



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE

April 2, 2014

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Auditor of State Mary Mosiman today released an audit report on Jones County, Iowa.

The County had local tax revenue of \$26,696,853 for the year ended June 30, 2013, which included \$1,175,642 in tax credits from the state. The County forwarded \$19,543,632 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$7,153,221 of the local tax revenue to finance County operations, a 10.6% increase over the prior year. Other revenues included charges for service of \$1,707,274, operating grants, contributions and restricted interest of \$4,268,851, capital grants, contributions and restricted interest of \$1,897,158, local option sales tax of \$858,480, unrestricted investment earnings of \$87,472, gain on disposition of capital assets of \$66,917 and other general revenues of \$123,635.

Expenses for County operations for the year ended June 30, 2013 totaled \$13,689,673, a 12.4% decrease from the prior year. Expenses included \$5,864,833 for roads and transportation, \$2,384,136 for public safety and legal services, \$1,528,764 for administration and \$1,105,651 for mental health.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1310-0053-B00F.pdf>.

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JONES COUNTY

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

JUNE 30, 2013

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Jones County

Officials

(Before January 2013)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Leo M. Cook	Board of Supervisors	Jan 2013
Keith C. Dirks	Board of Supervisors	Jan 2013
Wayne Manternach	Board of Supervisors	Jan 2013
Joe Cruise	Board of Supervisors	Jan 2015
Ned Rohwedder	Board of Supervisors	Jan 2015
Janine Sulzner	County Auditor	Jan 2013
Amy L. Picray	County Treasurer	Jan 2015
Marie Krutzfield	County Recorder	Jan 2015
Greg A. Graver	County Sheriff	Jan 2013
Phil Parsons	County Attorney	Jan 2015
Arnie Andreesen	County Assessor	Jan 2016

(After January 2013)

Joe Cruise	Board of Supervisors	Jan 2015
Ned Rohwedder	Board of Supervisors	Jan 2015
Keith C. Dirks	Board of Supervisors	Jan 2017
Wayne Manternach	Board of Supervisors	Jan 2017
Joe Oswald	Board of Supervisors	Jan 2017
Janine Sulzner	County Auditor	Jan 2017
Amy L. Picray	County Treasurer	Jan 2015
Marie Krutzfield	County Recorder	Jan 2015
Greg A. Graver	County Sheriff	Jan 2017
Phil Parsons	County Attorney	Jan 2015
Arnie Andreesen	County Assessor	Jan 2016

Jones County



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Independent Auditor's Report

To the Officials of Jones County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jones County, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Jones County as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 17 and 50 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jones County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2014 on our consideration of Jones County's internal control over financial reporting and on 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 in considering Jones County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 18, 2014

Jones County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jones County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013, along with comparative data for the year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased .6%, or approximately \$103,000, from fiscal year 2012 to fiscal year 2013. Property and other county tax increased approximately \$609,000, operating grants, contributions and restricted interest decreased approximately \$730,000, capital grants, contributions and restricted interest increased approximately \$512,000 and charges for service decreased approximately \$503,000.
- Program expenses of the County's governmental activities decreased 12.4%, or approximately \$1,942,000, in fiscal year 2013 compared to fiscal year 2012. Mental health expenses decreased approximately \$1,647,000, or 59.8%, administration expenses decreased approximately \$566,000, or 27%, roads and transportation expenses decreased approximately \$445,000, or 7%, county environment and education expenses decreased approximately \$65,000, or 7.5%, public safety and legal services expenses increased approximately \$134,000, or 6%, and physical health and social services expenses decreased approximately \$2,000, or .2%, with a large increase for non-program of approximately \$660,000 related to the Community Development Block Grant project the County handled for Advancement Services, Inc.
- The County's net position increased more than 10%, or approximately \$2,473,000, from June 30, 2012 to June 30, 2013, primarily due to spending being held less than available revenues and an increase in property tax revenue.
- Jones County experienced a moderate increase (2.7%) in taxable valuation for fiscal year 2013 (1-1-11 assessment). Jones County increased property tax rates for fiscal year 2013 an average of 7.37%, yet generated a 10.43% increase in tax dollars for County operations. The County increased the general property tax levy rate \$0.52566 to \$5.67733 per \$1,000 of taxable valuation. The County accessed the provisions of Iowa Code section 331.426 to exceed the \$3.50 general basic fund maximum levy by \$.14944 per \$1,000 of taxable valuation, citing unusual needs, to generate an additional \$125,000. The mental health property tax levy rate was decreased \$0.01919 per \$1,000 of taxable valuation to maintain a frozen level of property tax support of \$883,021. The rural services property tax levy rate was increased \$.14125 to \$2.56289 per \$1,000 of taxable valuation. The implementation of the 1% local option sales tax in 1999 continues to provide a significant amount of property tax relief for the Special Revenue, Rural Services Fund.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Internal Service and Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

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 Position 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 Position presents all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position 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 position changed during the most recent fiscal year. All changes in net position 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 years.

