



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

April 11, 2005

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

The County has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provide information about the activities of the County as a whole and present a long-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

The County had local tax revenue of \$19,464,148 for the year ended June 30, 2004, which included \$1,271,513 in tax credits from the state. The County forwarded \$14,831,140 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,633,008 of the local tax revenue to finance County operations. Other revenues included charges for service of \$1,684,369, operating grants, contributions and restricted interest of \$4,110,459, capital grants, contributions and restricted interest of \$633,953, local option sales tax of \$615,568, unrestricted investment earnings of \$112,909 and other general revenues of \$146,866.

Expenses for County operations totaled \$11,494,723. Expenses included \$4,695,308 for roads and transportation, \$2,175,415 for mental health and \$1,625,566 for public safety and legal services.

A copy of the audit report is available for review in the Office of Auditor of State and the County Auditor's office.

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JONES COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2004

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Jones County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Leo M. Cook	Board of Supervisors	Jan 2005
Keith C. Dirks	Board of Supervisors	Jan 2005
Merlin D. Moore	Board of Supervisors	Jan 2005
Joe Cruise	Board of Supervisors	Jan 2007
Andy McKean	Board of Supervisors	Jan 2007
Janine Sulzner	County Auditor	Jan 2005
Janise M. Miller	County Treasurer	Jan 2007
Marie Krutzfield	County Recorder	Jan 2007
Mark J. Denniston	County Sheriff	Jan 2005
Connie Sue Ricklefs	County Attorney	Jan 2007
Arnie Andreesen	County Assessor	Jan 2010

Jones County



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Independent Auditor's Report

To the Officials of Jones County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jones County, Iowa, as of and for the year ended June 30, 2004, 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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.

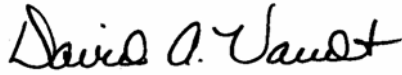
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Jones County at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 14 to the financial statements, during the year ended June 30, 2004, Jones County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

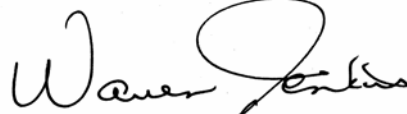
In accordance with Government Auditing Standards, we have also issued our report dated December 16, 2004 on our consideration of Jones County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 14 and 42 through 45 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed 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 three years ended June 30, 2003 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 16, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jones County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Because Jones County is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the County's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Governmental fund revenues decreased \$680,655, or 6%, from fiscal 2003 to fiscal 2004. Property and other county tax increased \$107,253, or 2.2%, from fiscal 2003 to fiscal 2004.
- Governmental fund expenditures increased \$281,440, or 2.5%, from fiscal 2003 to fiscal 2004. Roads and transportation expenditures increased by \$224,535 and capital projects expenditures decreased \$23,229.
- The County's net assets increased 4%, or \$442,409, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration and 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 Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis below shows the County's net assets at June 30, 2004.

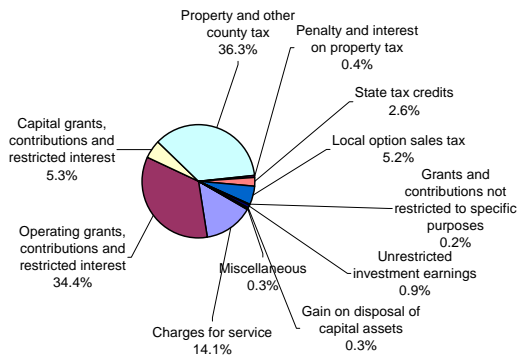
Net Assets of Governmental Activities	
	June 30, 2004
Current and other assets	\$ 12,720,168
Capital assets	4,450,503
Total assets	<u>17,170,671</u>
Long-term liabilities	180,258
Other liabilities	5,619,437
Total liabilities	<u>5,799,695</u>
Net assets:	
Invested in capital assets	4,450,503
Restricted	5,341,633
Unrestricted	<u>1,578,840</u>
Total net assets	<u><u>\$ 11,370,976</u></u>

Net assets of Jones County's governmental activities increased by \$442,409 (\$11,370,976 compared to \$10,928,567). A large portion of the County's net assets are restricted net assets which represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Invested in capital assets (e.g., land, infrastructure, buildings and equipment) is next largest. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at \$1,578,840 at June 30, 2004.

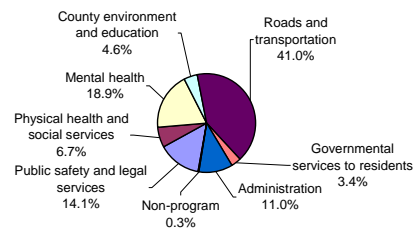
Changes in Net Assets of Governmental Activities

	Year ended June 30, 2004
Revenues:	
Program revenues:	
Charges for service	\$ 1,684,369
Operating grants, contributions and restricted interest	4,110,459
Capital grants, contributions and restricted interest	633,953
General revenues:	
Property and other county tax	4,323,942
Penalty and interest on property tax	45,459
State tax credits	309,066
Local option sales tax	615,568
Grants and contributions not restricted to specific purposes	23,540
Unrestricted investment earnings	112,909
Gain on disposal of capital assets	38,192
Miscellaneous	39,675
Total revenues	11,937,132
Program expenses:	
Public safety and legal services	1,625,566
Physical health and social services	769,481
Mental health	2,175,415
County environment and education	531,715
Roads and transportation	4,695,308
Governmental services to residents	392,557
Administration	1,268,437
Non-program	36,244
Total expenses	11,494,723
Increase in net assets	442,409
Net assets beginning of year, as restated	10,928,567
Net assets end of year	\$ 11,370,976

Revenue by Source



Expenses by Program



Jones County increased property tax rates for 2004 by an average of less than 1 percent, generating an additional \$123,700 for County operations. The County increased the General Fund property tax levy rate by \$.14072 per \$1,000 of property valuation. The Mental Health Fund property tax levy rate was decreased by \$.03506 per \$1,000 of property valuation to maintain a frozen level of property tax support of \$883,021. The Rural Services Fund tax levy rate was decreased by \$.17227 per \$1,000 of property valuation, representing the lowest Rural Services Fund tax levy rate for the County in over fourteen years. The implementation of the 1% local option sales tax in 1999 has provided a significant amount of property tax relief for the Rural Services Fund. Property tax revenues for next year (2005) are budgeted to increase \$125,000, however. Due to decreases in taxable valuation, property tax rates will increase by an average of 8.5%.

