



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

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**NEWS RELEASE**

FOR RELEASE

April 8, 2013

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$24,469,645 for the year ended June 30, 2012, which included \$980,062 in tax credits from the state. The County forwarded \$18,001,004 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$6,468,641 of the local tax revenue to finance County operations, a 6.0% increase over the prior year. Other revenues included charges for service of \$2,210,303, operating grants, contributions and restricted interest of \$4,998,837, capital grants, contributions and restricted interest of \$1,385,488, local option sales tax of \$776,241, unrestricted investment earnings of \$93,527 and other general revenues of \$127,267.

Expenses for County operations totaled \$15,631,427, a 7.3% increase over the prior year. Expenses included \$6,309,328 for roads and transportation, \$2,752,210 for mental health, \$2,249,995 for public safety and legal services and \$2,095,047 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/1210-0053-B00F.pdf>.

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**JONES COUNTY**

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

**JUNE 30, 2012**

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## **Jones County**

### **Officials**

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

## Independent Auditor's Report

To the Officials of Jones County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jones County, Iowa, as of and for the year ended June 30, 2012, 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.

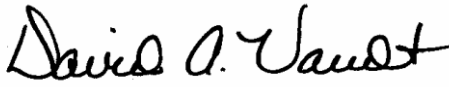
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 15 and 50 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 14, 2013



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Jones County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2012, along with comparative data for the year ended June 30, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### 2012 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 9.0%, or approximately \$1,320,000, from fiscal year 2011 to fiscal year 2012. Property and other county tax increased approximately \$377,000, operating grants, contributions and restricted interest increased approximately \$143,000, capital grants, contributions and restricted interest increased approximately \$667,000 and charges for service increased approximately \$278,000.
- Program expenses of the County's governmental activities increased 7.3%, or approximately \$1,057,000, in fiscal year 2012 compared to fiscal year 2011. Mental health expenses increased approximately \$394,000, or 16.7%, administration expenses increased approximately \$313,000, or 17.6%, roads and transportation expenses increased approximately \$212,000, or 3.5%, county environment and education expenses increased approximately \$134,000, or 18.4%, public safety and legal services expenses increased approximately \$27,000, or 1.2%, and physical health and social services expenses decreased approximately \$64,000, or 8.3%, with minor decreases for non-program and interest on long-term debt.
- The County's net assets increased less than 2%, or approximately \$429,000, from June 30, 2011 to June 30, 2012, primarily due to spending being held less than available revenues and an increase in property tax revenue.
- Jones County experienced a moderate increase (4.3%) in taxable valuation for fiscal year 2012 (1-1-10 assessment). Jones County increased property tax rates for fiscal year 2012 an average of 1.6%, yet generated a 6.5% increase in tax dollars for County operations. The County increased the general property tax levy rate \$0.18421 to \$5.15167 per \$1,000 of taxable valuation. The mental health property tax levy rate was decreased \$0.04456 per \$1,000 of taxable valuation to maintain a frozen level of property tax support of \$883,021, less \$7,753 in additional (anticipated) state appropriations for property tax relief. The rural services property tax levy rate remained at \$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 Special Revenue, Rural Services Fund.

### 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.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Internal Service and 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 and 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads. 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

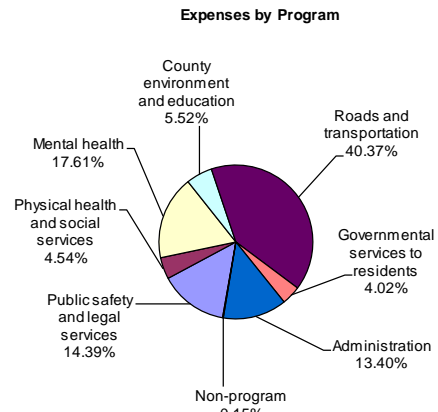
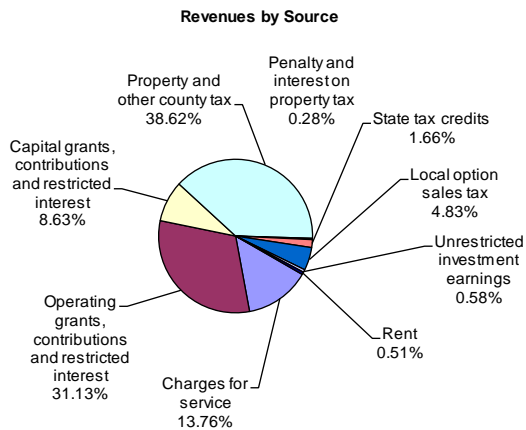
As noted earlier, net assets may serve over time as a useful indicator of financial position. Jones County's combined net assets increased less than 2% over a year ago, increasing from approximately \$22.4 million to approximately \$22.8 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

Net Assets of Governmental Activities		
	June 30,	
	2012	2011
Current and other assets	\$ 12,850,540	13,031,244
Capital assets	18,637,149	17,730,441
Total assets	<u>31,487,689</u>	<u>30,761,685</u>
Long-term liabilities	357,485	343,385
Other liabilities	8,308,791	8,025,764
Total liabilities	<u>8,666,276</u>	<u>8,369,149</u>
Net assets:		
Invested in capital assets, net of related debt	18,619,369	17,716,539
Restricted	3,268,880	3,166,770
Unrestricted	933,164	1,509,227
Total net assets	<u>\$ 22,821,413</u>	<u>22,392,536</u>

Net assets of Jones County's governmental activities increased \$428,877 (\$22,392,536 compared to \$22,821,413). 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 \$933,164 at June 30, 2012. (Source: Exhibit A)

**Changes in Net Assets of Governmental Activities**

	Year ended June 30,	
	2012	2011
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 2,210,303	1,932,776
Operating grants, contributions and restricted interest	4,998,837	4,856,281
Capital grants, contributions and restricted interest	1,385,488	718,348
<b>General revenues:</b>		
Property and other county tax	6,201,612	5,824,579
Penalty and interest on property tax	45,476	43,691
State tax credits	267,029	275,783
Local option sales tax	776,241	817,836
Unrestricted investment earnings	93,527	135,876
Gain on disposition of capital assets	-	54,861
Rent	81,791	80,674
<b>Total revenues</b>	<b>16,060,304</b>	<b>14,740,705</b>
<b>Program expenses:</b>		
Public safety and legal services	2,249,995	2,223,138
Physical health and social services	709,393	773,442
Mental health	2,752,210	2,358,006
County environment and education	862,153	728,161
Roads and transportation	6,309,328	6,096,849
Governmental services to residents	629,087	572,161
Administration	2,095,047	1,781,619
Non-program	24,214	35,908
Interest on long-term debt	-	5,265
<b>Total expenses</b>	<b>15,631,427</b>	<b>14,574,549</b>
<b>Increase in net assets</b>	<b>428,877</b>	<b>166,156</b>
<b>Net assets beginning of year</b>	<b>22,392,536</b>	<b>22,226,380</b>
<b>Net assets end of year</b>	<b>\$ 22,821,413</b>	<b>22,392,536</b>



## INDIVIDUAL MAJOR FUND ANALYSIS

As Jones County completed the year, its governmental funds reported a combined fund balance of approximately \$4.1 million, a decrease of approximately \$372,000 from last year's total of approximately \$4.5 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 2012 with a fund balance of \$1,266,695. This was a decrease from fiscal year 2011 of \$198,094. Expenditures increased \$874,675 while revenues increased \$485,901. The two most significant expenditure increases were in the county environment and education function and the administration function. The county environment and education function increase is due to the purchase of land for the Central Park Lake Restoration Project and the North Bluff Hamilton Prairie Project. The administration function increase from fiscal 2011 reflects the Court Area Renovations. Intergovernmental revenues increased \$188,006, primarily due to grant revenues received for the purchase of the land above. Property and other county tax increased \$319,937 due to a property tax increase.

