



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

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NEWS RELEASE

FOR RELEASE

March 5, 2009

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

The County had local tax revenue of \$21,256,011 for the year ended June 30, 2008, which included \$1,090,441 in tax credits from the state. The County forwarded \$15,925,711 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,330,300 of the local tax revenue to finance County operations, a 1.5% increase over the prior year. Other revenues included charges for service of \$1,919,311, operating grants, contributions and restricted interest of \$4,507,102, capital grants, contributions and restricted interest of \$864,234, local option sales tax of \$745,100, unrestricted investment earnings of \$316,989 and other general revenues of \$232,606.

Expenses for County operations totaled \$13,414,709, a 16.6% increase over the prior year. Expenses included \$5,589,305 for roads and transportation, \$2,404,871 for mental health and \$1,879,105 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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JONES COUNTY

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

JUNE 30, 2008

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Jones County

Officials

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

Jones County



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Independent Auditor's Report

To the Officials of Jones County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jones County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Jones County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

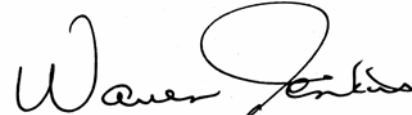
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Jones County at June 30, 2008, and the respective changes in financial 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 February 9, 2009 on our consideration of Jones County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 17 and 48 through 51 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jones County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 9, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jones County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008, along with comparative data for the year ended June 30, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- The County's governmental activities net general revenues increased approximately \$179,000, or 2.8%, from fiscal year 2007 to 2008. Property and other county tax increased approximately \$96,000, or 1.9%, from fiscal year 2007 to 2008. The County received approximately \$396,000 from the Iowa Department of Human Services to provide mental health services to its residents, a decrease of approximately \$191,000 from fiscal year 2007. The County received approximately \$55,000 in miscellaneous state grants for conservation projects. Approximately \$61,000 in Community Development Block Grant funds passed through the County to Kirkwood Community College and the City of Center Junction. The County received approximately \$174,000 in reimbursements from FEMA for weather related infrastructure damages in February 2007 and the winter of 2007/2008. Additional FEMA reimbursements are anticipated for the winter storm damage. The County also received approximately \$640,000 in federal and farm to market funds from the Iowa Department of Transportation for bridge and road projects. The County issued \$227,000 in sewer improvement bonds through the State Revolving Loan Fund for the care facility wastewater lagoon.
- The County's governmental activities net expenses increased approximately \$3,212,000, or 110.3%, from fiscal year 2007 to 2008. Public safety net expenses increased approximately \$121,000 and mental health net expenses increased approximately \$240,000. County environment and education net expenses increased approximately \$270,000 and roads and transportation net expenses increased approximately \$2,404,000. Administration net expenses decreased approximately \$124,000 and non-program net expenses increased approximately \$331,000. Various other program expense areas experienced modest changes.
- The County's net assets increased 2.7%, or approximately \$501,000, from June 30, 2007 to June 30, 2008, primarily due to road and bridge construction projects.
- Source: Changes in Net Assets of Governmental Activities.

USING THIS ANNUAL REPORT

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

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

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

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Jones County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Jones

County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Jones County's combined net assets increased 2.1% over a year ago, increasing from \$18.9 million to \$19.3 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

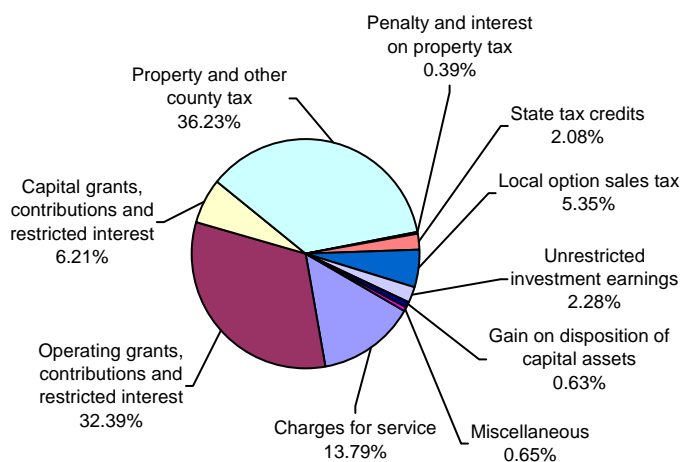
Net Assets of Governmental Activities		
	June 30,	
	2008	2007
Current and other assets	\$ 12,582,402	12,713,815
Capital assets	13,808,084	12,554,801
Total assets	<u>26,390,486</u>	<u>25,268,616</u>
Long-term liabilities	478,789	243,457
Other liabilities	6,533,057	6,147,452
Total liabilities	<u>7,011,846</u>	<u>6,390,909</u>
Net assets:		
Invested in capital assets, net of related debt	13,587,664	12,539,223
Restricted	2,787,996	3,715,742
Unrestricted	3,002,980	2,622,742
Total net assets	<u>\$ 19,378,640</u>	<u>18,877,707</u>

Net assets of Jones County's governmental activities increased \$500,933 (\$19,378,640 compared to \$18,877,707). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Next largest is restricted net assets, which represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at \$3,002,980 at June 30, 2008. (Source: Exhibit A)

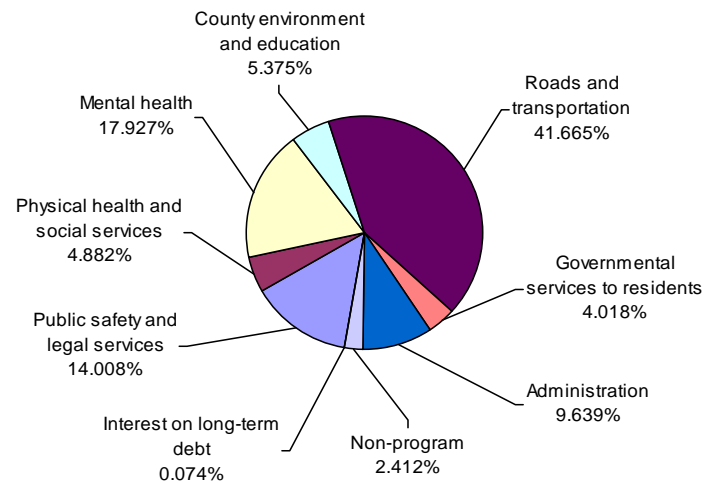
Changes in Net Assets of Governmental Activities

	Year ended June 30,	
	2008	2007
Revenues:		
Program revenues:		
Charges for service	\$ 1,919,311	1,927,657
Operating grants, contributions and restricted interest	4,507,102	4,768,264
Capital grants, contributions and restricted interest	864,234	1,898,966
General revenues:		
Property and other county tax	5,041,205	4,945,143
Penalty and interest on property tax	54,280	42,058
State tax credits	289,095	304,059
Local option sales tax	745,100	692,459
Unrestricted investment earnings	316,989	341,925
Gain on disposition of capital assets	88,060	44,195
Miscellaneous	90,266	75,728
Total revenues	13,915,642	15,040,454
Program expenses:		
Public safety and legal services	1,879,105	1,879,266
Physical health and social services	654,875	706,369
Mental health	2,404,871	2,353,444
County environment and education	721,048	569,318
Roads and transportation	5,589,305	3,985,971
Governmental services to residents	539,001	515,433
Administration	1,303,082	1,424,183
Non-program	313,445	72,482
Interest on long-term debt	9,977	239
Total expenses	13,414,709	11,506,705
Increase in net assets	500,933	3,533,749
Net assets beginning of year	18,877,707	15,343,958
Net assets end of year	\$ 19,378,640	18,877,707

Revenue by Source



Expenses by Program



Jones County experienced a small increase (2.5 percent) in taxable valuation for 2008 (1-1-06 assessment). Jones County decreased property tax rates for 2008 an average of ½ percent, yet still generated a 2 percent increase in tax dollars (approximately \$85,026) for County operations. The County maintained the General Fund property tax levy rate at the FY07 rate of \$4.80627 per \$1,000 of taxable valuation. The Mental Health Fund property tax levy rate was decreased \$.03072 per \$1,000 of taxable valuation to maintain a frozen level of property tax support of \$883,021. The Rural Services Fund property tax levy rate was decreased \$.00360 to \$1.87525 per \$1,000 of taxable valuation, continuing to represent one of the lowest rural services tax levy rates for the County in over nineteen years. The implementation of the 1% local option tax in 1999 has provided a significant amount of property tax relief for the Rural Services Fund. Property tax revenues for next year (2009) are budgeted to increase approximately \$88,000 (2 percent), while property tax rates will decrease again by an average of less than 1%.