INDIVIDUAL MAJOR FUND ANALYSIS

As Jones County completed the year, its governmental funds reported a combined fund balance of \$6.7 million, a decrease of \$415,183 from last year's total of \$7.2 million. The decrease in fund balance is primarily attributable to Secondary Roads and Mental Health Fund expenditures exceeding revenues in their respective funds. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund, the operating fund for Jones County, ended fiscal year 2004 with a balance of \$1,424,836. This was an increase from fiscal year 2003 of \$162,960. Of the increase, \$100,000 had been specifically levied for courthouse capital improvements and has been added to the funds earmarked for that purpose. The remaining \$62,960 will be available for operating expenses.
- The Mental Health Fund ended fiscal year 2004 with a balance of \$119,011. The balance decreased by \$254,483 from fiscal year 2003. Approximately \$99,000 of the decline in the fund balance is attributable to a transfer to the General Fund for the amount of indirect costs claimed by, and reimbursed to, the Case Management Department over a period of several years. The fiscal year 2004 ending balance in the Mental Health Fund places Jones County in a position to receive an additional \$325,000 of state funding in fiscal year 2005. There were no Jones County mental health clients placed on a waiting list for service in fiscal year 2004. Jones County continues to manage services for its mental health clients while seeking services and programs where funding can be provided from other sources and levels of government.
- The Rural Services Fund ended fiscal year 2004 with a balance of \$261,033, slightly lower than the fiscal year 2003 balance of \$276,192. The levy rate for the Rural Services Fund has been declining over the last several years and is now the lowest rate in over fourteen years, a direct result of the voter approved initiative to place 25% of the local option sales tax receipts into this fund for property tax relief.
- The Secondary Roads Fund ended fiscal year 2004 with a balance of \$4,830,512, a decrease of \$348,579 from the fiscal year 2003 balance of \$5,179,091. Of the ending balance, \$1.6 million is unspent local option sales tax funds designated for future road and bridge projects, as per voter approval in 1999. Jones County is planning an aggressive construction program for fiscal years 2005 and 2006 with local monies, which may have a significant impact on future fund balances.

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 Internal Service and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis. Over the course of the year, Jones County amended its budget two times. The first amendment was made in December 2003 and

resulted in an increase in budgeted disbursements related to an economic development grant for the City of Monticello's airport and a library capital improvement grant for a joint city/school library in Olin. The second amendment was made in May 2004, and resulted primarily in increases for substance abuse committals, the jail expansion project, engineering study fees for potential courthouse capital improvements and adjustments for various grant activities. Nearly all departments reflected some level of increased or decreased spending authority and/or revenue adjustments with this year end budget amendment.

Jones County did not exceed any budgeted amounts for individual departments or functions during the year ended June 30, 2004. Several appropriation adjustments within 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, 2004, Jones County had \$4,450,503 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 \$864,217, or 24 percent, over last year.

<u>Capital Assets of Governmental Activities at Year End</u>	
	<u>June 30, 2004</u>
Land	\$ 671,565
Buildings	802,808
Equipment and vehicles	2,137,531
Infrastructure	<u>838,599</u>
Total	<u>\$ 4,450,503</u>
This year's major additions included:	
Capital assets contributed by the Iowa Department of Transportation	\$ 633,953
Replacement of a motorgrader, excavator and other secondary roads equipment	400,545
Roadway paving project L-C-845-73-53	115,928
County Sheriff vehicles	85,601
Grant Wood Bike Trail project	23,600
County Conservation Director's residence remodel	16,890
Central Park Playground	<u>12,840</u>
Total	<u>\$ 1,289,357</u>

The County had depreciation expense of \$394,621 in fiscal year 2004 and total accumulated depreciation of \$4,710,364 at June 30, 2004.

The County's fiscal year 2004 capital budget, as amended, included \$828,000 for capital projects for roadway construction. Jones County historically does not budget, as capital projects expenses, many items that can be categorized as capital asset expenditures, but rather budgets for those items in the function and fund where those items will be used.

Of the items shown above, the Conservation Director's residence remodel and the Central Park playground project were only partially completed in fiscal 2004, and will be fully completed by mid 2005. The Grant Wood Bike Trail project is an on-going project with multiple phases of development planned.

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

Long-Term Debt

At June 30, 2004, Jones County had no outstanding long-term debt. Jones County does not have a Debt Service Fund, and the Board of Supervisors pride themselves on a long standing custom of not obligating the Jones County taxpayers into servicing debt for County operations or projects.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Jones County's elected and appointed officials considered many factors when setting the fiscal year 2005 budget, tax rates and fees that will be charged for various County activities. The primary factors considered were the decrease in agricultural land values, health insurance costs for county employees and the economy.

Jones County agricultural land values comprised 39% of Jones County's taxable valuation for fiscal year 2004. These values decreased by 15% from fiscal year 2004 to 2005, and when coupled with the change in the residential and commercial rollbacks, caused Jones County's General Fund valuation to decrease by 5%. While Jones County experienced an increase of approximately 106 new residential homes constructed in 2002 which became taxable for the fiscal year 2005 budget year, much of the growth in the urban areas of Jones County is occurring in tax increment financing districts where the taxes on the increased value are redirected to the respective cities.

