------------------------|--------------------------|-------------------------------------|-------------------------------------|------------------------------|---------------------------|---------------------|----------|
| Sheriff's Forfeiture Property | Local Law Enforcement | Historic Preservation | Attorney Collection Incentive | Conservation Land Acquisition | Pioneer Cemetery Trust | Jackson County Farm | Capital Projects | Total |
| - | - | - | 2,195 | 1,343 | - | - | - | 174,147 |
| - | - | - | - | 720 | - | - | - | 33,038 |
| - | - | - | - | 10,000 | - | - | - | 19,282 |
| 54 | 6 | - | - | - | - | 43,001 | - | 45,901 |
| - | - | 778 | - | 1,670 | 1,025 | 6,442 | 13,740 | 34,292 |
| 54 | 6 | 778 | 2,195 | 13,733 | 1,025 | 49,443 | 13,740 | 306,660 |
| - | - | - | - | - | - | - | - | 4,021 |
| - | - | - | - | - | - | - | - | 246,448 |
| - | - | - | - | 15,310 | - | - | - | 35,075 |
| - | - | - | - | - | - | 20,877 | - | 20,877 |
| - | - | - | - | 11,560 | - | - | 13,740 | 25,300 |
| - | - | - | - | 26,870 | - | 20,877 | 13,740 | 331,721 |
| 54 | 6 | 778 | 2,195 | (13,137) | 1,025 | 28,566 | - | (25,061) |
| - | - | - | - | - | - | - | 25,000 | 75,597 |
| - | - | - | - | - | - | - | - | (597) |
| - | - | - | - | - | - | - | 25,000 | 75,000 |
| 54 | 6 | 778 | 2,195 | (13,137) | 1,025 | 28,566 | 25,000 | 49,939 |
| 1,088 | 126 | - | - | 25,014 | 2,875 | 39,503 | (96,520) | 135,126 |
| 1,142 | 132 | 778 | 2,195 | 11,877 | 3,900 | 68,069 | (71,520) | 185,065 |

Jackson County

Jackson County
Combining Schedule of Net Assets
Internal Service Funds

June 30, 2007

| | Employee Partial Self-Funded Health Plan | Employee Self-Funded Dental Plan | Total |
|-----------------------------|---|--|----------------|
| Assets | | | |
| Cash and cash equivalents | \$ 109,341 | 63,273 | 172,614 |
| Accrued interest receivable | 425 | 240 | 665 |
| Total assets | 109,766 | 63,513 | 173,279 |
| Liabilities | | | |
| None | - | - | - |
| Net Assets | | | |
| Unrestricted | \$ 109,766 | 63,513 | 173,279 |

See accompanying independent auditor's report.

Schedule 4

Jackson County

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

Year ended June 30, 2007

| | Employee Partial Self-Funded Health Plan | Employee Self-Funded Dental Plan | Total |
|-------------------------------------|---|--|---------|
| Operating revenues: | | | |
| Reimbursements from operating funds | \$ 54,708 | 40,960 | 95,668 |
| Reimbursements from employees | 10,576 | 8,213 | 18,789 |
| Total operating revenues | 65,284 | 49,173 | 114,457 |
| Operating expenses: | | | |
| Medical claims | 18,427 | 27,057 | 45,484 |
| Insurance premiums | 28,357 | - | 28,357 |
| Administrative fees | 4,725 | 3,915 | 8,640 |
| Total operating expenses | 51,509 | 30,972 | 82,481 |
| Operating income | 13,775 | 18,201 | 31,976 |
| Non-operating revenues: | | | |
| Interest income | 4,621 | 2,311 | 6,932 |
| Change in net assets | 18,396 | 20,512 | 38,908 |
| Net assets beginning of year | 91,370 | 43,001 | 134,371 |
| Net assets end of year | \$ 109,766 | 63,513 | 173,279 |

See accompanying independent auditor's report.