The Special Revenue, Mental Health Fund ended fiscal year 2012 with a fund balance of \$673,770. The balance decreased \$119,552 from June 30, 2011. Expenditures increased 17.4%, or \$406,413, from fiscal year 2011 and revenues increased 3.4%, or \$87,509. 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. There were no mental health clients placed on a waiting list for services in fiscal year 2012. The 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 2012 with a balance of \$229,170, or \$10,022 lower than the June 30, 2011 balance of \$239,192. Property and other county tax increased \$53,328, or 4.2%, due to a taxable property valuation increase of about \$20.5 million for the rural levy. 67.5% (or \$36,000) 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 \$1,405,000 to \$1,441,000.

The Special Revenue, Secondary Roads Fund ended fiscal year 2012 with a balance of \$1,897,378, a decrease of \$21,383 from the June 30, 2011 balance of \$1,918,761. Of the ending balance, \$1,168,339 is unspent local option sales tax designated for future road and bridge projects, per voter approval in 1999, and \$534,947 is the value of materials held in inventory and prepaid expenses at June 30, 2012. The restricted balance within the Secondary Roads Fund reflects a positive balance of \$194,092 on a GAAP basis. Roads and transportation expenses increased \$771,304, or 14.7%. The County significantly increased its locally funded road construction activities in fiscal year 2012 (\$888,496 compared to \$44,369 in fiscal year 2011), primarily due to the completion of a road repaving project and a bridge replacement project. Revenues for the Secondary Roads Fund for fiscal year 2012 reflect an increase from fiscal year 2011 of \$581,861, primarily in intergovernmental revenues related to road and bridge construction projects. An additional \$36,000 was transferred from the Rural Services Fund as compared to \$1,405,000 in fiscal year 2011 and \$65,000 was transferred from the General Fund, bringing the total funds transferred to \$1,506,000. 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 2012, Jones County amended its budget three times.

The first amendment was made on December 27, 2011 and resulted in changes to intergovernmental and miscellaneous receipts. Budgeted disbursements were increased \$251,326 and receipts were increased \$265,724. The receipts increase was due to expected grant reimbursements for conservation projects and the disbursement increase was due to various conservation projects, including the acquisition of additional property for the North Bluff Hamilton Prairie Project and improvements to the Hale Wildlife Area, Nature Center and the Central Park Lake study.

The second amendment was made on May 1, 2012 and resulted in changes to budgeted appropriations for every disbursement function and receipt category. The net total increase in receipts was \$82,978, with changes in each receipts category. The net total change in budgeted disbursements was a decrease of \$1,898,977. Of significance was a \$1,736,000 decrease in budgeted capital projects disbursements due to a decrease in road and bridge construction projects and a \$942,206 decrease in budgeted roads and transportation disbursements for fewer equipment purchases and various road maintenance disbursements. The budget amendment also provided for a \$31,552 decrease in budgeted debt service disbursements for Edinburgh Manor wastewater lagoon loan payments budgeted for fiscal year 2012 but made in the previous fiscal year. Significant increases included \$419,323 for county environment and education disbursements, primarily due to the acquisition of property adjacent to Central Park and mostly reimbursed by funding from the Iowa Department of Natural Resources and \$301,940 for mental health disbursements due to services and a possible rebate to the State of Iowa to access additional funding. Various other less significant changes in disbursements resulted in a net increase of \$89,518 in the other five expenditure functions. Nearly all departments reflected some level of change in spending authority and/or revenue adjustments with this budget amendment.

The third amendment was made on May 29, 2012 and resulted in increases of \$367,790 to budgeted roads and transportation disbursements due to general roadway maintenance and increases of \$452,622 to budgeted capital projects disbursements due to a bridge project and right away acquisitions for other projects.

The following should be noted when comparing the County's cash basis final amended budget to the cash basis operating statement:

The County's actual receipts were \$369,664 higher than the final amended budget, a variance of 2.5%. The most significant variance resulted from the County receiving more intergovernmental receipts than expected.

Total disbursements were \$962,193 less than the final amended budget, a 5.8% variance. Actual disbursements for the public safety and legal services, physical health and education, mental health, county environment and education, roads and transportation, governmental services to residents and administration functions were all within 10% or less of the final amended budget. Disbursements for the nonprogram function were \$111,976, or 74.81% below budget, primarily due to a community development grant project not starting as soon as anticipated. Disbursements for capital projects were 31.54% below budget due to a lack of funding for planned road construction projects.

Source: Required Supplementary Information schedule

Jones County budgets on a cash basis. The County exceeded its appropriations budget for Substance Abuse Services prior to the second amendment. Additionally, disbursements exceeded the appropriated budget for Historic Preservation/Tourism at June 30, 2012. 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, 2012, Jones County had \$18,637,149 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 \$906,708, or 5.1%, over last year, primarily from conservation and secondary road department projects.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2012	2011
Land	\$ 2,327,014	1,713,155
Construction in progress	246,041	156,910
Buildings	1,806,205	1,723,231
Improvements other than buildings	193,064	416,612
Equipment and vehicles	2,027,650	2,312,839
Infrastructure	12,037,175	11,407,694
<b>Total</b>	<b>\$ 18,637,149</b>	<b>17,730,441</b>
This year's major additions included:		
Central Park Lake Restoration		\$ 404,616
Court Area Renovation		360,319
North Bluff Hill Prairie Land		190,210
<b>Total</b>		<b>\$ 955,145</b>

The County had depreciation expense of \$921,333 in fiscal year 2012 and total accumulated depreciation of \$8,123,878 at June 30, 2012.

The County budgets roadway construction costs in the capital projects function. Historically, Jones County 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.

Nearly all of the County's conservation recreational area improvements and property acquisitions were reimbursed with grants and donations.

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

### Long-Term Debt

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

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2012	2011
Capital lease purchase agreements	\$ 17,780	13,902

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 2013 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 2013 budget increased 2.7%. By class of property, the County's agricultural valuation increased 2%, commercial valuation decreased 1%, industrial valuation decreased 2% and residential valuation rose 6%. New residential construction in Jones County increased during 2010 for the January 1, 2011 assessment, to become taxable in fiscal 2013. Jones County's agricultural land values comprise 33% of Jones County's taxable valuation for fiscal year 2013, while residential values comprise 37% of the total.

