



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

June 22, 2006

Contact: Andy Nielsen
515/281-5834

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

The County had local tax revenue of \$18,783,494 for the year ended June 30, 2005, which included \$1,171,569 in tax credits from the state. The County forwarded \$14,372,233 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,411,261 of the local tax revenue to finance County operations, an 8 percent increase over the prior year. Other revenues included charges for service of \$1,287,280, operating grants, contributions and restricted interest of \$4,181,331, capital grants, contributions and restricted interest of \$2,225,491, local option sales tax of \$639,096, unrestricted investment earnings of \$88,912 and other general revenues of \$209,904.

Expenses for County operations totaled \$9,771,313, a 12 percent decrease from the prior year. Expenses included \$3,907,361 for roads and transportation, \$1,777,518 for mental health and \$1,307,529 for public safety and legal services. The significant decrease in expenses was due primarily to substantial completion of the Hurstville Interpretive Center project in FY2004 and to a reduction in economic development loans approved during FY2005.

A copy of the report is available for review in the County Auditor's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

###

JACKSON COUNTY

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

JUNE 30, 2005

Table of Contents

		Page
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	25
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	28
Notes to Financial Statements		29-42
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental and Proprietary Funds		44-45
Budget to GAAP Reconciliation		46
Notes to Required Supplementary Information – Budgetary Reporting		47
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	50-51
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	52-53
Internal Service Funds:		
Combining Statement of Net Assets	3	55
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	4	56
Combining Statement of Cash Flows	5	57
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	6	58-59
Combining Schedule of Changes in Fiduciary Assets and Liabilities	7	60-61
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	8	62
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		63-64
Schedule of Findings		65-68
Staff		69

Jackson County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2005)		
David B. Kendell	Board of Supervisors	Jan 2005
J. C. Engel	Board of Supervisors	Jan 2007
John J. Willey	Board of Supervisors	Jan 2007
T. M. Cotton	County Auditor	Jan 2005
Alfred Tebbe, Jr.	County Treasurer	Jan 2007
Phyllis Gerlach	County Recorder	Jan 2007
Russell Kettmann	County Sheriff	Jan 2005
John L. Kies	County Attorney	Jan 2007
William Goettler	County Assessor	Jan 2010
(After January 2005)		
J. C. Engel	Board of Supervisors	Jan 2007
John J. Willey	Board of Supervisors	Jan 2007
Larry Koos	Board of Supervisors	Jan 2009
Joell Deppe	County Auditor	Jan 2009
Alfred Tebbe, Jr.	County Treasurer	Jan 2007
Phyllis Gerlach	County Recorder	Jan 2007
Russell Kettmann	County Sheriff	Jan 2009
John L. Kies	County Attorney	Jan 2007
William Goettler	County Assessor	Jan 2010

Jackson County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Officials of Jackson County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jackson County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Jackson County's management. Our responsibility is to express opinions on these financial statements based on our audit.

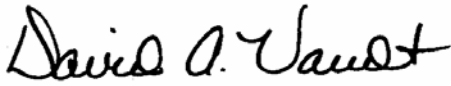
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Jackson County at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 26, 2006 on our consideration of Jackson County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 44 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jackson 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 four years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 26, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jackson 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, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 4.3%, or approximately \$536,000, from fiscal 2004 to fiscal 2005. Property and other county tax increased approximately \$280,000.
- Program expenses of the County's governmental activities decreased approximately 12.0%, or \$1,340,000, from fiscal 2004 to fiscal 2005. County environment and education expenses decreased approximately \$690,000 and roads and transportation expenses decreased approximately \$815,000.
- The County's net assets increased 10.6%, or approximately \$3,272,000, from June 30, 2004 to June 30, 2005.

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds, the individual Internal Service Funds 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 interest on long-term debt. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

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

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

2) Proprietary funds account for the County's Internal Service Funds for employee self-funded health and dental plans. 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. Jackson County's combined net assets of governmental activities increased 10.6%, from \$30,730,442 to \$34,002,404, between June 30, 2004 and June 30, 2005. The analysis that follows focuses on the changes in the net assets of governmental activities.

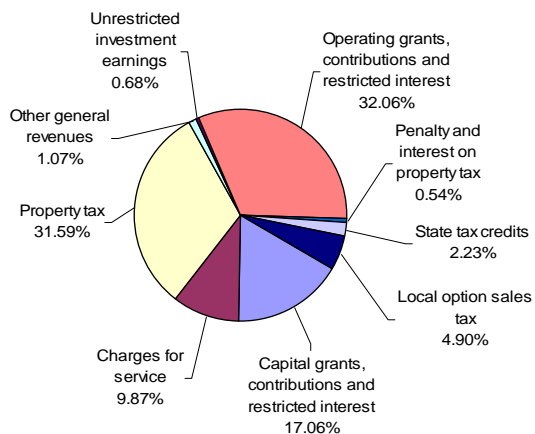
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2005	2004
Current and other assets	\$ 10,211	9,584
Capital assets	28,816	26,193
Total assets	39,027	35,777
Long-term liabilities	440	553
Other liabilities	4,585	4,494
Total liabilities	5,025	5,047
Net assets:		
Invested in capital assets, net of related debt	28,768	26,111
Restricted	4,609	4,324
Unrestricted	625	295
Total net assets	\$ 34,002	30,730

The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - are approximately \$625,000 at June 30, 2005.

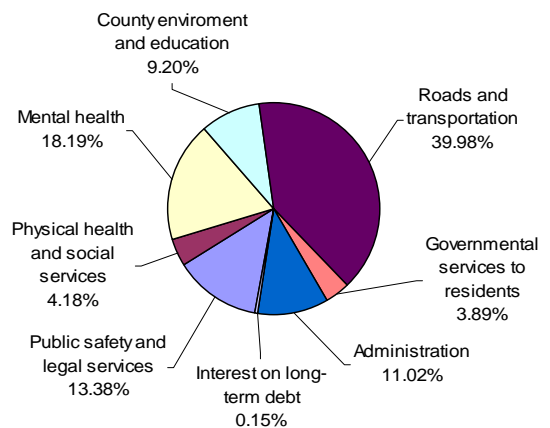
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

	June 30,	
	2005	2004
Revenues:		
Program revenues:		
Charges for service	\$ 1,287	1,760
Operating grants, contributions and restricted interest	4,181	4,470
Capital grants, contributions and restricted interest	2,225	1,203
General revenues:		
Property tax	4,120	3,840
Penalty and interest on property tax	70	62
State tax credits	291	261
Local option sales tax	639	678
Grants and contributions not restricted to specific purposes	-	35
Unrestricted investment earnings	89	35
Other general revenues	140	162
Total revenues	13,042	12,506
Program expenses:		
Public safety and legal services	1,307	1,274
Physical health and social services	408	454
Mental health	1,777	1,636
County environment and education	899	1,589
Roads and transportation	3,907	4,722
Governmental services to residents	380	348
Administration	1,077	1,082
Interest on long-term debt	15	5
Total expenses	9,770	11,110
Increase in net assets	3,272	1,396
Net assets beginning of year	30,730	29,334
Net assets end of year	\$ 34,002	30,730

Revenue by Source



Expenses by Program



The County increased property tax rates for fiscal 2005 by an average of 7.0%. This increase raised the County's property tax revenue by- approximately \$280,000 in fiscal 2005. Based on increases in the total assessed valuation, property tax revenue is budgeted to increase by an additional \$84,000 next year.

