



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

**NEWS RELEASE**

FOR RELEASE March 22, 2010

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$21,773,980 for the year ended June 30, 2009, which included \$1,070,619 in tax credits from the state. The County forwarded \$16,351,281 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,422,699 of the local tax revenue to finance County operations, a 1.7% increase over the prior year. Other revenues included charges for service of \$2,325,045, operating grants, contributions and restricted interest of \$5,078,098, capital grants, contributions and restricted interest of \$1,077,214, local option sales tax of \$753,271, unrestricted investment earnings of \$199,446 and other general revenues of \$142,494.

Expenses for County operations totaled \$14,479,514, a 7.9% increase over the prior year. Expenses included \$5,673,438 for roads and transportation, \$2,369,746 for mental health, \$2,141,731 for public safety and legal services and \$2,138,501 for administration.

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/index.html>.

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**JONES COUNTY**

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

**JUNE 30, 2009**

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**Jones County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2009)</b>		
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
<b>(After January 2009)</b>		
Joe Cruise	Board of Supervisors	Jan 2011
Andy McKean	Board of Supervisors	Jan 2011
Leo M. Cook	Board of Supervisors	Jan 2013
Keith C. Dirks	Board of Supervisors	Jan 2013
Wayne Manternach	Board of Supervisors	Jan 2013
Janine Sulzner	County Auditor	Jan 2013
Amy L. Picray	County Treasurer	Jan 2011
Marie Krutzfield	County Recorder	Jan 2011
Mark J. Denniston	County Sheriff	Jan 2013
Connie Sue Ricklefs	County Attorney	(Resigned)
Phil Parsons (Appointed)	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, 2009, 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.

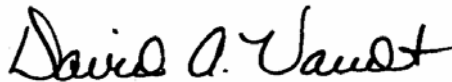
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2009, 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.

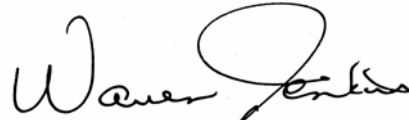
In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2010 on our consideration of Jones County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other 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 49 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 eight years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 19, 2010



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2009, along with comparative data for the year ended June 30, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2009 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 7.8%, or approximately \$1,083,000, from fiscal year 2008 to fiscal year 2009. Property and other county tax increased approximately \$100,000, operating grants and contributions increased approximately \$571,000 and capital grants and contributions increased approximately \$213,000.
- Program expenses of the County's governmental activities were 7.9%, or approximately \$1,065,000, more in fiscal year 2009 than in fiscal year 2008. Administration expenses increased approximately \$845,000.
- The County's net assets increased 2.7%, or approximately \$519,000, from June 30, 2008 to June 30, 2009, 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. In addition, the Schedule of Expenditures of Federal Awards provides detail of various federal programs benefiting the County.

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

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, and 3) the Debt Service 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 and Flexible Benefits Plan. 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 2.7% over a year ago, increasing from approximately \$19.4 million to approximately \$19.9 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

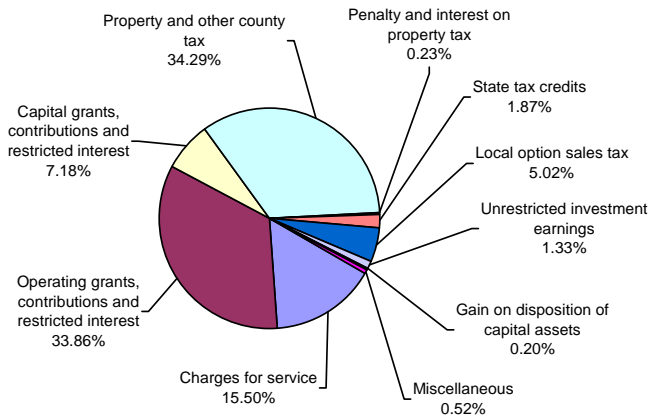
Net Assets of Governmental Activities		
	June 30,	
	2009	2008
Current and other assets	\$ 12,718,325	12,582,402
Capital assets	14,936,243	13,808,084
Total assets	<u>27,654,568</u>	<u>26,390,486</u>
Long-term liabilities	499,890	478,789
Other liabilities	7,257,285	6,533,057
Total liabilities	<u>7,757,175</u>	<u>7,011,846</u>
Net assets:		
Invested in capital assets, net of related debt	14,715,296	13,587,664
Restricted	2,539,279	2,787,996
Unrestricted	2,642,818	3,002,980
Total net assets	<u>\$ 19,897,393</u>	<u>19,378,640</u>

Net assets of Jones County's governmental activities increased \$518,753 (\$19,897,393 compared to \$19,378,640). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Next largest is restricted net assets, which represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at \$2,642,818 at June 30, 2009. (Source: Exhibit A)

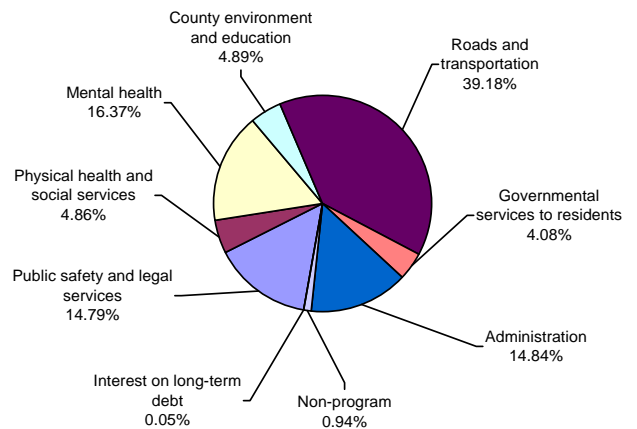
**Changes in Net Assets of Governmental Activities**

	Year ended June 30,	
	2009	2008
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 2,325,045	1,919,311
Operating grants, contributions and restricted interest	5,078,098	4,507,102
Capital grants, contributions and restricted interest	1,077,214	864,234
<b>General revenues:</b>		
Property and other county tax	5,141,524	5,041,205
Penalty and interest on property tax	34,784	54,280
State tax credits	281,175	289,095
Local option sales tax	753,271	745,100
Unrestricted investment earnings	199,446	316,989
Gain on disposition of capital assets	30,272	88,060
Miscellaneous	77,438	90,266
<b>Total revenues</b>	<b>14,998,267</b>	<b>13,915,642</b>
<b>Program expenses:</b>		
Public safety and legal services	2,141,731	1,879,105
Physical health and social services	704,003	654,875
Mental health	2,369,746	2,404,871
County environment and education	707,416	721,048
Roads and transportation	5,673,438	5,589,305
Governmental services to residents	590,586	539,001
Administration	2,148,571	1,303,082
Non-program	136,139	313,445
Interest on long-term debt	7,884	9,977
<b>Total expenses</b>	<b>14,479,514</b>	<b>13,414,709</b>
<b>Increase in net assets</b>	<b>518,753</b>	<b>500,933</b>
<b>Net assets beginning of year</b>	<b>19,378,640</b>	<b>18,877,707</b>
<b>Net assets end of year</b>	<b>\$ 19,897,393</b>	<b>19,378,640</b>