INDIVIDUAL MAJOR FUND ANALYSIS

As Jones County completed the year, its governmental funds reported a combined fund balance of \$4.7 million, a decrease of approximately \$965,000 from last year's total of \$5.7 million. The decrease in fund balance is directly attributable to overall expenditures exceeding revenues, most notably in the Mental Health and Secondary Roads Funds. The following are the primary reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund, the operating fund for Jones County, ended fiscal year 2008 with a fund balance of \$1,856,045. This was an increase from fiscal year 2007 of \$143,947. Expenditures decreased \$71,459. A significant decrease is reflected in the physical health and education function, reflecting a decrease in public health, substance abuse and juvenile detention services, areas which can fluctuate greatly from year to year. Another significant decrease is reflected in the county environment and education function, due in large part to a major land acquisition in FY07 that was not repeated in FY08, though overall general county environmental expenses are increasing at a rate much higher than standard inflation. The debt service function reflects a large percentage increase, although a relatively minor dollar increase. The increase in FY08 is for a new five-year lease agreement for conservation equipment. The other major percentage increase is in non-program services for grant and reimbursement projects which are all 100% reimbursable to the County. At June 30, 2008, all monies temporarily transferred to other special revenue and capital projects funds in prior years were fully refunded to the General Fund. One exception is the Care Facility Wastewater project, for which \$27,463 was not transferred back to the General Fund but was changed to a permanent transfer in lieu of increasing bond funds borrowed for the project.
- The Mental Health Fund ended fiscal year 2008 with a negative GAAP basis balance of \$3,274. The balance decreased \$254,881 from June 30, 2007. While expenditures were up only 2% (\$47,334) from FY07, revenues were down 8% (\$188,362). The mental health property tax levy is frozen by legislative action. The fiscal year 2007 balance was just above the 10% fund balance criteria to receive full state funding in fiscal 2008. Changes in the funding formula were anticipated to provide for significant increases in state mental health funding for Jones County in fiscal 2008. However, the state appropriation was not sufficient to fund counties at the level initially anticipated, and Jones County experienced a significant decrease in the amount of state mental health funds received in fiscal year 2008. There were no Jones County mental health clients placed on a waiting list for services in fiscal year 2008. Jones County continues to manage services for its mental health clients while seeking services and programs where funding can be provided from other sources and levels of government.

- The Rural Services Fund ended fiscal year 2008 with a balance of \$325,431, \$26,955 higher than the June 30, 2007 balance of \$298,476. The County has maintained the same level of taxes levied in the Rural Services Fund since fiscal 2004, with a levy rate reflective of the various changes in the related taxable valuation. The levy rate decreased less than 1% from fiscal year 2007. The levy rate continues to be one of the lowest in Jones County in over nineteen years, a direct result of the voter approved initiative to place 25% of the local option tax receipts into this fund for property tax relief.
- The Secondary Roads Fund ended fiscal year 2008 with a balance of \$2,409,671, a decrease of \$908,340 from the June 30, 2007 balance of \$3,318,011. Of the ending balance, \$1.7 million is unspent local option tax funds designated for future road and bridge projects, per voter approval in 1999. Jones County continued an aggressive construction program for fiscal year 2008 and into 2009, using local monies, which has had a significant impact on future fund balances. In addition, Jones County experienced a severe winter during fiscal 2008 at a time when fuel costs were at near historic levels. The additional labor and equipment operations costs significantly impacted expenditures and fund balance. An historic flood event in June 2008 significantly damaged the county's road and bridge infrastructure, totally destroying one large bridge. The impact of these two severe weather events will impact Jones County's road budget for many years. Projected revenues for the Secondary Roads Fund shows some increase, but not enough to adequately support both the road operations budget and the currently adopted five year road construction plan.
- Source: Exhibits C and E

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds except the Internal Service and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis. Over the course of the 2008 fiscal year, Jones County amended its budget two times.

The first amendment was made in August 2007 and resulted in changes in budgeted appropriations for county environment, capital projects and non-program current activities, for a total increase of \$431,000. The most significant increases were additional appropriations for the Grant Wood Trail project and the Hale Bridge restoration project, both carryover projects from FY07, and both offset by increased grant revenues. The care facility wastewater lagoon project was the other significant increase in the budget amendment, also an FY07 carryover project. Receipts in the amendment were increased approximately \$473,000, all related to these projects.

The second amendment was made in May 2008 and resulted in changes to budgeted appropriations for every function and receipt category. Of major significance were increases for roads and transportation to reflect the increased disbursements for fuel and snow and ice removal and a reduction in roadway construction for projects delayed until FY09. Total decreases of over \$79,138 in other expenditure areas and \$908,852 in capital projects were offset by a more than \$481,000 increase in the appropriation for roads and transportation, resulting in a net decrease in total appropriations of nearly \$507,000. An \$890,000 decrease in intergovernmental revenues, primarily from a decrease in anticipated mental health funding, and delays in completion of grant related projects which affect reimbursements, was offset by a more than \$306,000 increase in other county taxes, use of money and property and miscellaneous receipts. Nearly all departments reflected some level of change in spending authority and/or revenue adjustments with this budget amendment.

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

- The County's actual receipts were \$369,950 lower than the final amended budget, a variance of 2.9%. The most significant variance resulted from the County receiving less intergovernmental receipts than expected.
- Total disbursements were \$1,479,751 less than the final amended budget, a 9.9% variance. Actual disbursements for the capital projects, roads and transportation, physical health and social services and county environment and education functions were \$714,282, \$199,331, \$144,920 and \$141,368, respectively, less than budgeted. Capital project disbursements were less than budgeted, primarily due to the amended budget reflecting an unrealistically aggressive construction schedule for projects. Roads and transportation disbursements were within 4% of the amended budget. Physical health and social services disbursements include substance abuse committals and juvenile detention services, areas difficult to predict for service levels. County environment and education disbursements were less than budgeted, primarily due to delaying the Maquoketa River Trail project and Hale Wildlife Area improvements, as well as a delay in completion of two grant projects by the Historical Preservation Commission.
- Source: Required Supplementary Information schedule

Jones County budgets on a cash basis and did not exceed any budgeted amounts for individual departments or functions during the year ended June 30, 2008. Several appropriation adjustments within budgetary functions were adopted during the year to manage budgetary authority for various departments until the budget could be amended.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, Jones County had \$13,808,084 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1,253,283, or 10 percent, over last year, primarily from road and bridge projects.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2008	2007
Land	\$ 1,095,061	1,127,087
Construction in progress	603,786	1,329,451
Buildings	1,035,110	1,069,765
Improvements other than buildings	241,692	-
Equipment and vehicles	2,692,367	2,624,472
Infrastructure	8,140,068	6,404,026
Total	\$ 13,808,084	12,554,801
This year's major additions included:		
Capital assets contributed by the Iowa Department of Transportation	\$	639,830
Replacement of a motor grader, loader and other secondary roads equipment and vehicles		443,349
County Sheriff vehicles		67,984
County Conservation vehicle and mower		33,155
Care Facility Lagoon project		251,763
Total	\$	1,436,081

The County had depreciation expense of \$740,671 in FY08 and total accumulated depreciation of \$6,006,318 at June 30, 2008.

The County budgets roadway construction costs in the capital projects function. Jones County historically has not budgeted other capital projects disbursements in the capital projects function, but rather budgets for those items in the function and fund where those items will be used. In FY07 and FY08, however, the care facility wastewater project was budgeted in the capital projects function. This project was completed in FY08.

Several road construction projects were completed, with the Iowa Department of Transportation contributing \$639,830 in federal bridge funds and farm to market funds towards construction costs. The care facility lagoon project, completed in the fall of 2007, was required by the Iowa Department of Natural Resources to comply with public facility wastewater discharge regulations. All of the county conservation recreational area improvements and property acquisition were reimbursed with grants, donations and rent proceeds.

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

Long-Term Debt

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

In February 2008, the County entered into a ten year general obligation sewer improvement agreement with the State Revolving Fund Loan program for the Edinburgh Manor (county care facility) wastewater project for \$227,000. The interest rate is 3.0%. Bond proceeds were not disbursed to Jones County until construction began on the project, which was initially expected to begin in spring 2007. Due to various regulatory requirements, construction was delayed until late summer 2007. Bond proceeds were disbursed to the County beginning in August 2007.

