

JEFFERSON COUNTY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2005

Anderson, Larkin & Co. P.C.

JEFFERSON COUNTY, IOWA

TABLE OF CONTENTS
JUNE 30, 2005

	<u>Page</u>
Officials	1
Independent Auditor's Report	2
Management's Discussion and Analysis	3-8
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 9
Statement of Activities	B 10
Governmental Fund Financial Statements:	
Balance Sheet	C 11
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D 12
Statement of Revenues, Expenditures and Changes in Fund Balances	E 13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F 14
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	G 15
Notes to Financial Statements	16-28
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds	29
Budget to GAAP Reconciliation	30
Notes to Required Supplementary Information – Budgetary Reporting	31
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 32
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2 33
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	3 34-35
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	4 36-37
Nonmajor Capital Projects Funds:	
Combining Balance Sheet	5 38
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	6 39
Nonmajor Debt Service Funds:	
Balance Sheet	7 40
Schedule of Revenues, Expenditures and Changes in Fund Balances	8 41
Agency Funds:	
Combining Schedule of Fiduciary Assets and Liabilities	9 42-45
Combining Schedule of Changes in Fiduciary Assets and Liabilities	10 46-49
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	11 50
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	51-52
Schedule of Findings	53-55

JEFFERSON COUNTY, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard C. Reed	Board of Supervisors	January, 2007
Mike Pech	Board of Supervisors	January, 2009
Stephen Burgmeier	Board of Supervisors	January, 2009
Scott Reneker	County Auditor	January, 2009
Connie Hedger	County Treasurer	January, 2007
Charlotte Fleig	County Recorder	January, 2007
Jerry Droz	County Sheriff	January, 2009
Timothy W. Dille	County Attorney	January, 2007
Sheri Blough	County Assessor	January, 2010

Anderson, Larkin & Co. P.C.

INDEPENDENT AUDITOR'S REPORT

To the Officials of Jefferson County, Iowa:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jefferson 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 Jefferson County, Iowa'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 Jefferson County, Iowa at June 30, 2005, and the respective changes in financial position 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 reports dated September 15, 2005 on our consideration of Jefferson County, Iowa'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 3 through 8 and 29 through 31 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson County, Iowa's basic financial statements. The financial statements for the three years ended June 30, 2004 (which are not presented herein) were audited by other auditors, who expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 11, 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.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
September 15, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jefferson County, Iowa, 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

- The County's Governmental funds' revenues decreased \$1,002,554 from fiscal 2004 to fiscal 2005. Property taxes and other county tax decreased approximately \$1,307,329.
- The County's Governmental funds' expenditures increased \$154,607 in fiscal 2005 over fiscal 2004. Roads and transportation expenditures increased by \$398,470 and capital projects expenditures decreased by \$319,220.
- The County's governmental fund balances decreased 4%, or \$285,380, 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 Jefferson County, Iowa 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 Jefferson County, Iowa'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 Jefferson County, Iowa 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 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 services, roads and transportation, governmental services to residents, administration, interest on long-term debt and capital projects. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include:
 1. The General Fund,
 2. The Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads,
 3. Capital Projects Funds, such as Law Enforcement Center and Courthouse Roof,
 4. Debt Service Funds, such as Law Enforcement Center and Courthouse Roof.

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) 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 schools, emergency management services and the County Assessor, to name a few.

The required financial statements for fiduciary funds include 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. Jefferson County Iowa's combined net assets increased from \$12,259,274 to \$12,606,240. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities

	<u>June 30, 2005</u>	<u>As Restated June 30, 2004</u>
Current and other assets	\$ 12,427,236	\$ 11,626,668
Capital assets	<u>8,667,171</u>	<u>8,837,655</u>
Total assets	<u>21,094,407</u>	<u>20,464,323</u>
Long-term liabilities	2,805,000	3,601,500
Other liabilities	<u>5,683,167</u>	<u>4,603,549</u>
Total liabilities	<u>8,488,167</u>	<u>8,205,049</u>
Net assets:		
Invested in capital assets, net of related debt	5,082,171	4,368,151
Restricted	6,851,505	6,990,171
Unrestricted	<u>672,564</u>	<u>600,952</u>
Total net assets, as restated	\$ <u>12,606,240</u>	\$ <u>12,259,274</u>

Net assets of Jefferson County, Iowa's governmental activities increased by \$346,966 (\$12,606,240 compared to \$12,259,274). The largest portion of the County's net assets is the 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 sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at \$672,564 at June 30, 2005.

Changes in Net Assets of Governmental Activities

	<u>Year ended June 30, 2005</u>	<u>Year ended June 30, 2005</u>
Revenues:		
Program revenues:		
Charges for service	\$ 742,700	\$ 808,653
Operating grants, contributions and restricted interest	5,452,915	4,297,296
Capital grants, contributions and restricted interest	-	1,472,967
General revenues:		
Property tax	2,285,322	4,365,128
Penalty and interest on property tax	60,791	62,374
State tax credits	125,456	193,207
Grants and contributions not restricted to specific purposes	-	22,185
Unrestricted investment earnings	218,651	136,299
Other general revenues	<u>33,177</u>	<u>77,813</u>
Total revenues	<u>8,919,012</u>	<u>11,435,922</u>

Program expenses:		
Public safety and legal services	2,079,714	2,074,501
Physical health and social services	477,102	554,694
Mental health	1,182,660	1,157,048
County environment and education services	453,172	433,641
Roads and transportation	2,873,523	2,305,951
Governmental services to residents	369,297	328,567
Administration	723,870	798,933
Interest on long-term debt	180,084	236,015
Capital projects	<u>232,624</u>	<u>65,545</u>
Total expenses	<u>8,572,046</u>	<u>7,954,895</u>
Increase in net assets	346,966	3,481,027
Net assets beginning of year, as restated	<u>12,259,274</u>	<u>8,778,247</u>
Net assets end of year	\$ <u>12,606,240</u>	\$ <u>12,259,274</u>

INDIVIDUAL MAJOR FUND ANALYSIS

As Jefferson County, Iowa completed the year, its governmental funds reported a combined fund balance of \$7,624,241, a decrease of \$285,380 compared to last year's total of \$7,909,621. The decrease in fund balance is primarily attributable to Secondary Road projects, MHDD Services and Law Enforcement Center Debt Service. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues and expenditures were \$3,660,141 and \$3,699,893, respectively. The ending fund balance showed a decline of \$39,752 from the prior year to \$1,263,323.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$1,182,934, an increase of 2% from the prior year. The Mental Health Fund balance at year end decreased by \$143,305 from the prior year.
- Secondary Roads Fund expenditures increased by approximately \$348,001 over the prior year. This increase in expenditures resulted in a decrease in the Secondary Roads Fund ending balance of \$254,710, or 2%.
- Rural services revenues increased \$115,944 from the prior year. This increase in revenues resulted in an increase in ending fund balance of \$139,180.
- Law enforcement center debt service revenues decreased \$309,617 and expenses increased \$551,220, and as a result, ending fund balance decreased \$130,198.

BUDGETARY HIGHLIGHTS

Over the course of the year, Jefferson County, Iowa amended its budget once. The amendment was made on May 23, 2005 and resulted in an increase in budgeted disbursements mainly in the roads and transportation function of \$112,791.

Even with this amendment, the County underspent the original total budgeted amount of \$9,252,160 by \$366,837 for the year ended June 30, 2005.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2005, Jefferson County, Iowa had \$8,667,171 invested in a broad range of capital assets (net of depreciation), including land, public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of \$170,484, or 2% less than last year

Capital Assets of Governmental Activities at Year End

	<u>June 30, 2005</u>	<u>As Restated June 30, 2004</u>
Land	\$ 659,358	\$ 659,358
Buildings	5,067,081	5,159,094
Improvements other than buildings	40,528	42,069
Machinery and vehicles	1,396,557	1,406,261
Infrastructure	<u>1,503,647</u>	<u>1,570,873</u>
Total	\$ <u>8,667,171</u>	\$ <u>8,837,655</u>
This year's major additions included:		
Machinery and vehicles	\$ 205,634	
Buildings	<u>22,500</u>	
Total	\$ <u>228,184</u>	

The County had depreciation expense of \$398,668 in FY05 and total accumulated depreciation of \$3,142,964 at June 30, 2005.

