



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 30, 2012

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

The County had local tax revenue of \$24,021,723 for the year ended June 30, 2011, which included \$1,019,206 in tax credits from the state. The County forwarded \$17,921,361 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$6,100,362 of the local tax revenue to finance County operations, a 4.5% increase over the prior year. Other revenues included charges for service of \$1,932,776, operating grants, contributions and restricted interest of \$4,856,281, capital grants, contributions and restricted interest of \$718,348, local option sales tax of \$817,836, unrestricted investment earnings of \$135,876 and other general revenues of \$179,226.

Expenses for County operations totaled \$14,574,549, a 3.2% increase over the prior year. Expenses included \$6,096,849 for roads and transportation, \$2,358,006 for mental health, \$2,223,138 for public safety and legal services and \$1,781,619 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/1110-0053-B00F.pdf>.

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JONES COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2011

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Jones County
Officials
(Before January 2011)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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
Phil Parsons	County Attorney	Jan 2011
Arnie Andreesen	County Assessor	Jan 2016

(After January 2011)

Leo M. Cook	Board of Supervisors	Jan 2013
Keith C. Dirks	Board of Supervisors	Jan 2013
Wayne Manternach	Board of Supervisors	Jan 2013
Joe Cruise	Board of Supervisors	Jan 2015
Ned Rohwedder	Board of Supervisors	Jan 2015
Janine Sulzner	County Auditor	Jan 2013
Amy L. Picray	County Treasurer	Jan 2015
Marie Krutzfield	County Recorder	Jan 2015
Mark J. Denniston (Retired)	County Sheriff	June 30, 2011
Harvey L. DeSotel (Appointed)	County Sheriff	October 11, 2011
Greg A. Graver (Elected)	County Sheriff	Jan. 2013
Phil Parsons	County Attorney	Jan 2015
Arnie Andreesen	County Assessor	Jan 2016

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, 2011, 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.

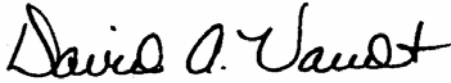
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2011, 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.

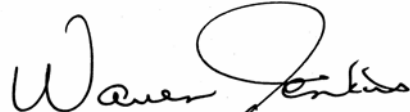
In accordance with Government Auditing Standards, we have also issued our report dated February 27, 2012 on our consideration of Jones County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 50 through 53 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 nine years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jones County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2011, along with comparative data for the year ended June 30, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 10.4%, or approximately \$1,712,000, from fiscal year 2010 to fiscal year 2011. Property and other county tax increased approximately \$264,000, operating grants, contributions and restricted interest increased approximately \$328,000, capital grants, contributions and restricted interest decreased approximately \$1,593,000 and charges for services decreased approximately \$663,000.
- Program expenses of the County's governmental activities increased 3.2%, or approximately \$451,000, in fiscal year 2011 compared to fiscal year 2010. Roads and transportation expenses increased approximately \$722,000 (13.4%), mental health expenses increased approximately \$225,000 (10.6%), public safety expenses increased approximately \$132,000 (6.3%), while expenses for physical health and social services and county environment and education each increased by less than 5%. A significant decrease of \$602,000 (25.3%) was noted for administration expenses, with minor decreases for non-program, governmental services to residents and interest on long-term debt.
- The County's net assets increased less than 1%, or approximately \$166,000, from June 30, 2010 to June 30, 2011, primarily due to spending being held closer to available revenues and completion of several projects.
- Jones County experienced a moderate increase (1.7%) in taxable valuation for fiscal year 2011 (1-1-09 assessment). Jones County increased property tax rates for fiscal year 2011 an average of 3.1%, yet generated a 4.0% increase in tax dollars for County operations. The County increased the general property tax levy rate \$0.09608 to \$4.96746 per \$1,000 of taxable valuation. The mental health property tax levy rate was decreased \$0.02105 per \$1,000 of taxable valuation to maintain a frozen level of property tax support of \$883,021, less \$9,215 in additional (anticipated) state appropriations for property tax relief. The rural services property tax levy rate was increased \$0.18122 to \$2.42164 per \$1,000 of taxable valuation. The implementation of the 1% local option tax in 1999 continues to provide a significant amount of property tax relief for the Rural Services Fund.

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 financial 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue

Funds, such as Mental Health, Rural Services and Secondary Roads, and 3) the 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 and Flexible Benefits Plan Funds. 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

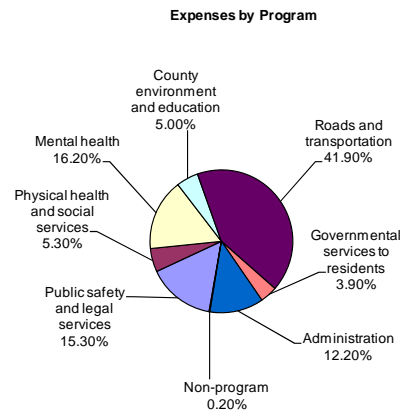
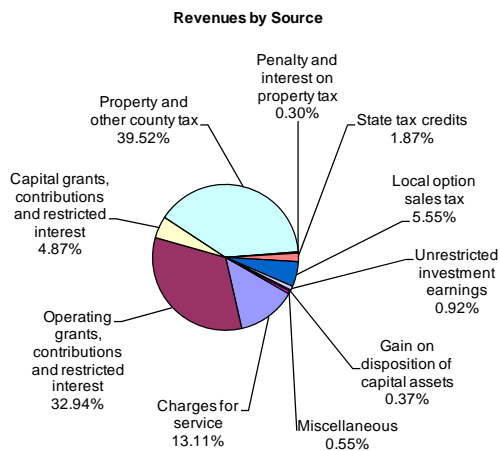
As noted earlier, net assets may serve over time as a useful indicator of financial position. Jones County's combined net assets increased less than 1% over a year ago, increasing from approximately \$22.2 million to approximately \$22.4 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2011	2010
Current and other assets	\$ 13,031,244	12,517,580
Capital assets	17,730,441	17,533,185
Total assets	<u>30,761,685</u>	<u>30,050,765</u>
Long-term liabilities	343,385	500,122
Other liabilities	8,025,764	7,324,263
Total liabilities	<u>8,369,149</u>	<u>7,824,385</u>
Net assets:		
Invested in capital assets, net of related debt	17,716,539	17,342,197
Restricted	3,166,770	2,808,344
Unrestricted	1,509,227	2,075,839
Total net assets	<u>\$ 22,392,536</u>	<u>22,226,380</u>

Net assets of Jones County's governmental activities increased \$166,156 (\$22,226,380 compared to \$22,392,536). 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 \$1,509,227 at June 30, 2011. (Source: Exhibit A)

Changes in Net Assets of Governmental Activities		
	Year ended June 30,	
	2011	2010
Revenues:		
Program revenues:		
Charges for service	\$ 1,932,776	2,595,883
Operating grants, contributions and restricted interest	4,856,281	4,528,427
Capital grants, contributions and restricted interest	718,348	2,311,202
General revenues:		
Property and other county tax	5,824,579	5,560,177
Penalty and interest on property tax	43,691	46,225
State tax credits	275,783	280,117
Local option sales tax	817,836	763,075
Unrestricted investment earnings	135,876	171,815
Gain on disposition of capital assets	54,861	106,318
Miscellaneous	80,674	89,351
Total revenues	14,740,705	16,452,590
Program expenses:		
Public safety and legal services	2,223,138	2,091,588
Physical health and social services	773,442	754,941
Mental health	2,358,006	2,132,907
County environment and education	728,161	694,590
Roads and transportation	6,096,849	5,374,840
Governmental services to residents	572,161	600,203
Administration	1,781,619	2,384,051
Non-program	35,908	83,737
Interest on long-term debt	5,265	6,746
Total expenses	14,574,549	14,123,603
Increase in net assets	166,156	2,328,987
Net assets beginning of year	22,226,380	19,897,393
Net assets end of year	\$ 22,392,536	22,226,380