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2008	2007
General obligation bonds	\$ 203,000	-
Capital lease purchase agreements	17,420	15,578
Total	\$ 220,420	15,578

Additional information about the County's long-term debt is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Jones County's elected and appointed officials considered many factors when setting the fiscal year 2009 budget, tax rates and the fees charged for various County activities. The primary factors considered were the small increase in taxable valuations, health insurance costs for County employees and the economy.

Jones County's total taxable valuation before application of the tax increment increased 2.6%. The County's agricultural valuation remained steady, commercial valuation increased 2%, industrial valuation increased 5% and residential valuation rose 8%. However, much of this growth in commercial, industrial and residential valuation was in tax increment financing (TIF) districts where the value increases are redirected to the respective cities for urban renewal

projects and are not available for general operations of any of the related tax entities. The City of Anamosa once again released some of the increment in its TIF area for taxation in fiscal year 2009, a move made to help the City budget, which also makes that valuation available to the County and the Anamosa Community School District. The combination of these factors resulted in a net overall taxable increase for Jones County's budget of 2.2%. Approximately 94 new residential homes were constructed during 2006 which became taxable for the fiscal year 2009 budget year (a 14% decrease from the previous year, and beginning to show the effects of a slowing economy). Jones County's agricultural land values comprised 32% of Jones County's taxable valuation for fiscal year 2009 while residential values comprised 33% of the total.

Jones County, like many employers, is faced with rising health costs for its employees. In order to more closely manage the insurance costs for Jones County employees, the Supervisors left the multi-county Iowa State Association of Counties (ISAC) pooled health insurance program and began a self funded plan on May 1, 2001. This move has proven to be more cost effective than if Jones County had stayed in the ISAC group. Jones County's health insurance costs continue to rise at more than the normal rate of inflation, though currently lower than the higher rate of medical cost inflation. For fiscal year 2009, the Supervisors implemented a small increase in the health insurance premiums for the approximately 100 covered employees and their dependents. During preparation of the fiscal 2009 budget, discussion was held regarding the possibility of again waiving one month's premium for both the employee and County at some point during the fiscal year, depending on the fiscal health of the plan as the year progresses. The County pays, on average, 89% of the premium, with the employee paying the balance through payroll deduction.

When preparing the fiscal year 2009 budget, County officials and department heads were asked to take into consideration that the consumer price index average annual growth rate for the most recent fiscal period available at that time from the U.S. Bureau of Labor (third quarter 2006 through third quarter 2007) was 2.36%. The collective bargaining agreement, covering wages to be paid in fiscal year 2009, calls for a 3.25% wage increase for employees in the bargaining unit. These factors were taken into account when adopting the budget for fiscal year 2009.

\$15.9 million was initially appropriated in fiscal year 2009, an increase of 6.0% from the original fiscal year 2008 budget. Various disbursement categories reflected increases over fiscal year 2008 while others reflected decreases. The largest change is a 33.1% increase (\$290,991) in county environment and education, representing increases for Conservation Department operations and for the Maquoketa River Water Trail project. It is anticipated trail project disbursements will be 100% offset with grants and donations at completion of the project. The next highest dollar increase is \$346,194 for roads and transportation, representing a 7.4% increase. A \$214,206 increase is reflected for administration. This is an 18.8% increase, \$160,000 of which is for the courthouse boiler project. Fiscal year 2008 re-estimated disbursements (less capital projects) reflected less than a 1% increase from the original fiscal year 2008 budget, and was considered as well during the FY09 budget process.

The fiscal year 2009 undesignated General Fund balance was initially projected to be 18.5% of expenditures. A property tax increase of approximately \$77,000 and \$215,000 in state grant reimbursements, primarily for Conservation Department projects, are the major sources of increased revenues in the fiscal year 2009 General Fund budget.

Use of the local option tax monies designated for road and bridge projects and use of existing cash balances are expected to fund the majority of the budgeted roadway construction disbursements. The Secondary Roads Fund received no revenue from the General Fund in fiscal year 2008 and \$25,000 is planned for fiscal year 2009. The Board and County Engineer projected a \$1,155,000 increase in roadway construction from the re-estimated 2008 budget to the fiscal year 2009 budget, as well as an increase of over \$242,720 in revenue and a \$75,000 increase in transfers from the General and Rural Services Funds. The projected Secondary Roads Fund balance on June 30, 2009 is \$284,790.

The impact on the road department budget from the severe winter of 2007/2008, flooding in June of 2008, as well as delayed reimbursements from FEMA and from other construction projects, have decreased the Secondary Roads fund balance such that temporary transfers from the Secondary Roads Local Option Tax Subsidiary Fund were necessary early in fiscal year 2009 to provide cash flow for payment of Secondary Roads expenses. These transfers are normally made at the end of the fiscal year when construction project totals are determined. The transfers will be reviewed and adjusted at the end of fiscal year 2009 as necessary to accurately meet the voter approved purposes of the local option tax funds.

Budgeted disbursements for the Rural Services Fund are projected to increase approximately \$10,000 in fiscal 2009. The increase represents a 3% increase in library funding and a 26% increase (\$8,137) in funding for the Solid Waste Commission to provide funding for the additional costs of operating the new transfer station constructed in 2007. In addition, the Board authorized a \$50,000 increase in the Rural Services Fund property tax transfer to the Secondary Roads Fund for fiscal year 2009. While the tax levy rate did not change, increased valuations against that rate generated an additional \$15,423 and local option taxes deposited in the Rural Services Fund are projected to increase \$30,000.

The Maquoketa River Water Trail project, initially budgeted to begin early in fiscal year 2008, has expanded into a one-half million dollar, multi-year project with multiple grants and donations secured. Construction is now expected to begin in the spring of 2009.

The care facility wastewater lagoon project was completed in late fall 2007. Payments on the ten-year State Revolving Loan Fund general obligation sewer improvement bond agreement began in fiscal year 2008 and will continue into fiscal year 2017 at an approximate cost of \$27,000 per year. At this time, the county is transferring funds from the General Fund to the Debt Service Fund to meet these obligations. A debt service levy may be considered in the future.

In fiscal year 2004, the Board began annually levying \$100,000 specifically for courthouse capital improvements. Additional funds representing General Fund balances over certain targets have also been added to the designated fund balance for this purpose. In the fiscal year 2003 budget, the Board included \$143,800 for the initial stages of replacing the courthouse heating system. Planning and design funds were spent, but at June 30th of that year, there remained \$96,000 of unspent appropriation for that project. The Board also designated those remaining funds for future courthouse capital improvements, including a boiler. While bids were received twice for the boiler (hot water) project, the projected costs were more than the Board was ready to invest in the project. During the annual boiler inspection during late summer 2007, major deficiencies in the boiler were revealed and an engineering firm was again contacted to proceed with replacement of the boilers. A steam system was planned rather than the more costly hot water system that had been bid in prior years. A bid for the boiler replacement was accepted in February 2008, with construction beginning in late spring of 2008. The boiler project was essentially complete by December 2008. The total cost of the project is expected to be approximately \$240,000, with funding coming fully from the courthouse capital improvements reserve during fiscal years 2008 and 2009.

Other major courthouse projects, such as the tuck pointing project in 2005 and a plumbing replacement project in 2006, were also financed with these reserved funds. A space needs study conducted by County staff in 2005 highlighted the need for additional space for courthouse services. In 2008, the Board entered into a purchase agreement in the amount of \$350,000 for acquisition of a 9,400 sq. ft. office building to address the County's office and storage space needs. The county expects to gain full possession of the building in early 2010. The Community Services and Veteran Affairs departments were moved into a portion of this new building in late summer 2008. Approximately \$34,000 was spent from the capital improvement reserve for remodeling this space. Additional remodeling in this building will be necessary as space becomes available for county purposes. The capital improvement funds will be used to purchase the building, for remodeling and other improvements at that building, as well as for remodeling of vacated space at the courthouse. The funds will continue to be available for other

major projects for the aging courthouse. The projected balance designated for these purposes at June 30, 2009 is expected to be approximately \$564,000. \$390,000 of disbursements are tentatively included in the FY10 proposed budget for purchase of the building and some remodeling.