**Revenues by Source**



**Expenses by Program**



Jones County experienced a small increase (2.2%) in taxable valuation for 2009 (1-1-07 assessment). Jones County decreased property tax rates for 2009 an average of ½%, yet still generated a 2% increase in tax dollars (approximately \$88,000) for County operations. The County maintained the General Fund property tax levy rate at the fiscal year 2008 rate of \$4.80627 per \$1,000 of taxable valuation. The Mental Health Fund property tax levy rate was decreased \$.03223 per \$1,000 of taxable valuation to maintain a frozen level of property tax support of \$883,021, less \$4,271 in additional state appropriations for property tax relief. The Rural Services Fund property tax levy rate remained at the fiscal year 2008 rate of \$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 twenty 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 (fiscal year 2010) are budgeted to increase approximately \$434,000 (8%), primarily in the Rural Services Fund. The countywide property tax rate will increase less than ¼%, while the rural property tax rate will increase 19% to generate additional funds to support the Secondary Roads Fund.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Jones County completed the year, its governmental funds reported a combined fund balance of approximately \$4.68 million, a slight decrease of approximately \$59,000 from last year's total of approximately \$4.74 million. 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 2009 with a fund balance of \$1,989,457. This was an increase over fiscal year 2008 of \$133,412. Expenditures increased \$512,782 while revenues increased \$479,690. A significant increase is reflected in the public safety and legal services function, due primarily to increased costs in the County's jail expenditures related to increased staffing to hold other inmates from other counties whose jails were damaged during the June 2008 flood. Another significant increase is reflected in the administration function, and is due to the completion of the courthouse boiler system replacement project and remodeling of a portion of the facility the County leased for purchase later in fiscal year 2010. Intergovernmental revenues increased \$434,552, primarily due to conservation department grants and FEMA reimbursements. Investment income decreased \$107,891 due to lower overall funds to invest and lower interest rates.
- The Mental Health Fund ended fiscal year 2009 with a fund balance of \$279,335. The balance increased \$282,609 from June 30, 2008. Expenditures were down 2% (\$47,891) over fiscal year 2008 and revenues were up 23% (\$489,599). The mental health property tax levy is frozen by legislative action, though may be reduced by additional state appropriations as provided for in Iowa Code section 426B.2. The fiscal year 2008 balance was below the 10% fund balance criteria which allowed Jones County to receive full state funding in fiscal year 2009, a significant increase from the amount of funding received in fiscal year 2008. The increase in state funding is reflected in the \$500,683 increase in intergovernmental revenues. There were no Jones County mental health clients placed on a waiting list for services in fiscal year 2009. 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 2009 with a balance of \$291,638, \$33,793 lower than the June 30, 2008 balance of \$325,431. The County maintained the same level of tax levied in the Rural Services Fund from fiscal year 2004 through fiscal year 2008, with a levy rate reflective of the various changes in the related taxable valuation. For fiscal year 2009, the County used the same levy rate as in fiscal year 2008. Applied to the higher rural valuation, this generated approximately \$15,000 of additional property tax and state credits, or a 1.6%

increase. The levy rate continues to be one of the lowest in Jones County in over twenty 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 2009 with a balance of \$2,014,728, a decrease of \$394,943 from the June 30, 2008 balance of \$2,409,671. Of the ending balance, approximately \$1.56 million is unspent local option sales tax funds designated for future road and bridge projects, per voter approval in 1999, and \$349,176 is the value of materials held in inventory at June 30, 2009. Jones County maintained a construction program using local monies at a spending level similar to fiscal year 2008. The Secondary Roads Fund continues to struggle in its recovery from the effects of the severe winter of fiscal year 2008 and an historic flood event in June 2008 which significantly damaged the County's road and bridge infrastructure, totally destroying one large bridge. Projected revenues for the Secondary Roads Fund for fiscal year 2010 reflect a slight decrease from fiscal year 2009 despite an additional \$234,500 budgeted to be transferred from the Rural Services and General Funds.
- 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 2009 fiscal year, Jones County amended its budget one time.

The amendment was made in May 2009 and resulted in changes to budgeted appropriations for every function and revenue category. Of major significance were a \$255,461 decrease for roads and transportation for general operations and equipment purchases and an \$812,880 reduction in roadway construction for projects delayed until fiscal year 2010. Both decreases were necessary to reflect the lower amount of funds available in the Secondary Roads Fund. A decrease in county environment was due to delays in the Maquoketa River Trail project and an increase in public safety and legal services of \$119,014 was to reflect additional staffing and other costs in the jail to house inmates from other counties whose jails were closed as a result of damages from the June 2008 flood event. Amended receipts reflected a \$432,383 increase in intergovernmental receipts, primarily from an increase in mental health funding, grants and FEMA reimbursements. A \$70,500 decrease in capital asset sales proceeds was because replacement secondary road equipment purchases were put on hold. Various other minor changes in receipts resulted in an additional \$72,903 of net change in receipts. Nearly all departments reflected some level of change in spending authority and/or receipt 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 \$283,764 lower than the final amended budget, a variance of 2%. The most significant variance resulted from the County receiving less intergovernmental receipts than expected.
- Total disbursements were \$1,095,858 less than the final amended budget, a 7.4% variance. Actual disbursements for the capital projects, mental health, physical health and social services, county environment and education and public safety and legal services functions were \$355,000, \$224,249, \$165,269, \$131,251 and \$122,489, respectively, less than the amended budget. Capital project disbursements were less than the amended budget, primarily due to the amended

budget reflecting an unrealistically aggressive construction schedule for projects. Physical health and social services disbursements include public health services, substance abuse committals and juvenile detention services, areas difficult to predict for service levels. County environment and education disbursements were less than the amended budget, primarily due to the delay in the Maquoketa River Trail project. Public safety and legal services disbursements were less than the amended budget, primarily due to less than expected expenses for staffing costs for patrol services and the county attorney's office, as well as reductions from disbursement projections anticipated for caring for other county's jail inmates.

- Source: Required Supplementary Information schedule

Jones County budgets on a cash basis. The County did not exceed any budgeted amounts for individual departments. However, it did exceed the budget for the debt service function by \$92 during the year ended June 30, 2009. 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, 2009, Jones County had \$14,936,243 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 \$1,128,159, or 8%, over last year, primarily from road and bridge projects.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2009	2008
Land	\$ 1,274,733	1,095,061
Construction in progress	340,940	603,786
Buildings	1,015,907	1,035,110
Improvements other than buildings	460,886	241,692
Equipment and vehicles	2,483,674	2,692,367
Infrastructure	9,360,103	8,140,068
Total	<u>\$ 14,936,243</u>	<u>13,808,084</u>
This year's major additions included:		
Capital assets contributed by the Iowa Department of Transportation		\$ 677,274
Courthouse Boiler Project		241,331
Grant Wood Bike Trail - Phase II		179,672
Replacement of two tractors for secondary roads		<u>103,662</u>
Total		<u>\$ 1,201,939</u>

The County had depreciation expense of \$781,052 in fiscal year 2009 and total accumulated depreciation of \$6,641,855 at June 30, 2009.

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

Several road construction projects were completed, with the Iowa Department of Transportation contributing \$677,274 in federal bridge funds and farm to market funds towards construction costs. All of the county conservation recreational area improvements and property acquisitions 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 three 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 and completed by the fall of 2008. Bond proceeds were disbursed to the County beginning in August 2007.

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2009	2008
General obligation bonds	\$ 183,000	203,000
Capital lease purchase agreements	37,947	17,420
Total	\$ 220,947	220,420

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 2010 budget, tax rates and the fees charged for various County activities. The primary factors considered were the increase in taxable valuations, health insurance costs for County employees, the condition of the Secondary Roads Fund and the economy.

Jones County's total taxable valuation before application of the tax increment increased 4%. The County's agricultural valuation increased 4%, commercial valuation increased 2%, industrial valuation increased 1% and residential valuation rose 6%. 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 2010, 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 valuation increase for Jones County's budget of 4.1%. Jones County had a net gain of approximately 55 residential homes during 2007 which became taxable for the fiscal year 2010 budget (a 41% decrease from the previous year, and certainly reflecting a slowing economy). Jones County's agricultural land values comprised 32% of Jones County's taxable valuation for fiscal year 2010 while residential values comprised 34% 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 2010, the Supervisors implemented a small increase (2.5%) in the health insurance premiums for the approximately 100 covered employees and their dependents. The County pays, on average, 89% of the premium, with the employee paying the balance through payroll deduction.