INDIVIDUAL MAJOR FUND ANALYSIS

As Jones County completed the year, its governmental funds reported a combined fund balance of approximately \$4.5 million, an increase of approximately \$280,000 from last year's total of approximately \$4.22 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 2011 with a fund balance of \$1,464,789. This was an increase from fiscal year 2010 of \$7,206 after the restatement of fund classifications under GASB 54. Expenditures decreased \$1,051,764 while revenues decreased \$340,146. The two most significant expenditure decreases were in the county environment and education function and the administration function. The county environment and education function decrease is due to the completion of major conservation department projects, primarily the Maquoketa River Trail project. The administration function decrease from fiscal 2010 reflects the acquisition of an additional county office building in fiscal year 2010 with no similar expense in 2011. Intergovernmental revenues decreased \$523,053, once again primarily due to the completion of the Maquoketa River Trail project which was funded heavily with grant revenues. Property and other county tax increased \$150,678 due to a property tax increase.
- The Special Revenue, Mental Health Fund ended fiscal year 2011 with a fund balance of \$793,322. The balance increased \$199,352 from June 30, 2010. Expenditures increased 10.1%, or \$215,503, from fiscal year 2010 and revenues increased 4.1%, or \$100,220. The mental health property tax levy is frozen by legislative action, though it may be reduced by additional state appropriations as provided for in Iowa Code section 426B.2. While not eligible for full state mental health funding in fiscal year 2010 due to the level of the fiscal year 2009 ending balance, full funding was available to Jones County in fiscal year 2011. Though Jones County's reported fiscal year 2010 fund balance was above the 10% (of expenses) maximum target (the determining factor for state funding in fiscal year 2011), the Legislature permitted adjustments to be made to county reported fund balances due to the effect of the receipt of certain federal funds in fiscal year 2010. This adjustment enabled Jones County to receive an additional \$117,000 of state mental health funding in fiscal 2011. This additional funding helped to offset the Legislature's failure to appropriate sufficient resources to fully fund the mental health property tax relief fund in fiscal year 2011, which resulted in a \$47,000 decrease in anticipated revenue to Jones County for that purpose. There were no Jones County mental health clients placed on a waiting list for services in fiscal year 2011. 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 Special Revenue, Rural Services Fund ended fiscal year 2011 with a balance of \$239,192, or \$16,000 lower than the June 30, 2010 balance of \$255,192. Property and other county tax increased \$110,028, or 9.4%, due to a levy rate increase of 18.122 cents per \$1,000 of taxable valuation. 90% (or \$100,000) of the increase in property tax was used to increase the transfer to the Special Revenue, Secondary Roads Fund to support road maintenance and road projects, bringing the total transfer from \$1,305,000 to \$1,405,000.
- The Special Revenue, Secondary Roads Fund ended fiscal year 2011 with a balance of \$1,918,761, an increase of \$103,960 from the June 30, 2010 balance of \$1,814,801. Of the ending balance, \$1,786,158 is unspent local option sales tax designated for future road and bridge projects, per voter approval in 1999, and \$465,702 is the value of materials held in inventory and prepaid expenses at June 30, 2011. The unassigned balance within the Secondary Roads Fund reflects a

deficit balance of \$333,099 on a GAAP basis. Roads and transportation expenses increased \$579,455, or 12.5%. Some equipment purchases were made in fiscal year 2011 which had been delayed due to funding concerns in previous years. The County struggled with yet another year of abnormally high snow and ice removal expenses. Jones County significantly decreased its locally funded road construction activities in fiscal year 2011 (\$44,369 compared to \$1,460,545 in fiscal year 2010), primarily due to the condition of the Secondary Roads Fund fund balance and the need to concentrate on general road and equipment maintenance. Revenues for the Secondary Roads Fund for fiscal year 2011 reflect a decrease from fiscal year 2010 of \$654,100, primarily in intergovernmental revenues related to road and bridge construction projects. An additional \$100,000 was transferred from the Rural Services Fund as compared to \$1,305,000 in fiscal year 2010 and an additional \$25,000 was transferred from the General Fund, bringing the total funds transferred to \$1,456,000. Overall, Secondary Roads Fund revenues and transfers from other county funds have not kept up with the cost to maintain county roads and road department equipment, nor have they allowed the County to fully abide by the five-year road construction program.

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 fiscal year 2011, Jones County amended its budget twice.

The first amendment was made in January 2011 and resulted in changes to the county environment and education function and intergovernmental and miscellaneous receipts. Budgeted disbursements were increased \$234,196 and receipts were increased \$190,535. A delay in the completion of the Maquoketa River Water Trail project from the planned fiscal 2010 completion to early in fiscal 2011 resulted in the need for the amendment.

The second amendment was made in May 2011 and resulted in changes to budgeted appropriations for every disbursement function and receipt category. The net total increase in receipts was \$296,102, with changes in each revenue category. The net total change in budgeted disbursements was a decrease of \$1,165,052. Of significance was a \$289,332 decrease in mental health disbursements, an \$84,100 decrease in roads and transportation disbursements for general roadway operations and maintenance equipment, a \$1,025,200 decrease in budgeted disbursements for roadway construction, reflecting a delay in planned construction projects due to the limited amount of funds available for secondary roads. The budget amendment also provided for a \$149,383 increase in debt service disbursements to provide for full retirement of the general obligation loan for the Edinburgh Manor wastewater lagoon due to the pending sale of Edinburgh Manor. Various other less significant changes in disbursements resulted in a net increase of \$84,197 in the other six expenditure functions. 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 \$183,589 lower than the final amended budget, a variance of 1.3%. The most significant variance resulted from the County receiving less intergovernmental receipts than expected.

- Total disbursements were \$636,093 less than the final amended budget, a 4.4% variance. Actual disbursements for the physical health and education, mental health, debt service and capital projects functions were more than 10% less than the amended budget. Disbursements for the physical health and social services function were \$100,875, or 11.9%, below budget, primarily due to juvenile detention services being less than anticipated and the timing of public health grant disbursements. Mental health services were \$259,724, or 10.6%, below budget, primarily due to service needs being less than anticipated and the County receiving significant billing credits due to temporary Medicaid funding changes (FMAP). Roads and transportation disbursements were \$14,978 over the amended budget (less than 1%), while roadway construction (capital projects) disbursements were \$91,433, or 45.8%, less than the amended budget.
- Source: Required Supplementary Information schedule

Jones County budgets on a cash basis. The County did not exceed the appropriated amounts for individual departments, though it did exceed the budgeted amount for the roads and transportation function at the very end of the fiscal year after the final quarterly spread of wages and benefits between the roads and transportation function and the roadway construction function was completed. This was too late in the fiscal year to amend the budget. 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, 2011, Jones County had \$17,730,441 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 \$197,256, or 1.1%, over last year, primarily from conservation department projects.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2011	2010
Land	\$ 1,713,155	1,568,192
Construction in progress	156,910	1,011,992
Buildings	1,723,231	1,394,983
Improvements other than buildings	416,612	438,749
Equipment and vehicles	2,312,839	2,486,511
Infrastructure	11,407,694	10,632,758
Total	<u>\$ 17,730,441</u>	<u>17,533,185</u>
This year's major additions included:		
Maquoketa River Trail and Nature Center Building		\$ 655,365
Motor grader		227,802
North Bluff Hill Prairie Land		86,000
Whitewater/Lost Canyon Land		58,963
Total		<u>\$ 1,028,130</u>

The County had depreciation expense of \$873,987 in fiscal year 2011 and total accumulated depreciation of \$7,517,643 at June 30, 2011.