Jackson County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2007

| | Employee Partial Self-Funded Health Plan | Employee Self-Funded Dental Plan | Total |
|--|---|--|----------|
| Cash flows from operating activities: | | | |
| Cash received from operating funds and employees | \$ 65,284 | 49,173 | 114,457 |
| Cash paid to suppliers for medical claims, insurance premiums and administrative fees | (51,509) | (30,972) | (82,481) |
| Net cash provided by operating activities | 13,775 | 18,201 | 31,976 |
| Cash flows from investing activities: | | | |
| Interest on investments | 4,542 | 2,219 | 6,761 |
| Net increase in cash and cash equivalents | 18,317 | 20,420 | 38,737 |
| Cash and cash equivalents beginning of year | 91,024 | 42,853 | 133,877 |
| Cash and cash equivalents end of year | \$ 109,341 | 63,273 | 172,614 |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income | \$ 13,775 | 18,201 | 31,976 |
| Adjustment to reconcile operating income to net cash provided by operating activities: | | | |
| None | - | - | - |
| Net cash provided by operating activities | \$ 13,775 | 18,201 | 31,976 |

See accompanying independent auditor's report.

Jackson 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 | \$ - | 2,894 | 187,230 | 205,309 | 8,758 |
| Other County officials | 557 | - | - | - | - |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | - | 685 | 1,995 | 47,314 | 1,905 |
| Succeeding year | - | 132,000 | 385,000 | 9,031,000 | 382,000 |
| Accrued interest | - | - | - | - | - |
| Special assessments: | | | | | |
| Delinquent | - | - | - | - | - |
| Succeeding year | - | - | - | - | - |
| Total assets | \$ 557 | 135,579 | 574,225 | 9,283,623 | 392,663 |
| Liabilities | | | | | |
| Accounts payable | \$ - | - | 2,813 | - | - |
| Salaries and benefits payable | - | - | 6,288 | - | - |
| Due to other governments | - | 135,579 | 559,449 | 9,283,623 | 392,663 |
| Trusts payable | 557 | - | - | - | - |
| Compensated absences | - | - | 5,675 | - | - |
| Total liabilities | \$ 557 | 135,579 | 574,225 | 9,283,623 | 392,663 |

See accompanying independent auditor's report.

| Corporations | Townships | County Hospital | E911 Service Commission | Other | Total |
|------------------|----------------|-----------------|-------------------------|----------------|-------------------|
| 51,159 | 4,235 | 16,966 | 211,160 | 96,297 | 784,008 |
| - | - | - | - | 52,759 | 53,316 |
| 31,703 | 156 | 3,738 | - | 54 | 87,550 |
| 2,487,000 | 169,000 | 721,000 | - | 52,000 | 13,359,000 |
| - | - | - | 1,013 | 118 | 1,131 |
| - | - | - | - | 13,946 | 13,946 |
| - | - | - | - | 40,000 | 40,000 |
| <u>2,569,862</u> | <u>173,391</u> | <u>741,704</u> | <u>212,173</u> | <u>255,174</u> | <u>14,338,951</u> |
| - | - | - | 459 | - | 3,272 |
| - | - | - | - | 1,221 | 7,509 |
| 2,569,862 | 173,391 | 741,704 | 211,714 | 201,194 | 14,269,179 |
| - | - | - | - | 52,759 | 53,316 |
| - | - | - | - | - | 5,675 |
| <u>2,569,862</u> | <u>173,391</u> | <u>741,704</u> | <u>212,173</u> | <u>255,174</u> | <u>14,338,951</u> |

Jackson 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 | \$ 4,377 | 128,760 | 644,206 | 9,230,073 | 394,492 |
| Additions: | | | | | |
| Property and other county tax | - | 133,956 | 389,275 | 9,126,304 | 382,989 |
| E911 surcharge | - | - | - | - | - |
| State tax credits | - | 9,014 | 24,934 | 640,768 | 27,097 |
| Drivers license fees | - | - | - | - | - |
| Office fees and collections | 435,873 | - | - | - | - |
| Electronic transaction fees | - | - | - | - | - |
| Auto licenses, use tax and postage | - | - | - | - | - |
| Assessments | - | - | - | - | - |
| Trusts | - | - | - | - | - |
| Miscellaneous | 130,029 | 61 | 7,610 | 3,917 | 181 |
| Total additions | 565,902 | 143,031 | 421,819 | 9,770,989 | 410,267 |
| Deductions: | | | | | |
| Agency remittances: | | | | | |
| To other funds | 245,136 | - | - | - | - |
| To other governments | 214,871 | 136,212 | 491,800 | 9,717,439 | 412,096 |
| Trusts paid out | 109,715 | - | - | - | - |
| Total deductions | 569,722 | 136,212 | 491,800 | 9,717,439 | 412,096 |
| Balances end of year | \$ 557 | 135,579 | 574,225 | 9,283,623 | 392,663 |