The fiscal year 2013 General Fund budget reflects a tax increase of \$553,802 and was projected to produce an uncommitted fund balance on June 30, 2013 of 17.11% of total general operating disbursements (total fund balance of 19% of total disbursements). The tax increase represents \$114,116 generated by applying the fiscal year 2012 tax levy rate to the new valuation, increasing the general supplemental levy rate by 37.622 cents per \$1,000 of taxable valuation to generate an additional \$314,686, then further increasing the general basic tax rate by 14.944 cents above the \$3.50 maximum for unusual needs pursuant to Iowa Code section 331.426 to generate an additional \$125,000. The total General Fund fiscal year 2013 budgeted disbursements were \$145,895 less than the fiscal 2012 original budget. While there were projected increases in various service and supply items, those increases were offset by reduction in disbursements which are primarily a result of a \$113,000 decrease in major capital improvements disbursements and a \$79,733 decrease in wages and benefits, mostly due to a change in the employee health insurance program and moving the salary and benefits of the Land Use Administrator to the Rural Services Fund. The collective bargaining agreement, covering wages to be paid in fiscal year 2013, calls for a 2.3% wage increase for employees in the bargaining unit. 2% to 5% wage increases were 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 receipts were projected to decrease \$190,000, primarily due to a decrease in grants and investment income. When adopting the \$125,000 unusual needs tax levy, the Board was hopeful this would be a one-time occurrence to help increase the fund balance and the general basic levy could be dropped back down to \$3.50 in future budget years.

The fiscal year 2013 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 2013 reflects a tax increase of \$120,105. The tax increase represents the amount generated by applying the prior year's (fiscal year 2012) tax levy rate to the new valuation and further increasing the levy by \$83,000 (tax levy rate increase of \$.14125/\$1,000 of taxable valuation). \$36,000 of the new tax funds were used to increase the tax support for the Secondary Roads Fund, while \$33,000 was used to fund the move of Land Use (rural zoning) disbursements to the Rural Services Fund from the General Fund.

The Secondary Roads Fund budget for fiscal year 2013 reflects a decrease of \$5,000 in road maintenance expenses to \$5,673,000, as well as a decrease in the roadway construction budget from the originally budgeted fiscal year 2012 level of \$2,400,000 down to \$1,660,000 in fiscal year 2013. Due to the dwindling balance in the Secondary Roads Fund, locally funded construction projects are either being curtailed or the source of funding changed to the Farm to Market fund held by the State of Iowa. The balance in the fund was projected to decrease



substantially (\$1,573,214) from the re-estimated fiscal year 2012 balance due to the construction program and an active general roadway operations program. 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, 2012

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash, pooled investments and cash equivalents	\$ 4,670,471
Receivables:	
Property tax:	
Delinquent	6,739
Succeeding year	6,818,000
Interest and penalty on property tax	13,205
Accounts	119,310
Due from other governments	687,868
Inventories	496,190
Prepaid expenses	38,757
Capital assets, net of accumulated depreciation	<u>18,637,149</u>
<b>Total assets</b>	<u>31,487,689</u>
<b>Liabilities</b>	
Accounts payable	876,906
Salaries and benefits payable	198,864
Due to other governments	415,021
Deferred revenue:	
Succeeding year property tax	6,818,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	5,127
Compensated absences	140,895
Portion due or payable after one year:	
Capital lease purchase agreements	12,653
Compensated absences	158,110
Net OPEB liability	<u>40,700</u>
<b>Total liabilities</b>	<u>8,666,276</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	18,619,369
Restricted for:	
Supplemental levy purposes	168,154
Mental health purposes	689,838
Rural services purposes	230,472
Secondary roads purposes	1,772,256
Other purposes	408,160
Unrestricted	<u>933,164</u>
<b>Total net assets</b>	<u>\$ 22,821,413</u>

See notes to financial statements.

Jones County  
Statement of Activities  
Year ended June 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 2,249,995	270,085	15,454	-	(1,964,456)
Physical health and social services	709,393	292,792	157,796	-	(258,805)
Mental health	2,752,210	6,642	1,759,643	-	(985,925)
County environment and education	862,153	78,060	35,166	581,543	(167,384)
Roads and transportation	6,309,328	667,268	3,013,196	803,945	(1,824,919)
Governmental services to residents	629,087	361,294	-	-	(267,793)
Administration	2,095,047	72,084	17,582	-	(2,005,381)
Non-program	24,214	462,078	-	-	437,864
<b>Total</b>	<b>\$ 15,631,427</b>	<b>2,210,303</b>	<b>4,998,837</b>	<b>1,385,488</b>	<b>(7,036,799)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					6,201,612
Penalty and interest on property tax					45,476
State tax credits					267,029
Local option sales tax					776,241
Unrestricted investment earnings					93,527
Rent					81,791
<b>Total general revenues</b>					<b>7,465,676</b>
Change in net assets					428,877
Net assets beginning of year					22,392,536
Net assets end of year					<b>\$ 22,821,413</b>

See notes to financial statements.

Jones County  
Balance Sheet  
Governmental Funds

June 30, 2012

	Special Revenue		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash, pooled investments and cash equivalents	\$ 1,387,670	1,058,254	196,363
Receivables:			
Property tax:			
Delinquent	4,528	842	1,369
Succeeding year	4,533,000	843,000	1,442,000
Interest and penalty on property tax	13,205	-	-
Accounts	12,822	5,761	-
Due from other funds	262	-	-
Due from other governments	80,605	79,635	32,740
Inventories	-	-	-
Prepaid expenditures	-	-	-
<b>Total assets</b>	<b>\$ 6,032,092</b>	<b>1,987,492</b>	<b>1,672,472</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 63,450	78,196	-
Salaries and benefits payable	114,106	11,553	-
Due to other funds	8,004	108	-
Due to other governments	8,908	349,549	-
Deferred revenue:			
Succeeding year property tax	4,533,000	843,000	1,442,000
Other	37,929	31,316	1,302
Total liabilities	4,765,397	1,313,722	1,443,302
Fund balances:			
Nonspendable:			
Inventories	-	-	-
E-911 loan	10,000	-	-
Prepaid expenditures	-	-	-
Restricted for:			
Supplemental levy purposes	176,745	-	-
Mental health purposes	-	673,770	-
Rural services purposes	-	-	229,170
Secondary roads purposes	-	-	-
Conservation land acquisition/capital improvements	21,936	-	-
Other purposes	-	-	-
Committed for:			
County facility capital projects/purposes	149,840	-	-
Voting equipment replacement purposes	20,000	-	-
Unassigned	888,174	-	-
Total fund balances	1,266,695	673,770	229,170
<b>Total liabilities and fund balances</b>	<b>\$ 6,032,092</b>	<b>1,987,492</b>	<b>1,672,472</b>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
1,659,636	51,261	4,353,184
-	-	6,739
-	-	6,818,000
-	-	13,205
67,006	12,481	98,070
8,004	-	8,266
483,461	11,427	687,868
496,190	-	496,190
38,757	-	38,757
<u>2,753,054</u>	<u>75,169</u>	<u>12,520,279</u>
716,727	10,702	869,075
68,658	4,547	198,864
-	154	8,266
56,494	70	415,021
-	-	6,818,000
13,797	1,011	85,355
<u>855,676</u>	<u>16,484</u>	<u>8,394,581</u>
496,190	-	496,190
-	-	10,000
38,757	-	38,757
-	-	176,745
-	-	673,770
-	-	229,170
1,362,431	-	1,362,431
-	-	21,936
-	58,685	58,685
-	-	149,840
-	-	20,000
-	-	888,174
<u>1,897,378</u>	<u>58,685</u>	<u>4,125,698</u>
<u>2,753,054</u>	<u>75,169</u>	<u>12,520,279</u>