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.

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 two small capital lease purchase agreements for Conservation Department equipment.

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, general obligation sewer improvement bonds were issued for \$227,000. The interest rate was 3.0%. The bonds were retired in May 2011 using monies in the General Fund as the County had entered into a written agreement to sell Edinburgh Manor (sale was completed in September 2011).

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2011	2010
General obligation bonds	\$ -	162,000
Capital lease purchase agreements	13,902	28,988
Total	\$ 13,902	190,988

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 2012 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 for the fiscal year 2012 budget increased 4.3%. By class of property, the County's agricultural valuation increased 5.4%, commercial valuation increased 4.0%, industrial valuation increased 13.4% and residential valuation rose 5.5%. New residential construction in Jones County increased during 2009 for the January 1, 2010 assessment, to become taxable in fiscal 2012. Jones County's agricultural land values comprise 31% of Jones County's taxable valuation for fiscal year 2012, while residential values comprise 36% of the total.

The fiscal year 2012 General Fund budget reflects a tax increase of \$317,476 and was projected to produce an unassigned fund balance on June 30, 2012 of 16.2% of total general operating disbursements (15.7% of total disbursements). The tax increase represents \$167,476 generated by applying the fiscal year 2011 tax levy rate to the new valuation, and then increasing the levy rate by 18.421 cents per \$1,000 of valuation to generate an additional \$150,000. The total general fund fiscal year 2012 budgeted disbursements was \$516,000 over the fiscal 2011 original budget. The increase includes \$318,600 for increases in salaries and benefits, \$178,000 for capital improvements, the addition of an in-house technology coordinator and various other less significant changes. The collective bargaining agreement, covering wages to be paid in fiscal year 2012, calls for a 3% wage increase for employees in the bargaining unit. 3% wage increases were also granted to non-union employees. The Board adopted the salary recommendation of the

Compensation Board for elected officials, granting salary increases in a range from 2% to 6%. Budgeted non-tax revenues decreased \$56,000 (3%), primarily due to a decrease in grants.

The fiscal year 2012 Mental Health Fund budget continues to reflect a frozen level of property tax certified at \$883,021, with the tax rate adjusted to reflect changes in taxable valuation. With a limited pool of resources, primarily controlled by the state, disbursements are budgeted to meet the requirements of the county's mental health and developmental disabilities management plan.

The budget for the Rural Services Fund in fiscal year 2012 reflects a tax increase of \$49,593. The tax increase represents only the amount generated by applying the prior year's (fiscal year 2010) tax levy rate to the new valuation, with no additional increases. \$36,000 of the new tax funds were used to increase the tax support for the Secondary Roads Fund.

The Secondary Roads Fund budget for fiscal year 2012 reflects an increase of \$535,575 in road maintenance expenses to \$5,678,000, as well as an increase in the roadway construction budget from the originally budgeted fiscal year 2011 level of \$1,225,000 to \$2,400,000. While preparing the 2012 budget, the 2011 roadway construction budget was projected to be reduced to only \$122,000, therefore moving the planned projects to the 2012 budget year. The balance in the fund was projected to decrease substantially (\$2,434,475) from the re-estimated fiscal year 2011 balance due to an aggressive construction program now moved to fiscal year 2012, as well as maintaining active general roadway operations. However, the ending fund balance is historically considerably higher than initially projected. Design and construction schedules, as well as a re-evaluation of funding sources and projected fund balances, are always 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
June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 5,550,066
Receivables:	
Property tax:	
Delinquent	6,487
Succeeding year	6,210,000
Interest and penalty on property tax	13,295
Accounts	36,960
Accrued interest	92
Due from other governments	748,642
Inventories	423,716
Prepaid expenses	41,986
Capital assets (net of accumulated depreciation)	17,730,441
Total assets	<u>30,761,685</u>
Liabilities	
Accounts payable	769,618
Salaries and benefits payable	360,423
Due to other governments	461,343
Deferred revenue:	
Succeeding year property tax	6,210,000
Other	224,380
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	4,469
Compensated absences	136,814
Portion due or payable after one year:	
Capital lease purchase agreements	9,433
Compensated absences	164,169
Net OPEB liability	28,500
Total liabilities	<u>8,369,149</u>
Net Assets	
Invested in capital assets, net of related debt	17,716,539
Restricted for:	
Supplemental levy purposes	126,903
Mental health purposes	796,523
Rural services purposes	240,421
Secondary roads purposes	1,889,788
Other special revenue purposes	113,135
Unrestricted	1,509,227
Total net assets	<u>\$ 22,392,536</u>

See notes to financial statements.

Jones County
Statement of Activities
Year ended June 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,223,138	291,567	13,381	-	(1,918,190)
Physical health and social services	773,442	335,501	188,965	-	(248,976)
Mental health	2,358,006	8,631	1,669,448	-	(679,927)
County environment and education	728,161	66,902	82,818	165,998	(412,443)
Roads and transportation	6,096,849	469,421	2,890,332	552,350	(2,184,746)
Governmental services to residents	572,161	346,811	-	-	(225,350)
Administration	1,781,619	54,250	11,337	-	(1,716,032)
Non-program	35,908	359,693	-	-	323,785
Interest on long-term debt	5,265	-	-	-	(5,265)
Total	\$ 14,574,549	1,932,776	4,856,281	718,348	(7,067,144)
General Revenues:					
Property and other county tax levied for general purposes					5,824,579
Penalty and interest on property tax					43,691
State tax credits					275,783
Local option sales tax					817,836
Unrestricted investment earnings					135,876
Gain on disposition of capital assets					54,861
Rent					80,674
Total general revenues					7,233,300
Change in net assets					166,156
Net assets beginning of year					22,226,380
Net assets end of year					\$ 22,392,536

See notes to financial statements.

Jones County
Balance Sheet
Governmental Funds

June 30, 2011

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 1,630,789	1,247,212	203,283
Receivables:			
Property tax:			
Delinquent	4,323	902	1,262
Succeeding year property tax	4,033,000	841,000	1,336,000
Interest and penalty on property tax	13,295	-	-
Accounts	7,175	5,362	-
Due from other funds	6,078	-	-
Due from other governments	160,533	66,798	35,876
Inventories	-	-	-
Prepaid expenditures	-	-	-
Total assets	\$ 5,855,193	2,161,274	1,576,421
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 81,118	48,378	-
Salaries and benefits payable	202,635	19,870	-
Due to other funds	7,901	108	-
Due to other governments	7,585	442,815	-
Deferred revenue:			
Succeeding year property tax	4,033,000	841,000	1,336,000
Other	58,165	15,781	1,229
Total liabilities	4,390,404	1,367,952	1,337,229
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Prepaid expenditures	-	-	-
Restricted for:			
Supplemental levy purposes	128,261	-	-
Mental health purposes	-	793,322	-
Rural services purposes	-	-	239,192
Secondary roads purposes	-	-	-
Conservation land acquisition/capital improvements	28,480	-	-
Other purposes	-	-	-
Committed for:			
County facility capital projects/purposes	289,785	-	-
Extension and youth development center purposes	25,000	-	-
Voting equipment replacement purposes	10,000	-	-
Unassigned	983,263	-	-
Total fund balances	1,464,789	793,322	239,192
Total liabilities and fund balances	\$ 5,855,193	2,161,274	1,576,421

See notes to financial statements.