Jones County, like many employers, is faced with rising health costs for its employees. In order to more closely manage the insurance costs for Jones County employees, the Supervisors left the multi-county Iowa State Association of Counties (ISAC) pooled health insurance program and began a self funded plan on May 1, 2001. While this has proven to be more cost effective than if Jones County had stayed in the ISAC group, our health insurance costs continue to rise at more than the normal rate of inflation. In fiscal year 2005, the Supervisors implemented a 15% increase in premiums for the approximately 100 covered employees and their dependents. The County pays, on average, 89% of the premium, with the employee paying the balance through payroll deduction.

When preparing the fiscal year 2005 budget County officials and department heads were asked to take into consideration that the consumer price index for the most recent fiscal year available at that time (through June 30, 2003) was 2.19%.

These factors were taken into account when adopting the budget for fiscal year 2005. Approximately \$14 million was initially appropriated in fiscal year 2005, an increase of 28 percent over the final 2004 cash basis expenditures (a 16% increase in non-capital projects expenditures). The fiscal year 2005 undesignated General Fund balance is projected to be 17.5% of expenditures. A property tax increase of approximately \$125,000 and use of a portion of the carryover balance are expected to fund the General Fund expenditure increases of \$150,000. Additional state and federal funding is anticipated to cover the Mental Health Fund increase of \$188,000. Use of local option sales tax designated for road and bridge projects, as well as increased state and federal monies, and use of existing cash balances are expected to fund the large increase in budgeted roadway construction expenses. The Secondary Roads Fund will receive \$15,000 less property tax revenue in fiscal year 2005, as no transfers from the General Fund are planned for fiscal year 2005, ending a long-standing practice for Jones County.

In fiscal year 2005, the County plans to provide a \$40,000 grant from the General Fund to the City of Monticello to assist with local match efforts for an approved state grant and \$50,000 from the Rural Services Fund for a capital improvement grant, both for the new Monticello public library, dependent upon the construction schedule. No other major new programs or initiatives are included in the 2005 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly decrease by the close of 2005, with the exception of the Secondary Roads Fund balance which is expected to experience a substantial decrease.

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.

Basic Financial Statements

Exhibit A

Jones County
Statement of Net Assets
June 30, 2004

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 7,151,933
Receivables:	
Property tax:	
Delinquent	7,326
Succeeding year	4,471,000
Interest and penalty on property tax	18,294
Accounts	37,159
Accrued interest	3,507
E911 loan	102,763
Due from other governments	572,208
Inventories	273,654
Prepaid expenses	82,324
Capital assets (net of accumulated depreciation)	<u>4,450,503</u>
Total assets	<u>17,170,671</u>
Liabilities	
Accounts payable	716,019
Salaries and benefits payable	197,876
Due to other governments	234,542
Deferred revenue:	
Succeeding year property tax	4,471,000
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	81,536
Portion due or payable after one year:	
Compensated absences	<u>98,722</u>
Total liabilities	<u>5,799,695</u>
Net Assets	
Invested in capital assets	4,450,503
Restricted for:	
Supplemental levy purposes	88,610
Mental health purposes	115,423
Secondary roads purposes	4,849,269
Other special revenue purposes	288,331
Unrestricted	<u>1,578,840</u>
Total net assets	<u>\$ 11,370,976</u>

See notes to financial statements.

Jones County
Statement of Activities
Year ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest		Capital Grants, Contributions and Restricted Interest
Functions / Programs:					
Governmental activities:					
Public safety and legal services	\$ 1,625,566	333,175	14,379	-	(1,278,012)
Physical health and social services	769,481	327,162	171,825	-	(270,494)
Mental health	2,175,415	15,348	1,110,236	-	(1,049,831)
County environment and education	531,715	55,795	83,250	-	(392,670)
Roads and transportation	4,695,308	270,499	2,730,579	633,953	(1,060,277)
Governmental services to residents	392,557	350,808	-	-	(41,749)
Administration	1,268,437	32,562	190	-	(1,235,685)
Non-program	36,244	299,020	-	-	262,776
Total	\$ 11,494,723	1,684,369	4,110,459	633,953	(5,065,942)
General Revenues:					
Property and other county tax levied for general purposes					4,323,942
Penalty and interest on property tax					45,459
State tax credits					309,066
Local option sales tax					615,568
Grants and contributions not restricted to specific purpose					23,540
Unrestricted investment earnings					112,909
Gain on disposal of capital assets					38,192
Miscellaneous					39,675
Total general revenues					5,508,351
Change in net assets					442,409
Net assets beginning of year, as restated					10,928,567
Net assets end of year					\$ 11,370,976

See notes to financial statements.

Jones County
Balance Sheet
Governmental Funds

June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,422,922	357,829	237,722	4,758,788
Receivables:				
Property tax:				
Delinquent	4,647	1,409	1,270	-
Succeeding year	2,729,000	828,000	914,000	-
Interest and penalty on property tax	18,294	-	-	-
Accounts	6,233	-	-	3,076
Accrued interest	3,507	-	-	-
E911 loan	102,763	-	-	-
Due from other funds	2,104	-	-	4,078
Due from other governments	79,947	68,915	23,298	378,685
Inventories	-	-	-	273,654
Prepaid expenditures	-	-	-	64,595
Total assets	\$ 4,369,417	1,256,153	1,176,290	5,482,876
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 38,701	72,447	-	462,814
Salaries and benefits payable	104,635	10,300	-	76,706
Due to other funds	4,078	-	-	846
Due to other governments	9,246	218,921	-	6,220
Deferred revenue:				
Succeeding year property tax	2,729,000	828,000	914,000	-
Other	58,921	7,474	1,257	105,778
Total liabilities	2,944,581	1,137,142	915,257	652,364
Fund balances:				
Reserved for:				
Supplemental levy purposes	90,578	-	-	-
Resource enhancement and protection	-	-	-	-
Unreserved, reported in:				
General fund	1,334,258	-	-	-
Special revenue funds	-	119,011	261,033	4,830,512
Total fund balances	1,424,836	119,011	261,033	4,830,512
Total liabilities and fund balances	\$ 4,369,417	1,256,153	1,176,290	5,482,876

See notes to financial statements.