**Jones County**



Jones County

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

June 30, 2012

**Total governmental fund balances (page 21)** \$ 4,125,698

***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 \$26,761,027 and the accumulated depreciation is \$8,123,878. 18,637,149

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 85,355

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. 330,696

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. (357,485)

**Net assets of governmental activities (page 18)** \$ 22,821,413

See notes to financial statements.

Jones County

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

Year ended June 30, 2012

	General	Special	
		Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 4,031,389	840,972	1,329,478
Local option sales tax	-	-	194,060
Interest and penalty on property tax	45,878	-	-
Intergovernmental	1,295,717	1,780,718	57,482
Licenses and permits	46,176	-	-
Charges for service	558,912	-	-
Use of money and property	180,098	-	1
Miscellaneous	122,048	6,642	-
<b>Total revenues</b>	<b>6,280,218</b>	<b>2,628,332</b>	<b>1,581,021</b>
<b>Expenditures:</b>			
<b>Operating:</b>			
Public safety and legal services	2,247,816	-	-
Physical health and social services	412,229	-	-
Mental health	-	2,747,884	-
County environment and education	1,232,540	-	145,982
Roads and transportation	352,667	-	-
Governmental services to residents	602,492	-	4,061
Administration	1,586,149	-	-
Non-program	28,885	-	-
Capital projects	-	-	-
<b>Total expenditures</b>	<b>6,462,778</b>	<b>2,747,884</b>	<b>150,043</b>
Excess (deficiency) of revenues over (under) expenditures	(182,560)	(119,552)	1,430,978
<b>Other financing sources (uses):</b>			
Sale of capital assets	44,486	-	-
Capital lease purchase agreement	12,980	-	-
Operating transfers in	-	-	-
Operating transfers out	(73,000)	-	(1,441,000)
<b>Total other financing sources (uses)</b>	<b>(15,534)</b>	<b>-</b>	<b>(1,441,000)</b>
Change in fund balances	(198,094)	(119,552)	(10,022)
Fund balances beginning of year	1,464,789	793,322	239,192
Fund balances end of year	\$ 1,266,695	673,770	229,170

See notes to financial statements.

Revenue		
Secondary Roads	Nonmajor	Total
-	-	6,201,839
582,181	-	776,241
-	-	45,878
3,709,692	140,014	6,983,623
25,232	-	71,408
62	4,268	563,242
-	258	180,357
165,724	155,469	449,883
4,482,891	300,009	15,272,471
-	11,279	2,259,095
-	293,306	705,535
-	-	2,747,884
-	24,814	1,403,336
5,135,878	-	5,488,545
-	1,546	608,099
-	-	1,586,149
-	-	28,885
888,496	-	888,496
6,024,374	330,945	15,716,024
(1,541,483)	(30,936)	(443,553)
14,100	-	58,586
-	-	12,980
1,506,000	8,000	1,514,000
-	-	(1,514,000)
1,520,100	8,000	71,566
(21,383)	(22,936)	(371,987)
1,918,761	81,621	4,497,685
1,897,378	58,685	4,125,698

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, 2012

**Change in fund balances - Total governmental funds (page 25)** \$ (371,987)

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

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

Expenditures for capital assets	\$ 1,641,191	
Capital assets contributed by the Iowa Department of	459,370	
Depreciation expense	<u>(921,333)</u>	1,179,228

In the Statement of Activities, the loss on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial (272,520)

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	(531)	
Other	<u>(115,428)</u>	(115,959)

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 issuances

Issued	(12,980)	
Repaid	<u>9,102</u>	(3,878)

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	1,978	
Other postemployment benefits	<u>(12,200)</u>	(10,222)

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. 24,215

**Change in net assets of governmental activities (page 19 )** \$ 428,877

See notes to financial statements.

Jones County  
Statement of Net Assets  
Proprietary Funds  
June 30, 2012

	<u>Internal Service</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 317,287
Accounts receivable	21,240
<b>Total assets</b>	<u>338,527</u>
<b>Liabilities</b>	
Accounts payable	<u>7,831</u>
<b>Net Assets</b>	
Unrestricted	<u>\$ 330,696</u>

See notes to financial statements.

## Jones County

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

Year ended June 30, 2012

	<u>Internal Service</u>
Operating revenues:	
Reimbursements from operating funds	\$ 1,074,969
Contributions from outside sources	2,788
Contributions from employees	184,799
Insurance reimbursements	201,987
Total operating revenues	<u>1,464,543</u>
Operating expenses:	
Medical claims	1,036,150
Insurance premiums	290,220
Administrative fees	89,410
Miscellaneous	28,002
Total operating expenses	<u>1,443,782</u>
Operating income	20,761
Non-operating revenues:	
Interest income	<u>3,454</u>
Change in net assets	24,215
Net assets beginning of year	<u>306,481</u>
Net assets end of year	<u>\$ 330,696</u>

See notes to financial statements.

Jones County  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2012

	Internal Service
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,074,969
Cash received from employees and others	386,888
Cash paid to employees for reimbursements	(68,766)
Cash paid to suppliers for services	(1,587,399)
Net cash used by operating activities	(194,308)
Cash flows from investing activities:	
Interest on investments	3,546
Net decrease in cash and cash equivalents	(190,762)
Cash and cash equivalents beginning of year	508,049
Cash and cash equivalents end of year	\$ 317,287
<b>Reconciliation of operating income to net cash used by operating activities:</b>	
Operating income	\$ 20,761
Adjustments to reconcile operating income to net cash used by operating activities:	
Decrease in accounts receivable	(2,686)
Decrease in accounts payable	(212,383)
Net cash used by operating activities	\$ (194,308)

See notes to financial statements.