Secondary Roads	Nonmajor	Total
1,882,147	78,586	5,042,017
-	-	6,487
-	-	6,210,000
-	-	13,295
-	5,869	18,406
7,901	-	13,979
459,965	25,470	748,642
423,716	-	423,716
41,986	-	41,986
2,815,715	109,925	12,518,528

410,561	9,347	549,404
128,868	9,050	360,423
2,163	3,807	13,979
10,864	79	461,343
-	-	6,210,000
344,498	6,021	425,694
896,954	28,304	8,020,843

423,716	-	423,716
41,986	-	41,986
-	-	128,261
-	-	793,322
-	-	239,192
1,786,158	-	1,786,158
-	-	28,480
-	81,621	81,621
-	-	289,785
-	-	25,000
-	-	10,000
(333,099)	-	650,164
1,918,761	81,621	4,497,685
2,815,715	109,925	12,518,528

Jones County

Jones County

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

June 30, 2011

Total governmental fund balances (page 21) \$ 4,497,685

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 \$25,248,084 and the accumulated depreciation is \$7,517,643. 17,730,441

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 201,314

The Internal Service Funds are used by management to charge the costs of partial self funding of the County's health insurance benefit and flexible benefits plans to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets. 306,481

Long-term liabilities, including capital lease purchase agreements payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (343,385)

Net assets of governmental activities (page 18) \$ 22,392,536

See notes to financial statements.

Jones County

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

Year ended June 30, 2011

	General	Mental Health	Special Rural Services
Revenues:			
Property and other county tax	\$ 3,711,452	836,194	1,276,150
Local option sales tax	-	-	204,459
Interest and penalty on property tax	43,251	-	-
Intergovernmental	1,107,711	1,693,447	61,315
Licenses and permits	40,969	-	-
Charges for service	562,462	3,199	-
Use of money and property	213,440	2,550	1
Miscellaneous	115,032	5,433	-
Total revenues	5,794,317	2,540,823	1,541,925
Expenditures:			
Operating:			
Public safety and legal services	2,127,626	-	-
Physical health and social services	454,768	-	-
Mental health	-	2,341,471	-
County environment and education	755,699	-	147,858
Roads and transportation	325,454	-	-
Governmental services to residents	531,110	-	5,067
Administration	1,359,275	-	-
Non-program	34,171	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	5,588,103	2,341,471	152,925
Excess (deficiency) of revenues over (under) expenditures	206,214	199,352	1,389,000
Other financing sources (uses):			
Sale of capital assets	11,749	-	-
Capital lease purchase agreement	7,200	-	-
Operating transfers in	-	-	-
Operating transfers out	(217,957)	-	(1,405,000)
Total other financing sources (uses)	(199,008)	-	(1,405,000)
Net change in fund balances	7,206	199,352	(16,000)
Fund balances beginning of year, as restated	1,457,583	593,970	255,192
Fund balances end of year	\$ 1,464,789	793,322	239,192

See notes to financial statements.

Revenue		
Secondary		
Roads	Nonmajor	Total
-	-	5,823,796
613,377	-	817,836
-	-	43,251
3,117,785	171,958	6,152,216
22,042	-	63,011
77	4,101	569,839
-	434	216,425
147,749	159,699	427,913
<u>3,901,030</u>	<u>336,192</u>	<u>14,114,287</u>
-	7,012	2,134,638
-	303,912	758,680
-	-	2,341,471
-	34,885	938,442
5,208,701	-	5,534,155
-	4,148	540,325
-	-	1,359,275
-	-	34,171
-	167,265	167,265
44,369	-	44,369
<u>5,253,070</u>	<u>517,222</u>	<u>13,852,791</u>
<u>(1,352,040)</u>	<u>(181,030)</u>	<u>261,496</u>
-	-	11,749
-	-	7,200
1,456,000	166,957	1,622,957
-	-	(1,622,957)
<u>1,456,000</u>	<u>166,957</u>	<u>18,949</u>
103,960	(14,073)	280,445
<u>1,814,801</u>	<u>95,694</u>	<u>4,217,240</u>
<u>1,918,761</u>	<u>81,621</u>	<u>4,497,685</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, 2011

Net change in fund balances - Total governmental funds (page 25) \$ 280,445

**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	\$ 553,182	
Capital assets contributed by the Iowa Department of Transportation	474,949	
Depreciation expense	<u>(873,987)</u>	154,144

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. 43,112

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	1,349	
Other	<u>(219,480)</u>	(218,131)

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

Issued	(7,200)	
Repaid	<u>184,286</u>	177,086

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	(6,249)	
Other postemployment benefits	<u>(14,100)</u>	(20,349)

The Internal Service Funds are used by management to charge the costs of partial self funding of the County's employee health insurance benefit and flexible benefits plans to individual funds. The change in net assets of the Internal Service Funds are reported with governmental activities. (250,151)

Change in net assets of governmental activities (page 19) \$ 166,156

See notes to financial statements.

Jones County
Statement of Net Assets
Proprietary Funds

June 30, 2011

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ 508,049
Receivables:	
Accounts	18,554
Accrued interest	<u>92</u>
Total assets	526,695
Liabilities	
Accounts payable	<u>220,214</u>
Net Assets	
Unrestricted	<u><u>\$ 306,481</u></u>

See notes to financial statements.

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

Year ended June 30, 2011

	<u>Internal Service</u>
Operating revenues:	
Reimbursements from operating funds	\$ 1,303,714
Contributions from employees	208,888
Insurance reimbursements	53,276
Total operating revenues	<u>1,565,878</u>
Operating expenses:	
Medical claims	1,397,414
Insurance premiums	356,532
Administrative fees	49,450
Miscellaneous	17,247
Total operating expenses	<u>1,820,643</u>
Operating loss	(254,765)
Non-operating revenues:	
Interest income	<u>4,614</u>
Change in net assets	(250,151)
Net assets beginning of year	<u>556,632</u>
Net assets end of year	<u><u>\$ 306,481</u></u>

See notes to financial statements.

Jones County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2011

	Internal Service
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,303,714
Cash received from employees and others	263,424
Cash paid to employees for reimbursements	(59,070)
Cash paid to suppliers for services	(1,598,970)
Net cash used by operating activities	(90,902)
Cash flows from investing activities:	
Interest on investments	4,581
Net decrease in cash and cash equivalents	(86,321)
Cash and cash equivalents beginning of year	594,370
Cash and cash equivalents end of year	\$ 508,049
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (254,765)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Decrease in accounts receivable	1,260
Decrease in accounts payable	162,603
Net cash used by operating activities	\$ (90,902)

See notes to financial statements.

Jones County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

Assets

Cash and pooled investments:	
County Treasurer	\$ 3,589,084
Other County officials	1,641
Receivables:	
Property tax:	
Delinquent	19,990
Succeeding year	17,160,000
Accounts	75,350
Accrued interest	10,136
Special assessments	346,827
Due from other governments	44,043
Prepaid items	9,322
Capital assets (net of accumulated depreciation)	768,070
Total assets	<u>22,024,463</u>

Liabilities

Accounts payable	66,663
Salaries and benefits payable	29,454
Due to other governments	18,578,036
Trusts payable	2,281,040
Compensated absences	35,167
Deferred revenue	20,374
Estimated liability for landfill closure and posclosure care	1,013,729
Total liabilities	<u>22,024,463</u>

Net assets

\$ -

See notes to financial statements.