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

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the

County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) Proprietary funds account for the County's Internal Service, Employee Group Health and Flexible Benefits Plan Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds which account for Emergency Management, E911 and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

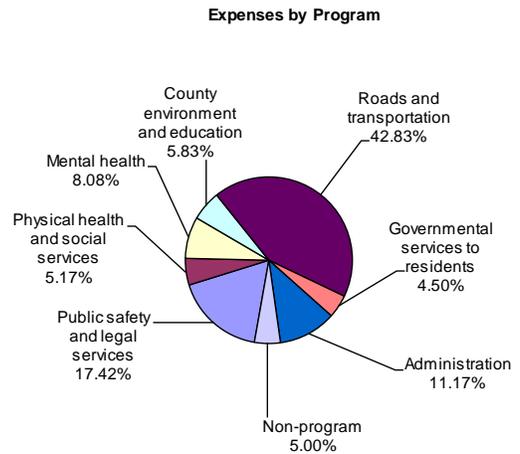
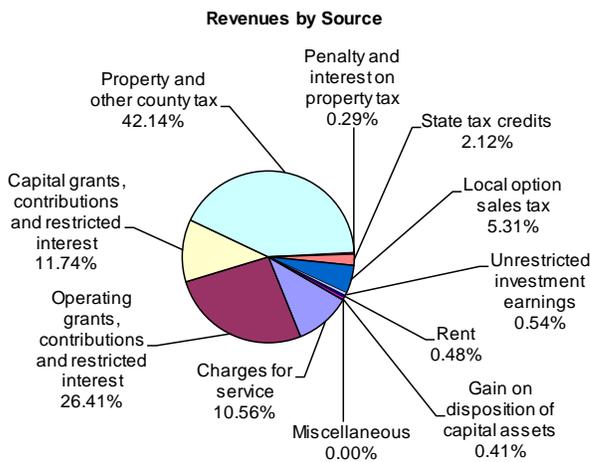
As noted earlier, net position may serve over time as a useful indicator of financial position. Jones County's combined net position increased more than 10% over a year ago, increasing from approximately \$22.8 million to approximately \$25.3 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities		
	June 30,	
	2013	2012
Current and other assets	\$ 13,334,768	12,850,540
Capital assets	20,180,119	18,637,149
Total assets	<u>33,514,887</u>	<u>31,487,689</u>
Long-term liabilities	373,580	357,485
Other liabilities	7,846,559	8,308,791
Total liabilities	<u>8,220,139</u>	<u>8,666,276</u>
Net position:		
Net investment in capital assets	20,171,939	18,619,369
Restricted	3,574,312	3,268,880
Unrestricted	1,548,497	933,164
Total net position	<u>\$ 25,294,748</u>	<u>22,821,413</u>

Net position of Jones County's governmental activities increased \$2,473,335 (\$22,821,413 compared to \$25,294,748). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Next largest is restricted net position, which represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – are reported at \$1,548,497 at June 30, 2013. (Source: Exhibit A)

Changes in Net Position of Governmental Activities

	Year ended June 30,	
	2013	2012
Revenues:		
Program revenues:		
Charges for service	\$ 1,707,274	2,210,303
Operating grants, contributions and restricted interest	4,268,851	4,998,837
Capital grants, contributions and restricted interest	1,897,158	1,385,488
General revenues:		
Property and other county tax	6,811,019	6,201,612
Penalty and interest on property tax	46,675	45,476
State tax credits	342,202	267,029
Local option sales tax	858,480	776,241
Unrestricted investment earnings	87,472	93,527
Rent	76,908	81,791
Gain on disposition of capital assets	66,917	-
Miscellaneous	52	-
Total revenues	16,163,008	16,060,304
Program expenses:		
Public safety and legal services	2,384,136	2,249,995
Physical health and social services	707,888	709,393
Mental health	1,105,651	2,752,210
County environment and education	797,600	862,153
Roads and transportation	5,864,833	6,309,328
Governmental services to residents	616,226	629,087
Administration	1,528,764	2,095,047
Non-program	684,575	24,214
Total expenses	13,689,673	15,631,427
Increase in net position	2,473,335	428,877
Net position beginning of year	22,821,413	22,392,536
Net position end of year	\$ 25,294,748	22,821,413