The County's fiscal year 2005 capital budget included \$155,000 for capital projects. More detailed information about the County's capital assets is presented in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2005 and 2004, Jefferson County, Iowa's long-term debt consisted of the following:

Outstanding Debt of Governmental Activities at Year-End

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Revenue bonds	\$ 3,315,000	\$ 3,930,000
Compensated absences	148,794	116,731
Capital loan notes	<u>286,500</u>	<u>452,000</u>
Total	\$ <u>3,750,294</u>	\$ <u>4,498,731</u>

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Jefferson County, Iowa's constitutional debt limit for the 2005FY is \$22,001,839. Other obligations include accrued vacation pay and sick leave. Additional information about the County's long-term debt is presented in Note 6 to the financial statements

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Jefferson County, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates, and the fees that will be charged for various County activities. One of those factors is the economy. Unemployment in the County now stands at 4.8% versus 6.4% a year ago. This compares with the State's unemployment rate of 4.6% and the national rate of 5.0%.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.1% for fiscal year 2005 compared with the national rate of 3.4%.

These indicators were taken into account when adopting the budget for 2006FY. Amounts available for appropriation in the operating budget are \$12,491,788, an increase of 33% from the final amended 2005FY budget. The amount of revenue to support the above expenditures is projected to decrease 9% from the final amended 2005FY budget to \$8,444,671 with the shortfall budgeted from existing reserve funds. Property taxes supporting the 2006FY budget decreased \$277,847 from the 2005FY budget and makes up 49% of the revenue for the 2006FY budgeted expenditures.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of the 2006FY by \$4,047,117, leaving an overall reserve of approximately 23% of budgeted 2006FY expenditures.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Jefferson County, Iowa's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Jefferson County Auditor's Office, 51 East Briggs Avenue, Fairfield, Iowa.

Anderson, Larkin & Co. P.C.

JEFFERSON COUNTY, IOWA

STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities
ASSETS:	
Cash and pooled investments	\$ 7,625,258
Receivables:	
Property tax:	
Delinquent	29,978
Succeeding year	4,092,391
Accounts	13,109
Accrued interest	51,863
Due from other governments	304,226
Inventories	226,272
Prepaid expenses	84,139
Capital assets, net of accumulated depreciation	8,667,171
TOTAL ASSETS	<u>21,094,407</u>
LIABILITIES:	
Accounts payable	466,849
Due to other governments	130,673
Accrued interest payable	47,960
Deferred revenue:	
Succeeding year property tax	4,092,391
Long-term liabilities:	
Portion due and payable within one year:	
Urban renewal tax increment revenue bonds	215,000
Local option sales and services tax revenue bonds	430,000
Capital loan note certificates	16,500
Capital loan notes	135,000
Compensated absences	148,794
Portion due and payable after one year:	
Urban renewal tax increment revenue bonds	715,000
Local option sales and services tax revenue bonds	1,955,000
Capital loan notes	135,000
TOTAL LIABILITIES	<u>8,488,167</u>
NET ASSETS:	
Invested in capital assets, net of related debt	5,082,171
Restricted for:	
Supplemental levy	490,587
Mental health	426,844
Rural services	530,748
Debt service	2,416,466
Capital projects	128,787
Secondary roads	1,331,000
Other purposes	1,527,073
Unrestricted	672,564
TOTAL NET ASSETS	<u>\$ 12,606,240</u>

JEFFERSON COUNTY, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	
Governmental activities:				
Public safety and legal services	\$ 2,079,714	\$ 248,704	\$ 586,051	\$ (1,244,959)
Physical health and social services	477,102	42,033	202,264	(232,805)
Mental health	1,182,660	3,752	1,038,669	(140,239)
County environment and education services	453,172	99,916	575,116	222,520
Roads and transportation	2,873,523	106,156	1,911,215	(856,152)
Governmental services to residents	369,297	187,502	99,709	(82,086)
Administration	723,870	-	13,386	(710,484)
Interest on long-term debt	180,084	-	871,160	691,076
Capital projects	232,624	54,637	154,685	(23,302)
Total	\$ 8,572,046	\$ 742,700	\$ 5,452,915	(2,376,431)
General revenues:				
Property and other County tax levied for:				
General purposes				2,285,322
Penalty and interest on property tax				60,791
State tax credits				125,456
Unrestricted investment earnings				218,651
Miscellaneous				33,177
Total general revenues				<u>2,723,397</u>
Change in net assets				346,966
Net assets - Beginning of year, as restated				<u>12,259,274</u>
Net assets - End of year				\$ <u>12,606,240</u>

JEFFERSON COUNTY, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>Special Revenue</u>						<u>Total</u>
	<u>General</u>	<u>MH-DD Services</u>	<u>Rural Services</u>	<u>Secondary Roads</u>	<u>Law Enforcement Center Debt Service</u>	<u>Nonmajor Governmental Funds</u>	
<u>ASSETS</u>							
Cash and pooled investments	\$ 1,241,287	\$ 597,146	\$ 430,011	\$ 1,280,181	\$ 2,406,923	\$ 1,669,710	\$ 7,625,258
Receivables:							
Property tax:							
Delinquent	20,570	3,459	3,120	-	-	2,829	29,978
Succeeding year	2,812,021	472,707	429,582	-	-	378,081	4,092,391
Accounts	12,323	-	-	445	-	341	13,109
Accrued Interest	7,477	-	-	-	-	72	7,549
Due from other governments	16,615	-	100,745	186,090	776	-	304,226
Inventories	-	-	-	226,272	-	-	226,272
Prepaid expenses	67,744	-	-	16,395	-	-	84,139
TOTAL ASSETS	\$ 4,178,037	\$ 1,073,312	\$ 963,458	\$ 1,709,383	\$ 2,407,699	\$ 2,051,033	\$ 12,382,922
<u>LIABILITIES AND FUND BALANCES</u>							
<u>LIABILITIES:</u>							
Accounts payable	\$ 35,816	\$ 61,291	\$ 8	\$ 367,408	\$ -	\$ 2,326	\$ 466,849
Compensated absences	26,899	916	-	10,375	-	-	38,790
Due to other governments	19,408	108,095	-	-	-	3,170	130,673
Deferred revenue:							
Succeeding year property tax	2,812,021	472,707	429,582	-	-	378,081	4,092,391
Other	20,570	3,459	3,120	-	-	2,829	29,978
TOTAL LIABILITIES	2,914,714	646,468	432,710	378,383	-	386,406	4,758,681
<u>FUND BALANCES:</u>							
Reserved for:							
Inventories	-	-	-	226,272	-	-	226,272
Prepaid Expenses	67,744	-	-	16,395	-	-	84,139
Supplemental levy	490,587	-	-	-	-	-	490,587
Urban renewal bonds	-	-	-	-	-	98,000	98,000
Local option sales and services tax bonds	-	-	-	-	2,407,699	425,500	2,833,199
Unreserved, reported in:							
General fund	704,992	-	-	-	-	-	704,992
Special revenue funds	-	426,844	530,748	1,088,333	-	1,003,573	3,049,498
Capital projects fund	-	-	-	-	-	128,787	128,787
Debt service funds	-	-	-	-	-	8,767	8,767
Total fund balances	1,263,323	426,844	530,748	1,331,000	2,407,699	1,664,627	7,624,241
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,178,037	\$ 1,073,312	\$ 963,458	\$ 1,709,383	\$ 2,407,699	\$ 2,051,033	\$ 12,382,922