INDIVIDUAL MAJOR FUND ANALYSIS

As Jackson County completed the year, its governmental funds reported a combined fund balance of \$4,266,193, an increase of \$636,058 over last year's total of \$3,630,135. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased \$211,490 and expenditures decreased \$44,479. The ending fund balance increased \$220,417 over the prior year to \$632,087.
- The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal 2005, expenditures totaled \$1,888,575, an increase of 9% from the prior year. The Mental Health Fund balance at year end increased by \$339,123 over the prior year. The Mental Health Fund ending fund balance was \$510,197.
- The Rural Services Fund ended fiscal 2005 with a \$145,981 balance compared to the prior year ending balance of \$62,367. The increase is primarily due to an increase of \$94,691 in property and other County and local option sales tax revenue. There were no significant changes in expenditures from the prior year.
- Secondary Roads Fund expenditures decreased by \$378,843 from the prior year, due principally to payroll, benefits and liability insurance. This decrease in expenditures and a slight increase in state and federal grant revenue resulted in an increase in the Secondary Roads Fund ending balance of \$96,661, or 6.9%, from the prior year.
- The Local Option Sales Tax Fund ended fiscal 2005 with a \$734,997 balance compared to the prior year ending balance of \$915,970. The decrease is primarily due to increased spending for concrete, paving and road rock for road projects.
- The Jackson County Revolving Loan Fund ended fiscal 2005 with a \$681,870 balance compared to the prior year ending balance of \$574,192. During fiscal 2005, a new loan to promote economic growth and well being of \$75,000 was provided to one business. The Jackson County Revolving Loan Fund received \$182,678 in loan repayments from businesses.

BUDGETARY HIGHLIGHTS

Over the course of the year, Jackson County amended its budget twice. The first amendment was made on December 21, 2004 and resulted in an increase in budgeted disbursements related to a number of grants, increased expenditures for substance abuse, EMS training, the Hurstville Interpretative Center construction costs and electronic data processing equipment. The second amendment was made on May 31, 2005 and resulted in an increase in budgeted disbursements related to a number of grants, increased expenditures for the Family Dollar pass thru refund, DeBruin Trial, audit, general relief rent payments, insurance, recycle bins, mental health loan repayment, Hurstville Interpretive Center (HIC) consultant fees, HIC loan repayment to ECIA and Richardson Timber fencing.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, Jackson County had approximately \$28.8 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$2.6 million, or 10%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2005	2004
Land	\$ 2,845	2,425
Buildings and improvements	1,907	655
Equipment and vehicles	2,294	2,207
Infrastructure	20,947	19,485
Construction in progress	823	1,421
Total	<u>\$ 28,816</u>	<u>26,193</u>

The County had depreciation expense of \$1,131,892 in fiscal 2005 and total accumulated depreciation of \$14,044,479 at June 30, 2005.

The County's fiscal 2005 capital budget included \$889,571 for capital projects, principally for road construction and the completion of the Hurstville Interpretative Center. More detailed information about the County's capital assets is presented in Note 6 to the financial statements.

Long-Term Debt

At June 30, 2005, Jackson County had approximately \$248,000 in a bank loan and other debt outstanding compared to approximately \$382,000 at June 30, 2004, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
(Expressed in Thousands)		
	June 30,	
	2005	2004
Capital lease purchase agreements	\$ 48	82
Bank loan	200	300
Total	<u>\$ 248</u>	<u>382</u>

Debt decreased primarily as a result of making loan and other debt payments of approximately \$134,000. The County did not enter into any new lease purchase agreements in FY2005.

The County does not carry a general obligation bond rating assigned by national rating agencies since it has not issued any general obligation bonds for a number of years. The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Jackson County's general obligation constitutional debt limit is \$31.6 million. Additional information about the County's long-term debt is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Jackson County's elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates and fees charged for various County activities. One of those factors is the economy. The County's nonagricultural employment growth has mirrored its population growth during 1999-2003, averaging per year gains of .3 percent. Unemployment in the County now stands at 5.8 percent versus 6.71 percent a year ago.

Inflation continues to be slightly lower than the national Consumer Price Index increase. Inflation has been modest here, due in part to the slowing of the residential housing market and modest increases in energy prices in 2004-2005.

These indicators were taken into account when adopting the budget for fiscal year 2006. Jackson County will use this increase in property tax to finance programs we currently offer and offset the effect we expect inflation to have on program costs. The County has added no major new programs or initiatives to the 2006 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly increase by the close of fiscal 2006.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Jackson 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 Joell Deppe at the Jackson County Auditor's Office, by mail at 201 West Platt, Maquoketa, Iowa 52060 or by phone at (563) 652-3144.

Jackson County

Basic Financial Statements

Exhibit A

Jackson County
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,072,245
Receivables:	
Property tax:	
Delinquent	17,361
Succeeding year	4,047,000
Interest and penalty on property tax	82,263
Accounts	183,808
Accrued interest	2,729
Revolving loans	1,007,639
Due from other governments	422,893
Inventories	272,869
Prepaid insurance	102,659
Capital assets - nondepreciable	3,667,705
Capital assets - depreciable (net)	25,148,111
Total assets	<u>39,027,282</u>
Liabilities	
Accounts payable	120,152
Accrued interest payable	2,706
Salaries and benefits payable	111,563
Due to other governments	303,478
Deferred revenue:	
Succeeding year property tax	4,047,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	6,120
Compensated absences	140,556
Portion due or payable after one year:	
Capital lease purchase agreements	41,935
Bank loan	200,000
Compensated absences	51,368
Total liabilities	<u>5,024,878</u>
Net Assets	
Invested in capital assets, net of related debt	28,767,761
Restricted for:	
Supplemental levy purposes	81,161
Mental health purposes	311,457
Secondary roads purposes	2,318,268
Cemetery	12,145
Other purposes	1,886,165
Unrestricted	625,447
Total net assets	<u>\$ 34,002,404</u>

See notes to financial statements.

Jackson County
Statement of Activities
Year ended June 30, 2005

	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	\$ 1,307,529	102,369	21,201	-	(1,183,959)
Physical health and social services	407,665	99,656	120,766	-	(187,243)
Mental health	1,777,518	250,992	1,188,745	-	(337,781)
County environment and education	899,326	409,280	77,309	59,366	(353,371)
Roads and transportation	3,907,361	34,563	2,773,310	2,166,125	1,066,637
Governmental services to residents	379,661	299,513	-	-	(80,148)
Administration	1,077,528	90,907	-	-	(986,621)
Interest on long-term debt	14,725	-	-	-	(14,725)
Total	\$ 9,771,313	1,287,280	4,181,331	2,225,491	(2,077,211)
General Revenues:					
Property and other county tax levied for general purposes					4,119,817
Penalty and interest on property tax					70,028
State tax credits					291,444
Local option sales tax					639,096
Unrestricted investment earnings					88,912
Gain on sale of capital assets					94,944
Miscellaneous					44,932
Total general revenues					5,349,173
Change in net assets					3,271,962
Net assets beginning of year					30,730,442
Net assets end of year					\$ 34,002,404

See notes to financial statements.