If the budgetary estimates in the initial fiscal year 2009 budget are realized, the County's overall budgetary operating balance is expected to decrease by the close of 2009. All major funds are projected to decrease, with the most significant decrease in the Secondary Roads Fund. While the County's state mental health funding was negatively impacted in FY08, the lowered fund balance will make Jones County eligible for a significant increase in state funding in FY09. A substantial decrease is projected in the Secondary Roads Fund balance as a result of an aggressive construction program, as well as an overall increase in general roadway operation costs, none of which have been offset by equally increased revenues. Design and construction schedules, the effect of the 2007/2008 winter and summer 2008 flooding, as well as a re-evaluation of funding sources, will be considered prior to proceeding with certain road and bridge projects.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Jones County

Basic Financial Statements

Exhibit A

Jones County
Statement of Net Assets
Year ended June 30, 2008

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 6,092,696
Receivables:	
Property tax:	
Delinquent	7,379
Succeeding year	5,153,000
Interest and penalty on property tax	17,792
Accounts	41,564
Accrued interest	27,594
Due from other governments	882,794
Inventories	307,908
Prepaid expenses	51,675
Capital assets (net of accumulated depreciation)	<u>13,808,084</u>
Total assets	<u>26,390,486</u>
Liabilities	
Accounts payable	747,472
Salaries and benefits payable	278,244
Due to other governments	346,341
Deferred revenue:	
Succeeding year property tax	5,153,000
Other	8,000
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	20,000
Capital lease purchase agreements	3,615
Compensated absences	113,007
Portion due or payable after one year:	
General obligation bonds	183,000
Capital lease purchase agreements	13,805
Compensated absences	<u>145,362</u>
Total liabilities	<u>7,011,846</u>
Net Assets	
Invested in capital assets, net of related debt	13,587,664
Restricted for:	
Debt service purposes	944
Supplemental levy purposes	261,896
Secondary roads purposes	2,362,306
Other special revenue purposes	162,850
Unrestricted	<u>3,002,980</u>
Total net assets	<u>\$ 19,378,640</u>

See notes to financial statements.

Jones County
Statement of Activities
Year ended June 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,879,105	313,568	20,640	-	(1,544,897)
Physical health and social services	654,875	256,122	177,387	-	(221,366)
Mental health	2,404,871	21,018	1,235,514	-	(1,148,339)
County environment and education	721,048	58,509	164,903	192,759	(304,877)
Roads and transportation	5,589,305	656,418	2,858,251	644,599	(1,430,037)
Governmental services to residents	539,001	338,672	2,100	-	(198,229)
Administration	1,303,082	27,608	14,321	-	(1,261,153)
Non-program	313,445	247,396	33,986	26,876	(5,187)
Interest on long-term debt	9,977	-	-	-	(9,977)
Total	\$ 13,414,709	1,919,311	4,507,102	864,234	(6,124,062)
General Revenues:					
Property and other county tax levied for general purposes					5,041,205
Penalty and interest on property tax					54,280
State tax credits					289,095
Local option sales tax					745,100
Unrestricted investment earnings					316,989
Gain on disposition of capital assets					88,060
Rent					81,276
Miscellaneous					8,990
Total general revenues					6,624,995
Change in net assets					500,933
Net assets beginning of year					18,877,707
Net assets end of year					\$ 19,378,640

See notes to financial statements.

Jones County
Balance Sheet
Governmental Funds

June 30, 2008

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 1,997,167	335,852	296,830
Receivables:			
Property tax:			
Delinquent	4,713	1,168	1,498
Succeeding year	3,376,000	836,000	941,000
Interest and penalty on property tax	17,792	-	-
Accounts	8,949	1,949	-
Accrued interest	20,168	-	-
Due from other funds	3,917	-	-
Due from other governments	291,211	19,732	28,595
Inventories	-	-	-
Prepaid expenditures	-	-	-
Total assets	\$ 5,719,917	1,194,701	1,267,923
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 57,204	42,864	-
Salaries and benefits payable	158,271	15,094	19
Due to other funds	7,999	-	-
Due to other governments	13,390	300,962	-
Deferred revenue:			
Succeeding year property tax	3,376,000	836,000	941,000
Other	251,008	3,055	1,473
Total liabilities	3,863,872	1,197,975	942,492
Fund balances:			
Reserved for:			
Debt service	-	-	-
Supplemental levy purposes	259,068	-	-
Unreserved, designated for capital projects	648,184	-	-
Unreserved, undesignated, reported in:			
General fund	948,793	-	-
Special revenue funds	-	(3,274)	325,431
Total fund balances	1,856,045	(3,274)	325,431
Total liabilities and fund balances	\$ 5,719,917	1,194,701	1,267,923

See notes to financial statements.

Secondary Roads	Nonmajor	Total
2,275,888	163,698	5,069,435
-	-	7,379
-	-	5,153,000
-	-	17,792
60	5,970	16,928
-	-	20,168
7,999	-	11,916
509,784	33,472	882,794
307,908	-	307,908
51,675	-	51,675
<u>3,153,314</u>	<u>203,140</u>	<u>11,538,995</u>
537,435	14,656	652,159
99,090	5,770	278,244
1,859	2,058	11,916
17,425	14,564	346,341
-	-	5,153,000
87,834	14,934	358,304
<u>743,643</u>	<u>51,982</u>	<u>6,799,964</u>
-	944	944
-	-	259,068
-	-	648,184
-	-	948,793
2,409,671	150,214	2,882,042
<u>2,409,671</u>	<u>151,158</u>	<u>4,739,031</u>
<u>3,153,314</u>	<u>203,140</u>	<u>11,538,995</u>

Jones County

Jones County

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

June 30, 2008

Total governmental fund balances (page 23) \$ 4,739,031

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 governmental funds. The cost of assets is \$19,814,402 and the accumulated depreciation is \$6,006,318. 13,808,084

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 350,304

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 960,010

Long-term liabilities, including general obligation bonds, capital lease purchase agreements payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (478,789)

Net assets of governmental activities (page 20) \$ 19,378,640

See notes to financial statements.

Jones County

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

Year ended June 30, 2008

	Special		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 3,287,379	836,543	916,007
Local option sales tax	-	-	186,275
Interest and penalty on property tax	51,273	-	-
Intergovernmental	967,996	1,285,809	52,609
Licenses and permits	37,423	-	-
Charges for service	511,985	13,655	-
Use of money and property	349,840	7,500	1
Miscellaneous	42,887	7,364	-
Total revenues	5,248,783	2,150,871	1,154,892
Expenditures:			
Operating:			
Public safety and legal services	1,904,275	-	-
Physical health and social services	400,310	-	-
Mental health	-	2,405,752	-
County environment and education	686,315	-	135,394
Roads and transportation	304,633	-	-
Governmental services to residents	509,664	-	5,043
Administration	1,168,905	-	-
Non-program	73,157	-	-
Debt service	12,070	-	-
Capital projects	-	-	-
Total expenditures	5,059,329	2,405,752	140,437
Excess (deficiency) of revenues over (under) expenditures	189,454	(254,881)	1,014,455
Other financing sources (uses):			
Sale of capital assets	504	-	-
General obligation bonds issued	-	-	-
Discount on general obligation bonds issued	-	-	-
Capital lease purchase proceeds	11,452	-	-
Operating transfers in	-	-	-
Operating transfers out	(57,463)	-	(987,500)
Total other financing sources (uses)	(45,507)	-	(987,500)
Net change in fund balances	143,947	(254,881)	26,955
Fund balances beginning of year	1,712,098	251,607	298,476
Fund balances end of year	\$ 1,856,045	(3,274)	325,431

See notes to financial statements.