Nonmajor Special Revenue	Total
106,808	6,884,069
-	7,326
-	4,471,000
-	18,294
21,715	31,024
-	3,507
-	102,763
-	6,182
21,363	572,208
-	273,654
-	64,595
<u>149,886</u>	<u>12,434,622</u>
27,326	601,288
6,235	197,876
1,258	6,182
155	234,542
-	4,471,000
14,361	187,791
<u>49,335</u>	<u>5,698,679</u>
-	90,578
18,351	18,351
-	1,334,258
82,200	5,292,756
<u>100,551</u>	<u>6,735,943</u>
<u>149,886</u>	<u>12,434,622</u>

Jones County

Jones County

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

June 30, 2004

Total governmental fund balances (page 19) \$ 6,735,943

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$9,160,867 and the accumulated depreciation is \$4,710,364. 4,450,503

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 187,791

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's health insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets. 176,997

Compensated absences payable are not due and payable in the current period and, therefore, are not reported in the funds. (180,258)

Net assets of governmental activities (page 16) \$ 11,370,976

See notes to financial statements.

Jones County

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

Year ended June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other county tax	\$ 2,601,363	824,278	1,056,824	461,676
Interest and penalty on property tax	43,800	-	-	-
Intergovernmental	802,827	1,169,998	60,665	2,682,506
Licenses and permits	32,788	-	-	13,330
Charges for service	479,231	5,840	-	132
Use of money and property	139,328	9,807	1	-
Miscellaneous	98,519	3,412	-	73,187
Total revenues	4,197,856	2,013,335	1,117,490	3,230,831
Expenditures:				
Operating:				
Public safety and legal services	1,624,500	-	-	-
Physical health and social services	467,977	-	-	-
Mental health	-	2,168,835	-	-
County environment and education	403,436	-	164,633	-
Roads and transportation	243,263	-	-	4,184,131
Governmental services to residents	380,733	-	3,516	-
Administration	959,960	-	-	-
Non-program	33,667	-	2,000	-
Capital projects	-	-	-	385,766
Total expenditures	4,113,536	2,168,835	170,149	4,569,897
Excess (deficiency) of revenues over (under) expenditures	84,320	(155,500)	947,341	(1,339,066)
Other financing sources (uses):				
Sale of capital assets	784	-	-	12,987
Operating transfers in	98,983	-	-	977,500
Operating transfers out	(21,127)	(98,983)	(962,500)	-
Total other financing sources (uses)	78,640	(98,983)	(962,500)	990,487
Net change in fund balances	162,960	(254,483)	(15,159)	(348,579)
Fund balances beginning of year, as restated	1,261,876	373,494	276,192	5,179,091
Fund balances end of year	\$ 1,424,836	119,011	261,033	4,830,512

See notes to financial statements.

Nonmajor Special Revenue	Total
-	4,944,141
-	43,800
120,466	4,836,462
-	46,118
28,100	513,303
5,412	154,548
196,641	371,759
<u>350,619</u>	<u>10,910,131</u>

12,154	1,636,654
299,299	767,276
-	2,168,835
3,796	571,865
-	4,427,394
1,419	385,668
-	959,960
-	35,667
-	385,766
<u>316,668</u>	<u>11,339,085</u>

<u>33,951</u>	<u>(428,954)</u>
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-	13,771
6,127	1,082,610
-	(1,082,610)
<u>6,127</u>	<u>13,771</u>

40,078	(415,183)
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<u>60,473</u>	<u>7,151,126</u>
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<u>100,551</u>	<u>6,735,943</u>
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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, 2004

Net change in fund balances - Total governmental funds (page 23) \$ (415,183)

**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 expenses in the current year, as follows:

Expenditures for capital assets	\$ 600,464	
Capital assets contributed by the Iowa Department of Transportation	633,953	
Depreciation expense	<u>(394,621)</u>	839,796

In the Statement of Activities, the gain on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 24,421

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	(2,579)	
Other	<u>96,268</u>	93,689

Repayment of long-term liabilities is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 4,970

Compensated absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (8,821)

The Internal Service Fund is used by management to charge the costs of partial self funding of the County's employee health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities. (96,463)

Change in net assets of governmental activities (page 17) \$ 442,409

See notes to financial statements.

Jones County
 Statement of Net Assets
 Proprietary Fund
 June 30, 2004

	Internal Service - Employee Group Health
Assets	
Cash and cash equivalents	\$ 267,864
Accounts receivable	6,135
Prepaid expenses	17,729
Total assets	291,728
Liabilities	
Accounts payable	114,731
Net Assets	
Unrestricted	176,997
	\$ 291,728

See notes to financial statements.

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

Year ended June 30, 2004

		<u>Internal Service - Employee Group Health</u>
Operating revenues:		
Reimbursements from operating funds		\$ 852,218
Contributions from outside sources		11,700
Contributions from employees		93,901
Insurance reimbursements		110,249
Total operating revenues		<u>1,068,068</u>
Operating expenses:		
Medical claims	\$ 948,994	
Insurance premiums	188,413	
Administrative fees	26,436	
Miscellaneous	3,674	1,167,517
Operating loss		<u>(99,449)</u>
Non-operating revenues:		
Interest income		2,986
Net loss		<u>(96,463)</u>
Net assets beginning of year		<u>273,460</u>
Net assets end of year		<u><u>\$ 176,997</u></u>

See notes to financial statements.