Jackson County
Balance Sheet
Governmental Funds

June 30, 2005

	General	Mental Health	Rural Services	Special Secondary Roads
Assets				
Cash and pooled investments	\$ 667,203	827,565	147,600	1,021,113
Receivables:				
Property tax:				
Delinquent	12,856	3,791	714	-
Succeeding year	2,426,000	715,000	906,000	-
Interest and penalty on property tax	82,263	-	-	-
Accounts	246	-	-	-
Accrued interest	2,566	-	-	-
Revolving loans	-	-	-	-
Due from other funds	33	-	-	2,264
Advances to other funds	-	-	-	-
Due from other governments	20,848	20,570	13,202	275,037
Inventories	-	-	-	272,869
Prepaid insurance	48,763	-	-	53,896
Total assets	\$ 3,260,778	1,566,926	1,067,516	1,625,179
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 50,118	51,444	705	17,383
Salaries and benefits payable	47,953	5,799	12,415	43,139
Due to other funds	2,058	33	-	-
Due to other governments	7,726	280,876	1,706	296
Deferred revenue:				
Succeeding year property tax	2,426,000	715,000	906,000	-
Other	94,836	3,577	709	59,521
Advances from other funds	-	-	-	-
Total liabilities	2,628,691	1,056,729	921,535	120,339
Fund balances:				
Reserved for:				
Supplemental levy purposes	92,659	-	-	-
Cemetery	12,145	-	-	-
Advances to other funds	-	-	-	-
Unreserved, reported in:				
General fund	527,283	-	-	-
Special revenue funds	-	510,197	145,981	1,504,840
Capital projects fund	-	-	-	-
Total fund balances	632,087	510,197	145,981	1,504,840
Total liabilities and fund balances	\$ 3,260,778	1,566,926	1,067,516	1,625,179

See notes to financial statements.

Revenue			
Local Option	Jackson County		
Sales Tax	Revolving Loan	Nonmajor	Total
695,390	420,776	177,456	3,957,103
-	-	-	17,361
-	-	-	4,047,000
-	-	-	82,263
83,313	100,000	-	183,559
-	-	163	2,729
-	1,007,639	-	1,007,639
-	-	-	2,297
-	155,000	-	155,000
39,607	-	53,629	422,893
-	-	-	272,869
-	-	-	102,659
818,310	1,683,415	231,248	10,253,372
-	-	502	120,152
-	-	2,257	111,563
-	-	206	2,297
-	-	12,874	303,478
-	-	-	4,047,000
83,313	1,001,545	4,188	1,247,689
-	-	155,000	155,000
83,313	1,001,545	175,027	5,987,179
-	-	-	92,659
-	-	-	12,145
-	155,000	-	155,000
-	-	-	527,283
734,997	526,870	203,366	3,626,251
-	-	(147,145)	(147,145)
734,997	681,870	56,221	4,266,193
818,310	1,683,415	231,248	10,253,372

Jackson County

Jackson County

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

June 30, 2005

Total governmental fund balances (page 19)	\$ 4,266,193
 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 \$42,860,294 and the accumulated depreciation is \$14,044,479.	28,815,816
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	1,247,689
The Internal Service Funds are used by management to charge the costs of partial self funding of the County's health and dental plans to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	115,391
Long-term liabilities, including capital lease purchase agreements, bank loan, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(442,685)
Net assets of governmental activities (page 16)	<u><u>\$ 34,002,404</u></u>

See notes to financial statements.

Jackson County

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

Year ended June 30, 2005

	General	Mental Health	Rural Services	Special Secondary Roads
Revenues:				
Property and other county tax	\$ 2,435,833	736,694	934,242	-
Local option sales tax	-	-	159,774	-
Interest and penalty on property tax	55,188	-	-	-
Intergovernmental	346,589	1,484,723	66,193	2,781,388
Licenses and permits	6,744	-	-	8,410
Charges for service	512,246	54	-	995
Use of money and property	96,924	-	-	-
Miscellaneous	32,039	6,227	-	55,702
Total revenues	3,485,563	2,227,698	1,160,209	2,846,495
Expenditures:				
Operating:				
Public safety and legal services	1,037,972	-	231,743	-
Physical health and social services	204,357	-	-	-
Mental health	-	1,788,575	-	-
County environment and education	531,506	-	190,581	-
Roads and transportation	-	-	-	3,407,417
Governmental services to residents	347,163	-	2,270	-
Administration	988,873	-	2,001	-
Debt service	37,217	100,000	-	-
Capital projects	19,195	-	-	17,417
Total expenditures	3,166,283	1,888,575	426,595	3,424,834
Excess (deficiency) of revenues over (under) expenditures	319,280	339,123	733,614	(578,339)
Other financing sources (uses):				
Sale of capital assets	1,137	-	-	-
Operating transfers in	-	-	-	675,000
Operating transfers out	(100,000)	-	(650,000)	-
Total other financing sources (uses)	(98,863)	-	(650,000)	675,000
Net change in fund balances	220,417	339,123	83,614	96,661
Fund balances beginning of year	411,670	171,074	62,367	1,408,179
Fund balances end of year	\$ 632,087	510,197	145,981	1,504,840

See notes to financial statements.

Revenue			
Local Option Sales Tax	Jackson County Revolving Loan	Nonmajor	Total
-	-	-	4,106,769
479,322	-	-	639,096
-	-	-	55,188
-	-	305,003	4,983,896
-	-	46,285	61,439
-	-	21,727	535,022
-	182,678	1,184	280,786
12,031	-	116,768	222,767
491,353	182,678	490,967	10,884,963
-	-	6,775	1,276,490
-	-	186,508	390,865
-	-	-	1,788,575
-	75,000	163,086	960,173
283,519	-	-	3,690,936
-	-	25,244	374,677
-	-	-	990,874
-	-	-	137,217
388,807	-	214,816	640,235
672,326	75,000	596,429	10,250,042
(180,973)	107,678	(105,462)	634,921
-	-	-	1,137
-	-	80,000	755,000
-	-	(5,000)	(755,000)
-	-	75,000	1,137
(180,973)	107,678	(30,462)	636,058
915,970	574,192	86,683	3,630,135
734,997	681,870	56,221	4,266,193

Jackson County

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

Year ended June 30, 2005

Net change in fund balances - Total governmental funds (page 23) \$ 636,058

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

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

Expenditures for capital assets	\$ 1,514,554	
Capital assets contributed by the Iowa Department of Transportation	2,145,274	
Depreciation expense	<u>(1,131,892)</u>	2,527,936

In the Statement of Activities, the gain on the sale of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 94,944

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	15,854	
Other	<u>(119,640)</u>	(103,786)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 134,293

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

Compensated absences	(21,151)	
Interest on long-term debt	<u>1,107</u>	(20,044)

Internal Service Funds are used by management to charge the costs of partial self-funding of the employee health and dental plans to individual funds. The change in net assets of the Internal Service Funds are reported with governmental activities. 2,561

Change in net assets of governmental activities (page 17) \$ 3,271,962

See notes to financial statements.