See accompanying independent auditor's report.

| Corpora- tions | Townships | County Hospital | Auto License and Use Tax | E911 Service Commission | Other | Total |
|-------------------|-----------|--------------------|-----------------------------------|-------------------------------|---------|------------|
| 2,482,547 | 162,435 | 742,559 | - | 227,554 | 240,301 | 14,257,304 |
| 3,140,972 | 179,561 | 745,918 | - | - | 52,835 | 14,151,810 |
| - | - | - | - | 154,464 | - | 154,464 |
| 149,944 | 12,859 | 52,837 | - | - | 4,498 | 921,951 |
| - | - | - | 32,032 | - | - | 32,032 |
| - | - | - | - | - | - | 435,873 |
| - | - | - | - | - | 4,596 | 4,596 |
| - | - | - | 4,219,515 | - | - | 4,219,515 |
| - | - | - | - | - | 2,742 | 2,742 |
| - | - | - | - | - | 690,942 | 690,942 |
| 1,172 | 48 | 356 | - | 165 | 174,873 | 318,412 |
| 3,292,088 | 192,468 | 799,111 | 4,251,547 | 154,629 | 930,486 | 20,932,337 |
| - | - | - | 170,057 | - | - | 415,193 |
| 3,204,773 | 181,512 | 799,966 | 4,081,490 | 170,010 | 215,809 | 19,625,978 |
| - | - | - | - | - | 699,804 | 809,519 |
| 3,204,773 | 181,512 | 799,966 | 4,251,547 | 170,010 | 915,613 | 20,850,690 |
| 2,569,862 | 173,391 | 741,704 | - | 212,173 | 255,174 | 14,338,951 |

Jackson County

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

For the Last Seven Years

| | Modified Accrual | | | |
|--------------------------------------|----------------------|-------------------|-------------------|-------------------|
| | 2007 | 2006 | 2005 | 2004 |
| Revenues: | | | | |
| Property and other county tax | \$ 4,310,416 | 4,186,124 | 4,106,769 | 3,838,216 |
| Local option sales tax | 755,377 | 647,755 | 639,096 | 678,545 |
| Interest and penalty on property tax | 52,467 | 55,488 | 55,188 | 47,843 |
| Intergovernmental | 4,691,980 | 4,951,822 | 4,983,896 | 5,304,353 |
| Licenses and permits | 47,853 | 53,998 | 61,439 | 48,357 |
| Charges for service | 591,285 | 571,242 | 535,022 | 548,158 |
| Use of money and property | 637,902 | 427,152 | 280,786 | 234,327 |
| Miscellaneous | 150,356 | 182,839 | 222,767 | 508,987 |
| Total | \$ 11,237,636 | 11,076,420 | 10,884,963 | 11,208,786 |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | \$ 1,477,246 | 1,405,665 | 1,276,490 | 1,244,442 |
| Physical health and social services | 437,156 | 415,159 | 390,865 | 434,384 |
| Mental health | 2,388,908 | 1,812,333 | 1,788,575 | 1,632,214 |
| County environment and education | 967,603 | 1,028,979 | 960,173 | 1,087,432 |
| Roads and transportation | 3,794,055 | 3,665,867 | 3,690,936 | 3,795,781 |
| Governmental services to residents | 403,470 | 570,894 | 374,677 | 332,776 |
| Administration | 1,149,527 | 1,140,125 | 990,874 | 1,096,817 |
| Debt service | 120,826 | 130,729 | 137,217 | 124,291 |
| Capital projects | 478,047 | 440,500 | 640,235 | 2,203,445 |
| Total | \$ 11,216,838 | 10,610,251 | 10,250,042 | 11,951,582 |