JEFFERSON COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total governmental fund balances	\$ 7,624,241
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 \$11,810,135 and the accumulated depreciation is \$3,142,964	8,667,171
Accrued interest receivable on CD's will not be collected for several months after the County's year end, and therefore, is not reported as an asset in the governmental funds.	44,314
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds	29,978
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(47,960)
Long-term liabilities, including bonds payable, capital loan notes payable and long-term compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,711,504)</u>
Net assets of governmental activities	\$ <u>12,606,240</u>

JEFFERSON COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Special Revenue			Law Enforcement Center Debt Service	Nonmajor Governmental Funds	Total
		MH-DD Services	Rural Services	Secondary Roads			
REVENUES:							
Property and other County tax	\$ 2,255,214	\$ 430,959	\$ 943,852	\$ -	\$ 19,120	\$ 585,442	\$ 4,234,587
Interest and penalty on property tax	60,791	-	-	-	-	-	60,791
Intergovernmental	531,604	604,251	104,963	1,911,215	365,335	17,955	3,535,323
Licenses and permits	34,978	-	530	820	-	-	36,328
Charges for service	537,742	3,752	-	80,801	-	38,778	661,073
Use of money and property	218,647	-	-	-	36,567	11,908	267,122
Miscellaneous	21,165	667	-	24,582	-	56,858	103,272
Total revenues	<u>3,660,141</u>	<u>1,039,629</u>	<u>1,049,345</u>	<u>2,017,418</u>	<u>421,022</u>	<u>710,941</u>	<u>8,898,496</u>
EXPENDITURES:							
Current:							
Public safety and legal services	1,903,681	-	110,334	-	-	-	2,014,015
Physical health and social services	473,433	-	2,416	-	-	-	475,849
Mental health	-	1,182,934	-	-	-	-	1,182,934
County environment and education services	271,004	-	160,016	-	-	8,726	439,746
Roads and transportation	-	-	7,200	2,789,892	-	-	2,797,092
Governmental services to residents	336,576	-	962	-	-	33,208	370,746
Administration	715,199	-	-	-	-	-	715,199
Debt Service	-	-	-	-	551,220	404,451	955,671
Capital projects	-	-	-	111,473	-	121,151	232,624
Total expenditures	<u>3,699,893</u>	<u>1,182,934</u>	<u>280,928</u>	<u>2,901,365</u>	<u>551,220</u>	<u>567,536</u>	<u>9,183,876</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,752)</u>	<u>(143,305)</u>	<u>768,417</u>	<u>(883,947)</u>	<u>(130,198)</u>	<u>143,405</u>	<u>(285,380)</u>
Other financial sources (uses):							
Operating transfers in	-	-	-	629,237	-	-	629,237
Operating transfers out	-	-	(629,237)	-	-	-	(629,237)
Total other financing sources (uses)	-	-	(629,237)	629,237	-	-	-
Net change in fund balances	(39,752)	(143,305)	139,180	(254,710)	(130,198)	143,405	(285,380)
Fund balances - Beginning of year	<u>1,303,075</u>	<u>570,149</u>	<u>391,568</u>	<u>1,585,710</u>	<u>2,537,897</u>	<u>1,521,222</u>	<u>7,909,621</u>
Fund balances - End of year	<u>\$ 1,263,323</u>	<u>\$ 426,844</u>	<u>\$ 530,748</u>	<u>\$ 1,331,000</u>	<u>\$ 2,407,699</u>	<u>\$ 1,664,627</u>	<u>\$ 7,624,241</u>

JEFFERSON COUNTY, IOWA

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 \$ (285,380)

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. Depreciation expense exceeded capital outlay expenditures in the current year as follows:

Expenditures for capital assets	\$ 228,184	
Depreciation expense	<u>(3)8,668</u>	(170,484)

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

Property tax/other deferred revenue		39,516
-------------------------------------	--	--------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

	780,500
--	---------

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	6,727	
Interest on long-term debt	<u>(4,913)</u>	1,814

Payments by other entities to retire capital loan note certificates are not recorded in governmental funds. However, the payments are recorded as a reduction of expenses in governmental activities to offset the long-term liability retired.

	<u>(19,000)</u>
--	-----------------

Change in net assets of governmental activities	\$ <u>346,966</u>
---	-------------------

JEFFERSON COUNTY, IOWA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2005

ASSETS

Cash and pooled investments:		
County Treasurer	\$	834,943
Other County officials		25,032
Accounts receivable		1,280
Property tax receivable:		
Delinquent		89,557
Succeeding year		12,212,624
Due from other governments		<u>36,110</u>
	TOTAL ASSETS	<u>13,199,546</u>

LIABILITIES

Due to other governments		13,184,700
Trusts payable		<u>14,846</u>
	TOTAL LIABILITIES	<u>13,199,546</u>
	NET ASSETS	\$ <u> -</u>

Anderson, Larkin & Co. P.C.

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Jefferson County, Iowa 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, Jefferson County, Iowa 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 the 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 Jefferson County, Iowa (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 that they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

A drainage district has 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 this district is legally separate from the County, it is controlled, managed and supervised by the Jefferson County Board of Supervisors. The drainage district is reported as a Special Revenue Fund. Financial information about the drainage district can be obtained from the Jefferson 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: Jefferson County Assessor's Conference Board, Jefferson County Emergency Management Commission and Jefferson County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported as 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.

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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 that do not meet 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 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 that are not paid from other funds.

Special Revenue:

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

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

The MH-DD Services 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.

Law Enforcement Center Debt Service Fund:

The Debt Service Fund is used to account for the payment of interest and principal on the County's local option sales and services tax revenue bonds.

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Additionally, the County reports the following funds:

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 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-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

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

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

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 that 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 1 ½% 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.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated 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.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 65,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

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

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Improvements other than buildings	20-50
Buildings	25-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

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

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

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within 60 days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. 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 and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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 that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 did not exceed the amounts budgeted.

NOTE 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's funds are all deposited in financial institution depository accounts.

Interest rate risk - The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

NOTE 3: INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Secondary Roads	Rural Services	\$ <u>629,237</u>

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

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 4: CAPITAL ASSETS

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

	<u>Balance</u> <u>Beginning of</u> <u>Year</u> <u>As Restated</u>	<u>Increases</u> <u>and</u> <u>Transfers</u>	<u>Decreases</u> <u>and</u> <u>Transfers</u>	<u>Balance End</u> <u>of Year</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>659,358</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>659,358</u>
Capital assets being depreciated:				
Buildings	5,970,771	22,500	-	5,993,271
Improvements other than buildings	53,481	-	-	53,481
Machinery and equipment	3,381,835	205,684	118,668	3,468,851
Infrastructure	<u>1,635,174</u>	<u>-</u>	<u>-</u>	<u>1,635,174</u>
Total capital assets being depreciated	<u>11,041,261</u>	<u>228,184</u>	<u>118,668</u>	<u>11,150,777</u>
Less accumulated depreciation for:				
Buildings	811,677	114,513	-	926,190
Improvements other than buildings	11,412	1,541	-	12,953
Machinery and equipment	1,975,574	215,388	118,668	2,072,294
Infrastructure	<u>64,301</u>	<u>67,226</u>	<u>-</u>	<u>131,527</u>
Total accumulated depreciation	<u>2,862,964</u>	<u>398,668</u>	<u>118,668</u>	<u>3,142,964</u>
Total capital assets being depreciated, net	<u>8,178,297</u>	<u>(170,484)</u>	<u>-</u>	<u>8,007,813</u>
Governmental activities capital assets, net	\$ <u>8,837,655</u>	\$ <u>(170,484)</u>	\$ <u>-</u>	\$ <u>8,667,171</u>

Depreciation expense was charged to the following functions:

Governmental Activities:	
Public safety and legal services	\$ 135,490
Physical health and social services	1,990
County environment and education services	13,928
Roads and transportation	235,880
Administration	<u>11,380</u>
 Total depreciation expense - Governmental activities	 \$ <u>398,668</u>