Jackson County
 Statement of Net Assets
 Proprietary Funds
 June 30, 2005

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ 115,142
Accrued interest	<u>249</u>
Total assets	115,391
Liabilities	
None	<u>-</u>
Net Assets	
Unrestricted	<u><u>\$ 115,391</u></u>

See notes to financial statements.

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

Year ended June 30, 2005

	<u>Internal Service</u>
Operating revenues:	
Reimbursements from operating funds	\$ 96,703
Reimbursements from employees	18,906
Total operating revenues	<u>115,609</u>
Operating expenses:	
Medical claims	81,554
Insurance premiums	24,934
Administrative fees	8,469
Total expenses	<u>114,957</u>
Operating income	652
Non-operating revenues:	
Interest income	<u>1,909</u>
Change in net assets	2,561
Net assets beginning of year	<u>112,830</u>
Net assets end of year	<u>\$ 115,391</u>

See notes to financial statements.

Jackson County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2005

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from operating funds	\$ 96,703
Cash received from employees	18,906
Cash paid to suppliers for medical claims, administrative fees and insurance premiums	(118,715)
Net cash used by operating activities	<u>(3,106)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,722</u>
Net decrease in cash and cash equivalents	(1,384)
Cash and cash equivalents beginning of year	<u>116,526</u>
Cash and cash equivalents end of year	<u>\$ 115,142</u>
Reconciliation of operating income to net cash used by operating activities:	
Operating income	\$ 652
Adjustment to reconcile operating income to net cash used by operating activities:	
Decrease in accounts payable	<u>(3,758)</u>
Net cash used by operating activities	<u>\$ (3,106)</u>

See notes to financial statements.

Jackson County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2005

Assets

Cash and pooled investments:	
County Treasurer	\$ 695,757
Other County officials	502
Receivables:	
Property tax:	
Delinquent	86,106
Succeeding year	13,051,000
Accounts	27,690
Accrued interest	511
Special assessments:	
Delinquent	20,137
Succeeding year	58,000
Due from other governments	1,335
Total assets	<u>13,941,038</u>

Liabilities

Accounts payable	120,419
Salaries and benefits payable	5,912
Due to other governments	13,802,233
Trusts payable	502
Compensated absences	11,972
Total liabilities	<u>13,941,038</u>

Net assets	<u><u>\$ -</u></u>
-------------------	--------------------

See notes to financial statements.

Jackson County

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

Jackson 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, Jackson 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.

These financial statements present Jackson County (the primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

Green Island drainage districts have been established pursuant to Chapter 468 of the Code of Iowa for the drainage of surface waters from agricultural and other lands or the protection of such lands from overflow. Although these districts are legally separate from the County, they are controlled, managed and supervised by the Jackson County Board of Supervisors. The drainage districts are reported as a Special Revenue Fund. Financial information of the individual drainage districts can be obtained from the Jackson County Auditor's Office.

Jointly Governed Organizations – The County also 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: Jackson County Assessor’s Conference Board, Jackson County Emergency Management Commission, Jackson County Sanitary Disposal Agency, Jackson County Economic Development Commission, East Central Intergovernmental Association, Jackson County Public Safety Commission, Jackson County Joint E911 Service Board and Bear Creek Task Force. 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.

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 and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Local Option Sales Tax Fund is used to account for the portion of local option sales tax collections to be used for secondary roads construction projects.

The Jackson County Revolving Loan Fund is used to account for loans made to local businesses to provide for economic development in Jackson County and subsequent repayments

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the County's Internal Service Funds 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, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

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, 2005, 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 County), are reported in the governmental activities column in the

government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 65,000
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 and improvements	15 - 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.

Advances to/from Other Funds – Non-current portions of long-term interfund loans receivable are reported as advances and are offset equally by a fund balance reserve which indicates they do not constitute expendable available financial resources and, therefore, are not available to liquidate current obligations.

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, compensatory time and sick leave hours for subsequent use or for payment upon termination, death or retirement. No payment for unused sick leave shall be made upon the termination of employment with the County. Full-time employees who do not utilize sick leave during a three-month span are entitled to a one-half day additional floating personal day which will be credited at the end of each calendar quarter. Floating time is credited to the employee's vacation time. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 Funds 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. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the governmental services to residents, administration and capital projects functions.

(2) Cash and Pooled Investments

The County’s deposits in banks at June 30, 2005 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 investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,759,222 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated for credit risk purposes.

(3) Interfund Assets/Liabilities

The detail of due to/due from other funds and advances to/from other funds at June 30, 2005 is as follows:

Due To/Due From Other Funds

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Mental Health	\$ 33
Special Revenue: Secondary Roads	General	2,058
	Special Revenue: Local Health	206
Total		<u>\$ 2,297</u>

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

Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Special Revenue: Jackson County Revolving Loan	Capital Projects	<u>\$ 155,000</u>

This balance results from a loan between funds which has not been repaid.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 650,000
	General	25,000
Local Health	General	50,000
Capital Projects	General	25,000
	Special Revenue: Conservation Land Acquisition	5,000
Total		<u>\$ 755,000</u>

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

(5) Jackson County Revolving Loan Fund

During the year ended June 30, 1983, the Jackson County Revolving Loan Fund was established. The purpose of the fund is to promote economic development in Jackson County. During the year ended June 30, 1983, the County received a Community Development Block Grant from the State for \$1,000,000 which was subsequently loaned to businesses in the County.

Upon receipt of the loan payments from the businesses, the funds remain in the Jackson County Revolving Loan Fund for subsequent loans to other businesses. If the program is dissolved, all monies and interest earned will revert to Jackson County. During the year ended June 30, 2005, one loan for \$75,000 was made to a business.

Outstanding loans receivable of the Jackson County Revolving Loan Fund are as follows:

Loaned to	Date of Loan	Loan Amount	Interest Rate	Term of Loan	Loan Balance June 30,2005
Clark Boat Company Inc.	24-Aug-93	\$ 195,000	5.0%	15 years	\$ 133,461
Spartan Company	18-Jan-95	125,000	5.0	15 years	49,279
Maquoketa Newspapers, Inc	12-Dec-95	178,000	5.5	10 years	11,407
Spartan Company	27-Nov-96	78,000	5.5	7 years	16,212
Pacific Coast Feather Co.	23-May-00	236,000	4.5	10 years	131,195
RENOV Developers, Inc.	29-Feb-00	63,000	4.5	5 years	30,490
Precision Metal Works	5-Dec-00	204,000	5.5	7 years	81,991
WhatHelps?, Inc.	22-Jan-01	200,000	4.5	4 years	182,550
T M Woodworks	6-Apr-04	255,000	4.0	15 years	220,044
Maquoketa Newspapers, Inc	27-Apr-04	87,000	4.0	7 years	76,010
Spartan Company	5-Nov-04	75,000	4.0	7 years	75,000
Total					<u>\$ 1,007,639</u>

In addition, the County advanced \$255,000 to the Jackson County Conservation Board for construction costs of the Hurstville Interpretative Center. The advance will be repaid by the Capital Projects Fund.