When preparing the fiscal year 2010 budget, County officials and department heads also considered the consumer price index average annual growth rate for the most recent fiscal period available at the time from the U.S. Bureau of Labor (third quarter 2007 through third quarter 2008) was 5.3%. The collective bargaining agreement, covering wages to be paid in fiscal year 2010, calls for a 3.50% wage increase for employees in the bargaining unit.

Approximately \$16.4 million was initially appropriated in fiscal year 2010, an increase of 3.0% over the original fiscal year 2009 budget. Various disbursement categories reflected increases over fiscal year 2009 while others reflected decreases. The largest change is a \$773,776 (15.4%) increase in roads and transportation. The next highest dollar increase is \$268,319 (19.8%) in administration, representing the completion of the purchase of a county office facility and remodeling of that facility. Fiscal year 2009 re-estimated disbursements (less capital projects) reflected a 1.7% decrease from the original fiscal year 2009 budget and was considered as well during the fiscal year 2010 budget process.

The fiscal year 2010 undesignated General Fund balance was initially projected to be 15.5% of disbursements. While a 15.5% carryover in the General Fund is less than the County typically budgets, there are several large one-time only disbursements in the fiscal year 2010 budget, such as the facility purchase and conservation projects, which were taken into consideration. A property tax increase of approximately \$186,000 and \$124,000 in state grant reimbursements, primarily for Conservation Department projects, are the major sources of increased revenues in the fiscal year 2010 General Fund budget.

Use of the local option sales 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 \$25,000 from the General Fund in fiscal year 2009 and \$26,000 is planned for fiscal year 2010. The Board and County Engineer projected a \$304,000 decrease in roadway construction from the fiscal year 2009 budget (\$108,120 decrease from the re-estimated 2009 budget), as well as a decrease of over \$526,047 in receipts (primarily FEMA reimbursements) and a \$243,500 increase in transfers from the General and Rural Services Funds. The projected Secondary Roads Fund balance on June 30, 2010 is \$115,165.

The impact on the Secondary Roads 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 account were necessary early in fiscal year 2009 as well as in fiscal year 2010 to provide cash flow for payment of Secondary Roads Fund disbursements. These transfers are normally made at the end of the fiscal year when construction project totals are determined. The transfers are reviewed and adjusted at the end of each fiscal year, as necessary, to accurately meet the voter approved purposes of the local option sales tax funds.

Budgeted expenditures for the Rural Services Fund are projected to decrease approximately \$2,500 in fiscal year 2010. The Board budgeted for a 2% (\$2,540) increase in library funding but decreased some of the budgeted funding for other uses. In addition, the Board authorized a \$267,500 increase in the transfer from the Rural Services Fund to the Secondary Roads Fund for fiscal year 2010. The increase in the transfer will be funded by a \$242,609 increase in the rural services property tax levy, with the remainder coming from the Rural Services Fund balance. The rural services tax rate was increased 36.5 cents per \$1,000 of taxable valuation to accomplish this needed boost in funding for the Secondary Roads Fund. Due to the

state of the economy, no increase was projected for the portion of the local option sales tax monies deposited into the Rural Services Fund.

The Maquoketa River Water Trail project, initially budgeted to begin early in fiscal year 2008, was expanded into a one-half million dollar, multi-year project at the time the fiscal year 2010 budget was prepared. After bids were received in the summer of 2009, the project was increased again to now be in excess of one million dollars, with additional grant funding secured to cover the additional costs. The construction contract was awarded in the summer of 2009, with construction beginning shortly thereafter. It is anticipated the bulk of the project will be completed by June 30, 2010, with a portion of the grant reimbursements flowing into fiscal 2011.

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 30 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 boiler. 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 was \$241,331 and was fully funded 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 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. On November 5, 2009, the County completed the purchase and received a warranty deed for this property. Bids were advertised and accepted for remodeling of the remaining areas of the building, with full occupancy expected by March 1, 2010. The capital improvement funds were used to purchase the building and will be used for the remodeling and other improvements of the building, such as a new roof and remodeling of vacated space at the courthouse. The funds will continue to be available for other major projects for the aging courthouse. The County has leased most of the upper floor of the building at \$.90 per square foot to Community Health of Jones County and to the Abbe Center for Mental Health Counseling. The projected balance designated for these capital improvement purposes at June 30, 2010 is expected to be approximately \$273,837.

If the budgetary estimates in the initial fiscal year 2010 budget are realized, the County's overall budgetary operating balance is expected to decrease by the close of fiscal year 2010. The fund balances for all major funds are projected to decrease during fiscal year 2010. While the County's state mental health funding was negatively impacted in fiscal year 2008, the lowered fund balance made Jones County eligible for a significant increase in state funding in fiscal year 2009. As a result, the additional funds received in fiscal year 2009 resulted in the County's June 30, 2009 GAAP basis Mental Health Fund balance to be slightly above the 10% target. Due to

changes in the funding formula, this is not expected to impact the state funding for fiscal year 2010, but may affect the fiscal year 2011 funding. While a substantial decrease was projected in the Secondary Roads Fund balance due to an aggressive construction program, as well as an overall increase in general roadway operation costs with no equally offsetting revenues, the June 30, 2009 actual carryover was much higher than projected by the Board and Engineer. However, 72% of the Secondary Roads Fund balance is formally designated for road and bridge projects and is not available for general road maintenance operations, in keeping with the Board's interpretation of the 1999 local option sales tax ballot language. Design and construction schedules, as well as a re-evaluation of funding sources and projected fund balances, are being considered prior to proceeding with certain road and bridge projects and equipment purchases.

#### **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, 2009

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 5,903,217
Receivables:	
Property tax:	
Delinquent	6,078
Succeeding year	5,569,000
Interest and penalty on property tax	12,027
Accounts	85,622
Accrued interest	4,324
Due from other governments	740,435
Inventories	349,176
Prepaid expenses	48,446
Capital assets (net of accumulated depreciation)	14,936,243
<b>Total assets</b>	<u>27,654,568</u>
<b>Liabilities</b>	
Accounts payable	997,221
Salaries and benefits payable	306,605
Due to other governments	384,459
Deferred revenue:	
Succeeding year property tax	5,569,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	8,959
General obligation bonds	21,000
Compensated absences	124,521
Portion due or payable after one year:	
Capital lease purchase agreements	28,988
General obligation bonds	162,000
Compensated absences	154,422
<b>Total liabilities</b>	<u>7,757,175</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	14,715,296
Restricted for:	
Debt service	755
Supplemental levy purposes	275,537
Secondary roads purposes	1,881,604
Other special revenue purposes	381,383
Unrestricted	2,642,818
<b>Total net assets</b>	<u>\$ 19,897,393</u>

See notes to financial statements.

Jones County  
Statement of Activities  
Year ended June 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 2,141,731	444,835	13,643	-	(1,683,253)
Physical health and social services	704,003	307,508	160,491	-	(236,004)
Mental health	2,369,746	12,292	1,740,878	-	(616,576)
County environment and education	707,416	64,265	158,469	99,194	(385,488)
Roads and transportation	5,673,438	461,552	2,897,208	961,580	(1,353,098)
Governmental services to residents	590,586	350,500	-	-	(240,086)
Administration	2,148,571	53,384	7,544	-	(2,087,643)
Non-program	136,139	630,709	99,865	16,440	610,875
Interest on long-term debt	7,884	-	-	-	(7,884)
<b>Total</b>	<b>\$ 14,479,514</b>	<b>2,325,045</b>	<b>5,078,098</b>	<b>1,077,214</b>	<b>(5,999,157)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					5,141,524
Penalty and interest on property tax					34,784
State tax credits					281,175
Local option sales tax					753,271
Unrestricted investment earnings					199,446
Gain on disposition of capital assets					30,272
Rent					77,190
Miscellaneous					248
<b>Total general revenues</b>					<b>6,517,910</b>
Change in net assets					518,753
Net assets beginning of year					19,378,640
Net assets end of year					<b>\$ 19,897,393</b>

See notes to financial statements.