Jones County
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2004

	Internal Service - Employee Group Health
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 852,218
Cash received from employees and others	210,915
Cash paid to suppliers for services	(1,154,236)
Net cash used by operating activities	(91,103)
Cash flows from investing activities:	
Interest on investments	2,986
Net decrease in cash and cash equivalents	(88,117)
Cash and cash equivalents beginning of year	355,981
Cash and cash equivalents end of year	\$ 267,864
Reconciliation of operating loss to net cash used by operating activities:	
Operating income	\$ (99,449)
Adjustments to reconcile operating loss to net cash used by operating activities:	
(Increase) in accounts receivable	(4,936)
Increase in accounts payable	13,126
Decrease in prepaid expense	156
Net cash used by operating activities	\$ (91,103)

See notes to financial statements.

Jones County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2004

Assets

Cash and pooled investments:	
County Treasurer	\$ 920,942
Other County officials	310
Receivables:	
Property tax:	
Delinquent	21,857
Succeeding year	13,822,000
Accounts	23,252
Special assessments	49,257
Due from other governments	808
Total assets	<u>14,838,426</u>

Liabilities

Accounts payable	1,002
Salaries and benefits payable	8,001
Due to other governments	14,808,617
Trusts payable	161
Compensated absences	20,645
Total liabilities	<u>14,838,426</u>

Net assets \$ -

See notes to financial statements.

Jones County

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

The County also participates in the following additional jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Jones County Solid Waste Management Commission, Multi-County Cooperative Child Support Agreement, East Central Iowa Employment and Training Consortium, Medical Emergency Response Group, Eastern Iowa Regional Housing Authority, 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 consists of capital assets, net of accumulated depreciation.

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

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, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue:	
	Secondary Roads	\$ 846
	Senior Dining	1,258
Special Revenue:	General	4,078
Secondary Roads		
Total		\$ 6,182

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, 2004 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Mental Health	\$ 98,983
Special Revenue: Secondary Roads	General	15,000
Jail Commissary		4,212
Law Enforcement Canine		1,915
Special Revenue: Secondary Roads	Special Revenue: Rural Services	962,500
Total		<u>\$ 1,082,610</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, 2004 was as follows:

	Balance Beginning of Year (as restated, note 14)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 671,565	-	-	671,565
Construction in progress, road network	-	115,928	-	115,928
Construction in progress, other	-	23,600	-	23,600
Total capital assets not being depreciated	<u>671,565</u>	<u>139,528</u>	<u>-</u>	<u>811,093</u>
Capital assets being depreciated:				
Buildings	1,971,142	16,890	-	1,988,032
Equipment and vehicles	5,494,877	512,421	(349,484)	5,657,814
Infrastructure, road network	-	633,953	-	633,953
Infrastructure, other	69,975	-	-	69,975
Total capital assets being depreciated	<u>7,535,994</u>	<u>1,163,264</u>	<u>(349,484)</u>	<u>8,349,774</u>
Less accumulated depreciation for:				
Buildings	1,162,294	22,930	-	1,185,224
Equipment and vehicles	3,457,579	368,234	(305,530)	3,520,283
Infrastructure, road network	-	2,057	-	2,057
Infrastructure, other	1,400	1,400	-	2,800
Total accumulated depreciation	<u>4,621,273</u>	<u>394,621</u>	<u>(305,530)</u>	<u>4,710,364</u>
Total capital assets being depreciated, net	<u>2,914,721</u>	<u>768,643</u>	<u>(43,954)</u>	<u>3,639,410</u>
Governmental activities capital assets, net	<u>\$ 3,586,286</u>	<u>908,171</u>	<u>(43,954)</u>	<u>4,450,503</u>

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 45,633
Physical health and social services		4,943
Mental health		3,125
County environment and education		20,507
Roads and transportation		301,380
Governmental services to residents		<u>19,033</u>
Total depreciation expense - governmental activities		<u>\$ 394,621</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	<u>\$ 9,246</u>
Special Revenue:		
Mental Health	Services	218,921
Secondary Roads	Services and materials	6,220
Law Enforcement Canine	Materials	135
Senior Dining	Services	<u>20</u>
		<u>225,296</u>
Total for governmental funds		<u>\$ 234,542</u>
Agency:		
Emergency Management	Services	\$ 2,810
E911 Surcharge	Materials	520
County Assessor	Collections and materials	520,114
Schools	Collections	9,595,783
Community Colleges	Collections	429,291
Corporations	Collections	3,449,296
Auto License and Use Tax	Collections	336,041
All other	Collections	<u>474,762</u>
Total for agency funds		<u>\$ 14,808,617</u>

(7) Prepaid Rental Agreement

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

The County has elected to amortize prepaid expenditures of \$80,743 over 25 years. At June 30, 2004, the unamortized prepaid expenditure balance was \$64,595.

(8) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Capital Lease Purchase Agreement	Compen- sated Absences	Total
Balance beginning of year, as restated (note 14)	\$ 4,970	171,437	176,407
Increases	-	199,803	199,803
Decreases	4,970	190,982	195,952
Balance end of year	\$ -	180,258	180,258
Due within one year	\$ -	81,536	81,536

(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.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$204,045, \$194,802 and \$191,786, 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 Employee Group Services, Ltd. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$30,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Employee Group Services, Ltd. from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2004 was \$852,218.

Amounts payable from the Employee Group Health Fund at June 30, 2004 total \$114,731, 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 \$176,997 at June 30, 2004 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	\$	101,605
Incurred claims (including claims incurred but not reported at June 30, 2004)		948,994
Payment on claims during the fiscal year		<u>(935,868)</u>
Unpaid claims end of year	\$	<u><u>114,731</u></u>

(12) E911 Loan

On October 8, 2002, the E911 Service Board borrowed \$200,000 from the General Fund for a radio tower. The loan requires eleven quarterly payments to the County of \$17,711 and a final payment of \$17,651, due July 22, 2005, including principal and interest at 4% per annum. The following is a schedule of the loan payments to be received by the County:

<u>Year ending June 30,</u>	<u>Amount</u>
2005	\$ 88,555
2006	<u>17,651</u>
Total loan payments	106,206
Less amount representing interest	<u>(3,443)</u>
Outstanding principal balance	<u><u>\$ 102,763</u></u>

The assets and liabilities of the E911 Surcharge Agency Fund are reported on the modified accrual basis. Accordingly, the E911 radio tower and the loan agreement payable by the E911 Service Board to the County have not been reported in the E911 Surcharge Agency Fund. The E911 Surcharge Agency Fund is included in the other column on Schedules 3 and 4 of the Other Supplementary Information section.