(6) Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,424,600	419,896	-	2,844,496
Construction in progress	1,420,957	2,753,255	(3,351,003)	823,209
Total capital assets not being depreciated	<u>3,845,557</u>	<u>3,173,151</u>	<u>(3,351,003)</u>	<u>3,667,705</u>
Capital assets being depreciated:				
Buildings and improvements	1,876,556	1,310,241	-	3,186,797
Equipment and vehicles	5,784,474	584,496	(425,697)	5,943,273
Infrastructure, road network	27,886,534	2,060,963	-	29,947,497
Infrastructure, other	115,023	-	-	115,023
Total capital assets being depreciated	<u>35,662,587</u>	<u>3,955,700</u>	<u>(425,697)</u>	<u>39,192,590</u>
Less accumulated depreciation for:				
Buildings and improvements	1,221,242	58,259	-	1,279,501
Equipment and vehicles	3,577,266	474,588	(402,621)	3,649,233
Infrastructure, road network	8,489,018	594,444	-	9,083,462
Infrastructure, other	27,682	4,601	-	32,283
Total accumulated depreciation	<u>13,315,208</u>	<u>1,131,892</u>	<u>(402,621)</u>	<u>14,044,479</u>
Total capital assets being depreciated, net	<u>22,347,379</u>	<u>2,823,808</u>	<u>(23,076)</u>	<u>25,148,111</u>
Governmental activities capital assets, net	<u>\$ 26,192,936</u>	<u>5,996,959</u>	<u>(3,374,079)</u>	<u>28,815,816</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 30,411
Physical health and social services	16,057
Mental health	940
County environment and education	51,602
Roads and transportation	969,762
Governmental services to residents	4,240
Administration	<u>58,880</u>
Total depreciation expense - governmental activities	<u>\$ 1,131,892</u>

(7) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 7,726
Special Revenue:		
Mental Health	Services	280,876
Rural Services	Services	1,706
Secondary Roads	Services	296
Local Health	Services	12,874
		<u>295,752</u>
Total for governmental funds		<u>\$ 303,478</u>
Agency:		
County Assessor	Collections	\$ 492,719
Schools		8,785,213
Community Colleges		357,244
Corporations		2,864,537
County Hospital		743,668
Townships		179,295
All other		379,557
		<u>379,557</u>
Total for agency funds		<u>\$ 13,802,233</u>

(8) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Capital Lease Purchase Agreements	Bank Loan	Compensated Absences	Total
Balance beginning of year	\$ 82,348	300,000	170,773	553,121
Increases	-	-	193,060	193,060
Decreases	34,293	100,000	171,909	306,202
Balance end of year	<u>\$ 48,055</u>	<u>200,000</u>	<u>191,924</u>	<u>439,979</u>
Due within one year	<u>\$ 6,120</u>	<u>-</u>	<u>140,556</u>	<u>146,676</u>

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease a 2002 Chevrolet Blazer for the Conservation Department and computer equipment. The following is a schedule of the future minimum lease payments, including interest at 5.90% per annum for the 2002 Chevrolet Blazer and interest ranging from 2.60% to 5.96% per annum for the computer equipment, and the present value of net minimum lease payments under the agreements in effect at June 30, 2005:

Year ending June 30,	Conservation Vehicle	Computer Equipment	Total
2006	\$ 6,482	-	6,482
2007	-	30,729	30,729
2008	-	12,688	12,688
Total minimum lease payments	6,482	43,417	49,899
Less amount representing interest	(362)	(1,482)	(1,844)
Present value of net minimum lease payments	\$ 6,120	41,935	48,055

Payments under capital lease purchase agreements totaled \$37,211 during the year ended June 30, 2005.

Bank Loan

On May 3, 2004, Jackson County entered into a loan agreement with Maquoketa State Bank to pay outstanding obligations due to the State for mental health services at state institutions from the Special Revenue, Mental Health Fund. The County borrowed \$400,000, with interest at 4.97% per annum, to be repaid in four annual installments, with the first payment due May 3, 2005. However, the County made a \$100,000 prepayment in June 2004. The County made additional prepayments of \$20,000 in each of the months of July, August, September and October of 2004 and in February 2005, resulting in an outstanding loan balance of \$200,000 at June 30, 2005.

(9) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$187,788, \$177,848 and \$171,352, respectively, equal to the required contributions for each year.

(10) Risk Management

Jackson County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property and inland marine. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2005 were \$152,249.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the County's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of

whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Jackson County Employee Partial Self-Funded Health Plan

Jackson County entered into an administrative services agreement with Seabury & Smith, Inc. to administer the employee partial self-funded health plan. The agreement was effective July 1, 1994 and is subject to automatic renewal provisions. Monthly payments of service fees and plan contributions are recorded as expenditures in the operating funds at the time of payment to the Internal Service, Employee Partial Self-Funded Health Plan Fund maintained by the County Treasurer. Under the agreement, deductible and coinsurance expenses are processed by Seabury & Smith, Inc. with payments from the Internal Service, Employee Partial Self-Funded Health Plan Fund. The employer sponsors a group insurance policy which provides comprehensive hospital and medical coverage for eligible employees and, if elected, their spouses and dependents. Under the partial self-funded plan, the Plan will reimburse an eligible employee for a portion of the deductible and coinsurance expenses under the contract.

(12) Jackson County Employee Self-Funded Dental Plan

Jackson County entered into an administrative services agreement with Seabury & Smith, Inc. to administer the employee self-funded dental plan. The agreement was effective July 1, 1996 and is subject to automatic renewal provisions. Monthly payments of service fees and plan contributions are recorded as expenditures in the operating funds at the time of payment to the Internal Service, Employee Self-Funded Dental Plan Fund maintained by the County Treasurer. Under the agreement, deductible and coinsurance expenses are processed by Seabury & Smith, Inc. with payments from the Internal Service, Employee Self-Funded Dental Plan Fund. The employer sponsors a group insurance policy which provides comprehensive dental coverage for eligible employees and, if elected, their spouses and dependents.

(13) Construction Commitments

The County has entered into contracts totaling \$391,874 for roadway construction and paving projects. As of June 30, 2005, costs of \$157,760 on the projects have been incurred. The balances remaining on the contracts will be paid as work on the projects progress.

(14) Deficit Fund Balance

The Capital Projects Fund had a deficit balance of \$147,145 at June 30, 2005. The deficit will be eliminated with the receipt of future grant funds and local revenues.