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 5: 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. The Agency Fund collections also include accruals of property tax for the succeeding year. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Services and Collections and Delinquent Property Taxes</u>	<u>Succeeding Year Property Taxes</u>	<u>Total</u>
Governmental Funds:			
General	\$ 19,408	\$ -	\$ 19,408
Special Revenue:			
MH-DD Services	108,095	-	108,095
Conservation Land Acquisition	<u>3,170</u>	<u>-</u>	<u>3,170</u>
Total Governmental Funds	<u>130,673</u>	<u>-</u>	<u>130,673</u>
Trust and Agency:			
County Recorder	15,834	-	15,834
County Assessor	129,144	325,086	454,230
Schools	177,183	7,021,148	7,198,331
Area schools	1,929	351,790	360,719
Corporations	95,970	3,334,784	3,430,754
Townships	3,120	156,915	160,035
Agriculture Extension Education	3,168	124,753	127,921
County Hospital	22,979	896,256	919,235
E-911	266,693	-	266,693
Auto License and Use Tax	228,524	-	228,524
All other	<u>20,532</u>	<u>1,892</u>	<u>22,424</u>
Total Trust and Agency Funds	<u>972,076</u>	<u>12,212,624</u>	<u>13,184,700</u>
	\$ <u>1,102,749</u>	\$ <u>12,212,624</u>	\$ <u>13,315,373</u>

NOTE 6: CHANGES IN LONG-TERM DEBT

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

	<u>Urban Renewal Tax Increment Revenue Bonds</u>	<u>Local Option Sales and Services Tax Revenue Bonds</u>	<u>Capital Loan Note Certificates</u>	<u>Capital Loan Notes</u>	<u>Compensated Absences</u>	<u>Total</u>
Balance - Beginning of year	\$ 1,135,000	\$ 2,795,000	\$ 52,000	\$ 400,000	\$ 116,731	\$ 4,498,731
Increases	-	-	-	-	148,794	148,794
Decreases	<u>205,000</u>	<u>410,000</u>	<u>35,500</u>	<u>130,000</u>	<u>116,731</u>	<u>897,231</u>
Balance - End of year	\$ <u>930,000</u>	\$ <u>2,385,000</u>	\$ <u>16,500</u>	\$ <u>270,000</u>	\$ <u>148,794</u>	\$ <u>3,750,294</u>
Due within one year	\$ <u>215,000</u>	\$ <u>430,000</u>	\$ <u>16,500</u>	\$ <u>135,000</u>	\$ <u>148,794</u>	\$ <u>945,294</u>

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 6: CHANGES IN LONG-TERM DEBT (Continued)

A summary of the County's tax increment revenue bonds at June 30, 2005 is as follows:

Year Ending June 30,	<u>Issue of December 1, 1998</u>			<u>Issue of April 1, 1999</u>		
	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
2006	4 50 %	\$ 105,000	\$ 21,068	5 90 %	\$ 110,000	\$ 28,760
2007	4 60	110,000	16,342	5 95	120,000	22,270
2008	4 75	115,000	11,283	6 00	120,000	15,130
2009	4 85	<u>120,000</u>	<u>5,820</u>	6 10	<u>130,000</u>	<u>7,930</u>
Total		\$ <u>450,000</u>	\$ <u>54,513</u>		\$ <u>480,000</u>	\$ <u>74,090</u>
		<u>Total</u>				
Year Ending June 30,	<u>Principal</u>	<u>Interest</u>				
2006	\$ 215,000	\$ 49,828				
2007	230,000	38,612				
2008	235,000	26,413				
2009	<u>250,000</u>	<u>13,750</u>				
Total	\$ <u>930,000</u>	\$ <u>128,603</u>				

The resolution providing for the issuance of the tax increment revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the urban renewal tax increment financing received by the County, and the bond holders hold a lien on the future revenues received.
- (b) Sufficient semi-annual deposits shall be made to the urban renewal debt sinking account for the purpose of making the bond principal and interest payments when due.
- (c) A separate bond reserve fund will be maintained in the amount of \$98,000 to be used solely for the purpose of paying principal and interest in the event the revenue account does not have sufficient funds for that purpose.

Local Option Sales and Services Tax Revenue Bonds

A summary of the County's local option sales and services tax revenue bonds is as follows:

Year Ending June 30,	<u>Issue of January 1, 2000</u>		
	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
2006	5 35 %	\$ 430,000	\$ 118,605
2007	5 40	450,000	94,953
2008	5 45	475,000	69,859
2009	5 50	500,000	43,165
2010	5 55	<u>530,000</u>	<u>14,707</u>
Total		\$ <u>2,385,000</u>	\$ <u>341,289</u>

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 6: CHANGES IN LONG-TERM DEBT (Continued)

Local Option Sales and Services Tax Revenue Bonds (Continued)

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the costs of constructing and equipping a local law enforcement center. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the County and local participating incorporated and unincorporated areas in accordance with Chapter 442B.12 of the Code of Iowa. The bonds are not a general obligation of the County. The debt, however, is subject to the constitutional debt limitation of the County.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the local option sales and service tax revenues received by the County, and the bond holders hold a lien on the future revenues received.
- (b) Sufficient semi-annual deposits shall be made to the Local Law Enforcement debt sinking account for the purpose of making the bond principal and interest payments when due.
- (c) A separate bond reserve fund will be maintained in the amount of \$425,500 to be used solely for the purpose of paying principal and interest in the event the revenue account does not have sufficient funds for that purpose.

Capital Loan Note Certificates

Jefferson County, Iowa is one of ten participating member counties in the South Iowa Area Detention Service Agency (SIADSA) Capital Loan Note Certificate agreement. Each member county issued \$230,000 General Obligation Capital Loan Notes on May 1, 1991 to SIADSA which secured \$2,300,000 of Capital Loan Note Certificates issued by SIADSA. On May 1, 2004, \$330,000 of general obligation capital loan notes were issued to call the May 1, 1991 issue on June 1, 2004. SIADSA also contributed \$140,000 of reserve funds to reduce the principal amount. Each county's share in the remaining debt is 10%.

The County is responsible for paying principal and interest on its share of the facility's debt when the facility's revenue is insufficient to cover such debt payments. The County was notified in previous years that it may have to pay \$25,000 to cover the principal and interest payments. During the current fiscal year, the County paid \$16,500 of principal and \$818 of interest to SIADSA. The County continues to budget for this contingent liability.

Jefferson County, Iowa is one of five participating member counties in the Heartland Group Capital Loan Note Certificate agreement. Each member county issued \$160,000 General Obligation Capital Loan Notes on March 1, 1994 which secured \$800,000 of Capital Loan Note Certificates issued by the Heartland Group. During the current fiscal year, these notes were paid in full.

A summary of the County's capital loan note certificates is as follows:

<u>Year Ending June 30,</u>	<u>SIADSA Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ <u>16,500</u>	\$ <u>330</u>

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 6: CHANGES IN LONG-TERM DEBT (Continued)

Capital Loan Notes

Details of the County's general obligation capital loan note indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest
2006	1.95 %	\$ 135,000	\$ 5,737
2007	2.30	<u>135,000</u>	<u>3,105</u>
Total		\$ <u>270,000</u>	\$ <u>8,842</u>

NOTE 7: LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

Jefferson County, Iowa is a member of a multi-government 28E agreement established in 1974. This agreement provides the public authority for the Southeast Multi-County Solid Waste Agency (SEMCO) to operate under a separate Board of Directors and provide municipal solid waste landfill services. SEMCO, therefore, is required by state and federal laws and regulations to make annual contributions to finance closure and postclosure care costs. Any additional costs that might arise from changes in regulations or technology are anticipated to be covered by increases in rates paid by future landfill users.

NOTE 8: PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2005 are 5.10% and 7.66%, respectively. For the year ended June 30, 2004, the contribution rates for law enforcement employees and the County were 4.99% and 7.48%, respectively, and for the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.01%, respectively. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$171,726, \$175,125, and \$167,766, respectively, equal to the required contributions for each year.

NOTE 9: RISK MANAGEMENT

Jefferson County, Iowa 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.