See accompanying independent auditor's report.

| Basis | | |
|-------------------|-------------------|------------------|
| 2003 | 2002 | 2001 |
| 3,427,264 | 3,100,851 | 2,914,848 |
| 671,334 | 612,699 | 587,625 |
| 52,331 | 51,111 | 50,556 |
| 5,088,078 | 4,913,882 | 5,087,919 |
| 41,993 | 38,028 | 24,451 |
| 495,619 | 448,717 | 409,736 |
| 353,827 | 434,063 | 500,954 |
| 273,759 | 92,682 | 139,806 |
| <u>10,404,205</u> | <u>9,692,033</u> | <u>9,715,895</u> |
| 1,183,667 | 1,133,274 | 1,081,588 |
| 422,338 | 469,567 | 472,152 |
| 2,394,395 | 2,272,613 | 2,063,079 |
| 825,127 | 766,505 | 1,406,479 |
| 3,792,710 | 3,955,263 | 3,498,761 |
| 337,012 | 314,645 | 346,384 |
| 1,016,630 | 882,829 | 790,994 |
| - | - | - |
| 441,822 | 502,556 | 125,887 |
| <u>10,413,701</u> | <u>10,297,252</u> | <u>9,785,324</u> |

Jackson County



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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Officials of Jackson County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jackson County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated April 8, 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 Jackson 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 Jackson County's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of Jackson 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 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 Jackson 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 Jackson County's financial statements that is more than inconsequential will not be prevented or detected by Jackson 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 Jackson 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 (A) is a material weakness.

Compliance and Other Matters

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

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.

Jackson 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 Jackson 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 Jackson County and other parties to whom Jackson County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 8, 2008

Jackson County

Jackson County
 Schedule of Findings
 Year ended June 30, 2007

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

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

| | <u>Applicable Offices</u> |
|---|---------------------------|
| (1) The opening and listing of mail receipts and the collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash receipts. | Treasurer |
| (2) Protective Payee Accounts – Responsibilities for collection and reconciliation functions are not segregated from those for recording and accounting for cash receipts. The responsibilities for expenditure preparation and approval functions are not segregated from those for recording cash disbursements. | General Relief |
| (3) The County's software has a function to automatically print the signature on the warrants. There is no evidence of review after the warrants are printed to ensure all warrants are accounted for. | Auditor |

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

Responses:

Treasurer – I plan to watch this process more closely and will try to abide.

General Relief – I plan to have the County Auditor review my reconciliation reports and review one consumer account per month.

Auditor – As soon as warrants are printed the payroll deputy compares claim warrants against the Disbursement Register by Fund and the claims deputy compares payroll warrants against the Payroll Warrant Register.

Conclusions – Responses accepted for items (1) and (2). Response acknowledged for item (3). The review of the warrants should be evidenced by initials or signature of the payroll deputy or claims deputy.

Jackson County

Schedule of Findings

Year ended June 30, 2007

(B) Credit Card Policy - The County has credit cards used by various County departments. However, the County does not have a written policy regarding the use of these credit cards.

Recommendation - The Board should adopt a written policy governing the use of County owned credit cards. The policy should specify the individuals who are authorized to use the cards and should include the types of expenses allowed to be charged and the documentation required to be submitted to support the expense incurred and to allow authorization for payment. Board policy should prohibit the use of County-owned credit cards for personal expenses.

Response - The County Auditor has obtained copies of credit card policies from other counties and will begin drafting a written policy regarding the use of credit cards for the Board of Supervisors to approve.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Jackson 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 exceeded the amounts budgeted in the county environment and education, roads and transportation and debt service functions.

Although the Board of Supervisors acted to increase certain budgets by amendment, the corresponding appropriation amendments were not made. As a result, disbursements in certain departments for the year ended June 30, 2007 exceeded the appropriations.