Revenue		
Secondary		
Roads	Nonmajor	Total
-	-	5,039,929
558,825	-	745,100
-	-	51,273
2,992,770	160,732	5,459,916
25,710	-	63,133
123	4,098	529,861
-	13,448	370,789
172,041	133,475	355,767
3,749,469	311,753	12,615,768
-	22,264	1,926,539
-	249,461	649,771
-	-	2,405,752
-	21,430	843,139
4,876,703	-	5,181,336
-	1,965	516,672
-	-	1,168,905
-	26,876	100,033
-	29,056	41,126
821,218	215,149	1,036,367
5,697,921	566,201	13,869,640
(1,948,452)	(254,448)	(1,253,872)
52,612	-	53,116
-	227,000	227,000
-	(2,700)	(2,700)
-	-	11,452
987,500	57,463	1,044,963
-	-	(1,044,963)
1,040,112	281,763	288,868
(908,340)	27,315	(965,004)
3,318,011	123,843	5,704,035
2,409,671	151,158	4,739,031

Jones County

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

Year ended June 30, 2008

Net change in fund balances - Total governmental funds (page 27) \$ (965,004)

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	\$ 1,266,064	
Capital assets contributed by the Iowa Department of Transportation	639,830	
Depreciation expense	(740,671)	1,165,223

In the Statement of Activities, the gain on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 88,060

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

Property tax	4,283	
Other	314,596	318,879

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

Issued	(238,452)	
Repaid	33,610	(204,842)

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

Compensated absences	(30,490)	
Interest on long-term debt	239	(30,251)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's employee health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. 128,868

Change in net assets of governmental activities (page 21) \$ 500,933

See notes to financial statements.

Jones County
Statement of Net Assets
Proprietary Fund
June 30, 2008

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 1,023,261
Receivables:	
Accounts	24,636
Accrued interest	<u>7,426</u>
Total assets	1,055,323
Liabilities	
Accounts payable	<u>95,313</u>
Net Assets	
Unrestricted	<u><u>\$ 960,010</u></u>

See notes to financial statements.

Exhibit H

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

Year ended June 30, 2008

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 945,375
Contributions from outside sources		6,032
Contributions from employees		105,708
Insurance reimbursements		<u>48,293</u>
Total operating revenues		1,105,408
Operating expenses:		
Medical claims	\$ 735,773	
Insurance premiums	224,124	
Administrative fees	38,027	
Miscellaneous	<u>13,236</u>	<u>1,011,160</u>
Operating income		94,248
Non-operating revenues:		
Interest income		<u>34,620</u>
Net income		128,868
Net assets beginning of year		<u>831,142</u>
Net assets end of year		<u><u>\$ 960,010</u></u>

See notes to financial statements.

Jones County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2008

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 945,375
Cash received from employees and others	207,599
Cash paid to suppliers for services	(1,117,671)
Net cash provided by operating activities	35,303
Cash flows from investing activities:	
Interest on investments	30,401
Net increase in cash and cash equivalents	65,704
Cash and cash equivalents beginning of year	957,557
Cash and cash equivalents end of year	\$ 1,023,261
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 94,248
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	47,566
Decrease in accounts payable	(106,511)
Net cash provided by operating activities	\$ 35,303

See notes to financial statements.

Jones County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2008

Assets

Cash and pooled investments:

County Treasurer	\$ 829,853
Other County officials	564

Receivables:

Property tax:

Delinquent	17,901
Succeeding year	15,083,000

Accounts	22,405
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Special assessments	225,342
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Due from other governments	25,262
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Total assets	<u>16,204,327</u>
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Liabilities

Accounts payable	1,384
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Salaries and benefits payable	16,532
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Due to other governments	16,158,023
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Trusts payable	564
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Compensated absences	27,824
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Total liabilities	<u>16,204,327</u>
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Net assets

\$	<u><u>-</u></u>
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See notes to financial statements.

Jones County

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

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, 2008, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue:	
	Secondary Roads	\$ 1,859
	Senior Dining	2,058
		<u>3,917</u>
Special Revenue:	General	
Secondary Roads		<u>7,999</u>
Total		<u>\$ 11,916</u>

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:	Special Revenue:	
Secondary Roads	Rural Services	\$ 987,500
Debt Service	General	30,000
Capital Projects	General	<u>27,463</u>
Total		<u>\$ 1,044,963</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,127,087	-	(32,026)	1,095,061
Construction in progress, road network	1,245,357	1,014,553	(1,945,165)	314,745
Construction in progress, other	84,094	456,710	(251,763)	289,041
Total capital assets not being depreciated	<u>2,456,538</u>	<u>1,471,263</u>	<u>(2,228,954)</u>	<u>1,698,847</u>
Capital assets being depreciated:				
Buildings	2,347,620	-	-	2,347,620
Improvements other than buildings	-	251,763	-	251,763
Equipment and vehicles	6,531,274	557,569	(170,591)	6,918,252
Infrastructure, road network	6,582,780	1,945,165	-	8,527,945
Infrastructure, other	69,975	-	-	69,975
Total capital assets being depreciated	<u>15,531,649</u>	<u>2,754,497</u>	<u>(170,591)</u>	<u>18,115,555</u>
Less accumulated depreciation for:				
Buildings	1,277,855	34,655	-	1,312,510
Improvements other than buildings	-	10,071	-	10,071
Equipment and vehicles	3,906,802	486,822	(167,739)	4,225,885
Infrastructure, road network	241,731	207,724	-	449,455
Infrastructure, other	6,998	1,399	-	8,397
Total accumulated depreciation	<u>5,433,386</u>	<u>740,671</u>	<u>(167,739)</u>	<u>6,006,318</u>
Total capital assets being depreciated, net	<u>10,098,263</u>	<u>2,013,826</u>	<u>(2,852)</u>	<u>12,109,237</u>
Governmental activities capital assets, net	<u>\$ 12,554,801</u>	<u>3,485,089</u>	<u>(2,231,806)</u>	<u>13,808,084</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 57,068
Physical health and social services	7,244
Mental health	1,958
County environment and education	23,170
Roads and transportation	590,483
Governmental services to residents	27,393
Administration	33,355
Total depreciation expense - governmental activities	<u>\$ 740,671</u>

(6) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 13,390
Special Revenue:		
Mental Health	Services	300,962
Secondary Roads	Services and materials	17,425
Senior Dining	Services	58
Center Junction Waste-water Project	Services	14,506
		<u>332,951</u>
Total for governmental funds		<u>\$ 346,341</u>
Agency:		
Emergency Management	Services	\$ 12,305
E911 Surcharge	Materials	158,374
County Assessor	Collections and materials	414,130
Schools	Collections	9,976,140
Community Colleges	Collections	602,304
Corporations	Collections	4,043,774
Auto License and Use Tax	Collections	318,645
All other	Collections	632,351
Total for agency funds		<u>\$ 16,158,023</u>

(7) Prepaid Rental Agreement

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

The County has elected to amortize prepaid expenditures of \$80,743 over 25 years. At June 30, 2008, the unamortized prepaid expenditure balance was \$51,675.

(8) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Capital Lease Purchase Agreements	General Obligation Bonds	Compensated Absences	Total
Balance beginning of year	\$ 15,578	-	227,879	243,457
Increases	11,452	227,000	259,702	498,154
Decreases	9,610	24,000	229,212	262,822
Balance end of year	<u>\$ 17,420</u>	<u>203,000</u>	<u>258,369</u>	<u>478,789</u>
Due within one year	<u>\$ 3,615</u>	<u>20,000</u>	<u>113,007</u>	<u>136,622</u>

Capital Lease Purchase Agreements

The County entered into capital lease purchase agreements for mowers in May 2006 and May 2008 with historical costs of \$9,033 and \$11,452 respectively.

The following is a schedule of the future minimum lease payments, including interest ranging from 7.95% to 9.49% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2008:

Year ending June 30,	Amount
2009	\$ 4,903
2010	4,903
2011	4,903
2012	5,423
Total minimum lease payments	20,132
Less amount representing interest	(2,712)
Present value of net minimum lease payments	<u>\$ 17,420</u>

Payments under capital lease purchase agreements totaled \$10,910 for the year ended June 30, 2008.

General Obligation Sewer Improvement Bonds

In February 2007, the County entered into a ten year general obligation sewer improvement bond agreement with the State Revolving Loan program for \$270,000 for the purpose of paying the cost of constructing improvements to and expanding the wastewater treatment facilities at Edinburgh Manor. On August 9, 2007, the general obligation sewer improvement bonds were issued for \$227,000.

A summary of the County's June 30, 2008 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	3.00%	\$ 20,000	6,089	26,089
2010	3.00	21,000	5,490	26,490
2011	3.00	21,000	4,860	25,860
2012	3.00	22,000	4,230	26,230
2013	3.00	22,000	3,570	25,570
2014-2017	3.00	97,000	7,380	104,380
		<u>\$ 203,000</u>	<u>31,619</u>	<u>234,619</u>

(9) Deficit Balance

At June 30, 2008, the Mental Health Fund had a deficit balance of \$3,274. The deficit balance is the result of lower than anticipated funding for allowable growth and community services.