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 9: RISK MANAGEMENT (Continued)

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 annual contributions to the Pool for the year ended June 30, 2005 were \$172,802.

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 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 that 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 that 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 company 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 claims 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 amounts 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.

NOTE 10: WORKERS' COMPENSATION

The County is a member of the Iowa Municipalities Workers' Compensation Association (IMWCA) which provides workers' compensation coverage to its members in the amount of \$1,000,000.

JEFFERSON COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 11: COUNTY CARE FACILITY

The management and operation of the Jefferson County Care Facility is provided by ResCare, Inc. The County leased the Care Facility site to ResCare, Inc., under an agreement whereby the County is to reimburse ResCare, Inc. monthly for service provided on a per patient basis.

During the year ending June 30, 2006, the Care Facility was sold to ResCare, Inc.

NOTE 12: PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2005, it was discovered that the County owns land that was not included in the amounts reported for capital assets at June 30, 2004. This results in the following changes in fund balance as of June 30, 2004:

	<u>Fund Balance</u>
As previously reported	\$ 11,599,916
Adjustments:	
Record land owned by County	<u>659,358</u>
As restated, June 30, 2004	\$ <u>12,259,274</u>

NOTE 13: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2004 have been reclassified to conform with the June 30, 2005 presentation.

REQUIRED SUPPLEMENTARY INFORMATION

Anderson, Larkin & Co. P.C.

JEFFERSON COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2005

		<u>Budgeted Amounts</u>		<u>Final to Actual Variance - Positive (Negative)</u>
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
<u>RECEIPTS:</u>				
Property and other County tax	\$ 4,315,720	\$ 4,441,711	\$ 4,441,711	\$ (125,991)
Interest and penalty on property tax	60,791	48,400	48,400	12,391
Intergovernmental	3,573,219	3,885,598	3,885,598	(312,379)
Licenses and permits	9,440	5,500	5,500	3,940
Charges for service	689,126	628,385	628,385	60,741
Use of money and property	292,149	252,275	252,275	39,874
Miscellaneous	82,792	3,800	59,640	23,152
Total receipts	<u>9,023,237</u>	<u>9,265,669</u>	<u>9,321,509</u>	<u>(298,272)</u>
<u>DISBURSEMENTS:</u>				
Public safety and legal services	2,003,094	2,023,306	2,023,306	20,212
Physical health and social services	490,068	538,494	546,494	56,426
Mental health	1,159,556	1,234,524	1,234,524	74,968
County environment and education services	448,474	475,714	475,714	27,240
Roads and transportation	2,525,109	2,418,000	2,549,240	14,031
Governmental services to residents	370,329	348,584	392,335	22,006
Administration	691,825	832,615	832,615	140,790
Debt service	955,673	954,923	955,723	50
Capital projects	231,095	426,000	355,000	123,905
Total disbursements	<u>8,885,323</u>	<u>9,252,160</u>	<u>9,364,951</u>	<u>479,628</u>
Excess (deficiency) of receipts over (under) disbursements	137,914	13,509	(43,442)	181,356
<u>BALANCE</u> - Beginning of year	<u>7,487,406</u>	<u>6,902,647</u>	<u>6,902,647</u>	<u>584,759</u>
<u>BALANCE</u> - End of year	\$ <u>7,625,320</u>	\$ <u>6,916,156</u>	\$ <u>6,859,205</u>	\$ <u>766,115</u>

JEFFERSON COUNTY, IOWA

BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2005

	<u>Governmental Fund Types</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 9,023,237	\$ (124,741)	\$ 8,898,496
Expenditures	<u>8,885,323</u>	<u>298,553</u>	<u>9,183,876</u>
Net	137,914	(423,294)	(285,380)
Beginning fund balances	<u>7,487,406</u>	<u>(422,215)</u>	<u>7,909,621</u>
Ending fund balances	\$ <u>7,625,320</u>	\$ <u>(1,079)</u>	\$ <u>7,624,241</u>

Anderson, Larkin & Co. P.C.

JEFFERSON COUNTY, IOWA

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 budgeting 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 or fund type. The 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education services, roads and transportation, governmental services to residents, administration, non-program activities, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregate function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$112,791. The budget amendment is reflected in the final budgeted amounts.

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

OTHER SUPPLEMENTARY INFORMATION

Anderson, Larkin & Co. P.C.

JEFFERSON COUNTY, IOWA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>Nonmajor Governmental Funds</u>			<u>Total</u>
	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Capital Projects Funds</u>	<u>Nonmajor Debt Service Funds</u>	
<u>ASSETS</u>				
Cash and pooled investments	\$ 1,532,214	\$ 128,729	\$ 8,767	\$ 1,669,710
Receivables:				
Property tax:				
Delinquent	1,797	-	1,032	2,829
Succeeding year	237,162	-	140,919	378,081
Accounts	341	-	-	341
Accrued interest	14	58	-	72
	<u>14</u>	<u>58</u>	<u>-</u>	<u>72</u>
TOTAL ASSETS	\$ <u>1,771,528</u>	\$ <u>128,787</u>	\$ <u>150,718</u>	\$ <u>2,051,033</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 2,326	\$ -	\$ -	\$ 2,326
Due to other governments	3,170	-	-	3,170
Deferred Revenue:				
Succeeding year property tax	237,162	-	140,919	378,081
Other	1,797	-	1,032	2,829
	<u>237,162</u>	<u>-</u>	<u>140,919</u>	<u>378,081</u>
Other	<u>1,797</u>	<u>-</u>	<u>1,032</u>	<u>2,829</u>
Total liabilities	<u>244,455</u>	<u>-</u>	<u>141,951</u>	<u>386,406</u>
<u>FUND EQUITY:</u>				
Reserved for:				
Urban renewal bonds	98,000	-	-	98,000
Local option sales and services tax bonds	425,500	-	-	425,500
Unreserved, reported in:				
Special revenue funds	1,003,573	-	-	1,003,573
Capital projects funds	-	128,787	-	128,787
Debt service funds	-	-	8,767	8,767
	<u>1,003,573</u>	<u>128,787</u>	<u>8,767</u>	<u>1,141,127</u>
Total fund equity	<u>1,527,073</u>	<u>128,787</u>	<u>8,767</u>	<u>1,664,627</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>1,771,528</u>	\$ <u>128,787</u>	\$ <u>150,718</u>	\$ <u>2,051,033</u>

JEFFERSON COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	<u>Nonmajor Governmental Funds</u>			<u>Total</u>
	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Capital Projects Funds</u>	<u>Nonmajor Debt Service Funds</u>	
<u>REVENUES:</u>				
Property and other County tax	\$ 445,722	\$ -	\$ 139,720	\$ 585,442
Intergovernmental	10,626	-	7,329	17,955
Charges for service	38,778	-	-	38,778
Use of money and property	2,685	9,223	-	11,908
Miscellaneous	2,221	54,637	-	56,858
Total revenues	<u>500,032</u>	<u>63,860</u>	<u>147,049</u>	<u>710,941</u>
<u>EXPENDITURES:</u>				
Operating:				
County environment and education services	8,726	-	-	8,726
Governmental services to residents	33,208	-	-	33,208
Debt service	266,169	-	138,282	404,451
Capital projects	25,582	95,569	-	121,151
Total expenditures	<u>333,685</u>	<u>95,569</u>	<u>138,282</u>	<u>567,536</u>
Excess (deficiency) of revenues over (under) expenditures	166,347	(31,709)	8,767	143,405
Fund balances - Beginning of year	<u>1,360,726</u>	<u>160,496</u>	<u>-</u>	<u>1,521,222</u>
Fund balances - End of year	\$ <u>1,527,073</u>	\$ <u>128,787</u>	\$ <u>8,767</u>	\$ <u>1,664,627</u>