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

The Board of Supervisors should ensure appropriation amendments are properly prepared and the amendments are made before disbursements are allowed to exceed the appropriation.

Response - The need for better communication with the County Auditor's Office will be stressed to the individual offices so amendments can be approved in a timely manner. More diligent review of claims by the County Auditor's Office will be done in the future to ensure the disbursements do not exceed appropriations. The wording on amendment resolutions will be changed to include appropriations. In regards to the roads and transportation function, the Engineer's Office through the Iowa DOT contends they are allowed to overspend by 10% in any given "control area" and their annual report should not have this comment directed to them.

Conclusion - Response acknowledged. Although Chapter 309.96 of the Code of Iowa states any individual item within the secondary road fund budget may exceed by not more than ten percent the amount budgeted for that item without departmental approval or the submission of an amended budget. It goes on to state this is provided other individual items are less than budgeted and the total expenditures from the secondary road fund do not exceed the total secondary road budget. The roads and transportation budget amount is the budgeted disbursement amount for the Secondary Roads Fund.

- (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.

Jackson County

Schedule of Findings

Year ended June 30, 2007

- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

| Name, Title, and Business Connection | Transaction Description | Amount |
|--|-----------------------------|----------|
| Jan Ward, Board of Public Health and Zoning secretary, Husband owns Ward's Repair Shop | Parts, welding and repair | \$ 1,826 |
| Edward Clark, Sheriff's Office Deputy, Brother owns Clark's Saw Center | Chainsaw parts and repair | 3,546 |
| Mary Stickley, Auditor's Office Deputy, Husband owns Stickley Electric Service | Electrical parts and repair | 6,094 |
| Steve Flynn, Board of Supervisors, Owner of Century Concrete Company, Inc. | Concrete and sand | 7,283 |

These transactions may represent conflicts of interest as defined in Chapter 331.342 of the Code of Iowa since the total cumulative transactions for each individual were greater than \$1,500 during the fiscal year.

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

Response – Due diligence is practiced by the individual department heads to ensure business transactions were done using good business judgment.

Conclusion – Response acknowledged. Legal counsel should be consulted to determine further disposition of this matter.

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

Jackson County

Schedule of Findings

Year ended June 30, 2007

- (9) Financial Condition – The Special Revenue, Mental Health Fund and the Capital Projects Fund had a deficit fund balances of \$52,209 and \$71,520, respectively, at June 30, 2007.

Recommendation – The County should investigate alternatives to eliminate these deficits to return these funds to a sound financial position.

Response – Both of these funds had a positive cash balance and did not incur a deficit balance until accruals were taken into account.

Conclusion – Response acknowledged. The County should continue to investigate alternatives to return these funds to a sound financial position.

- (10) Vacation/Compensatory Time – Per the County’s personnel policy, employees are allowed to accumulate a maximum of 80 hours of compensatory time and a maximum of 10 days of vacation time. As of June 30, 2007, several employees were allowed to carry balances in excess of the allowable maximums.

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

Response – A new personnel policy has been drafted by the Board of Supervisors and upon completion a meeting will be held with Elected Officials to reinforce the importance of each office following the policy.

Conclusion – Response accepted.

- (11) Electronic Checks/Warrants – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks and warrants in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check or warrant.

The County Treasurer, County Recorder, County Auditor and Ag Extension did not obtain an image of the back of each cancelled check or warrant as required.

Recommendation – The County should obtain and retain check or warrant images as required.

Responses –

County Treasurer – We will abide and do so.

County Recorder – We will contact the bank for back sides of checks.

County Auditor – The Auditor’s Office will work with the bank to obtain some form of the copies of the back of warrants.

Ag Extension – We will be obtaining the copy of the back side of checks.

Conclusion – Responses accepted.

Jackson County

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Darryl J. Brumm, CPA, Senior Auditor II
Daniel L. Grady, Senior Auditor
Aaron P. Wagner, CPA, Staff Auditor
Bill J. Hanson, Assistant Auditor
Kristen M. Ockenfels, Audit Intern



Andrew E. Nielsen, CPA
Deputy Auditor of State