Required Supplementary Information

Jackson County

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

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Receipts:			
Property and other county tax	\$ 4,742,853	-	4,742,853
Interest and penalty on property tax	50,508	-	50,508
Intergovernmental	5,292,330	-	5,292,330
Licenses and permits	61,439	-	61,439
Charges for service	536,526	-	536,526
Use of money and property	274,196	1,722	275,918
Miscellaneous	225,554	115,609	341,163
Total receipts	11,183,406	117,331	11,300,737
Disbursements:			
Public safety and legal services	1,265,180	-	1,265,180
Physical health and social services	411,127	-	411,127
Mental health	1,637,885	-	1,637,885
County environment and education	945,824	-	945,824
Roads and transportation	3,599,956	-	3,599,956
Governmental services to residents	373,311	-	373,311
Administration	1,024,522	-	1,024,522
Non-program	-	118,715	118,715
Debt service	-	-	-
Capital projects	1,001,873	-	1,001,873
Total disbursements	10,259,678	118,715	10,378,393
Excess (deficiency) of receipts over (under) disbursements	923,728	(1,384)	922,344
Other financing sources, net	1,137	-	1,137
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	924,865	(1,384)	923,481
Balance beginning of year	3,032,238	116,526	3,148,764
Balance end of year	\$ 3,957,103	115,142	4,072,245

See accompanying independent auditor's report.

Less				
Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
		Original	Final	
-	4,742,853	4,891,320	4,891,320	(148,467)
-	50,508	49,670	49,670	838
-	5,292,330	4,712,005	4,977,938	314,392
-	61,439	48,321	48,321	13,118
-	536,526	554,706	564,706	(28,180)
157	275,761	246,647	392,598	(116,837)
9,483	331,680	236,323	305,295	26,385
9,640	11,291,097	10,738,992	11,229,848	61,249
-	1,265,180	1,265,245	1,281,745	16,565
-	411,127	383,927	433,927	22,800
-	1,637,885	1,927,270	1,984,364	346,479
8,197	937,627	864,253	993,861	56,234
-	3,599,956	3,730,360	3,730,360	130,404
-	373,311	357,707	357,707	(15,604)
-	1,024,522	1,004,804	1,015,301	(9,221)
-	118,715	125,929	125,929	7,214
-	-	120,000	220,000	220,000
-	1,001,873	591,896	631,298	(370,575)
8,197	10,370,196	10,371,391	10,774,492	404,296
1,443	920,901	367,601	455,356	465,545
-	1,137	25	25	1,112
1,443	922,038	367,626	455,381	466,657
60,811	3,087,953	3,134,710	2,750,084	337,869
62,254	4,009,991	3,502,336	3,205,465	804,526

Jackson County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2005

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 11,183,406	(298,443)	10,884,963
Expenditures	10,259,678	(9,636)	10,250,042
Net	923,728	(288,807)	634,921
Other financing sources, net	1,137	-	1,137
Beginning fund balances	3,032,238	597,897	3,630,135
Ending fund balances	\$ 3,957,103	309,090	4,266,193

	Proprietary Funds		
	Internal Service		
	Cash	Accrual	Accrual
	Basis	Adjust- ments	Basis
Revenues	\$ 117,331	187	117,518
Expenses	118,715	(3,758)	114,957
Net	(1,384)	3,945	2,561
Beginning net assets	116,526	(3,696)	112,830
Ending net assets	\$ 115,142	249	115,391

See accompanying independent auditor's report.

Jackson County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units 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, the Special Revenue Funds, the Capital Projects Fund and the Internal Service 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 increased budgeted disbursements by \$403,101. 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, 2005, disbursements exceeded the amounts budgeted in the governmental services to residents, administration and capital projects functions.

Jackson County

Other Supplementary Information

Jackson County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2005

	Recorder's Records Management	Recorder's Electronic Transaction Fee	Green Island Drainage Districts	Local Health	Special Resource Enhancement and Protection
Assets					
Cash and pooled investments	\$ 16,145	12,003	62,254	29,678	26,096
Accrued interest receivable	33	34	-	-	94
Due from other governments	-	-	-	36,146	-
Total assets	\$ 16,178	12,037	62,254	65,824	26,190
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	-	-	-	465	37
Salaries and benefits payable	-	-	-	2,257	-
Due to other funds	-	-	-	206	-
Due to other governments	-	-	-	12,874	-
Deferred revenue	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	-	-	-	15,802	37
Fund equity:					
Unreserved fund balances, reported in:					
Special revenue funds	16,178	12,037	62,254	50,022	26,153
Capital projects fund	-	-	-	-	-
Total fund equity	16,178	12,037	62,254	50,022	26,153
Total liabilities and fund equity	\$ 16,178	12,037	62,254	65,824	26,190

See accompanying independent auditor's report.

Revenue							
Emergency Training Grant	Sheriff's Forfeiture Property	Local Law Enforcement	Conservation Land Acquisition	Pioneer Cemetery Trust	Capital Projects		Total
(6,675)	1,047	122	27,106	1,825	7,855		177,456
-	2	-	-	-	-		163
14,451	-	-	3,032	-	-		53,629
7,776	1,049	122	30,138	1,825	7,855		231,248
-	-	-	-	-	-		502
-	-	-	-	-	-		2,257
-	-	-	-	-	-		206
-	-	-	-	-	-		12,874
4,188	-	-	-	-	-		4,188
-	-	-	-	-	155,000		155,000
4,188	-	-	-	-	155,000		175,027
3,588	1,049	122	30,138	1,825	-		203,366
-	-	-	-	-	(147,145)		(147,145)
3,588	1,049	122	30,138	1,825	(147,145)		56,221
7,776	1,049	122	30,138	1,825	7,855		231,248

Jackson County

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

Year ended June 30, 2005

	Recorder's Records Management	Recorder's Electronic Transaction Fee	Green Island Drainage Districts	Special Local Health
Revenues:				
Intergovernmental	\$ -	-	-	101,042
Licenses and permits	-	-	-	46,285
Charges for service	4,466	14,196	-	2,111
Use of money and property	228	346	157	-
Miscellaneous	-	-	9,483	303
Total revenues	4,694	14,542	9,640	149,741
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Physical health and social services	-	-	-	186,508
County environment and education	-	-	8,197	-
Governmental services to residents	-	25,244	-	-
Capital projects	-	-	-	-
Total expenditures	-	25,244	8,197	186,508
Excess (deficiency) of revenues over (under) expenditures	4,694	(10,702)	1,443	(36,767)
Other financing sources (uses):				
Operating transfers in	-	-	-	50,000
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	50,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	4,694	(10,702)	1,443	13,233
Fund balances beginning of year	11,484	22,739	60,811	36,789
Fund balances end of year	\$ 16,178	12,037	62,254	50,022

See accompanying independent auditor's report.