Jones County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2012

**Assets**

Cash, pooled investments and cash equivalents:

County Treasurer	\$ 3,509,442
Other County officials	1,426

Receivables:

Property tax:

Delinquent	16,450
Succeeding year	17,280,000

Accounts	42,999
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Accrued interest	9,695
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Special assessments	279,085
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Due from other governments	63,297
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Prepaid items	1,778
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Capital assets (net of accumulated depreciation)	776,885
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<b>Total assets</b>	<u>21,981,057</u>
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**Liabilities**

Accounts payable	46,059
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Salaries and benefits payable	16,261
-------------------------------	--------

Due to other governments	20,902,560
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Trusts payable	1,426
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Compensated absences	33,837
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Estimated liability for landfill closure and postclosure care	980,914
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<b>Total liabilities</b>	<u>21,981,057</u>
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<b>Net assets</b>	<u>\$ -</u>
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See notes to financial statements.



Jones County

Notes to Financial Statements

June 30, 2012

**(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 year or soon enough thereafter to pay liabilities of the current year. 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 then 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 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

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, 2012, 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 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
Equipment and vehicles	5,000

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

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

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current 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.

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, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, 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 health insurance claims of County employees.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements during the ended June 30, 2012 exceeded the appropriation for Substance Abuse Services prior to the second amendment. Additionally, disbursements for Historic Preservation/Tourism exceeded the appropriation at year end.

**(2) Cash, Pooled Investments and Cash Equivalents**

The County's deposits in banks at June 30, 2012 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, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Mental Health	\$ 108
	Senior Dining	154
Special Revenue:		
Secondary Roads	General	8,004
Total		<u>\$ 8,266</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, 2012 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	General	\$ 65,000
Secondary Roads	Special Revenue:	
	Rural Services	1,441,000
		<u>1,506,000</u>
Senior Dining		
	General	8,000
Total		<u>\$ 1,514,000</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, 2012 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,713,155	613,859	-	2,327,014
Construction in progress, road network	119,669	1,081,058	(985,542)	215,185
Construction in progress, other	37,241	192,395	(198,780)	30,856
Total capital assets not being depreciated	<u>1,870,065</u>	<u>1,887,312</u>	<u>(1,184,322)</u>	<u>2,573,055</u>
Capital assets being depreciated:				
Buildings	3,161,611	234,850	(297,859)	3,098,602
Improvements other than buildings	493,094	-	(251,763)	241,331
Equipment and vehicles	7,050,475	192,679	(53,496)	7,189,658
Infrastructure, road network	11,884,479	985,542	-	12,870,021
Infrastructure, other	788,360	-	-	788,360
Total capital assets being depreciated	<u>23,378,019</u>	<u>1,413,071</u>	<u>(603,118)</u>	<u>24,187,972</u>
Less accumulated depreciation for:				
Buildings	1,438,380	73,566	(219,549)	1,292,397
Improvements other than buildings	76,482	22,137	(50,352)	48,267
Equipment and vehicles	4,737,636	469,569	(45,197)	5,162,008
Infrastructure, road network	1,252,549	325,926	-	1,578,475
Infrastructure, other	12,596	30,135	-	42,731
Total accumulated depreciation	<u>7,517,643</u>	<u>921,333</u>	<u>(315,098)</u>	<u>8,123,878</u>
Total capital assets being depreciated, net	<u>15,860,376</u>	<u>491,738</u>	<u>(288,020)</u>	<u>16,064,094</u>
Governmental activities capital assets, net	<u>\$17,730,441</u>	<u>2,379,050</u>	<u>(1,472,342)</u>	<u>18,637,149</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 54,612
Physical health and social services	1,991
Mental health	1,958
County environment and education	96,359
Roads and transportation	684,528
Governmental services to residents	12,750
Administration	69,135
Total depreciation expense - governmental activities	<u>\$ 921,333</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	\$ 8,908
Special Revenue:		
Mental Health	Services	349,549
Secondary Roads	Services and materials	56,494
Senior Dining	Services	70
		<u>406,113</u>
Total for governmental funds		<u>\$ 415,021</u>
Agency:		
Agricultural Extension Education	Collections	\$ 187,845
County Assessor	Collections	642,611
Schools	Collections	10,938,865
Community Colleges	Collections	877,372
Corporations	Collections	4,873,019
Townships	Collections	251,913
City Special Assessments	Collections	282,257
Auto License and Use Tax	Collections	442,757
Jones County Solid Waste		
Management Commission	Collections and services	2,238,573
All other	Collections	167,348
Total for agency funds		<u>\$ 20,902,560</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, 2012, the unamortized prepaid expense balance was \$38,757.

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

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Capital Lease Purchase Agreements	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 13,902	300,983	28,500	343,385
Increases	12,980	305,368	19,000	337,348
Decreases	9,102	307,346	6,800	323,248
Balance end of year	<u>\$ 17,780</u>	<u>299,005</u>	<u>40,700</u>	<u>357,485</u>
Due within one year	<u>\$ 5,127</u>	<u>140,895</u>	-	<u>146,022</u>

### Capital Lease Purchase Agreements

The County entered into capital lease purchase agreements for mowers in May 2011 and June 2012 with historical costs of \$12,972 and \$16,180.

The following is a schedule of the future minimum lease payments, including interest at 0.00% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2012:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 5,127
2014	5,127
2015	5,126
2016	2,400
Total minimum lease payments	<u>\$ 17,780</u>

Payments under capital lease purchase agreements totaled \$9,102 for the year ended June 30, 2012.

The historical cost of assets acquired under the above capital leases and included in capital assets in the governmental activities government-wide financial statements at June 30, 2012 is as follows:

Equipment	\$ 29,152
Accumulated depreciation	<u>(8,425)</u>
Net	<u>\$ 20,727</u>

### **(9) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$389,056, \$322,587 and \$296,257, 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.

As of May 1, 2012 the County switched to a fully insured health insurance plan with Wellmark.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund were recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed were paid to Auxiant from the Employee Group Health Fund. Auxiant will continue to process run-out medical claims for services prior to May 2012, after which claims will be handled by the Wellmark fully insured plan. The County's contribution to the partial self funding plan through March 2012, the last month contributions were made, was \$1,071,169.

Amounts payable from the Employee Group Health Fund at June 30, 2012 total \$7,831, 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 \$329,619 at June 30, 2012 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	\$	220,214
Incurred claims (including claims incurred but not reported at June 30, 2012)		773,707
Payment on claims during the fiscal year		(986,090)
Unpaid claims end of year	\$	<u>7,831</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 was only responsible for paying flexible benefit claims. The County was responsible for depositing employee contributions into an account and transferring funds to Auxiant. In May 2012, the County contracted with Wellmark to become the administrator of the Flexible Benefits Plan. Employee contributions are now paid to Wellmark bi-weekly and all claims are processed through Wellmark. The amount deposited and transferred during fiscal year 2012 was \$3,800.

**(13) Other Postemployment Benefits (OPEB)**

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 98 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 was a partially self-funded medical plan, was administered by Auxiant. Beginning in May 2012, the County switched to a fully insured plan with Wellmark. 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, 2012, the amount actually contributed to the plan and changes in the County’s net OPEB obligation:

Annual required contribution	\$	20,900
Interest on net OPEB obligation		1,300
Adjustment to annual required contribution		(3,200)
Annual OPEB cost		<u>19,000</u>
Contributions made		<u>(6,800)</u>
Increase in net OPEB obligation		12,200
Net OPEB obligation beginning of year		<u>28,500</u>
Net OPEB obligation end of year	\$	<u>40,700</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, 2012.