JEFFERSON COUNTY, IOWA

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2005

	<u>Special Revenue</u>				
	<u>Local Option Sales and Services Tax Reserve</u>	<u>Urban Renewal Projects Reserve</u>	<u>Blackhawk Center Tax Increment Financing</u>	<u>Resource Enhancement and Protection</u>	<u>Drug Forfeiture</u>
<u>ASSETS</u>					
Cash and pooled investments	\$ 425,500	\$ 98,000	\$ 916,953	\$ 30,944	\$ 5,169
Receivables:					
Property tax:					
Delinquent	-	-	1,797	-	-
Succeeding year	-	-	237,162	-	-
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>425,500</u>	\$ <u>98,000</u>	\$ <u>1,155,912</u>	\$ <u>30,944</u>	\$ <u>5,169</u>
<u>LIABILITIES AND FUND EQUITY</u>					
<u>LIABILITIES:</u>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-	-
Deferred revenue:					
Succeeding year property tax	-	-	237,162	-	-
Other	-	-	1,797	-	-
Total liabilities	<u> </u>	<u> </u>	<u>238,959</u>	<u> </u>	<u> </u>
<u>FUND EQUITY:</u>					
Reserved for:					
Urban renewal bonds	-	98,000	-	-	-
Local option sales and services tax bonds	425,500	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	916,953	30,944	5,169
Total fund equity	<u>425,500</u>	<u>98,000</u>	<u>916,953</u>	<u>30,944</u>	<u>5,169</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>425,500</u>	\$ <u>98,000</u>	\$ <u>1,155,912</u>	\$ <u>30,944</u>	\$ <u>5,169</u>

<u>Special Response Team</u>	<u>Drug Control Policy</u>	<u>County Recorder's Records Management</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Rocky Branch Watershed</u>	<u>Conservation Land Acquisition</u>	<u>Total</u>
\$ 202	\$ 40	\$ 12,233	\$ 13,124	\$ 13,210	\$ 16,839	\$ 1,532,214
-	-	-	-	-	-	1,797
-	-	-	-	-	-	237,162
-	-	281	-	-	60	341
-	-	14	-	-	-	14
<u>\$ 202</u>	<u>\$ 40</u>	<u>\$ 12,528</u>	<u>\$ 13,124</u>	<u>\$ 13,210</u>	<u>\$ 16,899</u>	<u>\$ 1,771,528</u>
\$ -	\$ -	\$ 2,055	\$ -	\$ -	\$ 271	\$ 2,326
-	-	-	-	-	3,170	3,170
-	-	-	-	-	-	237,162
-	-	-	-	-	-	1,797
-	-	2,055	-	-	3,441	244,455
-	-	-	-	-	-	98,000
-	-	-	-	-	-	425,500
<u>202</u>	<u>40</u>	<u>10,473</u>	<u>13,124</u>	<u>13,210</u>	<u>13,458</u>	<u>1,003,573</u>
<u>202</u>	<u>40</u>	<u>10,473</u>	<u>13,124</u>	<u>13,210</u>	<u>13,458</u>	<u>1,527,073</u>
<u>\$ 202</u>	<u>\$ 40</u>	<u>\$ 12,528</u>	<u>\$ 13,124</u>	<u>\$ 13,210</u>	<u>\$ 16,899</u>	<u>\$ 1,771,528</u>

JEFFERSON COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2005

	Special Revenue				
	Local Option Sales and Services Tax Reserve	Urban Renewal Projects Reserve	Blackhawk Center Tax Increment Financing	Resource Enhancement and Protection	Drug Forfeiture
REVENUES:					
Property and other County tax	\$ -	\$ -	\$ 445,722	\$ -	\$ -
Intergovernmental	-	-	-	10,626	-
Charges for service	-	-	-	-	4,141
Use of money and property	-	-	-	213	18
Miscellaneous	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>445,722</u>	<u>10,839</u>	<u>4,159</u>
EXPENDITURES:					
Operating:					
County environment and education services	-	-	-	3,053	-
Governmental services to residents	-	-	-	-	-
Debt service	-	-	266,169	-	-
Capital projects	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>266,169</u>	<u>3,053</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	179,553	7,786	4,159
Fund balances - Beginning of year	<u>425,500</u>	<u>98,000</u>	<u>737,400</u>	<u>23,158</u>	<u>1,010</u>
Fund balances - End of year	\$ <u>425,500</u>	\$ <u>98,000</u>	\$ <u>916,953</u>	\$ <u>30,944</u>	\$ <u>5,169</u>

<u>Special Response Team</u>	<u>Drug Control Policy</u>	<u>County Recorder's Records Management</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Rocky Branch Watershed</u>	<u>Conservation Land Acquisition</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 445,722
-	-	-	-	-	-	10,626
-	-	3,538	-	-	31,099	38,778
2	-	4	438	144	1,866	2,685
-	-	-	-	-	2,221	2,221
<u>2</u>	<u>-</u>	<u>3,542</u>	<u>438</u>	<u>144</u>	<u>35,186</u>	<u>500,032</u>
-	-	-	-	110	5,563	8,726
-	-	8,937	24,271	-	-	33,208
-	-	-	-	-	-	266,169
-	-	-	-	-	25,582	25,582
<u>-</u>	<u>-</u>	<u>8,937</u>	<u>24,271</u>	<u>110</u>	<u>31,145</u>	<u>333,685</u>
2	-	(5,395)	(23,833)	34	4,041	166,347
<u>200</u>	<u>40</u>	<u>15,868</u>	<u>36,957</u>	<u>13,176</u>	<u>9,417</u>	<u>1,360,726</u>
<u>\$ 202</u>	<u>\$ 40</u>	<u>\$ 10,473</u>	<u>\$ 13,124</u>	<u>\$ 13,210</u>	<u>\$ 13,458</u>	<u>\$ 1,527,073</u>

Anderson, Larkin & Co. P.C.

JEFFERSON COUNTY, IOWA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2005

	Capital Projects				
	<u>Urban Renewal Projects</u>	<u>Law Enforcement Center</u>	<u>Courthouse Roof</u>	<u>Steeple Restoration</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and pooled investments	\$ 52,042	\$ 9,394	\$ 62,256	\$ 5,037	\$ 128,729
Receivables:					
Accrued interest	-	-	58	-	58
TOTAL ASSETS	\$ <u>52,042</u>	\$ <u>9,394</u>	\$ <u>62,314</u>	\$ <u>5,037</u>	\$ <u>128,787</u>
<u>LIABILITIES AND FUND EQUITY</u>					
<u>LIABILITIES:</u>					
None					
<u>FUND EQUITY:</u>					
Unreserved, reported in:					
Capital projects funds	\$ <u>52,042</u>	\$ <u>9,394</u>	\$ <u>62,314</u>	\$ <u>5,037</u>	\$ <u>128,787</u>
Total fund equity	<u>52,042</u>	<u>9,394</u>	<u>62,314</u>	<u>5,037</u>	<u>128,787</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>52,042</u>	\$ <u>9,394</u>	\$ <u>62,314</u>	\$ <u>5,037</u>	\$ <u>128,787</u>

JEFFERSON COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2005

	<u>Capital Projects</u>				<u>Total</u>
	<u>Urban Renewal Projects</u>	<u>Law Enforcement Center</u>	<u>Courthouse Roof</u>	<u>Steeple Restoration</u>	
<u>REVENUES:</u>					
Use of money and property	\$ 1,591	\$ 6,974	\$ 658	\$ -	\$ 9,223
Miscellaneous	-	-	-	54,637	54,637
Total revenues	<u>1,591</u>	<u>6,974</u>	<u>658</u>	<u>54,637</u>	<u>63,860</u>
<u>EXPENDITURES:</u>					
Capital projects	-	45,969	-	49,600	95,569
Total expenditures	<u>-</u>	<u>45,969</u>	<u>-</u>	<u>49,600</u>	<u>95,569</u>
Excess (deficiency) of revenues over (under) expenditures	1,591	(38,995)	658	5,037	(31,709)
Fund balances - Beginning of year	<u>50,451</u>	<u>48,389</u>	<u>61,656</u>	<u>-</u>	<u>160,496</u>
Fund balances - End of year	\$ <u>52,042</u>	\$ <u>9,394</u>	\$ <u>62,314</u>	\$ <u>5,037</u>	\$ <u>128,787</u>