Jones County

Notes to Financial Statements

June 30, 2011

(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, Jones County Solid Waste 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. Condensed financial statements for the Jones County Solid Waste Commission are included in Note 14 to the financial statements.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: 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 the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and the unassigned fund balances.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating 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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

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, 2011, 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, intangibles 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
Intangibles	5,000
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
Intangibles	5-20
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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. 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, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements during the end ended June 30, 2011 exceeded the amount budgeted in the roads and transportation function.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2011 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, 2011 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Mental Health	\$ 108
	Secondary Roads	2,163
	Senior Dining	3,807
Special Revenue:	General	7,901
Secondary Roads		<u>7,901</u>
Total		<u>\$ 13,871</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, 2011 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	General	\$ 51,000
Secondary Roads	Special Revenue:	
	Rural Services	1,405,000
		<u>1,456,000</u>
Debt Service	General	166,957
Total		<u>\$ 1,622,957</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, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,568,192	144,963	-	1,713,155
Construction in progress, road network	-	475,203	(355,534)	119,669
Construction in progress, other	1,011,992	180,162	(1,154,913)	37,241
Total capital assets not being depreciated	2,580,184	800,328	(1,510,447)	1,870,065
Capital assets being depreciated:				
Buildings	2,786,546	375,065	-	3,161,611
Improvements other than buildings	493,094	-	-	493,094
Equipment and vehicles	7,064,362	368,412	(382,299)	7,050,475
Infrastructure, road network	11,528,945	355,534	-	11,884,479
Infrastructure, other	69,975	718,385	-	788,360
Total capital assets being depreciated	21,942,922	1,817,396	(382,299)	23,378,019
Less accumulated depreciation for:				
Buildings	1,391,563	46,817	-	1,438,380
Improvements other than buildings	54,345	22,137	-	76,482
Equipment and vehicles	4,577,851	506,050	(346,265)	4,737,636
Infrastructure, road network	954,965	297,584	-	1,252,549
Infrastructure, other	11,197	1,399	-	12,596
Total accumulated depreciation	6,989,921	873,987	(346,265)	7,517,643
Total capital assets being depreciated, net	14,953,001	943,409	(36,034)	15,860,376
Governmental activities capital assets, net	\$ 17,533,185	1,743,737	(1,546,481)	17,730,441

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 56,485
Physical health and social services	7,460
Mental health	1,958
County environment and education	44,626
Roads and transportation	690,874
Governmental services to residents	12,750
Administration	59,834
Total depreciation expense - governmental activities	<u>\$ 873,987</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	\$ 7,585
Special Revenue:		
Mental Health	Services	442,815
Secondary Roads	Services and materials	10,864
Senior Dining	Services	79
		<u>453,758</u>
Total for governmental funds		<u>\$ 461,343</u>
Agency:		
Agricultural Extension Education	Collections and materials	\$ 185,564
County Assessor	Collections and materials	563,138
Schools	Collections	11,115,228
Community Colleges	Collections	803,614
Corporations	Collections	4,632,129
Townships	Collections	256,516
City Special Assessments	Collections	350,898
Auto License and Use Tax	Collections	441,473
Jones County Solid Waste Management Commission	Collections and services	1,260
All other	Collections	228,216
Total for agency funds		<u>\$ 18,578,036</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 expenses of \$80,743 over 25 years. At June 30, 2011, the unamortized prepaid expense balance was \$41,986.

(8) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Capital Lease Purchase Agreements	General Obligation Bonds	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 28,988	162,000	294,734	14,400	500,122
Increases	7,200	-	295,714	20,900	323,814
Decreases	22,286	162,000	289,465	6,800	480,551
Balance end of year	<u>\$ 13,902</u>	<u>-</u>	<u>300,983</u>	<u>28,500</u>	<u>343,385</u>
Due within one year	<u>\$ 4,469</u>	<u>-</u>	<u>136,814</u>	<u>-</u>	<u>141,283</u>

Capital Lease Purchase Agreements

The County entered into capital lease purchase agreements for mowers in May 2009 and May 2011 with historical costs of \$11,003 and \$12,972.

The following is a schedule of the future minimum lease payments, including interest at rates ranging from 0.00% to 7.50% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2011:

Year Ending June 30,	Amount
2012	\$ 4,989
2013	4,989
2014	4,989
Total minimum lease payments	14,967
Less amount representing interest	(1,065)
Present value of net minimum lease payments	\$ 13,902

Payments under capital lease purchase agreements totaled \$23,372 for the year ended June 30, 2011.

General Obligation 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. On May 31, 2011, the remaining \$162,000 of bonds were redeemed.

(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 4.50% of their annual covered salary and the County is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$322,587, \$296,257 and \$282,350, 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 \$40,000. 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, 2011 was \$1,303,714.

Amounts payable from the Employee Group Health Fund at June 30, 2011 total \$220,214, 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 \$303,613 at June 30, 2011 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	\$	57,611
Incurred claims (including claims incurred but not reported at June 30, 2011)		1,500,947
Payment on claims during the fiscal year		<u>(1,338,344)</u>
Unpaid claims end of year	\$	<u><u>220,214</u></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 bi-weekly. 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 amounts deposited and transferred during fiscal years 2009 and 2010 were \$4,000 and \$5,100, respectively. There was no amount deposited and transferred during fiscal year 2011.

(13) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 100 active and no retired members in the plan. Retired participants must be age 55 or older at retirement, except retired sheriffs or deputies may be age 50 or older if the sheriff or deputy has 22 years of service or more.

The medical/prescription drug benefits, which is a partially self-funded medical plan, is administered by Auxiant. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County’s annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$ 21,200
Interest on net OPEB obligation	600
Adjustment to annual required contribution	<u>(900)</u>
Annual OPEB cost	20,900
Contributions made	<u>(6,800)</u>
Increase in net OPEB obligation	14,100
Net OPEB obligation beginning of year	<u>14,400</u>
Net OPEB obligation end of year	<u>\$ 28,500</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the County contributed \$6,800 to the medical plan. There were no plan members who were eligible for benefits during fiscal year 2011.

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 21,200	32.1%	\$ 14,400
2011	20,900	32.5	28,500

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2011, the actuarial accrued liability was \$163,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$163,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,775,000 and the ratio of the UAAL to covered payroll was 4.3%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP 2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$911 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(14) Jointly Governed Organization

Jones County participates in the Jones County Solid Waste Management Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Agency Funds because of the County's fiduciary relationship with the organization. The following condensed financial statements are for the year ended June 30, 2011:

Condensed Statement of Net Assets	
Assets	
Current assets:	
Cash and investments	\$ 1,133,656
Receivables:	
Accounts and other	66,588
Due from other governments	16,331
Prepaid items	9,322
Total current assets	<u>1,225,897</u>
Noncurrent assets:	
Restricted certificates of deposit	1,377,289
Capital assets (net of accumulated depreciation)	768,070
Total noncurrent assets	<u>2,145,359</u>
Total assets	<u>3,371,256</u>
Liabilities	
Current liabilities:	
Accounts payable	58,500
Salaries and benefits payable	8,563
Due to other governments	1,260
Compensated absences payable	9,805
Total current liabilities	<u>78,128</u>
Non-current liabilities:	
Estimated liability for landfill closure and postclosure care	<u>1,013,729</u>
Total liabilities	<u>1,091,857</u>
Net assets	
Invested in capital assets	768,070
Restricted for closure and postclosure care	363,560
Unrestricted	<u>1,147,769</u>
Total net assets	<u>\$ 2,279,399</u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets

Operating additions:	
Assessments	\$ 91,822
Gate fees	523,865
Other operating revenues	12,206
Total operating revenues	627,893
Operating deductions:	
Salaries and benefits	155,356
Solid waste hauling and disposal	424,948
Other operating expenses	171,845
Total operating expenses	752,149
Operating loss	(124,256)
Non-operating revenues:	
Interest income	56,570
Change in net assets	(67,686)
Net assets beginning of year	2,347,085
Net assets end of year	\$ 2,279,399

Condensed Statement of Cash Flows

Net cash used for operating activities	\$ (83,391)
Net cash used for financing activities	(50,057)
Net cash provided by investing activities	114,957
Net decrease in cash and cash equivalents	(18,491)
Cash and cash equivalents beginning of year	135,699
Cash and cash equivalents end of year	\$ 117,208
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (124,256)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	43,117
Closure and postclosure care	(13,765)
Other changes in assets and liabilities	11,513
Total adjustments	40,865
Net cash used for operating activities	\$ (83,391)

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Commission have been estimated at \$998,720 for closure as of June 30, 2011, and the portion of the liability that has been recognized is \$998,720. During the year ended June 30, 2009, the Commission stopped accepting waste at the landfill and began transferring waste to Milan, Illinois.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2011, assets of \$1,360,801 are restricted for these purposes. They are reported as restricted certificates of deposit in condensed Statement of Net Assets.

The total closure costs for the Commission's transfer station have been estimated at \$15,009 as of June 30, 2011 and the portion of the liability that has been recognized is \$15,009. The Commission has begun accumulating resources to fund these costs and, at June 30, 2011, assets of \$16,488 are restricted for these purposes. They are reported as restricted certificates of deposit in the condensed Statement of Net Assets.

(15) Accounting Changes/Restatements

On July 1, 2010, Jones County assumed the financial reporting responsibility for the Jones County Solid Waste Management Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The effect of including the transactions of this organization in the County's financial statements as part of the Agency Funds is as follows:

	Agency Fund Asset and Liability Balances
Balances June 30, 2010, as previously reported	\$ 17,924,351
Adjustment to report Jones County Solid Waste Management Commission assets and liabilities	3,449,153
Balance July 1, 2010, as restated	<u>\$ 21,373,504</u>

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Special Revenue		
	General	Conservation Land Acquisition	Jail Commissary
Balances June 30, 2010, as previously reported	\$ 1,439,120	14,711	3,752
Change in fund type classification per implementation of GASB Statement No. 54	18,463	(14,711)	(3,752)
Balances July 1, 2010, as restated	<u>\$ 1,457,583</u>	-	-

(16) Subsequent Event

On September 23, 2011, Jones County sold the Edinburgh Care Facility and lagoon to Q Farm Land Trust.

Jones County

Required Supplementary Information

Jones County

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

Required Supplementary Information

Year ended June 30, 2011

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts:				
Property and other county tax	\$ 6,609,063	6,572,103	6,616,045	(6,982)
Interest and penalty on property tax	43,345	41,000	41,700	1,645
Intergovernmental	6,209,143	6,221,047	6,429,618	(220,475)
Licenses and permits	64,078	68,641	68,317	(4,239)
Charges for service	573,888	504,555	554,309	19,579
Use of money and property	215,991	226,080	225,655	(9,664)
Miscellaneous	425,571	263,605	389,024	36,547
Total receipts	<u>14,141,079</u>	<u>13,897,031</u>	<u>14,324,668</u>	<u>(183,589)</u>
Disbursements:				
Public safety and legal services	2,156,392	2,133,408	2,189,986	33,594
Physical health and social services	746,654	831,163	847,529	100,875
Mental health	2,197,543	2,746,599	2,457,267	259,724
County environment and education	939,288	754,016	1,017,832	78,544
Roads and transportation	5,491,718	5,560,840	5,476,740	(14,978)
Governmental services to residents	539,799	578,586	551,958	12,159
Administration	1,358,826	1,372,055	1,411,720	52,894
Non-program	84,035	118,645	87,241	3,206
Debt service	167,265	36,524	185,907	18,642
Capital projects	108,367	1,225,000	199,800	91,433
Total disbursements	<u>13,789,887</u>	<u>15,356,836</u>	<u>14,425,980</u>	<u>636,093</u>
Excess (deficiency) of receipts over (under) disbursements	351,192	(1,459,805)	(101,312)	452,504
Other financing sources, net	11,749	1,300	60,300	(48,551)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	362,941	(1,458,505)	(41,012)	403,953
Balance beginning of year	4,679,076	1,874,890	3,546,510	1,132,566
Balance end of year	<u>\$ 5,042,017</u>	<u>416,385</u>	<u>3,505,498</u>	<u>1,536,519</u>

See accompanying independent auditor's report.

Jones County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 14,141,079	(26,792)	14,114,287
Expenditures	13,789,887	62,904	13,852,791
Net	351,192	(89,696)	261,496
Other financing sources, net	11,749	-	18,949
Beginning fund balances	4,679,076	(461,836)	4,217,240
Ending fund balances	\$ 5,042,017	(551,532)	4,497,685

See accompanying independent auditor's report.

Jones County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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 Funds 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 ten major classes of expenditures known as functions, not by fund. These ten 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, two budget amendments decreased budgeted disbursements by \$930,856. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the roads and transportation function.

Jones County

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 163	163	0.00%	3,767	4.3%
2011	July 1, 2009	-	163	163	0.00	3,775	4.3

See Note 13 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Jones County

Other Supplementary Information

Jones County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2011

	Special Revenue		
	County Recorder's Records Management	Senior Dining	Law Enforcement Canine
Assets			
Cash and pooled investments	\$ 9,402	25,889	1,991
Accounts receivable	-	-	5,869
Due from other governments	-	25,470	-
Total assets	\$ 9,402	51,359	7,860
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	9,347	-
Salaries and benefits payable	-	9,050	-
Due to other funds	-	3,807	-
Due to other governments	-	79	-
Deferred revenue	-	152	5,869
Total liabilities	-	22,435	5,869
Fund balances:			
Restricted for other purposes	9,402	28,924	1,991
Total liabilities and fund balances	\$ 9,402	51,359	7,860

See accompanying independent auditor's report.

Resource Enhancement and Protection	Debt Service	Total
41,304	-	78,586
-	-	5,869
-	-	25,470
41,304	-	109,925
-	-	9,347
-	-	9,050
-	-	3,807
-	-	79
-	-	6,021
-	-	28,304
41,304	-	81,621
41,304	-	109,925

Jones County

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

Year ended June 30, 2011

	Special Revenue		
	County Recorder's Records Management	Senior Dining	Law Enforcement Canine
Revenues:			
Intergovernmental	\$ -	156,260	-
Charges for service	4,101	-	-
Use of money and property	47	-	-
Miscellaneous	-	153,081	6,618
Total revenues	<u>4,148</u>	<u>309,341</u>	<u>6,618</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	7,012
Physical health and social services	-	303,912	-
County environment and education	-	-	-
Governmental services to residents	4,148	-	-
Debt service	-	-	-
Total expenditures	<u>4,148</u>	<u>303,912</u>	<u>7,012</u>
Excess (deficiency) of revenues over (under) expenditures	-	5,429	(394)
Other financing sources:			
Operating transfers in	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	-	5,429	(394)
Fund balances beginning of year	<u>9,402</u>	<u>23,495</u>	<u>2,385</u>
Fund balances end of year	<u>\$ 9,402</u>	<u>28,924</u>	<u>1,991</u>

See accompanying independent auditor's report.