(10) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.90% of their annual covered salary and the County is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$252,039, \$233,078 and \$219,769, respectively, equal to the required contributions for each year.

(11) Risk Management

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

(12) Employee Health Insurance Plan

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

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Auxiant from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2008 was \$945,375.

Amounts payable from the Employee Group Health Fund at June 30, 2008 total \$95,313, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$960,010 at June 30, 2008 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board

Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$	201,824
Incurred claims (including claims incurred but not reported at June 30, 2008)		629,262
Payment on claims during the fiscal year		<u>(735,773)</u>
Unpaid claims end of year	\$	<u>95,313</u>

Jones County

Required Supplementary Information

Jones County

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

Required Supplementary Information

Year ended June 30, 2008

	<u>Actual</u>
Receipts:	
Property and other county tax	\$ 5,793,443
Interest and penalty on property tax	47,715
Intergovernmental	5,397,967
Licenses and permits	64,936
Charges for service	532,187
Use of money and property	385,882
Miscellaneous	345,393
Total receipts	<u>12,567,523</u>
Disbursements:	
Public safety and legal services	1,953,879
Physical health and social services	667,946
Mental health	2,352,636
County environment and education	826,646
Roads and transportation	4,969,758
Governmental services to residents	521,853
Administration	1,164,928
Non-program	87,366
Debt service	34,674
Capital projects	887,866
Total disbursements	<u>13,467,552</u>
Excess (deficiency) of receipts over (under) disbursements	(900,029)
Other financing sources, net	<u>277,416</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(622,613)
Balance beginning of year	<u>5,692,048</u>
Balance end of year	<u><u>\$ 5,069,435</u></u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual Variance
Original	Final	
5,673,371	5,803,512	(10,069)
43,100	42,100	5,615
6,504,481	5,792,110	(394,143)
63,509	59,997	4,939
503,075	519,456	12,731
271,061	372,931	12,951
226,515	347,367	(1,974)
<u>13,285,112</u>	<u>12,937,473</u>	<u>(369,950)</u>
1,989,322	1,967,130	13,251
823,009	812,866	144,920
2,497,372	2,473,997	121,361
877,807	968,014	141,368
4,687,803	5,169,089	199,331
526,277	528,672	6,819
1,138,301	1,214,298	49,370
169,978	175,471	88,105
37,138	35,618	944
2,276,000	1,602,148	714,282
<u>15,023,007</u>	<u>14,947,303</u>	<u>1,479,751</u>
(1,737,895)	(2,009,830)	1,109,801
3,200	284,657	(7,241)
(1,734,695)	(1,725,173)	1,102,560
4,300,946	5,655,838	36,210
<u>2,566,251</u>	<u>3,930,665</u>	<u>1,138,770</u>

Jones County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 12,567,523	48,245	12,615,768
Expenditures	13,467,552	402,088	13,869,640
Net	(900,029)	353,843	(1,253,872)
Other financing sources, net	277,416	11,452	288,868
Beginning fund balances	5,692,048	11,987	5,704,035
Ending fund balances	\$ 5,069,435	(330,404)	4,739,031

See accompanying independent auditor's report.

Jones County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments decreased budgeted disbursements by \$75,704. 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, 2008, disbursements did not exceed the amounts budgeted.

Jones County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2008

	County				Special
	Recorder's Records Management	Conservation Land Acquisition	Senior Dining	Jail Commissary	Special Law Enforcement
Assets					
Cash and pooled investments	\$ 16,987	13,512	36,356	9,094	2,489
Accounts receivable	-	-	-	1,036	-
Due from other governments	-	-	13,590	-	-
Total assets	\$ 16,987	13,512	49,946	10,130	2,489
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	-	8,960	5,359	-
Salaries and benefits payable	-	-	5,770	-	-
Due to other funds	-	-	2,058	-	-
Due to other governments	-	-	58	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	-	-	16,846	5,359	-
Fund equity:					
Reserved for debt service	-	-	-	-	-
Unreserved fund balances	16,987	13,512	33,100	4,771	2,489
Total fund equity	16,987	13,512	33,100	4,771	2,489
Total liabilities and fund equity	\$ 16,987	13,512	49,946	10,130	2,489

See accompanying independent auditor's report.

Revenue						
Law Enforcement Canine	Resource Enhancement and Protection	Hale Bridge Historical Restoration	Historical Preservation Commission	Center Junction Wastewater Project	Debt Service	Total
9,045	46,071	13,802	10,774	4,624	944	163,698
4,934	-	-	-	-	-	5,970
-	-	10,000	-	9,882	-	33,472
13,979	46,071	23,802	10,774	14,506	944	203,140
337	-	-	-	-	-	14,656
-	-	-	-	-	-	5,770
-	-	-	-	-	-	2,058
-	-	-	-	14,506	-	14,564
4,934	-	10,000	-	-	-	14,934
5,271	-	10,000	-	14,506	-	51,982
-	-	-	-	-	944	944
8,708	46,071	13,802	10,774	-	-	150,214
8,708	46,071	13,802	10,774	-	944	151,158
13,979	46,071	23,802	10,774	14,506	944	203,140

Jones County

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

Year ended June 30, 2008

	County				Special
	Recorder's Records Management	Conservation Land Acquisition	Senior Dining	Jail Commissary	Special Law Enforcement
Revenues:					
Intergovernmental	\$ -	-	106,119	-	-
Charges for service	4,098	-	-	-	-
Use of money and property	273	5,415	-	7,138	3
Miscellaneous	-	-	124,453	-	2,486
Total revenues	<u>4,371</u>	<u>5,415</u>	<u>230,572</u>	<u>7,138</u>	<u>2,489</u>
Expenditures:					
Operating:					
Public safety and legal services	-	-	-	16,020	-
Physical health and social services	-	-	249,461	-	-
County environment and education	-	1,174	-	-	-
Governmental services to residents	1,965	-	-	-	-
Non-program	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total expenditures	<u>1,965</u>	<u>1,174</u>	<u>249,461</u>	<u>16,020</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,406</u>	<u>4,241</u>	<u>(18,889)</u>	<u>(8,882)</u>	<u>2,489</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
General obligation bonds issued	-	-	-	-	-
Discount on general obligation bonds issued	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>2,406</u>	<u>4,241</u>	<u>(18,889)</u>	<u>(8,882)</u>	<u>2,489</u>
Fund balances beginning of year	<u>14,581</u>	<u>9,271</u>	<u>51,989</u>	<u>13,653</u>	<u>-</u>
Fund balances end of year	<u>\$ 16,987</u>	<u>13,512</u>	<u>33,100</u>	<u>4,771</u>	<u>2,489</u>

See accompanying independent auditor's report.

Revenue							
Law Enforcement Canine	Resource Enhancement and Protection	Hale Bridge Historical Restoration	Historical Preservation Commission	Center Junction Wastewater Project	Debt Service	Capital Projects	Total
-	16,296	11,441	-	26,876	-	-	160,732
-	-	-	-	-	-	-	4,098
-	543	-	76	-	-	-	13,448
6,536	-	-	-	-	-	-	133,475
6,536	16,839	11,441	76	26,876	-	-	311,753
6,244	-	-	-	-	-	-	22,264
-	-	-	-	-	-	-	249,461
-	3,395	13,441	3,420	-	-	-	21,430
-	-	-	-	-	-	-	1,965
-	-	-	-	26,876	-	-	26,876
-	-	-	-	-	29,056	-	29,056
-	-	-	-	-	-	215,149	215,149
6,244	3,395	13,441	3,420	26,876	29,056	215,149	566,201
292	13,444	(2,000)	(3,344)	-	(29,056)	(215,149)	(254,448)
-	-	-	-	-	30,000	27,463	57,463
-	-	-	-	-	-	227,000	227,000
-	-	-	-	-	-	(2,700)	(2,700)
-	-	-	-	-	30,000	251,763	281,763
292	13,444	(2,000)	(3,344)	-	944	36,614	27,315
8,416	32,627	15,802	14,118	-	-	(36,614)	123,843
8,708	46,071	13,802	10,774	-	944	-	151,158

Jones County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,152	138,735	155,854	9,470
Other County officials	564	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	184	429	13,286	834
Succeeding year	-	132,000	307,000	9,807,000	592,000
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 564	134,336	446,164	9,976,140	602,304
Liabilities					
Accounts payable	\$ -	-	23	-	-
Salaries and benefits payable	-	-	11,762	-	-
Due to other governments	-	134,336	414,130	9,976,140	602,304
Trusts payable	564	-	-	-	-
Compensated absences	-	-	20,249	-	-
Total liabilities	\$ 564	134,336	446,164	9,976,140	602,304

See accompanying independent auditor's report.

Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
43,999	3,662	513	318,645	156,823	829,853
-	-	-	-	-	564
2,775	377	-	-	16	17,901
3,997,000	230,000	-	-	18,000	15,083,000
-	-	-	-	22,405	22,405
-	-	225,342	-	-	225,342
-	-	-	-	25,262	25,262
4,043,774	234,039	225,855	318,645	222,506	16,204,327
-	-	-	-	1,361	1,384
-	-	-	-	4,770	16,532
4,043,774	234,039	225,855	318,645	208,800	16,158,023
-	-	-	-	-	564
-	-	-	-	7,575	27,824
4,043,774	234,039	225,855	318,645	222,506	16,204,327

Jones County
Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 1,445	134,225	475,535	9,582,197	591,475
Additions:					
Property and other county tax	-	131,715	306,653	9,802,898	592,472
E911 surcharges	-	-	-	-	-
State tax credits	-	7,546	17,740	542,472	33,171
Office fees and collections	363,566	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	373,263	-	-	-	-
Miscellaneous	-	-	704	-	-
Total additions	736,829	139,261	325,097	10,345,370	625,643
Deductions:					
Agency remittances:					
To other funds	207,528	-	-	-	-
To other governments	154,429	139,150	354,468	9,951,427	614,814
Trusts paid out	375,753	-	-	-	-
Total deductions	737,710	139,150	354,468	9,951,427	614,814
Balances end of year	\$ 564	134,336	446,164	9,976,140	602,304

See accompanying independent auditor's report.

Corpora- tions	Townships	City Special Assess- ments	Auto License and Use Tax	Other	Total
3,839,277	224,618	243,383	339,077	163,127	15,594,359
4,043,988	228,509	-	-	18,130	15,124,365
-	-	-	-	107,297	107,297
186,816	12,225	-	-	1,376	801,346
-	-	-	-	-	363,566
-	-	-	4,222,032	173	4,222,205
-	-	53,824	-	-	53,824
-	-	-	-	155,550	528,813
-	-	-	-	153,375	154,079
4,230,804	240,734	53,824	4,222,032	435,901	21,355,495
-	-	-	186,726	-	394,254
4,026,307	231,313	71,352	4,055,738	220,972	19,819,970
-	-	-	-	155,550	531,303
4,026,307	231,313	71,352	4,242,464	376,522	20,745,527
4,043,774	234,039	225,855	318,645	222,506	16,204,327

Jones County

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

For the Last Eight Years

	2008	2007	2006
Revenues:			
Property and other county tax	\$ 5,039,929	4,944,551	4,610,837
Local option sales tax	745,100	692,459	606,518
Interest and penalty on property tax	51,273	40,526	38,376
Intergovernmental	5,459,916	6,130,056	5,815,503
Licenses and permits	63,133	57,254	72,345
Charges for service	529,861	488,122	513,186
Use of money and property	370,789	397,223	331,045
Fines, forfeitures and defaults	-	-	-
Miscellaneous	355,767	259,011	279,683
Total	\$ 12,615,768	13,009,202	12,267,493
Expenditures:			
Operating:			
Public safety and legal services	\$ 1,926,539	1,882,227	1,805,964
Physical health and social services	649,771	729,577	698,613
Mental health	2,405,752	2,358,418	2,226,362
County environment and education	843,139	966,643	1,184,737
Roads and transportation	5,181,336	4,289,198	4,013,501
Governmental services to residents	516,672	495,762	619,332
Administration	1,168,905	1,153,525	1,270,527
Non-program	100,033	73,670	109,192
Debt service	41,126	5,618	-
Capital projects	1,036,367	794,653	1,278,659
Total	\$ 13,869,640	12,749,291	13,206,887

See accompanying independent auditor's report.

Modified Accrual Basis				
2005	2004	2003	2002	2001
4,456,444	4,328,573	4,233,483	4,008,666	3,815,210
680,333	615,568	603,405	526,171	572,876
41,809	43,800	41,833	41,304	40,568
6,384,409	4,836,462	5,734,114	5,496,228	5,204,746
59,517	46,118	40,199	42,091	38,277
505,718	513,303	488,311	425,337	548,030
226,899	154,548	233,775	224,710	375,217
-	-	-	3,556	256
276,380	371,759	215,666	55,600	61,266
12,631,509	10,910,131	11,590,786	10,823,663	10,656,446
1,713,155	1,636,654	1,587,393	1,490,438	1,360,901
605,430	767,276	655,087	417,424	485,193
2,127,455	2,168,835	2,157,138	2,156,418	2,217,737
554,528	571,865	524,010	583,125	493,586
4,355,370	4,427,394	4,202,859	3,519,321	3,895,875
448,029	385,668	339,057	337,641	303,117
1,202,306	959,960	958,153	974,493	877,548
38,133	35,667	224,953	30,238	17,201
-	-	-	-	-
1,994,791	385,766	408,995	366,079	244,276
13,039,197	11,339,085	11,057,645	9,875,177	9,895,434

Schedule 6

Jones County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		<u>\$ 9,060</u>
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program	14.228	04-WS-049	<u>26,079</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Recreational Trails Program	20.219	NRT-NT03(3)--9G-53	126,820
Recreational Trails Program	20.219	NRT-NT08(002)--9G-53	<u>23,040</u>
			<u>149,860</u>
Environmental Protection Agency:			
Iowa Finance Authority:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS192308-01	<u>51,295</u>
U.S. Election Assistance Commission:			
Iowa Secretary of State:			
Help America Vote Act Requirements Payments	90.401	06-HAVA--53-100	<u>2,100</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursement:			
Temporary Assistance for Needy Families	93.558		<u>9,966</u>
Child Care Mandatory and Matching Funds			
of the Child Care and Development Fund	93.596		<u>2,434</u>
Foster Care - Title IV-E	93.658		<u>5,946</u>
Adoption Assistance	93.659		<u>1,401</u>
State Children's Insurance Program	93.767		<u>84</u>
Medical Assistance Program	93.778		<u>12,692</u>
Social Services Block Grant	93.667		<u>6,540</u>
Social Services Block Grant	93.667		<u>78,929</u>
			<u>85,469</u>

Jones County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2008

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Homeland Security:			
United Way of America:			
Emergency Food and Shelter National Board Program	97.024	26-2956-00	4,795
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1737 DR IA	135,266
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1763 DR IA	129,388
			<u>264,654</u>
Emergency Management Performance Grant	97.042	FFY 2007	1,463
Emergency Management Performance Grant	97.042	FFY 2008	14,492
			<u>15,955</u>
State Homeland Security Grant Program	97.067	FFY 2005	11,947
State Homeland Security Grant Program	97.067	FFY 2006	11,035
			<u>22,982</u>
Total			<u>\$ 664,772</u>

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

See accompanying independent auditor's report.

Jones County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Jones County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jones County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 9, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-08 and II-B-08 are material weaknesses.

Compliance and Other Matters

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

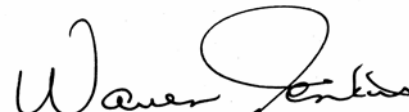
Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 9, 2009

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

Jones County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Jones County:

Compliance

We have audited the compliance of Jones County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2008. Jones County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of Jones County's management. Our responsibility is to express an opinion on Jones County's compliance based on our audit.

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

In our opinion, Jones County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Jones County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Jones County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jones County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below.

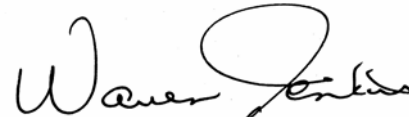
A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of the internal control over compliance was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 9, 2009

Jones County
Schedule of Findings and Questioned Costs
Year ended June 30, 2008

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows
 - CFDA Number 20.219 – Recreational Trails Program
 - CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Jones County did not qualify as a low-risk auditee.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- II-A-08 Segregation of Duties – For the Jones County Conservation Board, a listing of cash and checks received is prepared. However, the listing is not compared to the cash receipt records by an independent person.