For the year ended June 30, 2012, the County contributed \$6,800 to the medical plan. There were no plan members who were eligible for benefits during fiscal year 2012.

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation 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
2012	19,000	35.8	40,700

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, 2012, 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 \$3,992,000 and the ratio of the UAAL to covered payroll was 4.1%. As of June 30, 2012, 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 for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents 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**

The 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, 2012:

Condensed Statement of Net Assets	
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 1,078,119
Receivables:	
Accounts and other	35,193
Due from other governments	9,417
Prepaid items	1,778
Total current assets	<u>1,124,507</u>
Noncurrent assets:	
Restricted certificates of deposit	1,371,655
Capital assets, net of accumulated depreciation	776,885
Total noncurrent assets	<u>2,148,540</u>
<b>Total assets</b>	<u>3,273,047</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	42,446
Salaries and benefits payable	4,572
Due to other governments	541
Compensated absences payable	6,542
Total current liabilities	<u>54,101</u>
Non-current liabilities:	
Estimated liability for landfill closure and postclosure care	980,914
<b>Total liabilities</b>	<u>1,035,015</u>
<b>Net assets</b>	
Invested in capital assets	776,885
Restricted for closure and postclosure care	390,741
Unrestricted	1,070,406
<b>Total net assets</b>	<u>\$ 2,238,032</u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets	
Operating additions:	
Assessments	\$ 90,885
Gate fees	524,124
Other operating revenues	6,361
Total operating revenues	<u>621,370</u>
Operating deductions:	
Salaries and benefits	156,245
Solid waste hauling and disposal	435,752
Other operating expenses	116,570
Total operating expenses	<u>708,567</u>
Operating loss	(87,197)
Non-operating revenues:	
Interest income	45,830
Change in net assets	(41,367)
Net assets beginning of year	<u>2,279,399</u>
Net assets end of year	<u><u>\$ 2,238,032</u></u>

Condensed Statement of Cash Flows	
Net cash used by operating activities	\$ (53,925)
Net cash used by financing activities	(53,517)
Net cash provided by investing activities	129,639
Net decrease in cash and cash equivalents	22,197
Cash and cash equivalents beginning of year	117,208
Cash and cash equivalents end of year	<u><u>\$ 139,405</u></u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	<u>\$ (87,197)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	44,702
Closure and postclosure care	(32,815)
Other changes in assets and liabilities	21,385
Total adjustments	<u>33,272</u>
Net cash used by operating activities	<u><u>\$ (53,925)</u></u>

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 consist 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 \$965,905 for closure as of June 30, 2012, and the portion of the liability that has been recognized is \$965,905. 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, 2012, assets of \$1,354,902 are restricted for these purposes. They are reported as restricted certificates of deposit in the 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, 2012 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, 2012, assets of \$16,753 are restricted for these purposes. They are reported as restricted certificates of deposit in the condensed Statement of Net Assets.

**(15) Subsequent Event**

The County entered into a construction contract for the new Advancement Services, Inc. facility project in the amount of \$772,500. The project will be funded 59% through a Community Development Block Grant and 41% will be reimbursed to the County from Advancement Services, Inc.

**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, 2012

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>Receipts:</b>				
Property and other county tax	\$ 6,990,161	6,987,211	7,004,213	(14,052)
Interest and penalty on property tax	45,566	40,900	41,200	4,366
Intergovernmental	6,630,906	6,073,399	6,359,482	271,424
Licenses and permits	71,298	71,037	72,882	(1,584)
Charges for service	561,593	535,650	535,384	26,209
Use of money and property	180,669	206,198	188,748	(8,079)
Miscellaneous	448,600	296,032	357,220	91,380
Total receipts	<u>14,928,793</u>	<u>14,210,427</u>	<u>14,559,129</u>	<u>369,664</u>
<b>Disbursements:</b>				
Public safety and legal services	2,296,951	2,330,541	2,349,533	52,582
Physical health and social services	726,958	882,886	804,753	77,795
Mental health	2,819,648	2,602,449	2,904,389	84,741
County environment and education	1,413,254	827,125	1,497,774	84,520
Roads and transportation	5,399,039	6,119,360	5,544,944	145,905
Governmental services to residents	619,073	614,050	624,982	5,909
Administration	1,599,182	1,617,215	1,645,232	46,050
Non-program	37,700	39,966	149,676	111,976
Debt service	-	32,052	500	500
Capital projects	764,407	2,400,000	1,116,622	352,215
Total disbursements	<u>15,676,212</u>	<u>17,465,644</u>	<u>16,638,405</u>	<u>962,193</u>
Excess (deficiency) of receipts over (under) disbursements	(747,419)	(3,255,217)	(2,079,276)	1,331,857
Other financing sources, net	58,586	-	-	58,586
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(688,833)	(3,255,217)	(2,079,276)	1,390,443
Balance beginning of year	5,042,017	5,516,071	5,012,557	29,460
Balance end of year	<u>\$ 4,353,184</u>	<u>2,260,854</u>	<u>2,933,281</u>	<u>1,419,903</u>

See accompanying independent auditor's report.

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Jones County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 14,928,793	343,678	15,272,471
Expenditures	15,676,212	39,812	15,716,024
Net	(747,419)	303,866	(443,553)
Other financing sources, net	58,586	12,980	71,566
Beginning fund balances	5,042,017	(544,332)	4,497,685
Ending fund balances	\$ 4,353,184	(227,486)	4,125,698

See accompanying independent auditor's report.

Jones County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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 and the Special Revenue Funds. 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, three budget amendments decreased budgeted disbursements by \$827,239. 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, 2012, disbursements did not exceed the amounts budgeted by function. Disbursements exceeded the appropriation for one department prior to the second budget amendment and disbursements exceeded the appropriation for another department at year end.

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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	4.30%
2011	July 1, 2009	-	163	163	0.00	3,775	4.30
2012	July 1, 2009	-	163	163	0.00	3,992	4.10

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**



**Supplementary Information**

Jones County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2012

				Special Revenue
	County Recorder's Records Management	Senior Dining	Special Law Enforcement Proceeds	
<b>Assets</b>				
Cash and pooled investments	\$ 12,135	9,806		-
Accounts receivable	-	5,600		-
Due from other governments	-	10,416		1,011
<b>Total assets</b>	<b>\$ 12,135</b>	<b>25,822</b>		<b>1,011</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	10,702		-
Salaries and benefits payable	-	4,547		-
Due to other funds	-	154		-
Due to other governments	-	70		-
Deferred revenue	-	-		1,011
Total liabilities	-	15,473		1,011
Fund balances:				
Restricted for other purposes	12,135	10,349		-
<b>Total liabilities and fund balances</b>	<b>\$ 12,135</b>	<b>25,822</b>		<b>1,011</b>

See accompanying independent auditor's report.