Revenue									
Resource Enhancement and Protection	Emergency Training Grant	Community Development Block Grant	Sheriff's Forfeiture Property	Local Law Enforcement	Conservation Land Acquisition	Pioneer Cemetery Trust	Capital Projects	Total	
20,758	10,363	105,000	-	-	3,282	-	64,557	305,002	
-	-	-	-	-	-	-	-	46,285	
-	-	-	-	-	955	-	-	21,728	
433	-	-	18	2	-	-	-	1,184	
-	-	-	-	-	47,762	50	59,170	116,768	
21,191	10,363	105,000	18	2	51,999	50	123,727	490,967	
-	6,775	-	-	-	-	-	-	6,775	
-	-	-	-	-	-	-	-	186,508	
20,996	-	105,000	-	-	28,893	-	-	163,086	
-	-	-	-	-	-	-	-	25,244	
53	-	-	-	-	6,000	-	208,763	214,816	
21,049	6,775	105,000	-	-	34,893	-	208,763	596,429	
142	3,588	-	18	2	17,106	50	(85,036)	(105,462)	
-	-	-	-	-	-	-	30,000	80,000	
-	-	-	-	-	(5,000)	-	-	(5,000)	
-	-	-	-	-	(5,000)	-	30,000	75,000	
142	3,588	-	18	2	12,106	50	(55,036)	(30,462)	
26,011	-	-	1,031	120	18,032	1,775	(92,109)	86,683	
26,153	3,588	-	1,049	122	30,138	1,825	(147,145)	56,221	

Jackson County

Jackson County
 Combining Statement of Net Assets
 Internal Service Funds

June 30, 2005

	Employee Partial Self-Funded Health Plan	Employee Self-Funded Dental Plan	Total
Assets			
Cash and cash equivalents	\$ 89,050	26,092	115,142
Accrued interest receivable	197	52	249
Total assets	89,247	26,144	115,391
Liabilities			
None	-	-	-
Net Assets			
Unrestricted	\$ 89,247	26,144	115,391

See accompanying independent auditor's report.

Schedule 4

Jackson County

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

Year ended June 30, 2005

	Employee Partial Self-Funded Health Plan	Employee Self-Funded Dental Plan	Total
Operating revenues:			
Reimbursements from operating funds	\$ 55,331	41,372	96,703
Reimbursements from others	12,188	6,718	18,906
Total operating revenues	67,519	48,090	115,609
Operating expenses:			
Medical claims	51,757	29,797	81,554
Insurance premiums	24,934	-	24,934
Administrative fees	4,719	3,750	8,469
Total operating expenses	81,410	33,547	114,957
Operating income (loss)	(13,891)	14,543	652
Non-operating revenues:			
Interest income	1,610	299	1,909
Change in net assets	(12,281)	14,842	2,561
Net assets beginning of year	101,528	11,302	112,830
Net assets end of year	\$ 89,247	26,144	115,391

See accompanying independent auditor's report.

Jackson County
Combining Statement of Cash Flows
Internal Service Funds

Year ended June 30, 2005

	Employee Partial Self-Funded Health Plan	Employee Self-Funded Dental Plan	Total
Cash flows from operating activities:			
Cash received from operating funds	\$ 55,331	41,372	96,703
Cash received from others	12,188	6,718	18,906
Cash paid to suppliers for medical claims, insurance premiums and administration fees	(81,410)	(37,305)	(118,715)
Net cash provided (used) for operating activities	(13,891)	10,785	(3,106)
Cash flows from investing activities:			
Interest on investments	1,469	253	1,722
Net increase (decrease) in cash and cash equivalents	(12,422)	11,038	(1,384)
Cash and cash equivalents beginning of year	101,472	15,054	116,526
Cash and cash equivalents end of year	\$ 89,050	26,092	115,142
Reconciliation of operating income (loss) to net cash provided (used) for operating activities:			
Operating income (loss)	\$ (13,891)	14,543	652
Adjustment to reconcile operating income (loss) to net cash provided (used) for operating activities:			
Decrease in accounts payable	-	(3,758)	(3,758)
Net cash provided (used) for operating activities	\$ (13,891)	10,785	(3,106)

See accompanying independent auditor's report.

Jackson County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	2,351	153,612	208,541	8,422
Other County officials	502	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	603	1,882	46,672	1,822
Succeeding year	-	114,000	355,000	8,530,000	347,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 502	116,954	510,494	8,785,213	357,244
Liabilities					
Accounts payable	\$ -	-	185	-	-
Salaries and benefits payable	-	-	5,618	-	-
Due to other governments	-	116,954	492,719	8,785,213	357,244
Trusts payable	502	-	-	-	-
Compensated absences	-	-	11,972	-	-
Total liabilities	\$ 502	116,954	510,494	8,785,213	357,244

See accompanying independent auditor's report.

Corporations	Townships	County Hospital	Auto License and Use Tax	E911 Service Commission	Other	Total
73,405	4,164	17,839	(3,507)	161,524	69,406	695,757
-	-	-	-	-	-	502
31,132	131	3,829	-	-	35	86,106
2,760,000	175,000	722,000	-	-	48,000	13,051,000
-	-	-	-	27,690	-	27,690
-	-	-	-	499	12	511
-	-	-	-	-	20,137	20,137
-	-	-	-	-	58,000	58,000
-	-	-	-	1,335	-	1,335
2,864,537	179,295	743,668	(3,507)	191,048	195,590	13,941,038
-	-	-	-	120,234	-	120,419
-	-	-	-	-	294	5,912
2,864,537	179,295	743,668	(3,507)	70,814	195,296	13,802,233
-	-	-	-	-	-	502
-	-	-	-	-	-	11,972
2,864,537	179,295	743,668	(3,507)	191,048	195,590	13,941,038

Jackson County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 502	97,443	359,160	8,588,274	348,320
Additions:					
Property and other county tax	-	117,159	363,653	8,827,342	358,890
E911 surcharge	-	-	-	-	-
State tax credits	-	6,909	16,626	610,827	24,747
Drivers license fees	-	-	-	-	-
Office fees and collections	343,883	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	290,735	-	-	-	-
Miscellaneous	-	-	4,617	-	-
Total additions	634,618	124,068	384,896	9,438,169	383,637
Deductions:					
Agency remittances:					
To other funds	188,023	-	-	-	-
To other governments	155,079	104,557	233,562	9,241,230	374,713
Trusts paid out	291,516	-	-	-	-
Total deductions	634,618	104,557	233,562	9,241,230	374,713
Balances end of year	\$ 502	116,954	510,494	8,785,213	357,244

See accompanying independent auditor's report.

Corpora- tions	Townships	County Hospital	Auto License and Use Tax	E911 Service Commission	Other	Total
2,744,080	179,529	737,502	-	215,293	136,026	13,406,129
2,844,568	182,910	747,206	-	-	50,380	13,492,108
-	-	-	-	126,492	-	126,492
151,365	13,341	52,433	-	-	3,877	880,125
-	-	-	96,310	-	-	96,310
-	-	-	-	-	-	343,883
-	-	-	-	-	4,471	4,471
-	-	-	4,219,106	-	-	4,219,106
-	-	-	-	-	67,532	67,532
-	-	-	-	-	136,722	427,457
1,220	-	-	-	374	135,883	142,094
2,997,153	196,251	799,639	4,315,416	126,866	398,865	19,799,578
-	-	-	179,621	-	-	367,644
2,876,696	196,485	793,473	4,139,302	151,111	210,114	18,476,322
-	-	-	-	-	129,187	420,703
2,876,696	196,485	793,473	4,318,923	151,111	339,301	19,264,669
2,864,537	179,295	743,668	(3,507)	191,048	195,590	13,941,038