Jones County  
Balance Sheet  
Governmental Funds

June 30, 2009

	Special Revenue		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash and pooled investments	\$ 2,171,298	558,515	254,954
Receivables:			
Property tax:			
Delinquent	3,839	899	1,340
Succeeding year property tax:	3,562,000	834,000	1,173,000
Interest and penalty on property tax	12,027	-	-
Accounts	6,572	160	-
Due from other funds	2,727	-	-
Due from other governments	191,450	94,188	36,681
Inventories	-	-	-
Prepaid expenditures	-	-	-
<b>Total assets</b>	<b>\$ 5,949,913</b>	<b>1,487,762</b>	<b>1,465,975</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 89,404	50,502	-
Salaries and benefits payable	174,047	17,136	-
Due to other funds	4,058	-	-
Due to other governments	52,369	305,898	-
Deferred revenue:			
Succeeding year property tax	3,562,000	834,000	1,173,000
Other	78,578	891	1,337
Total liabilities	3,960,456	1,208,427	1,174,337
Fund balances:			
Reserved for:			
Debt service	-	-	-
Supplemental levy purposes	279,245	-	-
Inventories	-	-	-
Unreserved, designated for capital projects	563,596	-	-
Unreserved, undesignated, reported in:			
General fund	1,146,616	-	-
Special revenue funds	-	279,335	291,638
Total fund balances	1,989,457	279,335	291,638
<b>Total liabilities and fund balances</b>	<b>\$ 5,949,913</b>	<b>1,487,762</b>	<b>1,465,975</b>

See notes to financial statements.



Secondary Roads	Nonmajor	Total
2,009,061	109,062	5,102,890
-	-	6,078
-	-	5,569,000
-	-	12,027
1,161	1,001	8,894
4,058	-	6,785
388,606	29,510	740,435
349,176	-	349,176
48,446	-	48,446
<b>2,800,508</b>	<b>139,573</b>	<b>11,843,731</b>
644,154	13,988	798,048
107,876	7,546	306,605
-	2,727	6,785
26,125	67	384,459
-	-	5,569,000
7,625	10,000	98,431
<b>785,780</b>	<b>34,328</b>	<b>7,163,328</b>
-	755	755
-	-	279,245
397,622	-	397,622
1,565,027	-	2,128,623
-	-	1,146,616
52,079	104,490	727,542
<b>2,014,728</b>	<b>105,245</b>	<b>4,680,403</b>
<b>2,800,508</b>	<b>139,573</b>	<b>11,843,731</b>

**Jones County**

Jones County

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

June 30, 2009

**Total governmental fund balances (page 23)** \$ 4,680,403

***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 \$21,578,098 and the accumulated depreciation is \$6,641,855. 14,936,243

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 98,431

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. 682,206

Long-term liabilities, including general obligation bonds payable, 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. (499,890)

**Net assets of governmental activities (page 20)** \$ 19,897,393

See notes to financial statements.

Jones County

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

Year ended June 30, 2009

	General	Special	
		Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 3,372,902	835,686	934,101
Local option sales tax	-	-	188,318
Interest and penalty on property tax	40,303	-	-
Intergovernmental	1,402,548	1,786,492	51,466
Licenses and permits	37,601	-	-
Charges for service	548,200	1,199	-
Use of money and property	241,949	6,000	1
Miscellaneous	84,970	11,093	16
Total revenues	<u>5,728,473</u>	<u>2,640,470</u>	<u>1,173,902</u>
<b>Expenditures:</b>			
Operating:			
Public safety and legal services	2,075,574	-	-
Physical health and social services	390,644	-	-
Mental health	-	2,357,861	-
County environment and education	752,575	-	140,968
Roads and transportation	325,527	-	-
Governmental services to residents	541,781	-	4,227
Administration	1,364,766	-	-
Non-program	118,690	-	-
Debt service	2,554	-	-
Capital projects	-	-	-
Total expenditures	<u>5,572,111</u>	<u>2,357,861</u>	<u>145,195</u>
Excess (deficiency) of revenues over (under) expenditures	<u>156,362</u>	<u>282,609</u>	<u>1,028,707</u>
<b>Other financing sources (uses):</b>			
Sale of capital assets	249	-	-
Capital lease purchase proceeds	28,301	-	-
Operating transfers in	-	-	-
Operating transfers out	(51,500)	-	(1,062,500)
Total other financing sources (uses)	<u>(22,950)</u>	<u>-</u>	<u>(1,062,500)</u>
Net change in fund balances	133,412	282,609	(33,793)
Fund balances beginning of year	1,856,045	(3,274)	325,431
Fund balances end of year	<u>\$ 1,989,457</u>	<u>279,335</u>	<u>291,638</u>

See notes to financial statements.

Revenue		
Secondary Roads	Nonmajor	Total
-	-	5,142,689
564,953	-	753,271
-	-	40,303
3,251,599	171,286	6,663,391
21,246	-	58,847
158	4,359	553,916
-	9,343	257,293
182,294	166,934	445,307
<u>4,020,250</u>	<u>351,922</u>	<u>13,915,017</u>
-	17,481	2,093,055
-	299,746	690,390
-	-	2,357,861
-	58,038	951,581
4,687,791	-	5,013,318
-	5,941	551,949
-	-	1,364,766
-	16,440	135,130
-	26,689	29,243
815,014	-	815,014
<u>5,502,805</u>	<u>424,335</u>	<u>14,002,307</u>
<u>(1,482,555)</u>	<u>(72,413)</u>	<u>(87,290)</u>
112	-	361
-	-	28,301
1,087,500	26,500	1,114,000
-	-	(1,114,000)
<u>1,087,612</u>	<u>26,500</u>	<u>28,662</u>
(394,943)	(45,913)	(58,628)
<u>2,409,671</u>	<u>151,158</u>	<u>4,739,031</u>
<u>2,014,728</u>	<u>105,245</u>	<u>4,680,403</u>

Jones County

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

Year ended June 30, 2009

**Net change in fund balances - Total governmental funds (page 27)** \$ (58,628)

**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	\$ 1,201,665	
Capital assets contributed by the Iowa Department of Transportation	677,274	
Depreciation expense	<u>(781,052)</u>	1,097,887

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. 30,272

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	(6,684)	
Other	<u>(245,189)</u>	(251,873)

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	(28,301)	
Repaid	<u>27,774</u>	(527)

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		(20,574)
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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. (277,804)

**Change in net assets of governmental activities (page 21 )** \$ 518,753

See notes to financial statements.

Jones County  
Statement of Net Assets  
Proprietary Fund

June 30, 2009

	<u>Internal Service</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 800,327
Receivables:	
Accounts	76,728
Accrued interest	<u>4,324</u>
<b>Total assets</b>	881,379
<b>Liabilities</b>	
Accounts payable	<u>199,173</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 682,206</u></u>

See notes to financial statements.