Law Enforcement Canine	Resource Enhancement and Protection	Total
76	29,244	51,261
6,881	-	12,481
-	-	11,427
6,957	29,244	75,169
-	-	10,702
-	-	4,547
-	-	154
-	-	70
-	-	1,011
-	-	16,484
6,957	29,244	58,685
6,957	29,244	75,169

Jones County

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

Year ended June 30, 2012

	Special Revenue		
	County Recorder's Records Management	Senior Dining	Law Enforcement Canine
Revenues:			
Intergovernmental	\$ -	127,507	-
Charges for service	4,268	-	-
Use of money and property	11	-	-
Miscellaneous	-	139,224	16,245
Total revenues	4,279	266,731	16,245
Expenditures:			
Operating:			
Public safety and legal services	-	-	11,279
Physical health and social services	-	293,306	-
County environment and education	-	-	-
Governmental services to residents	1,546	-	-
Total expenditures	1,546	293,306	11,279
Excess (deficiency) of revenues over (under) expenditures	2,733	(26,575)	4,966
Other financing sources:			
Operating transfers in	-	8,000	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	2,733	(18,575)	4,966
Fund balances beginning of year	9,402	28,924	1,991
Fund balances end of year	\$ 12,135	10,349	6,957

See accompanying independent auditor's report.

Resource Enhancement and Protection	Total
12,507	140,014
-	4,268
247	258
-	155,469
12,754	300,009
-	11,279
-	293,306
24,814	24,814
-	1,546
24,814	330,945
(12,060)	(30,936)
-	8,000
(12,060)	(22,936)
41,304	81,621
29,244	58,685

**Schedule 3**

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Jones County  
Combining Schedule of Net Assets  
Internal Service Funds

June 30, 2012

	Employee Group Health	Flexible Benefits Plan	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 316,210	1,077	317,287
Accounts receivable	21,240	-	21,240
<b>Total assets</b>	337,450	1,077	338,527
<b>Liabilities</b>			
Accounts payable	7,831	-	7,831
<b>Net Assets</b>			
Unrestricted	\$ 329,619	1,077	330,696

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, 2012

	Employee Group Health	Flexible Benefits Plan	Total
Operating revenues:			
Reimbursements from operating funds	\$ 1,071,169	3,800	1,074,969
Contributions from outside sources	2,788	-	2,788
Contributions from employees	121,624	63,175	184,799
Insurance reimbursements	201,987	-	201,987
Total operating revenues	1,397,568	66,975	1,464,543
Operating expenses:			
Medical claims	986,090	50,060	1,036,150
Insurance premiums	290,220	-	290,220
Administrative fees	81,910	7,500	89,410
Miscellaneous	16,796	11,206	28,002
Total operating expenses	1,375,016	68,766	1,443,782
Operating income (loss)	22,552	(1,791)	20,761
Non-operating revenues:			
Interest income	3,454	-	3,454
Change in net assets	26,006	(1,791)	24,215
Net assets beginning of year	303,613	2,868	306,481
Net assets end of year	\$ 329,619	1,077	330,696

See accompanying independent auditor's report.

**Schedule 5**

Jones County  
Combining Statement of Cash Flows  
Internal Service Funds

Year ended June 30, 2012

	Employee Group Health	Flexible Benefits Plan	Total
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ 1,071,169	3,800	1,074,969
Cash received from employees and others	323,713	63,175	386,888
Cash paid to employees for reimbursements	-	(68,766)	(68,766)
Cash paid to suppliers for services	(1,587,399)	-	(1,587,399)
Net cash used by operating activities	(192,517)	(1,791)	(194,308)
Cash flows from investing activities:			
Interest on investments	3,546	-	3,546
Net decrease in cash and cash equivalents	(188,971)	(1,791)	(190,762)
Cash and cash equivalents beginning of year	505,181	2,868	508,049
Cash and cash equivalents end of year	\$ 316,210	1,077	317,287
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>			
Operating income (loss)	\$ 22,552	(1,791)	20,761
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Increase in accounts receivable	(2,686)	-	(2,686)
Increase in accounts payable	(212,383)	-	(212,383)
Net cash used by operating activities	\$ (192,517)	(1,791)	(194,308)

See accompanying independent auditor's report.



**Jones County**

Jones County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ -	2,661	293,964	160,902	11,512
Other County officials	1,426	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	184	379	10,963	860
Succeeding year	-	185,000	379,000	10,767,000	865,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	-	-	-	-
Capital assets (net of accumulated depreciation)	-	-	-	-	-
<b>Total assets</b>	<b>\$ 1,426</b>	<b>187,845</b>	<b>673,343</b>	<b>10,938,865</b>	<b>877,372</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	16	-	-
Salaries and benefits payable	-	-	8,202	-	-
Due to other governments	-	187,845	642,611	10,938,865	877,372
Trusts payable	1,426	-	-	-	-
Compensated absences	-	-	22,514	-	-
Estimated liability for landfill closure and posclosure care	-	-	-	-	-
<b>Total liabilities</b>	<b>\$ 1,426</b>	<b>187,845</b>	<b>673,343</b>	<b>10,938,865</b>	<b>877,372</b>

See accompanying independent auditor's report.

Corporations	Townships	City Special Assessments	Auto License and Use Tax	Solid Waste Management Commission	Other	Total
58,216	3,687	3,172	442,757	2,449,774	82,797	3,509,442
-	-	-	-	-	-	1,426
3,803	226	-	-	-	35	16,450
4,811,000	248,000	-	-	-	25,000	17,280,000
-	-	-	-	25,498	17,501	42,999
-	-	-	-	9,695	-	9,695
-	-	279,085	-	-	-	279,085
-	-	-	-	9,417	53,880	63,297
-	-	-	-	1,778	-	1,778
-	-	-	-	776,885	-	776,885
4,873,019	251,913	282,257	442,757	3,273,047	179,213	21,981,057
-	-	-	-	42,446	3,597	46,059
-	-	-	-	4,572	3,487	16,261
4,873,019	251,913	282,257	442,757	2,238,573	167,348	20,902,560
-	-	-	-	-	-	1,426
-	-	-	-	6,542	4,781	33,837
-	-	-	-	980,914	-	980,914
4,873,019	251,913	282,257	442,757	3,273,047	179,213	21,981,057

Jones County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2012

	Agricultural				
	County Offices	Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 1,641	185,564	599,645	11,115,228	803,614
Additions:					
Property and other county tax	-	184,542	378,924	10,752,340	864,189
E911 surcharges	-	-	-	-	-
State tax credits	-	7,844	16,111	474,634	33,894
Office fees and collections	381,540	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	198,526	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	580,066	192,386	395,035	11,226,974	898,083
Deductions:					
Agency remittances:					
To other funds	213,394	-	-	-	-
To other governments	166,566	190,105	321,337	11,403,337	824,325
Trusts paid out	200,321	-	-	-	-
Total deductions	580,281	190,105	321,337	11,403,337	824,325
Balances end of year	\$ 1,426	187,845	673,343	10,938,865	877,372

See accompanying independent auditor's report.