Resource Enhancement and Protection	Debt Service	Total
15,698	-	171,958
-	-	4,101
387	-	434
-	-	159,699
16,085	-	336,192
-	-	7,012
-	-	303,912
34,885	-	34,885
-	-	4,148
-	167,265	167,265
34,885	167,265	517,222
(18,800)	(167,265)	(181,030)
-	166,957	166,957
(18,800)	(308)	(14,073)
60,104	308	95,694
41,304	-	81,621

Schedule 3

Jones County
Combining Schedule of Net Assets
Internal Service Funds

June 30, 2011

	Employee Group Health	Flexible Benefits Plan	Total
Assets			
Cash and cash equivalents	\$ 505,181	2,868	508,049
Receivables:			
Accounts	18,554	-	18,554
Accrued interest	92	-	92
Total assets	523,827	2,868	526,695
Liabilities			
Accounts payable	220,214	-	220,214
Net Assets			
Unrestricted	\$ 303,613	2,868	306,481

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, 2011

	Employee Group Health	Flexible Benefits Plan	Total
Operating revenues:			
Reimbursements from operating funds	\$ 1,303,714	-	1,303,714
Contributions from employees	147,237	61,651	208,888
Insurance reimbursements	53,276	-	53,276
Total operating revenues	1,504,227	61,651	1,565,878
Operating expenses:			
Medical claims	1,338,344	59,070	1,397,414
Insurance premiums	356,532	-	356,532
Administrative fees	49,450	-	49,450
Miscellaneous	17,247	-	17,247
Total operating expenses	1,761,573	59,070	1,820,643
Operating income (loss)	(257,346)	2,581	(254,765)
Non-operating revenues:			
Interest income	4,614	-	4,614
Change in net assets	(252,732)	2,581	(250,151)
Net assets beginning of year	556,345	287	556,632
Net assets end of year	\$ 303,613	2,868	306,481

See accompanying independent auditor's report.

Schedule 5

Jones County

Combining Statement of Cash Flows
Internal Service Funds

Year ended June 30, 2011

	Employee Group Health	Flexible Benefits Plan	Total
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ 1,303,714	-	1,303,714
Cash received from employees and others	201,773	61,651	263,424
Cash paid to employees for reimbursements	-	(59,070)	(59,070)
Cash paid to suppliers for services	(1,598,970)	-	(1,598,970)
Net cash provided (used) by operating activities	(93,483)	2,581	(90,902)
Cash flows from investing activities:			
Interest on investments	4,581	-	4,581
Net increase (decrease) in cash and cash equivalents	(88,902)	2,581	(86,321)
Cash and cash equivalents beginning of year	594,083	287	594,370
Cash and cash equivalents end of year	\$ 505,181	2,868	508,049
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (257,346)	2,581	(254,765)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Increase in accounts receivable	1,260	-	1,260
Increase in accounts payable	162,603	-	162,603
Net cash provided (used) by operating activities	\$ (93,483)	2,581	(90,902)

See accompanying independent auditor's report.

Jones County

Jones County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,368	224,243	151,331	9,766
Other County officials	1,641	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	196	402	11,897	848
Succeeding year	-	183,000	375,000	10,952,000	793,000
Accounts	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	-	-	-	-
Capital assets (net of accumulated depreciation)	-	-	-	-	-
Total assets	\$ 1,641	185,564	599,645	11,115,228	803,614
Liabilities					
Accounts payable	\$ -	-	152	-	-
Salaries and benefits payable	-	-	14,780	-	-
Due to other governments	-	185,564	563,138	11,115,228	803,614
Trusts payable	1,641	-	-	-	-
Compensated absences	-	-	21,575	-	-
Deferred revenue	-	-	-	-	-
Estimated liability for landfill closure and posclosure care	-	-	-	-	-
Total liabilities	\$ 1,641	185,564	599,645	11,115,228	803,614

See accompanying independent auditor's report.

Corporations	Townships	City Special Aesements	Auto License and Use Tax	Solid Waste Management Commission	Other	Total
46,749	3,278	4,071	441,473	2,510,945	194,860	3,589,084
-	-	-	-	-	-	1,641
6,380	238	-	-	-	29	19,990
4,579,000	253,000	-	-	-	25,000	17,160,000
-	-	-	-	66,588	18,898	85,486
-	-	346,827	-	-	-	346,827
-	-	-	-	16,331	27,712	44,043
-	-	-	-	9,322	-	9,322
-	-	-	-	768,070	-	768,070
4,632,129	256,516	350,898	441,473	3,371,256	266,499	22,024,463
-	-	-	-	58,500	8,011	66,663
-	-	-	-	8,563	6,111	29,454
4,632,129	256,516	350,898	441,473	1,260	228,216	18,578,036
-	-	-	-	2,279,399	-	2,281,040
-	-	-	-	9,805	3,787	35,167
-	-	-	-	-	20,374	20,374
-	-	-	-	1,013,729	-	1,013,729
4,632,129	256,516	350,898	441,473	3,371,256	266,499	22,024,463

Jones County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2011

Assets and Liabilities	County	Agricultural	County		Community
	Offices	Extension Education	Assessor	Schools	Colleges
Balances beginning of year, as restated	\$ 1,108	172,251	531,843	10,724,319	713,796
Additions:					
Property and other county tax	-	182,421	374,649	10,938,714	792,584
E911 surcharges	-	-	-	-	-
State tax credits	-	7,982	15,765	503,840	32,989
Office fees and collections	409,325	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	111,704	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	521,029	190,403	390,414	11,442,554	825,573
Deductions:					
Agency remittances:					
To other funds	227,123	-	-	-	-
To other governments	180,259	177,090	322,612	11,051,645	735,755
Trusts paid out	113,114	-	-	-	-
Total deductions	520,496	177,090	322,612	11,051,645	735,755
Balances end of year	\$ 1,641	185,564	599,645	11,115,228	803,614

See accompanying independent auditor's report.

Corpora- tions	Townships	City Special Assess- ments	Auto License and Use Tax	Solid Waste Management Commission	Other	Total
4,467,725	250,311	446,431	403,868	3,449,153	212,699	21,373,504
4,613,894	251,495	-	-	-	24,181	17,177,938
-	-	-	-	-	88,121	88,121
170,062	11,364	-	-	-	1,421	743,423
-	-	-	-	-	-	409,325
-	-	-	5,229,676	-	227	5,229,903
-	-	(2,330)	-	-	-	(2,330)
-	-	-	-	-	-	111,704
-	-	-	-	684,463	310,390	994,853
4,783,956	262,859	(2,330)	5,229,676	684,463	424,340	24,752,937
-	-	-	209,180	-	-	436,303
4,619,552	256,654	93,203	4,982,891	762,360	370,540	23,552,561
-	-	-	-	-	-	113,114
4,619,552	256,654	93,203	5,192,071	762,360	370,540	24,101,978
4,632,129	256,516	350,898	441,473	3,371,256	266,499	22,024,463

Jones County

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

For the Last Ten Years

	2011	2010	2009	2008
Revenues:				
Property and other county tax	\$ 5,823,796	5,560,528	5,142,689	5,039,929
Local option sales tax	817,836	763,075	753,271	745,100
Interest and penalty on property tax	43,251	45,386	40,303	51,273
Intergovernmental	6,152,216	7,294,072	6,663,391	5,459,916
Licenses and permits	63,011	64,694	58,847	63,133
Charges for service	569,839	539,851	553,916	529,861
Use of money and property	216,425	255,423	257,293	370,789
Miscellaneous	427,913	372,901	445,307	355,767
Total	\$ 14,114,287	14,895,930	13,915,017	12,615,768
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,134,638	2,067,063	2,093,055	1,926,539
Physical health and social services	758,680	766,459	690,390	649,771
Mental health	2,341,471	2,125,968	2,357,861	2,405,752
County environment and education	931,242	1,708,968	951,581	843,139
Roads and transportation	5,534,155	4,925,870	5,013,318	5,181,336
Governmental services to residents	540,325	570,903	551,949	516,672
Administration	1,359,275	1,593,790	1,364,766	1,168,905
Non-program	34,171	82,726	135,130	100,033
Debt service	167,265	60,902	29,243	41,126
Capital projects	44,369	1,460,545	815,014	1,036,367
Total	\$ 13,845,591	15,363,194	14,002,307	13,869,640

See accompanying independent auditor's report.