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

Year ended June 30, 2009

	<u>Internal Service</u>
Operating revenues:	
Reimbursements from operating funds	\$ 988,132
Contributions from outside sources	6,208
Contributions from employees	134,312
Insurance reimbursements	404,680
Miscellaneous	12
Total operating revenues	<u>1,533,344</u>
Operating expenses:	
Medical claims	1,549,185
Insurance premiums	233,839
Administrative fees	38,385
Miscellaneous	14,988
Total operating expenses	<u>1,836,397</u>
Operating loss	(303,053)
Non-operating revenues:	
Interest income	<u>25,249</u>
Change in net assets	(277,804)
Net assets beginning of year	<u>960,010</u>
Net assets end of year	<u>\$ 682,206</u>

See notes to financial statements.



Jones County  
Statement of Cash Flows  
Proprietary Fund  
Year ended June 30, 2009

	Internal Service
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 988,132
Cash received from employees and others	493,121
Cash paid to employees for reimbursements	(27,488)
Cash paid to suppliers for services	(1,705,050)
Net cash used by operating activities	(251,285)
Cash flows from investing activities:	
Interest on investments	28,351
Net decrease in cash and cash equivalents	(222,934)
Cash and cash equivalents beginning of year	1,023,261
Cash and cash equivalents end of year	\$ 800,327
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (303,053)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Increase in accounts receivable	(52,092)
Increase in accounts payable	103,860
Net cash used by operating activities	\$ (251,285)

See notes to financial statements.

Jones County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2009

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 934,745
Other County officials	1,152
Receivables:	
Property tax:	
Delinquent	15,474
Succeeding year	15,533,000
Accounts	21,029
Special assessments	286,350
Due from other governments	27,019
<b>Total assets</b>	<u>16,818,769</u>

**Liabilities**

Accounts payable	4,626
Salaries and benefits payable	17,389
Due to other governments	16,770,576
Trusts payable	1,152
Compensated absences	25,026
<b>Total liabilities</b>	<u>16,818,769</u>

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

Jones County

Notes to Financial Statements

June 30, 2009

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

The proprietary 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 Funds are 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, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

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, 2009, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

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

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

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



Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. 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. During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the debt service function.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2009 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, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Senior Dining	\$ 2,727
Special Revenue: Secondary Roads	General	<u>4,058</u>
Total		<u>\$ 6,785</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, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General Special Revenue: Rural Services	\$ 25,000 <u>1,062,500</u> 1,087,500
Debt Service	General	<u>26,500</u>
Total		<u>\$ 2,201,500</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, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,095,061	179,672	-	1,274,733
Construction in progress, road network	314,745	1,455,060	(1,640,716)	129,089
Construction in progress, other	289,041	343,812	(421,002)	211,851
Total capital assets not being depreciated	<u>1,698,847</u>	<u>1,978,544</u>	<u>(2,061,718)</u>	<u>1,615,673</u>
Capital assets being depreciated:				
Buildings	2,347,620	16,095	-	2,363,715
Improvements other than buildings	251,763	241,331	-	493,094
Equipment and vehicles	6,918,252	290,608	(153,015)	7,055,845
Infrastructure, road network	8,527,945	1,451,851	-	9,979,796
Infrastructure, other	69,975	-	-	69,975
Total capital assets being depreciated	<u>18,115,555</u>	<u>1,999,885</u>	<u>(153,015)</u>	<u>19,962,425</u>
Less accumulated depreciation for:				
Buildings	1,312,510	35,298	-	1,347,808
Improvements other than buildings	10,071	22,137	-	32,208
Equipment and vehicles	4,225,885	491,801	(145,515)	4,572,171
Infrastructure, road network	449,455	230,416	-	679,871
Infrastructure, other	8,397	1,400	-	9,797
Total accumulated depreciation	<u>6,006,318</u>	<u>781,052</u>	<u>(145,515)</u>	<u>6,641,855</u>
Total capital assets being depreciated, net	<u>12,109,237</u>	<u>1,218,833</u>	<u>(7,500)</u>	<u>13,320,570</u>
Governmental activities capital assets, net	<u>\$ 13,808,084</u>	<u>3,197,377</u>	<u>(2,069,218)</u>	<u>14,936,243</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 54,896
Physical health and social services	7,244
Mental health	1,958
County environment and education	36,189
Roads and transportation	604,818
Governmental services to residents	28,501
Administration	47,446
Total depreciation expense - governmental activities	<u>\$ 781,052</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	\$ 52,369
Special Revenue:		
Mental Health	Services	305,898
Secondary Roads	Services and materials	26,125
Senior Dining	Services	67
		<u>332,090</u>
Total for governmental funds		<u>\$ 384,459</u>
Agency:		
County Assessor	Collections and materials	448,911
Schools	Collections	10,164,417
Community Colleges	Collections	636,570
Corporations	Collections	4,215,681
Auto License and Use Tax	Collections	367,827
All other	Collections	937,170
Total for agency funds		<u>\$ 16,770,576</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 is for twenty-five years and is 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, 2009, the unamortized prepaid expenditure balance was \$48,446.

**(8) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Capital Lease Purchase Agreements	General Obligation Bonds	Compensated Absences	Total
Balance beginning of year	\$ 17,420	203,000	258,369	478,789
Increases	28,301	-	275,079	303,380
Decreases	7,774	20,000	254,505	282,279
Balance end of year	<u>\$ 37,947</u>	<u>183,000</u>	<u>278,943</u>	<u>499,890</u>
Due within one year	<u>\$ 8,959</u>	<u>21,000</u>	<u>124,521</u>	<u>154,480</u>

### Capital Lease Purchase Agreements

The County entered into capital lease purchase agreements for mowers in May 2008 and May 2009 with historical costs of \$11,452, \$17,298 and \$11,003.

The following is a schedule of the future minimum lease payments, including interest at rates ranging from 0.00% to 7.95% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2009:

<u>Year ending June 30,</u>	<u>Amount</u>
2010	\$ 9,757
2011	9,757
2012	12,468
2013	6,517
2014	2,590
Total minimum lease payments	<u>41,089</u>
Less amount representing interest	<u>(3,142)</u>
 Present value of net minimum lease payments	 <u>\$ 37,947</u>

Payments under capital lease purchase agreements totaled \$9,062 for the year ended June 30, 2009.

### 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, 2009 general obligation bonded indebtedness is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	3.00	23,000	2,910	25,910
2015-2017	3.00	74,000	4,470	78,470
Total		<u>\$ 183,000</u>	<u>25,530</u>	<u>208,530</u>

**(9) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the County is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$282,350, 252,039 and \$233,078, respectively, equal to the required contributions for each year.

**(10) 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.

**(11) 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, 2009 was \$984,132.

Amounts payable from the Employee Group Health Fund at June 30, 2009 total \$199,173, 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 \$681,659 at June 30, 2009 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	\$ 95,313
Incurred claims (including claims incurred but not reported at June 30, 2009)	1,625,571
Payment on claims during the fiscal year	<u>(1,521,711)</u>
Unpaid claims end of year	<u>\$ 199,173</u>

**(12) Flexible Benefits Plan**

The Internal Service, Flexible Benefits Plan Fund was established on December 16, 2008. The plan is funded by employee contributions and is administered through a service agreement with Auxiant. Employee contributions are paid monthly. Prior to January 1, 2009, Auxiant was responsible for depositing employee contributions into an account and paying flexible benefit claims. Beginning January 1, 2009, Auxiant is only responsible for paying flexible benefit claims. The County is responsible for depositing employee contributions into an account and transferring funds to Auxiant. The County contributed \$4,000 on December 19, 2008 to fund the Flexible Benefits Plan.

**(13) Purchase Commitment and Subsequent Event**

On April 8, 2008, the County entered into a commitment to purchase a Medical Clinic/Office Building for \$350,000. On November 5, 2009, the County purchased the building.