Corpora- tions	Townships	City Special Assess- ments	Auto License and Use Tax	Solid Waste Management Commission	Other	Total
4,632,129	256,516	350,898	441,473	3,371,256	266,499	22,024,463
4,837,504	246,705	-	-	-	23,767	17,287,971
-	-	-	-	-	80,673	80,673
168,625	10,497	-	-	-	1,428	713,033
-	-	-	-	-	-	381,540
-	-	-	5,529,475	-	268	5,529,743
-	-	36,204	-	-	-	36,204
-	-	-	-	-	-	198,526
-	-	-	-	667,200	483,621	1,150,821
5,006,129	257,202	36,204	5,529,475	667,200	589,757	25,378,511
-	-	-	211,694	-	-	425,088
4,765,239	261,805	104,845	5,316,497	765,409	677,043	24,796,508
-	-	-	-	-	-	200,321
4,765,239	261,805	104,845	5,528,191	765,409	677,043	25,421,917
4,873,019	251,913	282,257	442,757	3,273,047	179,213	21,981,057

Jones County

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

For the Last Ten Years

	2012	2011	2010	2009
<b>Revenues:</b>				
Property and other county tax	\$ 6,201,839	5,823,796	5,560,528	5,142,689
Local option sales tax	776,241	817,836	763,075	753,271
Interest and penalty on property tax	45,878	43,251	45,386	40,303
Intergovernmental	6,983,623	6,152,216	7,294,072	6,663,391
Licenses and permits	71,408	63,011	64,694	58,847
Charges for service	563,242	569,839	539,851	553,916
Use of money and property	180,357	216,425	255,423	257,293
Miscellaneous	449,883	427,913	372,901	445,307
<b>Total</b>	<b>\$ 15,272,471</b>	<b>14,114,287</b>	<b>14,895,930</b>	<b>13,915,017</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 2,259,095	2,134,638	2,067,063	2,093,055
Physical health and social services	705,535	758,680	766,459	690,390
Mental health	2,747,884	2,341,471	2,125,968	2,357,861
County environment and education	1,403,336	938,442	1,708,968	951,581
Roads and transportation	5,488,545	5,534,155	4,925,870	5,013,318
Governmental services to residents	608,099	540,325	570,903	551,949
Administration	1,586,149	1,359,275	1,593,790	1,364,766
Non-program	28,885	34,171	82,726	135,130
Debt service	-	167,265	60,902	29,243
Capital projects	888,496	44,369	1,460,545	815,014
<b>Total</b>	<b>\$ 15,716,024</b>	<b>13,852,791</b>	<b>15,363,194</b>	<b>14,002,307</b>

See accompanying independent auditor's report.

Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
5,039,929	4,944,551	4,610,837	4,456,444	4,328,573	4,233,483
745,100	692,459	606,518	680,333	615,568	603,405
51,273	40,526	38,376	41,809	43,800	41,833
5,459,916	6,130,056	5,815,503	6,384,409	4,836,462	5,734,114
63,133	57,254	72,345	59,517	46,118	40,199
529,861	488,122	513,186	505,718	513,303	488,311
370,789	397,223	331,045	226,899	154,548	233,775
355,767	259,011	279,683	276,380	371,759	215,666
12,615,768	13,009,202	12,267,493	12,631,509	10,910,131	11,590,786
1,926,539	1,882,227	1,805,964	1,713,155	1,636,654	1,587,393
649,771	729,577	698,613	605,430	767,276	655,087
2,405,752	2,358,418	2,226,362	2,127,455	2,168,835	2,157,138
843,139	966,643	1,184,737	554,528	571,865	524,010
5,181,336	4,289,198	4,013,501	4,355,370	4,427,394	4,202,859
516,672	495,762	619,332	448,029	385,668	339,057
1,168,905	1,153,525	1,270,527	1,202,306	959,960	958,153
100,033	73,670	109,192	38,133	35,667	224,953
41,126	5,618	-	-	-	-
1,036,367	794,653	1,278,659	1,994,791	385,766	408,995
13,869,640	12,749,291	13,206,887	13,039,197	11,339,085	11,057,645

**Jones County**





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

David A. Vaudt, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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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, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 14, 2013. 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 another deficiency we consider to be a significant deficiency.

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 deficiency described in the accompanying Schedule of Findings as item (B) to be a significant deficiency.

## 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, 2012 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

March 14, 2013

Jones County

Schedule of Findings

Year ended June 30, 2012

**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 and personnel from other County offices, 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 the signature or initials of the reviewer and the date of the review.

Responses –

County Extension Office – We will review our office procedures and segregate duties to the extent possible with limited office size. Additionally, bank reconciliations are currently being reviewed. However, we do not document we have reviewed them. We will begin initialing and dating the bank reconciliations to document the review.

Transfer Station – We will review our operating procedures to obtain the maximum internal control possible. The 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. The 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, 2012

Response – The County will continue to work with department heads and other key personnel to develop a disaster recovery plan that will address continuation of government procedures in the event of a major hardware or software failure, or the 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.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Jones County

Schedule of Findings

Year ended June 30, 2012

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted by function. Although the Board of Supervisors acted to increase certain department appropriations throughout the year, disbursements exceeded the appropriation for the Substance Abuse Services department prior to the second appropriation resolution and for the Historic Preservation/Tourism department at year end.

Recommendation – Chapter 331.434(6) of the Code of Iowa requires the Board of Supervisors to appropriate, by resolution, amounts deemed necessary for each of the different county offices and departments for the fiscal year.

Response – The County adopted an appropriation resolution to address the Substance Abuse department within three weeks of its occurrence. The Historic Preservation/Tourism appropriation was exceeded on the last claim period of the fiscal year when all hotel/motel sales tax proceeds were paid to Jones County Tourism, in accordance with the hotel/motel sales tax ballot measure. The sales tax proceeds were higher than anticipated when preparing the budget. The County will more closely monitor departmental spending authority and approve appropriation resolutions more promptly.

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>
Kathy Kenney, Senior Dining employee, independent contractor	Laundry	\$ 280

The transaction with Kathy Kenney does not appear to represent a conflict of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since the total transactions were less than \$1,500 during the fiscal 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.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Jones County

Schedule of Findings

Year ended June 30, 2012

- (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, 2012 for the County Extension Office did not exceed the amount budgeted.

- (10) 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>\$ 980,914</u>
Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2012	<u>\$ 1,371,655</u>

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Jones County

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Manager  
Daniel L. Grady, Senior Auditor II  
James R. Wittenwyler, Senior Auditor  
Tyler L. Carter, Staff Auditor  
Jessica VP. Green, Staff Auditor  
James H. Pitcher, CPA, Staff Auditor  
Cory A. Lee, Staff Auditor  
Thomas S. Herbert, Assistant Auditor  
Jason R. Ropte, Assistant Auditor  
Trisha S. Schroeder, Assistant Auditor  
Karen S. Pathmaprakashan, Auditor Intern

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA  
Deputy Auditor of State