(13) Construction Commitment

The County has entered into a contract totaling \$646,637 for roadway paving. At June 30, 2004, costs of \$115,928 on the project have been incurred. The balance of \$530,709 remaining on the project at June 30, 2004 will be paid as work on the project progresses.

(14) Accounting Change and Restatements

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Other nonmajor governmental funds are presented in total in one column.

The government-wide financial statements report the County’s governmental activities. Beginning net assets for governmental activities has been restated to include capital assets and the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	<u>Amount</u>
Net assets June 30, 2003, as previously reported	\$ 7,105,766
GASB Interpretation 6 adjustments	<u>45,360</u>
Net assets July 1, 2003, as restated for governmental funds	7,151,126
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$4,621,273	3,586,286
Internal Service Fund	273,460
Change in long-term liabilities	(176,407)
Change in deferral of long-term assets	<u>94,102</u>
Net assets July 1, 2003, as restated	<u>\$ 10,928,567</u>

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, 2004

	<u>Actual</u>
Receipts:	
Property and other county tax	\$ 4,980,851
Interest and penalty on property tax	43,628
Intergovernmental	4,806,055
Licenses and permits	45,360
Charges for service	529,341
Use of money and property	203,589
Miscellaneous	375,203
Total receipts	<u>10,984,027</u>
Disbursements:	
Public safety and legal services	1,631,484
Physical health and social services	779,983
Mental health	2,061,628
County environment and education	575,381
Roads and transportation	4,162,278
Governmental services to residents	383,007
Administration	955,635
Non-program	35,103
Capital projects	346,891
Total disbursements	<u>10,931,390</u>
Excess (deficiency) of receipts over (under) disbursements	52,637
Other financing sources, net	<u>13,771</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	66,408
Balance beginning of year	<u>6,817,661</u>
Balance end of year	<u>\$ 6,884,069</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual Variance
4,886,976	4,972,810	8,041
43,100	42,950	678
5,054,094	4,842,678	(36,623)
35,610	43,080	2,280
446,460	495,799	33,542
231,497	214,186	(10,597)
213,021	385,675	(10,472)
<u>10,910,758</u>	<u>10,997,178</u>	<u>(13,151)</u>
1,641,913	1,642,189	10,705
798,532	862,271	82,288
2,283,409	2,180,874	119,246
476,059	598,693	23,312
4,561,797	4,210,505	48,227
396,570	393,763	10,756
928,199	983,083	27,448
25,748	37,349	2,246
1,550,000	828,000	481,109
<u>12,662,227</u>	<u>11,736,727</u>	<u>805,337</u>
(1,751,469)	(739,549)	792,186
7,025	13,732	(39)
(1,744,444)	(725,817)	792,225
5,397,478	6,811,939	5,722
<u>3,653,034</u>	<u>6,086,122</u>	<u>797,947</u>

Jones County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,984,027	(73,896)	10,910,131
Expenditures	10,931,390	407,695	11,339,085
Net	52,637	(481,591)	(428,954)
Other financing sources, net	13,771	-	13,771
Beginning fund balances	6,817,661	333,465	7,151,126
Ending fund balances	\$ 6,884,069	(148,126)	6,735,943

See accompanying independent auditor's report.

Jones County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund 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, two budget amendments decreased budgeted disbursements by \$925,500. 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, 2004, disbursements did not exceed the amounts budgeted.

Jones County

Other Supplementary Information

Jones County
 Combining Balance Sheet
 Nonmajor Special Revenue Funds

June 30, 2004

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Conservation Land Acquisition
Assets			
Cash and pooled investments	\$ 16,501	22,737	3,346
Accounts receivable	-	-	-
Due from other governments	-	14,196	-
Total assets	\$ 16,501	36,933	3,346
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	-	-
Salaries and benefits payable	-	-	-
Due to other funds	-	-	-
Due to other governments	-	-	-
Deferred revenue - other	-	14,196	-
Total liabilities	-	14,196	-
Fund equity:			
Unreserved fund balances	16,501	22,737	3,346
Total liabilities and fund equity	\$ 16,501	36,933	3,346

See accompanying independent auditor's report.

Senior Dining	Jail Commissary	Special Law Enforcement Proceeds	Law Enforcement Canine	Resource Enhancement and Protection	Total
38,428	2,524	255	4,831	18,186	106,808
21,493	222	-	-	-	21,715
7,002	-	-	-	165	21,363
66,923	2,746	255	4,831	18,351	149,886
27,153	-	-	173	-	27,326
5,934	-	-	-	301	6,235
1,258	-	-	-	-	1,258
20	-	-	135	-	155
-	-	-	-	165	14,361
34,365	-	-	308	466	49,335
32,558	2,746	255	4,523	17,885	100,551
66,923	2,746	255	4,831	18,351	149,886

Jones County

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

Year ended June 30, 2004

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Conservation Land Acquisition	Senior Dining
Revenues:				
Intergovernmental	\$ -	-	-	109,165
Charges for service	5,411	22,689	-	-
Use of money and property	111	48	-	-
Miscellaneous	-	-	-	191,147
Total revenues	5,522	22,737	-	300,312
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Physical health and social services	-	-	-	299,299
County environment and education	-	-	-	-
Governmental services to residents	1,419	-	-	-
Total expenditures	1,419	-	-	299,299
Excess (deficiency) of revenues over (under) expenditures	4,103	22,737	-	1,013
Other financing sources:				
Operating transfers in	-	-	-	-
Excess of revenues and other financing sources over expenditures	4,103	22,737	-	1,013
Fund balances beginning of year	12,398	-	3,346	31,545
Fund balances end of year	\$ 16,501	22,737	3,346	32,558

See accompanying independent auditor's report.