**(14) Litigation**

In a previous year, Jones County entered into an Administrative Consent Order with the Iowa Department of Natural Resources regarding certain wastewater treatment facility matters. The project has been delayed and because the deadlines in the Administrative Consent Order were missed, penalties of \$6,000 have been assessed. The probability of loss, if any, is undeterminable.

**Jones County**



**Required Supplementary Information**

**Jones County**

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, 2009

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>Receipts:</b>				
Property and other county tax	\$ 5,863,906	5,880,417	5,871,012	(7,106)
Interest and penalty on property tax	40,396	42,100	45,100	(4,704)
Intergovernmental	6,590,967	6,569,609	7,001,992	(411,025)
Licenses and permits	58,797	62,740	71,955	(13,158)
Charges for service	554,142	517,585	527,405	26,737
Use of money and property	278,206	276,376	249,751	28,455
Miscellaneous	451,487	267,552	354,450	97,037
<b>Total receipts</b>	<b>13,837,901</b>	<b>13,616,379</b>	<b>14,121,665</b>	<b>(283,764)</b>
<b>Disbursements:</b>				
Public safety and legal services	2,051,786	2,055,261	2,174,275	122,489
Physical health and social services	679,828	855,324	845,097	165,269
Mental health	2,343,243	2,554,384	2,567,492	224,249
County environment and education	928,115	1,168,798	1,059,366	131,251
Roads and transportation	4,768,019	5,033,997	4,778,536	10,517
Governmental services to residents	552,565	572,244	560,056	7,491
Administration	1,366,423	1,352,507	1,391,449	25,026
Non-program	105,116	147,150	159,774	54,658
Debt service	31,592	33,896	31,500	(92)
Capital projects	978,120	2,146,000	1,333,120	355,000
<b>Total disbursements</b>	<b>13,804,807</b>	<b>15,919,561</b>	<b>14,900,665</b>	<b>1,095,858</b>
Excess (deficiency) of receipts over (under) disbursements	33,094	(2,303,182)	(779,000)	812,094
Other financing sources, net	361	72,300	1,800	(1,439)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	33,455	(2,230,882)	(777,200)	810,655
Balance beginning of year	5,069,435	4,823,102	5,034,047	35,388
Balance end of year	\$ 5,102,890	2,592,220	4,256,847	846,043

See accompanying independent auditor's report.

Jones County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2009

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 13,837,901	77,116	13,915,017
Expenditures	13,804,807	197,500	14,002,307
Net	33,094	120,384	(87,290)
Other financing sources, net	361	28,301	28,662
Beginning fund balances	5,069,435	(330,404)	4,739,031
Ending fund balances	\$ 5,102,890	(422,487)	4,680,403

See accompanying independent auditor's report.

Jones County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment decreased budgeted disbursements by \$1,018,896. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the debt service function.

Jones County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2009

	Special Revenue				
	County Recorder's Records Management	Conservation Land Acquisition	Senior Dining	Jail Commissary	Special Law Enforcement
<b>Assets</b>					
Cash and pooled investments	\$ 15,548	9,348	14,331	6,010	3,333
Accounts receivable	-	-	460	541	-
Due from other governments	-	-	19,510	-	-
<b>Total assets</b>	<b>\$ 15,548</b>	<b>9,348</b>	<b>34,301</b>	<b>6,551</b>	<b>3,333</b>
<b>Liabilities and Fund Equity</b>					
Liabilities:					
Accounts payable	\$ -	563	12,152	54	-
Salaries and benefits payable	-	-	7,546	-	-
Due to other funds	-	-	2,727	-	-
Due to other governments	-	-	67	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	-	563	22,492	54	-
Fund equity:					
Reserved for debt service	-	-	-	-	-
Unreserved fund balances	15,548	8,785	11,809	6,497	3,333
Total fund equity	15,548	8,785	11,809	6,497	3,333
<b>Total liabilities and fund equity</b>	<b>\$ 15,548</b>	<b>9,348</b>	<b>34,301</b>	<b>6,551</b>	<b>3,333</b>

See accompanying independent auditor's report.

Law Enforcement Canine	Resource Enhancement and Protection	Hale Bridge Historical Restoration	Debt Service	Total
3,799	48,409	7,529	755	109,062
-	-	-	-	1,001
-	-	10,000	-	29,510
3,799	48,409	17,529	755	139,573
346	-	873	-	13,988
-	-	-	-	7,546
-	-	-	-	2,727
-	-	-	-	67
-	-	10,000	-	10,000
346	-	10,873	-	34,328
-	-	-	755	755
3,453	48,409	6,656	-	104,490
3,453	48,409	6,656	755	105,245
3,799	48,409	17,529	755	139,573

Jones County

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

Year ended June 30, 2009

	County Recorder's Records Management	Conservation Land Acquisition	Senior Dining	Jail Commissary	Special Law Enforcement
Revenues:					Special
Intergovernmental	\$ -	-	133,974	-	-
Charges for service	4,359	-	-	-	-
Use of money and property	143	2,700	-	5,878	7
Miscellaneous	-	3,199	144,481	-	3,751
Total revenues	<u>4,502</u>	<u>5,899</u>	<u>278,455</u>	<u>5,878</u>	<u>3,758</u>
Expenditures:					
Operating:					
Public safety and legal services	-	-	-	4,152	2,914
Physical health and social services	-	-	299,746	-	-
County environment and education	-	10,626	-	-	-
Governmental services to residents	5,941	-	-	-	-
Non-program	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	<u>5,941</u>	<u>10,626</u>	<u>299,746</u>	<u>4,152</u>	<u>2,914</u>
Excess (deficiency) of revenues over (under) expenditures	(1,439)	(4,727)	(21,291)	1,726	844
Other financing sources:					
Operating transfers in	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(1,439)	(4,727)	(21,291)	1,726	844
Fund balances beginning of year	<u>16,987</u>	<u>13,512</u>	<u>33,100</u>	<u>4,771</u>	<u>2,489</u>
Fund balances end of year	<u>\$ 15,548</u>	<u>8,785</u>	<u>11,809</u>	<u>6,497</u>	<u>3,333</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	Total
-	18,872	2,000	-	16,440	-	171,286
-	-	-	-	-	-	4,359
-	595	-	20	-	-	9,343
5,160	-	9,343	1,000	-	-	166,934
5,160	19,467	11,343	1,020	16,440	-	351,922
10,415	-	-	-	-	-	17,481
-	-	-	-	-	-	299,746
-	17,129	18,489	11,794	-	-	58,038
-	-	-	-	-	-	5,941
-	-	-	-	16,440	-	16,440
-	-	-	-	-	26,689	26,689
10,415	17,129	18,489	11,794	16,440	26,689	424,335
(5,255)	2,338	(7,146)	(10,774)	-	(26,689)	(72,413)
-	-	-	-	-	26,500	26,500
(5,255)	2,338	(7,146)	(10,774)	-	(189)	(45,913)
8,708	46,071	13,802	10,774	-	944	151,158
3,453	48,409	6,656	-	-	755	105,245

**Schedule 3**

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Jones County  
Combining Schedule of Net Assets  
Internal Service Funds

June 30, 2009

	Employee Group Health	Flexible Benefits Plan	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 799,780	547	800,327
Receivables:			
Accounts	76,728	-	76,728
Accrued interest	4,324	-	4,324
<b>Total assets</b>	880,832	547	881,379
<b>Liabilities</b>			
Accounts payable	199,173	-	199,173
<b>Net Assets</b>			
Unrestricted	\$ 681,659	547	682,206

See accompanying independent auditor's report.