Schedule 8

Jackson County

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

For the Last Five Years

	Modified Accrual Basis				
	2005	2004	2003	2002	2001
Revenues:					
Property and other county tax	\$ 4,106,769	3,838,216	3,427,264	3,100,851	2,914,848
Local option sales tax	639,096	678,545	671,334	612,699	587,625
Interest and penalty on property tax	55,188	47,843	52,331	51,111	50,556
Intergovernmental	4,983,896	5,304,353	5,088,078	4,913,882	5,087,919
Licenses and permits	61,439	48,357	41,993	38,028	24,451
Charges for service	535,022	548,158	495,619	448,717	409,736
Use of money and property	280,786	234,327	353,827	434,063	500,954
Miscellaneous	222,767	508,987	273,759	92,682	139,806
Total	\$ 10,884,963	11,208,786	10,404,205	9,692,033	9,715,895
Expenditures:					
Operating:					
Public safety and legal services	\$ 1,276,490	1,244,442	1,183,667	1,133,274	1,081,588
Physical health and social services	390,865	434,384	422,338	469,567	472,152
Mental health	1,788,575	1,632,214	2,394,395	2,272,613	2,063,079
County environment and education	960,173	1,087,432	825,127	766,505	1,406,479
Roads and transportation	3,690,936	3,795,781	3,792,710	3,955,263	3,498,761
Governmental services to residents	374,677	332,776	337,012	314,645	346,384
Administration	990,874	1,096,817	1,016,630	882,829	790,994
Debt service	137,217	124,291	-	-	-
Capital projects	640,235	2,203,445	441,822	502,556	125,887
Total	\$ 10,250,042	11,951,582	10,413,701	10,297,252	9,785,324

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Officials of Jackson County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jackson County, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 26, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jackson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Jackson County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud 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 believe the reportable condition described above is a material weakness.

Compliance and Other Matters

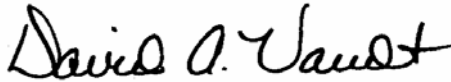
As part of obtaining reasonable assurance about whether Jackson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 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.

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

January 26, 2006

Jackson County
Schedule of Findings
Year ended June 30, 2005

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

	<u>Applicable Offices</u>
(1) The opening and listing of mail receipts and the collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash receipts.	Treasurer
(2) Secondary roads supply inventory – The receiving, issuing, accounting and storing responsibilities are not properly segregated. Also, an independent person who is not responsible for the inventory records does not verify inventory counts.	County Engineer

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the control activities of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Responses:

Treasurer – The opening of mail and listing of certain items from the mail collection will be listed in a red book and checked at a later date to check the audit trail. The Treasurer will try to make this a priority and will seriously implement this procedure. Also, this will be done sporadically to check each employee at different times.

County Engineer – This issue has not changed from last year. The limited amount of manpower we have is not enough to do as the State Auditors recommend. Assistant Engineer Mike Clausing, Road Superintendent Lloyd “Butch” Hingtgen or myself will do random inventory checks at least every quarter and place them in the inventory files. A copy will be provided to the Jackson County Auditor’s Office for their records.

Conclusion – Responses accepted.

Jackson County
Schedule of Findings
Year ended June 30, 2005

Other Findings Related to Required Statutory Reporting:

- (1) Depository Resolution – 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, 2005.
- (2) Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the governmental services to residents, administration and capital projects functions.

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

Response – The governmental services to residents, administration and capital projects transactions exceeded the June 30, 2005 budget amounts due to the first amended budget not included in the second budget totals. We will be more careful next year.

Conclusion – Response accepted.

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

Name, Title, and Business Connection	Transaction Description	Amount
Jan Ward, Board of Public Health and Zoning secretary, Husband owns Ward’s Repair Shop	Parts, welding and repair	\$ 1,540
Edward Clark, Sheriff’s Office Deputy, Brother owns Clark’s Saw Center	Chainsaw parts and repair	3,780
Kathy Zeimet, Auditor’s Office Deputy, Husband owns Zeimet’s Garage Inc.	Vehicle maintenance and repair	2,038

The transactions with Ward’s Repair Shop, Clark’s Saw Center and Zeimet’s Garage, Inc. may represent conflicts of interest as defined in Chapter 331.342 of the Code of Iowa since the total cumulative transactions for each individual were greater than \$1,500 during the fiscal year.

Jackson County

Schedule of Findings

Year ended June 30, 2005

Recommendation – The County should consult legal counsel to determine the disposition of this matter.

Response – Jackson County has limited service providers for services within the area.

Conclusion – Response acknowledged. The County should consult legal counsel.

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

- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

Certain minutes of the meetings of the County Board of Supervisors were not signed.

Recommendation – The County should ensure minutes are signed as required.

Response – Board minutes will now be signed at the time of approval in the Board of Supervisors meeting not like the past after they are photocopied in the minute book.

Conclusion – Response accepted.

- (7) 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).

- (8) Deposits and Pooled Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policies were noted.

- (9) Deficit Cash Balances – The Special Revenue, Emergency Training Grant Fund had a deficit balance of \$6,675 on June 30, 2005. The Agency, Recorder's Electronic Transaction Fee Fund had a deficit balance of \$685 on May 30, 2005. The Agency, Auto License and Use Tax Fund had a deficit balance of \$3,517 on June 30, 2005. These appear to violate Chapter 331.476 of the Code of Iowa.

Recommendation – Claims should not be approved for payment when funds are not available unless the debt is authorized by resolution of the Board of Supervisors and takes the form of anticipatory warrants, loans from other formal short-term debt instruments or obligations.

Response – The emergency training grant was received and deposited with the Treasurer's office after June 30, 2005. The Recorder's Electronic Transaction Fee Fund cash deficit balance was due to an accounting error which was corrected after June 30. The Auto License and Use Tax Fund deficit balance was due to a clerical error. The correction was made in July.

Conclusion – Response accepted.

Jackson County

Schedule of Findings

Year ended June 30, 2005

- (10) Financial Condition – The Capital Projects Fund had a deficit fund balance of \$147,145 at June 30, 2005.

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

Response – The deficit will be eliminated with the receipt of future grant funds and local revenues.

Conclusion – Response accepted.

- (11) 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, 2005 for the County Extension Office did not exceed the amount budgeted.

The County Extension office is required to publish a summary of receipts and disbursements for the fiscal year. The annual report was published, but several of the amounts published were incorrect.

Recommendation – County Extension’s annual report should be reviewed and amounts traced to the accounting records to ensure accurate information is published

Response – We went through a change in bookkeepers in FY05, so the problems in our reports will be corrected with our new staff. The accounts have been reviewed and are currently up to date with bank statements.

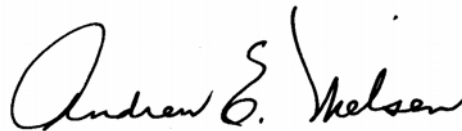
Conclusion – Response accepted.

Jackson County

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
Brad T. Holtan, Staff Auditor
John G. Vanis, CGFM, Senior Auditor
Billie Jo Heth, CPA, Senior Auditor
Carmon K. Kutcher, Assistant Auditor
Andrew J. Muff, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State