Jail Commissary	Special Law Enforcement Proceeds	Law Enforcement Canine	Resource Enhancement and Protection	Total
-	-	-	11,301	120,466
-	-	-	-	28,100
5,149	2	-	102	5,412
-	-	5,494	-	196,641
5,149	2	5,494	11,403	350,619
9,268	-	2,886	-	12,154
-	-	-	-	299,299
-	-	-	3,796	3,796
-	-	-	-	1,419
9,268	-	2,886	3,796	316,668
(4,119)	2	2,608	7,607	33,951
4,212	-	1,915	-	6,127
93	2	4,523	7,607	40,078
2,653	253	-	10,278	60,473
2,746	255	4,523	17,885	100,551

Jones County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor
Assets			
Cash and pooled investments:			
County Treasurer	\$ -	1,735	297,689
Other County officials	310	-	-
Receivables:			
Property tax:			
Delinquent	-	175	422
Succeeding year	-	103,000	248,000
Accounts	-	-	-
Special assessments	-	-	-
Due from other governments	-	-	-
Total assets	\$ 310	104,910	546,111
Liabilities			
Accounts payable	\$ -	-	23
Salaries and benefits payable	-	-	8,001
Due to other governments	149	104,910	520,114
Trusts payable	161	-	-
Compensated absences	-	-	17,973
Total liabilities	\$ 310	104,910	546,111

See accompanying independent auditor's report.

Schools	Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
155,599	7,571	37,255	3,264	805	336,041	80,983	920,942
-	-	-	-	-	-	-	310
16,184	720	4,041	308	-	-	7	21,857
9,424,000	421,000	3,408,000	200,000	-	-	18,000	13,822,000
-	-	-	-	-	-	23,252	23,252
-	-	-	-	49,257	-	-	49,257
-	-	-	-	-	-	808	808
9,595,783	429,291	3,449,296	203,572	50,062	336,041	123,050	14,838,426
-	-	-	-	-	-	979	1,002
-	-	-	-	-	-	-	8,001
9,595,783	429,291	3,449,296	203,572	50,062	336,041	119,399	14,808,617
-	-	-	-	-	-	-	161
-	-	-	-	-	-	2,672	20,645
9,595,783	429,291	3,449,296	203,572	50,062	336,041	123,050	14,838,426

Jones County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets and Liabilities				
Balances beginning of year	\$ 2,905	104,512	509,862	9,493,296
Additions:				
Property and other county tax	-	102,571	247,397	9,416,991
E911 surcharge	-	-	-	-
State tax credits	-	7,390	18,979	665,752
Office fees and collections	352,628	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	218,025	-	-	-
Miscellaneous	-	-	2,264	-
Total additions	570,653	109,961	268,640	10,082,743
Deductions:				
Agency remittances:				
To other funds	242,874	-	-	-
To other governments	110,222	109,563	232,391	9,980,256
Trusts paid out	220,152	-	-	-
Total deductions	573,248	109,563	232,391	9,980,256
Balances end of year	\$ 310	104,910	546,111	9,595,783

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	City Special Assessments	Auto License and Use Tax	Other	Total
455,736	3,220,759	192,466	34,608	333,129	164,228	14,511,501
420,151	3,465,416	198,945	-	-	17,222	13,868,693
-	-	-	-	-	100,677	100,677
32,197	224,454	12,148	-	-	1,527	962,447
-	-	-	-	-	-	352,628
-	-	-	-	4,015,437	182	4,015,619
-	-	-	53,993	-	-	53,993
-	-	-	-	-	-	218,025
-	-	-	-	-	82,043	84,307
452,348	3,689,870	211,093	53,993	4,015,437	201,651	19,656,389
-	-	-	-	151,922	-	394,796
478,793	3,461,333	199,987	38,539	3,860,603	242,829	18,714,516
-	-	-	-	-	-	220,152
478,793	3,461,333	199,987	38,539	4,012,525	242,829	19,329,464
429,291	3,449,296	203,572	50,062	336,041	123,050	14,838,426

Schedule 5

Jones County

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

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property and other county tax	\$ 4,944,141	4,836,888	4,534,837	4,388,086
Interest and penalty on property tax	43,800	41,833	41,304	40,568
Intergovernmental	4,836,462	5,734,114	5,496,228	5,204,746
Licenses and permits	46,118	40,199	42,091	38,277
Charges for service	513,303	488,311	425,337	548,030
Use of money and property	154,548	233,775	224,710	375,217
Fines, forfeitures and defaults	-	-	3,556	256
Miscellaneous	371,759	215,666	55,600	61,266
Total	\$ 10,910,131	11,590,786	10,823,663	10,656,446
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,636,654	1,587,393	1,490,438	1,360,901
Physical health and social services	767,276	655,087	417,424	485,193
Mental health	2,168,835	2,157,138	2,156,418	2,217,737
County environment and education	571,865	524,010	583,125	493,586
Roads and transportation	4,427,394	4,202,859	3,519,321	3,895,875
Governmental services to residents	385,668	339,057	337,641	303,117
Administration	959,960	958,153	974,493	877,548
Non-program	35,667	224,953	30,238	17,201
Capital projects	385,766	408,995	366,079	244,276
Total	\$ 11,339,085	11,057,645	9,875,177	9,895,434

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Officials of Jones County:

We have audited the financial statements of Jones County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 16, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 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. Prior year statutory comments have been resolved except for item (10).