## Jones County

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

Year ended June 30, 2009

	Employee Group Health	Flexible Benefits Plan	Total
Operating revenues:			
Reimbursements from operating funds	\$ 984,132	4,000	988,132
Contributions from outside sources	6,208	-	6,208
Contributions from employees	110,289	24,023	134,312
Insurance reimbursements	404,680	-	404,680
Miscellaneous	-	12	12
Total operating revenues	1,505,309	28,035	1,533,344
Operating expenses:			
Medical claims	1,521,711	27,474	1,549,185
Insurance premiums	233,839	-	233,839
Administrative fees	38,385		38,385
Miscellaneous	14,974	14	14,988
Total operating expenses	1,808,909	27,488	1,836,397
Operating income (loss)	(303,600)	547	(303,053)
Non-operating revenues:			
Interest income	25,249	-	25,249
Change in net assets	(278,351)	547	(277,804)
Net assets beginning of year	960,010	-	960,010
Net assets end of year	\$ 681,659	547	682,206

See accompanying independent auditor's report.

**Schedule 5**

Jones County  
Combining Statement of Cash Flows  
Internal Service Funds

Year ended June 30, 2009

	Employee Group Health	Flexible Benefits Plan	Total
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ 984,132	4,000	988,132
Cash received from employees and others	469,086	24,035	493,121
Cash paid to employees for reimbursements	-	(27,488)	(27,488)
Cash paid to suppliers for services	(1,705,050)	-	(1,705,050)
Net cash provided (used) by operating activities	(251,832)	547	(251,285)
Cash flows from investing activities:			
Interest on investments	28,351	-	28,351
Net increase (decrease) in cash and cash equivalents	(223,481)	547	(222,934)
Cash and cash equivalents beginning of year	1,023,261	-	1,023,261
Cash and cash equivalents end of year	\$ 799,780	547	800,327
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (303,600)	547	(303,053)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Increase in accounts receivable	(52,092)	-	(52,092)
Increase in accounts payable	103,860	-	103,860
Net cash provided (used) by operating activities	\$ (251,832)	547	(251,285)

See accompanying independent auditor's report.

**Other Supplementary Information**

Jones County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	1,992	146,455	150,358	8,908
Other County officials	1,152	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	154	363	11,059	662
Succeeding year	-	143,000	337,000	10,003,000	627,000
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,152</b>	<b>145,146</b>	<b>483,818</b>	<b>10,164,417</b>	<b>636,570</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	82	-	-
Salaries and benefits payable	-	-	13,179	-	-
Due to other governments	-	145,146	448,911	10,164,417	636,570
Trusts payable	1,152	-	-	-	-
Compensated absences	-	-	21,646	-	-
<b>Total liabilities</b>	<b>\$ 1,152</b>	<b>145,146</b>	<b>483,818</b>	<b>10,164,417</b>	<b>636,570</b>

See accompanying independent auditor's report.

Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
45,751	3,319	6,499	367,827	203,636	934,745
-	-	-	-	-	1,152
-	-	-	-	-	-
2,930	287	-	-	19	15,474
4,167,000	237,000	-	-	19,000	15,533,000
-	-	-	-	21,029	21,029
-	-	286,350	-	-	286,350
-	-	-	-	27,019	27,019
<b>4,215,681</b>	<b>240,606</b>	<b>292,849</b>	<b>367,827</b>	<b>270,703</b>	<b>16,818,769</b>
-	-	-	-	4,544	4,626
-	-	-	-	4,210	17,389
4,215,681	240,606	292,849	367,827	258,569	16,770,576
-	-	-	-	-	1,152
-	-	-	-	3,380	25,026
<b>4,215,681</b>	<b>240,606</b>	<b>292,849</b>	<b>367,827</b>	<b>270,703</b>	<b>16,818,769</b>

Jones County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2009

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 564	134,336	446,164	9,976,140	602,304
Additions:					
Property and other county tax	-	142,980	336,950	9,986,640	626,742
E911 surcharges	-	-	-	-	-
State tax credits	-	7,198	16,740	539,104	32,118
Office fees and collections	357,478	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	174,693	-	-	-	-
Miscellaneous	-	-	576	-	-
Total additions	532,171	150,178	354,266	10,525,744	658,860
Deductions:					
Agency remittances:					
To other funds	208,542	-	-	-	-
To other governments	146,983	139,368	316,612	10,337,467	624,594
Trusts paid out	176,058	-	-	-	-
Total deductions	531,583	139,368	316,612	10,337,467	624,594
Balances end of year	\$ 1,152	145,146	483,818	10,164,417	636,570

See accompanying independent auditor's report.



Corpora- tions	Townships	City Special Assess- ments	Auto License and Use Tax	Other	Total
4,043,774	234,039	225,855	318,645	222,506	16,204,327
4,213,623	235,732	-	-	19,170	15,561,837
-	-	-	-	97,602	97,602
180,725	12,114	-	-	1,445	789,444
-	-	-	-	-	357,478
-	-	-	4,402,861	168	4,403,029
-	-	128,127	-	-	128,127
-	-	-	-	-	174,693
-	-	-	-	365,695	366,271
4,394,348	247,846	128,127	4,402,861	484,080	21,878,481
-	-	-	207,326	-	415,868
4,222,441	241,279	61,133	4,146,353	236,429	20,472,659
-	-	-	-	199,454	375,512
4,222,441	241,279	61,133	4,353,679	435,883	21,264,039
4,215,681	240,606	292,849	367,827	270,703	16,818,769

Jones County

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

For the Last Nine Years

	2009	2008	2007	2006
<b>Revenues:</b>				
Property and other county tax	\$ 5,142,689	5,039,929	4,944,551	4,610,837
Local option sales tax	753,271	745,100	692,459	606,518
Interest and penalty on property tax	40,303	51,273	40,526	38,376
Intergovernmental	6,663,391	5,459,916	6,130,056	5,815,503
Licenses and permits	58,847	63,133	57,254	72,345
Charges for service	553,916	529,861	488,122	513,186
Use of money and property	257,293	370,789	397,223	331,045
Miscellaneous	445,307	355,767	259,011	279,683
<b>Total</b>	<b>\$ 13,915,017</b>	<b>12,615,768</b>	<b>13,009,202</b>	<b>12,267,493</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 2,093,055	1,926,539	1,882,227	1,805,964
Physical health and social services	690,390	649,771	729,577	698,613
Mental health	2,357,861	2,405,752	2,358,418	2,226,362
County environment and education	951,581	843,139	966,643	1,184,737
Roads and transportation	5,013,318	5,181,336	4,289,198	4,013,501
Governmental services to residents	551,949	516,672	495,762	619,332
Administration	1,364,766	1,168,905	1,153,525	1,270,527
Non-program	135,130	100,033	73,670	109,192
Debt service	29,243	41,126	5,618	-
Capital projects	815,014	1,036,367	794,653	1,278,659
<b>Total</b>	<b>\$ 14,002,307</b>	<b>13,869,640</b>	<b>12,749,291</b>	<b>13,206,887</b>

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
276,380	371,759	215,666	59,156	61,522
<b>12,631,509</b>	<b>10,910,131</b>	<b>11,590,786</b>	<b>10,823,663</b>	<b>10,656,446</b>
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
<b>13,039,197</b>	<b>11,339,085</b>	<b>11,057,645</b>	<b>9,875,177</b>	<b>9,895,434</b>