Modified Accrual Basis					
2007	2006	2005	2004	2003	2002
4,944,551	4,610,837	4,456,444	4,328,573	4,233,483	4,008,666
692,459	606,518	680,333	615,568	603,405	526,171
40,526	38,376	41,809	43,800	41,833	41,304
6,130,056	5,815,503	6,384,409	4,836,462	5,734,114	5,496,228
57,254	72,345	59,517	46,118	40,199	42,091
488,122	513,186	505,718	513,303	488,311	425,337
397,223	331,045	226,899	154,548	233,775	224,710
259,011	279,683	276,380	371,759	215,666	59,156
13,009,202	12,267,493	12,631,509	10,910,131	11,590,786	10,823,663
1,882,227	1,805,964	1,713,155	1,636,654	1,587,393	1,490,438
729,577	698,613	605,430	767,276	655,087	417,424
2,358,418	2,226,362	2,127,455	2,168,835	2,157,138	2,156,418
966,643	1,184,737	554,528	571,865	524,010	583,125
4,289,198	4,013,501	4,355,370	4,427,394	4,202,859	3,519,321
495,762	619,332	448,029	385,668	339,057	337,641
1,153,525	1,270,527	1,202,306	959,960	958,153	974,493
73,670	109,192	38,133	35,667	224,953	30,238
5,618	-	-	-	-	-
794,653	1,278,659	1,994,791	385,766	408,995	366,079
12,749,291	13,206,887	13,039,197	11,339,085	11,057,645	9,875,177

Jones County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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

To the Officials of Jones County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jones County, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 27, 2012. 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

Management of Jones County is responsible for establishing and maintaining effective 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (B) and (C) to be significant deficiencies.

Compliance and Other Matters

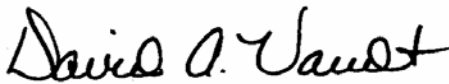
As part of obtaining reasonable assurance about whether Jones County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2011 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.

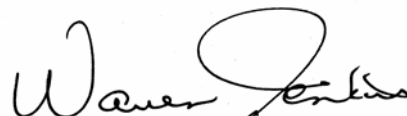
Jones County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Jones County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Jones County and other parties to whom Jones County may report and 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 27, 2012

Jones County

Schedule of Findings

Year ended June 30, 2011

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

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

County Extension Office – Generally, one or two individuals in the County Extension Office may have control over collecting, depositing and reconciling receipts. Bank reconciliations are not prepared by an independent person.

Transfer Station – Generally, one individual has control over account billings and collections.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Current personnel, including elected officials, should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review.

Responses –

County Extension Office – Action was taken that would help to rectify the situation when the Extension Council hired additional office staff to assist the Administrative Assistant with separation of duties in regard to these financial responsibilities. We will continue to transfer responsibilities and utilize the additional staff in an attempt to provide additional control in reviewing financial transactions.

Transfer Station – We will review our operating procedures to obtain the maximum internal control possible. Accounts receivable reconciliation is presented monthly and approved at the Commission meetings.

Conclusions – Responses accepted.

- (B) 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.

Jones County

Schedule of Findings

Year ended June 30, 2011

Response – The County has been working with Department Heads and other key personal over the course of the last two years 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. The County will continue to work on development of the plan until it addresses the anticipated needs of the County.

Conclusion – Response accepted.

- (C) Related Party Note Receivable – The Jones County Solid Waste Commission conducts business with Edwards Sanitation, an entity owned by an employee of the Commission. Edwards Sanitation collects solid waste in the City of Anamosa and other areas and hauls it to the transfer station. The Commission's customary practice is to accept the solid waste and bill the haulers for it. In January 2009, the Commission and Edwards Sanitation entered into a promissory note for past due receivables of \$16,322. The promissory note required monthly payments of \$7,500, with the payments to first be applied to the hauling fees incurred during the month, then to interest and finally to outstanding principal. As of December 1, 2009, Edwards Sanitation was required to make payment for all loads taken to the landfill when the load was delivered. At June 30, 2011, Edwards Sanitation had an outstanding balance of \$8,574.51.

The promissory note requires an interest rate of 5% annually to be charged on the remaining note. If payments are not made timely, the interest rate would be increased to 10% annually. Any additional outstanding gate charges incurred after the inception of the promissory note should have been charged interest of 1.5% monthly, or 18% annually. However, the Commission only charged interest on the additional outstanding gate charges at a rate of either 5% or 10% annually and did not charge interest in accordance with the Commission's credit policy.

As of November 30, 2011, Edwards Sanitation had an outstanding balance of \$1,237.88.

Recommendation – The Commission should consult legal counsel to enforce the terms of the promissory note to collect the outstanding balance. In addition, the Commission should charge the correct interest as outlined in the both the promissory note and the Commission's credit policy.

Response – We will consult legal counsel on this issue. The outstanding balance has now been paid in full. We have charged the 10% interest outlined in the promissory note.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Jones County

Schedule of Findings

Year ended June 30, 2011

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amount budgeted in the roads and transportation 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 exceeded the roads and transportation function in late June 2011 after the quarterly spread of wages and benefits between the roads and transportation function and the roadway construction function was completed. This was too late in the fiscal year to amend the budget. The County will attempt to have more budgetary authority available in the roads and transportation function to avoid this situation in the future.

Conclusion – Response accepted.

- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – The following business transactions between the County and County officials or employees were noted:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Delbert Loop, husband of county employee Barbara Loop	Rent	\$ 985
Phyllis Dircks, Senior Dining employee, independent contractor	Laundry	415
Kathy Kenney, Senior Dining employee, independent contractor	Laundry	30
Jill Heims, Deputy Assessor owner of Monticello Family Auto Center	Vehicle maintenance	48

In accordance with Chapter 331.342 of the Code of Iowa, the transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the year.

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

Jones County

Schedule of Findings

Year ended June 30, 2011

- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) 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.
- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) 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, 2011 for the County Extension Office did not exceed the amount budgeted.

- (10) Fringe Benefits –We identified the value of clothing which should have been included with wages on the employee’s IRS Form W-2 because the clothing was adaptable to general usage as ordinary clothing.

Recommendation – The County should consult the Internal Revenue Service regarding the disposition of this matter.

Response – The County will immediately begin including the value of work clothes and uniform allowances as a taxable fringe benefit to the applicable employees in compliance with Internal Revenue Service guidelines.

Conclusion – Response accepted.

- (11) Financial Assurance – The Jones County Solid Waste Management Commission has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	<u>\$ 1,013,729</u>
Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2011	<u>\$ 1,377,289</u>

Jones County

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
James R. Wittenwyler, Senior Auditor
Victor L. Kennedy, Staff Auditor
James H. Pitcher, Staff 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