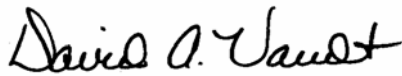
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jones County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Jones County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the Schedule of Findings. Other matters involving internal control over the Jones County Protective Payee Operations were reported to management in a letter dated March 8, 2005.

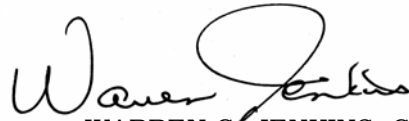
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe any of the reportable conditions described above is a material weakness. Prior year reportable conditions have been resolved except for item (A).

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 16, 2004

Jones County
Schedule of Findings
Year ended June 30, 2004

Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Electronic Data Processing Systems – The County has a written policy regarding passwords. The policy on changing passwords is set at a minimum of 120 days. Passwords should be changed at least every 60 to 90 days.

Recommendation – To improve computer security, the County should change the existing policy to require passwords to be changed at least every 60 to 90 days.

Response – The County will amend its password authentication and login policy to require that passwords be changed at least every 90 days.

Conclusion – Response accepted.

- (B) Sheriff's Office – Three checks for the Jail Account were signed in advance by the authorized check signer.

Recommendation – Checks should not be signed in advance to prevent unauthorized purchases.

Response – The three checks mentioned above were pre-signed by the Chief Deputy due to three inmates from Polk County being scheduled to return to Polk County later in the day. As it turned out, they were not required to go back then so the checks were not needed. We will not sign checks from here on out for that or any other circumstance. If we have inmates leave our jail and if their check is not signed, we will forward it in the mail to the appropriate agency at a later date.

Conclusion – Response accepted.

Jones County

Schedule of Findings

Year ended June 30, 2004

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted.
- (3) Questionable Expenditures – County Conservation Board – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

On March 12, 2004, the County Conservation Board approved payment for water softener salt and a filter for \$46 for the Conservation Director's residence.

On May 10, 2004, the Board approved hiring a contractor to repair the Bowstring Bridge. On June 28, 2004, the Board approved payments of \$1,000 each to two individuals who are not contractors or working for a contractor for 25 to 30 hours of labor to repair the Bowstring Bridge. One of the individuals is an acquaintance of the Conservation Director. The Engineer's Office indicated they would have charged between \$20 to \$25 per hour for the same work.

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The County Conservation Board should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the County should establish written policies and procedures, including requirements for proper documentation.

Response – The billing for the water softener was brought before the Board for discussion and was voted to allow the expenditure. As per the State's recommendation, we will review that item. Also, concerning individuals who do work for the County, we will take your recommendation under advisement.

Conclusion – Response acknowledged. The County Conservation Board should establish written policies and procedures, including requirements for proper documentation of public purpose.

- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

Jones County

Schedule of Findings

Year ended June 30, 2004

- (5) Business Transactions – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Leo Cook, Supervisor, and Stan Cook, Supervisor's brother	Land acquisition for Stone Bridge road project	\$ 24,667 (b)
Rose Cook, Sister-in-law of Supervisor	Land acquisition for Stone Bridge road project	14,188 (b)
Jill McDermott, daughter of Supervisor	Land acquisition for Stone Bridge road project	3,230 (b)
K. Sulzner Construction, husband of County Auditor	Nature Center shingling, per bid	3,233 (a)
Hughes Garage, brother of Secondary Roads employee	Repair work	1,426 (a)
Simcox & Son, employee Marcus Simcox	Parts and repair	396 (a)

In accordance with Chapters 331.342(10) and 331.342(3), respectively, of the Code of Iowa, the transactions designated with an (a) do not appear to represent conflicts of interest since the cumulative amount for each individual was less than \$1,500 during the fiscal year or the County made the contract through open competitive bid.

The transactions designated with a (b) do not appear to represent a conflict of interest because proper legal procedures were followed to acquire the land.

- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all surety bond coverage should be periodically reviewed to ensure the coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, certain Conservation Board minutes were not signed.

Recommendation – The Conservation Board should ensure all minutes are signed as required.

Response – The lack of signatures for the Board meeting minutes was an oversight on behalf of the Board. We had such an interesting year beginning with hiring a new director and re-organizing as our park ranger was also activated. We had never “forgotten” signatures in the past.

Conclusion – Response accepted.

Jones County

Schedule of Findings

Year ended June 30, 2004

- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.
- (9) 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).
- (10) 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, 2004 for the County Extension Office did not exceed the amount budgeted.

The Agency Fund had an ending balance of \$879. The Agency Fund should be combined with the operating fund.

Response – In regards to combining the Agency and Operating Accounts, we feel confident that we can complete the process during the current fiscal year. Changes with the involved agencies have also taken place that should allow us to complete the process without conflict. In the future, a new accounting system is being pursued by University Extension that should allow improved accountability for the various accounts and categories.

Conclusion – Response accepted.

- (11) Credit Cards – The County Extension Office has a credit card. The Extension Council has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. Additionally, on January 15, 2004, late fees and interest of \$40 were paid on the credit card.

Recommendation – The Extension Council should adopt a formal written policy regulating the use of credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purpose, as well as the types of supporting documentation required to substantiate charges. The County Extension Office should ensure credit card payments are paid timely to avoid late fees and interest charges.

Response – Now that we are aware of the requirement to have a formal written credit card policy, we have taken steps to acquire assistance in developing the document. We have always used a verbal understanding with our staff as to the credit card policy as developed by the Extension Council at the time we initiated the use of a credit card in our office. We will finalize the formal policy and add it to our office policy handbook.

Jones County

Schedule of Findings

Year ended June 30, 2004

We continue to communicate with the credit card company as to the timing of their billing in regards to when our monthly Extension Council meeting are held and bills are approved for payment.

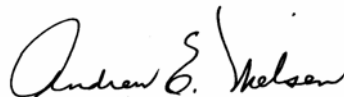
Conclusion – Response accepted.

Jones County

Staff

This audit was performed by:

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