JEFFERSON COUNTY, IOWA

BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2005

ASSETS

		<u>Courthouse Roof Debt Service</u>
Cash and pooled investments	\$	8,767
Receivables:		
Property tax:		
Delinquent		1,032
Succeeding year		<u>140,919</u>
TOTAL ASSETS	\$	<u>150,718</u>

LIABILITIES AND FUND EQUITYLIABILITIES:

Deferred revenue:		
Succeeding year property tax	\$	140,919
Other		<u>1,032</u>
Total liabilities		<u>141,951</u>

FUND EQUITY:

Unreserved, reported in:		
Debt service funds		<u>8,767</u>
Total fund equity		<u>8,767</u>

TOTAL LIABILITIES AND FUND EQUITY \$ 150,718

JEFFERSON COUNTY, IOWA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
YEAR ENDED JUNE 30, 2005

Courthouse
 Roof
Debt Service

REVENUES:

Property and other County tax	\$ 139,720
Intergovernmental	7,329
Total revenues	<u>147,049</u>

EXPENDITURES:

Debt service	<u>138,282</u>
Total expenditures	<u>138,282</u>

Excess of revenues over expenditures	8,767
Fund balances - Beginning of year	<u>-</u>
Fund balances - End of year	\$ <u>8,767</u>

Anderson, Larkin & Co. P.C.

JEFFERSON COUNTY, IOWA
COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2005

	<u>County Offices</u>		<u>E-911</u>	<u>Joint Emergency Management Services</u>
<u>ASSETS</u>	<u>County Recorder</u>	<u>County Sheriff</u>		
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ 242,219	\$ 19,061
Other County officials	15,834	9,198	-	-
Receivables:				
Accounts receivable	-	-	1,155	-
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Due from other governments	-	-	<u>23,319</u>	-
TOTAL ASSETS	<u>\$ 15,834</u>	<u>\$ 9,198</u>	<u>\$ 266,693</u>	<u>\$ 19,061</u>
 <u>LIABILITIES</u>				
Due to other governments	\$ 15,834	\$ -	\$ 266,693	\$ 19,061
Trusts payable	<u>-</u>	<u>9,198</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 15,834</u>	<u>\$ 9,198</u>	<u>\$ 266,693</u>	<u>\$ 19,061</u>

Anderson, Larkin & Co. P.C.

<u>Advance Tax Payments</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>Townships</u>	<u>Corporations</u>	<u>Schools</u>	<u>Area Schools</u>	<u>County Assessor</u>	<u>Agriculture Extension Education</u>
\$ 4,381	\$ 864	\$ 1,981	\$ 71,356	\$ 125,817	\$ 6,355	\$ 113,849	\$ 2,255
-	-	-	-	-	-	-	-
-	-	-	-	-	-	125	-
-	14	1,139	24,614	51,366	2,574	2,379	913
-	1,892	156,915	3,334,784	7,021,148	351,790	325,086	124,753
-	-	-	-	-	-	12,791	-
<u>\$ 4,381</u>	<u>\$ 2,770</u>	<u>\$ 160,035</u>	<u>\$ 3,430,754</u>	<u>\$ 7,198,331</u>	<u>\$ 360,719</u>	<u>\$ 454,230</u>	<u>\$ 127,921</u>
\$ -	\$ 2,770	\$ 160,035	\$ 3,430,754	\$ 7,198,331	\$ 360,719	\$ 454,230	\$ 127,921
<u>4,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 4,381</u>	<u>\$ 2,770</u>	<u>\$ 160,035</u>	<u>\$ 3,430,754</u>	<u>\$ 7,198,331</u>	<u>\$ 360,719</u>	<u>\$ 454,230</u>	<u>\$ 127,921</u>

Anderson, Larkin & Co. P.C.

JEFFERSON COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2005

<u>ASSETS</u>	<u>County Hospital</u>	<u>Auto License and Use Tax</u>	<u>City Special Assessments</u>	<u>Bankruptcy</u>
Cash and pooled investments:				
County Treasurer	\$ 16,421	\$ 228,524	\$ 265	\$ 1,042
Other County officials	-	-	-	-
Receivables:				
Accounts receivable	-	-	-	-
Property tax:				
Delinquent	6,558	-	-	-
Succeeding year	896,256	-	-	-
Due from other governments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>919,235</u>	\$ <u>228,524</u>	\$ <u>265</u>	\$ <u>1,042</u>
 <u>LIABILITIES</u>				
Due to other governments	\$ 919,235	\$ 228,524	\$ 265	\$ -
Trusts payable	-	-	-	1,042
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	\$ <u>919,235</u>	\$ <u>228,524</u>	\$ <u>265</u>	\$ <u>1,042</u>

Anderson, Larkin & Co. P.C.

<u>Anatomical Gift, Public Awareness and Transportation</u>	<u>Tax Sale Redemption</u>	<u>Recorder's Electronic Transaction Fees</u>	<u>Total</u>
\$ 19	\$ 225	\$ 309	\$ 834,943
-	-	-	25,032
-	-	-	1,280
-	-	-	89,557
-	-	-	12,212,624
-	-	-	36,110
<u>\$ 19</u>	<u>\$ 225</u>	<u>\$ 309</u>	<u>\$ 13,199,546</u>
\$ 19	\$ -	\$ 309	\$ 13,184,700
-	225	-	14,846
<u>\$ 19</u>	<u>\$ 225</u>	<u>\$ 309</u>	<u>\$ 13,199,546</u>

Anderson, Larkin & Co. P.C.

JEFFERSON COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2005

<u>ASSETS AND LIABILITIES</u>	<u>County Offices</u>			<u>E-911</u>
	<u>County Auditor</u>	<u>County Recorder</u>	<u>County Sheriff</u>	
Balances beginning of year	\$ <u> -</u>	\$ <u> 19,780</u>	\$ <u> 15,805</u>	\$ <u> 236,213</u>
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
E911 surcharge	-	-	-	121,976
Office fees and collections	1,631	210,550	61,002	132
Auto license, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Interest income	-	-	-	2,410
Trusts	-	-	362,994	-
Miscellaneous	-	-	-	106
Total additions	<u> 1,631</u>	<u> 210,550</u>	<u> 423,996</u>	<u> 124,624</u>
Deductions:				
Agency remittances:				
To other funds	1,631	106,943	-	-
To other governments	-	107,553	62,458	94,144
Trusts paid out	-	-	368,145	-
Total deductions	<u> 1,631</u>	<u> 214,496</u>	<u> 430,603</u>	<u> 94,144</u>
Balances end of year	\$ <u> -</u>	\$ <u> 15,834</u>	\$ <u> 9,198</u>	\$ <u> 266,693</u>

Anderson, Larkin & G.P.C.

Joint Emergency Management Services	Advance Tax Payments	Brucellosis and Tuberculosis Eradication	Townships	Corporations	Schools	Area Schools	County Assessor
\$ <u>8,252</u>	\$ <u>3,376</u>	\$ <u>2,948</u>	\$ <u>127,490</u>	\$ <u>3,236,478</u>	\$ <u>6,598,270</u>	\$ <u>333,969</u>	\$ <u>495,532</u>
-	1,005	1,623	156,520	3,568,158	7,021,613	352,196	309,041
-	-	94	7,023	160,972	351,114	17,739	43,199
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,194
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
22,696	-	-	-	-	-	-	-
<u>22,696</u>	<u>1,005</u>	<u>1,717</u>	<u>163,543</u>	<u>3,729,130</u>	<u>7,372,727</u>	<u>369,935</u>	<u>354,434</u>
-	-	-	-	-	-	-	-
11,887	-	1,895	130,998	3,534,854	6,772,666	343,185	395,736
-	-	-	-	-	-	-	-
<u>11,887</u>	<u>-</u>	<u>1,895</u>	<u>130,998</u>	<u>3,534,854</u>	<u>6,772,666</u>	<u>343,185</u>	<u>395,736</u>
\$ <u>19,061</u>	\$ <u>4,381</u>	\$ <u>2,770</u>	\$ <u>160,055</u>	\$ <u>3,430,754</u>	\$ <u>7,198,331</u>	\$ <u>360,719</u>	\$ <u>454,230</u>

Anderson, Larkin & Co. P.C.