Recommendation – The listing of cash and checks received should be compared to the cash receipts records by an independent person.

Response – Either the Director or County Auditor will reconcile the checks versus cash receipts on a regular basis, perhaps monthly. The Director of JCCB will either perform this or request the County Auditor's assistance. The Director will maintain a record of comparison between the initial receipt collector and County Treasurer's office receipt.

Conclusion – Response accepted.

- II-B-08 Jones County Historic Preservation Commission – Hale Bridge Bank Account – The County received donations and contributions which were deposited into a checking account. These collections were not reflected in the County's accounting system and have not been included in the County's annual budget or annual financial reports. In addition, we identified a current year disbursement for \$2,000 pertaining to land purchased in the fiscal year ended June 30, 2005. We were unable to determine the propriety of this disbursement because documentation was not available. The financial activity has been included in the audited financial statements.

Recommendation – This activity should be included in the County's annual budget and annual financial report and disbursements should be charged to the appropriate expenditure accounts. In addition, the County should ensure all disbursements are properly supported, reviewed for propriety, authorized and approved.

Response – The financial activities of the Hale Bridge Committee were not included in the county's budget and annual financial reports as the Hale Bridge Committee failed to provide the records to the County for inclusion in their documents.

The Hale Bridge Committee will be requested to provide proper public purpose substantiation for all disbursements. In order to prevent these ongoing audit comments in the future, the Hale Bridge Committee will be requested to surrender their funds to the County, along with a full accounting for all receipts and disbursements of the fund since its inception. The County will maintain the funds in a special revenue fund set aside specifically for the Hale Bridge Restoration Project. This will enable the county to comply with proper governmental accounting practices with these funds. The Hale Bridge bank account held by the Hale Bridge Committee

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

shall then be closed, with all further activity running through the County's financial records with receipts and disbursements processed according to state law, and county procedures.

The Hale Bridge Committee will be requested to immediately call for the final project audit to enable the County to receive the final \$10,000 of federal bridge demolition funds that have been held by the Iowa Department of Transportation since January 2007.

The Jones County Historic Preservation Commission, of which the Hale Bridge Committee is part of, has agreed to establish itself as a separate legal entity (i.e. non-profit corporation), which is expected to eliminate the need to include future transactions of the Commission in Jones County's financial reports.

Conclusion – Response accepted.

- II-C-08 County Sheriff's Office – A reconciliation of book to bank balances was performed for all accounts as of June 30, 2008. However, these were not performed in a timely manner. Additionally, the quarterly fees for the quarter ended September 30, 2007 were not remitted to the County Treasurer until January 11, 2008 and the quarterly fees for the quarter ended March 31, 2008 were not remitted to the County Treasurer until June 18, 2008.

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

Response – Quarterly fees will be remitted to the Treasurer in a timely manner.

Conclusion – Response accepted.

- II-D-08 Requests for Reimbursement – Effective procedures provide for minimizing the amount of time between the request for funds and the disbursement of these funds. They also minimize the amount of county funds used to supplant programs until state and federal funds are received.

During the audit, we identified several programs for which requests for reimbursement were not submitted in a periodic and timely manner.

Recommendation – The County should ensure requests for reimbursement are submitted in a periodic and timely manner.

Response – The County will develop a policy addressing the necessity for county departments to timely submit reimbursement requests for grants and other reimbursable type programs. At a minimum, the policy will set thresholds for timing, and amounts, of periodic reimbursement requests.

Conclusion – Response accepted.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

II-E-08 Disaster Recovery Plan – There should be a documented disaster recovery plan for processing critical jobs in the event of a major hardware or software failure or temporary or permanent destruction of the courthouse. The County should have a plan that provides for a backup site, procedures to be followed to prepare the site for equipment and identify staff responsibilities. Jones County has not developed adequate disaster recovery plans.

Recommendation – The County should ensure an adequate disaster recovery plan is developed and documented.

Response – The County will work with the Emergency Management Director, Department Heads, and other key personnel to develop a disaster recovery plan that will address continuation of government procedures in the event of a major hardware or software failure or temporary or permanent destruction of the courthouse.

Conclusion – Response accepted.

II-F-08 Credit Cards – The County has credit cards for use by various employees while conducting County business. The County has not adopted a formal policy to regulate use of the credit cards and to establish procedures for the proper accounting of credit card charges.

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

Response – The County will develop a formal credit card policy to regulate the use of credit cards and establish procedures to control access and proper use of the cards. All credit card statements are currently matched to actual receipts, and approved by the respective department head prior to payment to the credit card company. Jones County currently only uses vendor issued credit cards that are restricted for use with that specific vendor.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

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

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted.
- IV-B-08 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-08 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-08 Business Transactions – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
K. Sulzner Construction, husband of County Auditor	Installation	\$ 95
B & G Residential Services, co-owned by Brian Eckhardt, Deputy Sheriff,	Tree removal and repair, per bid	39,836
Phyllis Dircks, Senior Dining employee	Laundry	270

In accordance with Chapters 331.342(10) and 331.342(3), respectively, of the Code of Iowa, except for the transactions with Brian Eckhardt, the above transactions do not appear to represent conflicts of interest since the cumulative amount by individual was less than \$1,500 during the fiscal year. Transactions with Brian Eckhardt for \$39,836 do not appear to represent a conflict of interest since they were awarded through competitive bidding procedures.

- IV-E-08 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be periodically reviewed to ensure the coverage is adequate for current operations.
- IV-F-08 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-H-08 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).

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

IV-I-08 Financial Condition – The Mental Health Fund had a deficit balance of \$3,274 at June 30, 2008.

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

Response – At June 30, 2008, the MH-DD Services Fund had a \$3,274 deficit balance on a GAAP basis, while the Fund had a \$335,852 balance on a cash basis. The MH-DD allowable growth and community services funds Jones County received in fiscal year 2008 (FY08) were \$244,500 lower than anticipated when the FY08 budget was prepared in early 2007, an amount not known until well into the second half of the 2008 fiscal year. As our FY07 GAAP balance was 6/10% of one percent over the 10% expenditure to fund balance threshold needed to receive full state funding, Jones County was placed in the unfortunate situation of a relatively small GAAP basis carryover in FY07 coupled with a significant decrease in anticipated funding. Budget adjustments were made to reflect the significant reduction in anticipated funding, though the County wanted to be certain the MH-DD fund balance was low enough to qualify for full funding in FY09, and knew that we would be running very low on the GAAP basis balance. The GAAP basis balance is somewhat difficult to control down to such small amounts when dealing with the needs of human beings. The need for accurate reporting of these expenditures means that we may periodically generate a deficit balance on a GAAP basis.

While we recognize that a negative balance, even though a minor amount, is not desirable, the situation will make Jones County eligible for full allowable growth funding in FY09. The MH-DD fund balance requirements the legislature has created has put counties in a tenuous situation creating unnecessary hardships, especially when minor amounts over a very low threshold in a prior year (\$15,000), creates a significant decrease (\$244,500) in funding for the following year, instead of the two amounts being more proportionately related. While the legislative appropriation language provided for funding that would have reduced our FY08 funding by only the amount we were over the threshold (\$15,000), the amount of the state appropriation was insufficient to provide that funding level, therefore Jones County was one of 18 counties in the state that was handed this very unfortunate, and significant, funding shortfall.

Jones County will carefully monitor the FY09 expenditures and revenues in an attempt to keep the GAAP basis balance within the 10% threshold to qualify for full allowable growth and community services funding, but yet keep the balance at a positive, rather than negative amount. All parties must recognize that this fund is highly subject to legislative activities and appropriations.

Conclusion – Response accepted.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

IV-J-08 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2008 for the County Extension Office did not exceed the amount budgeted.

Certain minutes of the County Agricultural Extension Council were not signed as required by Chapter 176A.14(3) of the Code of Iowa.

Recommendation – The minutes should be signed to authenticate the record as required.

Response – The necessary action has been taken as of this date to have the designated official minutes signed as required for authenticity of approval as dated. I will emphasize to the Extension Council and newly elected Secretary the need for having future minutes signed in a timely manner.

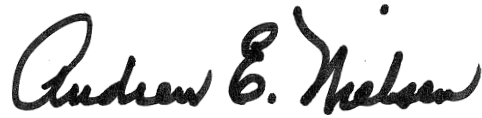
Conclusion – Response accepted.

Jones County

Staff

This audit was performed by:

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