**Schedule 9**

Jones County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture: Wildlife Habitat Incentive Program	10.914	2002 7261140827E	\$ 24,593
U.S. Department of the Interior: National Register of Historic Places	15.914	2007-04	2,479
National Register of Historic Places	15.914	2007-05	3,763
			<u>6,242</u>
Total direct			<u>30,835</u>
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>10,051</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 06-CRL-001	17,237 87,192 <u>104,429</u>
U.S. Department of Human Rights: Iowa Department of Human Rights Enforcing Underage Drinking Laws Program	16.727	JJYD-FY09-06	<u>287</u>
U.S. Department of Transportation: Iowa Department of Transportation: Highway Planning and Construction	20.205	BROS-CO53(58)--8H-53	<u>129,170</u>
Recreational Trails Program	20.219	NRT-NT03(3)--9G-53	9,612
Recreational Trails Program	20.219	NRT-NT08(002)--9G-53	29,078
			<u>38,690</u>
Iowa Department of Public Safety, Governor's Traffic Safety Bureau: Seat Belt Use Incentive Grant	20.609	08-157, Task 95	4,000
Seat Belt Use Incentive Grant	20.609	09-406, Task 89	4,000
			<u>8,000</u>
U.S. Department of Health and Human Services: Iowa Department of Human Services: Human Services Administrative Reimbursements: Temporary Assistance for Needy Families	93.558		<u>9,284</u>
Refugee and Entrant Assistance	93.566		<u>15</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>2,637</u>
Foster Care - Title IV-E	93.658		<u>5,579</u>
Adoption Assistance	93.659		<u>1,350</u>

Jones County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2009

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Children's Insurance Program	93.767		76
Medical Assistance Program	93.778		12,218
Social Services Block Grant	93.667		6,085
Social Services Block Grant	93.667		76,326
			<u>82,411</u>
U.S. Department of Homeland Security:			
United Way of America:			
Emergency Food and Shelter National Board Program	97.024	26-2956-00	2,711
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1737 DR IA	1,505
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1763 DR IA	365,064
			<u>366,569</u>
Emergency Management Performance Grant	97.042	FFY 2008	8,986
Emergency Management Performance Grant	97.042	FFY 2009	18,382
			<u>27,368</u>
Black Hawk County Emergency Management Agency (Region VI):			
State Homeland Security Grant Program	97.067	FFY 2006	13,603
State Homeland Security Grant Program	97.067	FFY 2007	3,130
			<u>16,733</u>
Total indirect			<u>817,578</u>
Total			<u>\$ 848,413</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**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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

To the Officials of Jones County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jones County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 19, 2010. 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.

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. We do not believe the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

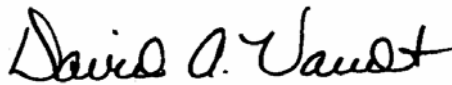
As part of obtaining reasonable assurance about whether Jones County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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, 2009 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.

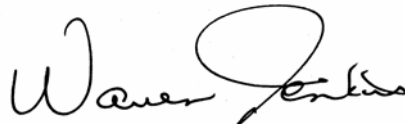
Jones County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Jones County's responses and, accordingly, we express no opinion on them.

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 19, 2010



**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**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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

To the Officials of Jones County:

Compliance

We have audited the compliance of Jones County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Jones County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Jones County's management. Our responsibility is to express an opinion on Jones County's compliance based on our audit.

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

In our opinion, Jones County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

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.

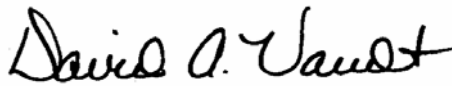
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below.

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.

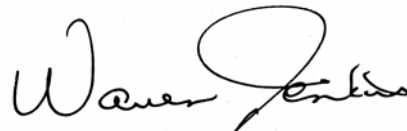
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

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 19, 2010

Jones County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**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, none of which are considered to be a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each of 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 20.205 – Highway Planning & Construction
  - 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, 2009

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

**SIGNIFICANT DEFICIENCIES:**

II-A-09 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. On February 23, 2009, the Jones County Historic Preservation Commission’s checking account was closed and all funds were transferred to the County.

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.

Response – Copies of financial records of the Hale Bridge Committee were submitted to the County in late February 2009 at which time the Committee presented a check to the County for the balance of the Committee’s funds. The amount of that check was reflected in the County’s financial records, however, the activities of the Committee prior to that time were not included in the County’s financial reports as they were not transactions authorized by the County, nor was the information available to the County, at the time the transactions occurred. Though agreed to during fiscal year 2009, the Historical Preservation Commission has not yet provided information to Jones County that it has established itself as a separate legal entity. The County is still waiting for the Iowa Department of Transportation to complete the final audit on the project which will enable the County to receive the final \$10,000 in federal demolition funds associated with removal of the bridge.

Conclusion – Response accepted.

II-B-09 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 a program where 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 need for County Departments to timely submit reimbursement requests for grants and other reimbursable type programs. The policy will set thresholds for timing, and amounts, of periodic reimbursement requests, in order to keep the impact to fund balance from grant related expenditures to a minimum.

Conclusion – Response accepted.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

- II-C-09 Disaster Recovery Plan – 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 has not been developed. Jones County has not developed adequate disaster recovery plans which provide for a backup site, procedures to be followed to prepare the site for equipment and identify staff responsibilities.

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

Response – The County will work with Department Heads, the Emergency Management Director 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-D-09 Vehicle Usage – The Emergency Management Department has a vehicle which is used by the Coordinator. The Coordinator also uses the vehicle to commute to and from work. In addition, the Secondary Roads Department has a vehicle which is used by an employee to commute to and from work. The vehicles are not qualified non-personal use vehicles as defined by the Internal Revenue Service. Therefore, the use of the vehicles to commute to and from work is taxable regardless if the employee is “on-call.”

Recommendation – As required by the Internal Revenue Service Taxable Fringe Benefit Guide, the fair market value of the personal use portion of the vehicle is a taxable fringe benefit to an employee. The Internal Revenue Service provides a commuting rule of \$1.50 each way if the County requires an employee to commute in the vehicle for a valid bona fide business reason. The County must also adopt a written policy prohibiting no other use except commuting and minimal personal use. Employees must also keep a daily record of business miles by keeping a log containing the following: date, odometer reading (beginning and ending), destination, business purpose mileage, personal use mileage and community mileage.

Response – The County will obtain information from the various County Departments regarding possible personal use of County vehicles, and will tax personal use according to Internal Revenue Service guidelines. A policy will be developed prohibiting no other use of County vehicles except commuting and minimal personal use. The policy will require use of a daily log to record business and personal use of County vehicles.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**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, 2009

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amount budgeted in the debt service function.

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

Response – The County prepared the budget for debt service for the Edinburgh Manor wastewater lagoon based on the amortization schedule provided by the Iowa Finance Authority. The November 2008 invoice for payment on the loan included a \$92.33 loan servicing fee not reflected on the amortized schedule, and this additional fee was not taken into account for budgeting purposes. The County will monitor this more closely in the future, and may budget an additional minor amount for other unforeseen expenses that may be associated with this loan.

Conclusion – Response accepted.

IV-B-09 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-09 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-09 Business Transactions – The following business transactions between the County and County officials or employees were noted:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
B & G Residential Services, Deputy Sheriff, co-owned by Brian Eckhardt	Tree removal	\$ 4,430
Phyllis Dircks, Senior Dining employee, independent contractor	Laundry	255

In accordance with Chapter 331.342(10) of the Code of Iowa, the above transaction with Phyllis Dircks does not appear to represent a conflict of interest since the cumulative amount was less than \$1,500 during the fiscal year. The transaction with Brian Eckhardt for \$4,430 does not appear to represent a conflict of interest since it was awarded through competitive bidding procedures.

IV-E-09 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-09 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

- IV-G-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- IV-H-09 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-09 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, 2009 for the County Extension Office did not exceed the amount budgeted.

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Jones County

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager  
James R. Wittenwyler, Staff Auditor  
Jessica P. V. Green, Assistant Auditor  
Kurt D. Goldsmith, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State