JEFFERSON COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

YEAR ENDED JUNE 30, 2005

<u>ASSETS AND LIABILITIES</u>	<u>Agricultural Extension Education</u>	<u>County Hospital</u>	<u>Auto License and Use Tax</u>	<u>City Special Assessments</u>	<u>Bankruptcy</u>
Balances beginning of year	\$ <u>124,398</u>	\$ <u>905,082</u>	\$ <u>266,087</u>	\$ <u>627</u>	\$ <u>1,042</u>
Additions:					
Property and other County tax	118,581	853,469	-	-	-
State tax credits	6,297	45,843	-	-	-
E911 surcharge	-	-	-	-	-
Office fees and collections	-	-	-	-	-
Auto license, use tax and postage	-	-	2,991,404	-	-
Assessments	-	-	-	34,423	-
Interest income	-	-	-	-	-
Trusts	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	<u>124,878</u>	<u>899,312</u>	<u>2,991,404</u>	<u>34,423</u>	<u>-</u>
Deductions:					
Agency remittances:					
To other funds	-	-	-	-	-
To other governments	121,355	885,159	3,028,967	34,785	-
Trusts paid out	-	-	-	-	-
Total deductions	<u>121,355</u>	<u>885,159</u>	<u>3,028,967</u>	<u>34,785</u>	<u>-</u>
Balances end of year	\$ <u>127,921</u>	\$ <u>919,235</u>	\$ <u>228,524</u>	\$ <u>265</u>	\$ <u>1,042</u>

Anderson, Larkin & G.P.C.

Anatomical Gift, Public Awareness and Transportation	Tax Sale Redemption	Monies and Credits	Restoration	Decategorization Grants	Recorder's Electronic Transaction Fees	Total
\$ <u>22</u>	\$ <u>225</u>	\$ <u>-</u>	\$ <u>16,634</u>	\$ <u>91,139</u>	\$ <u>1,795</u>	\$ <u>12,485,164</u>
-	-	613	-	-	-	12,382,819
-	-	-	-	-	-	632,281
-	-	-	-	-	-	121,976
-	-	-	-	-	3,105	278,614
-	-	-	-	-	-	2,991,404
-	-	-	-	-	-	34,423
-	-	-	-	-	-	2,410
-	-	-	-	-	-	362,994
<u>175</u>	<u>-</u>	<u>-</u>	<u>26,081</u>	<u>-</u>	<u>-</u>	<u>49,058</u>
<u>175</u>	<u>-</u>	<u>613</u>	<u>26,081</u>	<u>-</u>	<u>3,105</u>	<u>16,855,979</u>
-	-	-	-	-	-	108,574
178	-	613	42,715	91,139	4,591	15,664,878
-	-	-	-	-	-	368,145
<u>178</u>	<u>-</u>	<u>613</u>	<u>42,715</u>	<u>91,139</u>	<u>4,591</u>	<u>16,141,597</u>
\$ <u>19</u>	\$ <u>225</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>309</u>	\$ <u>13,199,546</u>

Anderson, Larkin & Co. P.C.

JEFFERSON COUNTY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
REVENUES:				
Property and other County tax	\$ 4,234,587	\$ 5,541,916	\$ 5,443,778	\$ 5,651,315
Interest and penalty on property tax	60,791	62,374	68,333	81,516
Intergovernmental	3,535,323	3,342,798	3,202,070	3,489,556
Licenses and permits	36,328	5,591	4,078	5,533
Charges for service	661,073	616,897	572,672	508,699
Use of money and property	267,122	241,051	265,080	221,703
Miscellaneous	103,272	90,423	51,735	36,415
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>8,898,496</u>	\$ <u>9,901,050</u>	\$ <u>9,607,746</u>	\$ <u>9,994,737</u>
EXPENDITURES:				
Operating:				
Public safety and legal services	\$ 2,014,015	\$ 1,982,580	\$ 1,974,227	\$ 2,028,276
Physical health and social services	475,849	354,937	460,269	635,547
Mental health	1,182,131	1,157,048	1,254,799	1,405,114
County environment and education services	439,716	439,651	417,331	339,585
Roads and transportation	2,797,092	2,398,352	2,072,421	2,361,469
Governmental services to residents	570,746	328,567	290,104	278,579
Administration	715,199	788,941	838,836	640,662
Debt service	955,671	827,349	816,341	812,851
Capital projects	232,624	551,844	336,637	828,759
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ <u>9,183,876</u>	\$ <u>9,029,269</u>	\$ <u>8,460,965</u>	\$ <u>9,330,842</u>

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 Jefferson County, Iowa:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson 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 September 15, 2005. 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 Jefferson County, Iowa'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 assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Jefferson County, Iowa's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of 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, of the reportable conditions described above, we believe item I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson County, Iowa'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 Part II of 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 Jefferson County, Iowa and other parties to whom the County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Jefferson County, Iowa 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.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
September 15, 2005

Anderson, Larkin & Co. P.C.

JEFFERSON COUNTY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

PART I: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

INSTANCES OF NON-COMPLIANCE

No matters were noted

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that 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. We noted that 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 All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Ag Extension Auditor Recorder Treasurer
2 Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Ag Extension Auditor Recorder Sheriff Treasurer
3 Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Ag Extension Auditor Recorder Sheriff Treasurer

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures 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 the initials or signature of the reviewer and the date of the review.

Responses –

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

JEFFERSON COUNTY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

PART I: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)

REPORTABLE CONDITIONS: (Continued)

I-A-05 Segregation of Duties (Continued)

County Auditor – The internal control in processing mail, receipts, claims and payroll will be reviewed and evaluated for propriety. The auditors will evaluate the assignment of personnel in each process and determine if an alternative method would enhance internal controls

County Recorder – We will review procedures and try to make any necessary changes to improve internal control

County Sheriff – We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We will review procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.

I-B-05 Clothing Allowance

Comment – We noted that a flat-dollar allowance is given to Secondary Roads employees for clothes, but the allowance is not reported as part of wages and no supporting documentation for expenditures is required.

Recommendation – The County should report the clothing allowance as taxable wages on the Form W-2 wage statement and the County should withhold the proper state and federal taxes on these items to be in compliance with Internal Revenue Service and Iowa Department of Revenue and Finance requirements or the County should make the allowance on a reimbursement basis only with proper documentation required before making any reimbursements.

Response - We will consider these recommendations and make any changes necessary.

Conclusion – Response accepted.

PART II: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

II-A-05 Official Depositories – A resolution naming official depositories has been approved by the Board of Supervisors. Except as follows, the maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005. Depository resolution amounts at Iowa State Bank were exceeded in April 2005 and at Libertyville Savings Bank in October 2004, and February, April and June 2005

Recommendation - The County should consider changing the depository resolution amounts or transfer excess deposits to different depositories.

Response – We will consider our options and make changes as considered necessary.

Conclusion – Response accepted.

II-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted.

JEFFERSON COUNTY, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

PART II: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING: (Continued)

- II-C-05 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-05 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-E-05 Business Transactions – No business transactions between the County and County officials or employees were noted.
- II-F-05 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- II-G-05 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, in accordance with Code of Iowa Chapter 349.18, minutes are required to be published within one week following adjournment. The minutes for the meeting held November 1, 2004 were not published within one week of adjournment.

Recommendation – The Board of Supervisors should ensure all minutes are published to comply with Chapter 349.18 of the Code of Iowa.

Response – We will do so from now on

Conclusion – Response accepted.

- II-H-05 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investments policy were noted.
- II-I-05 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).
- II-J-05 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 Board Treasurer's bond covered the amount required by Chapter 176A.14(5) of the Code of Iowa.