INDIVIDUAL MAJOR FUND ANALYSIS

As Jones County completed the year, its governmental funds reported a combined fund balance of approximately \$5.4 million, an increase of approximately \$1,277,000 from last year's total of approximately \$4.1 million. The following are the primary reasons for the changes in fund balances of the major funds from the prior year:

The General Fund, the operating fund for Jones County, ended fiscal year 2013 with a fund balance of \$2,084,684. This is an increase of \$817,989 from June 30, 2012. Expenditures increased \$464,326 while revenues increased \$1,188,668. The three most significant expenditure changes were in the physical health and social services function, the county environment and education function and the non-program function. The physical health and social services function increased nearly \$300,000 as the County moved the senior dining program from a Special Revenue Fund to the General Fund. The county environment and education function decrease is due to completion of the acquisition of property for the Central Park Lake Restoration Project and the North Bluff Hamilton Prairie project in the prior year. The non-program function reflects the addition of the DCAT/CPPC/Early Childhood Iowa programs from an Agency Fund to the General Fund, as well as the Community Development Block Grant administered on behalf of Advancement Services, Inc. Property and other county tax increased \$502,224 due to growth in the taxable valuation as well as the implementation of the unusual needs levy which generated \$125,000 of the total increase. Intergovernmental revenues increased \$247,834, primarily due to proceeds from the Community Development Block Grant. Miscellaneous revenues increased \$430,702, primarily as a result of the above described change in the accounting for the senior dining program and from the sub-recipient reimbursements for the Community Development Block Grant.

The Special Revenue, Mental Health Fund ended fiscal year 2013 with a fund balance of \$781,066. The balance increased \$107,296 from June 30, 2012. Expenditures decreased 59.8%, or \$1,642,559, from fiscal year 2012 and revenues decreased 53.9%, or \$1,415,711. The primary reason for the decrease was a change in policy for the state to assume the cost of Medicaid funded services. In return, the majority of state mental health funding to counties, i.e., property tax relief, community services allocation, etc., was eliminated. The mental health property tax levy is frozen by legislative action, though in some prior years it may have been further reduced by additional state appropriations as provided for in Iowa Code section 426B.2. There were no mental health clients placed on a waiting list for services in fiscal year 2013. The County continues to manage services for its mental health clients while seeking services and programs where funding can be provided from other sources and levels of government.

The Special Revenue, Rural Services Fund ended fiscal year 2013 with a balance of \$258,706, or \$29,536 higher than the June 30, 2012 balance of \$229,170. Property and other county tax increased \$106,000, or 7.95%, due to a taxable property valuation increase of about \$15.3 million for the rural levy, as well as a 14 cent increase in the levy rate. 70.75% (or \$75,000) of the increase in property tax was used to increase the transfer to the Special Revenue, Secondary Roads Fund to support road maintenance and road projects, bringing the total transfer from \$1,441,000 to \$1,516,000.

The Special Revenue, Secondary Roads Fund ended fiscal year 2013 with a balance of \$2,225,015, an increase of \$327,637 from the June 30, 2012 balance of \$1,897,378. Of the ending balance, \$962,340 is unspent local option sales tax designated for future road and bridge projects, per voter approval in 1999, and \$512,523 is the value of materials held in inventory and prepaid expenses at June 30, 2013. The restricted cash balance within the Secondary Roads Fund reflects a positive balance of \$1,712,492 on a GAAP basis, 26% higher than the June 30, 2012 balance of \$1,362,431. Roads and transportation expenses decreased \$30,773, or less than 1%. The County significantly decreased its locally funded road construction activities in fiscal year 2013 (\$161,719 compared to \$888,496 in fiscal year 2012), primarily due to the completion of large projects in fiscal year 2012. Revenues for the Secondary Roads Fund for fiscal year 2013 reflect a decrease from fiscal year 2012 of \$495,099, primarily in intergovernmental revenues

related to road and bridge construction projects. An additional \$75,000 was transferred from the Special Revenue, Rural Services Fund as compared to \$1,441,000 in fiscal year 2012 and \$67,000 was transferred from the General Fund, bringing the total funds transferred to \$1,583,000. Overall, Secondary Roads Fund revenues and transfers from other County funds have not kept up with the cost to maintain County roads and road department equipment, nor have they allowed the County to fully abide by the five-year road construction program.

Source: Exhibits C and E

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Supervisors annually adopts a budget following required public notice and hearing for all funds except the Internal Service and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The County budget is prepared on a cash basis. Over the course of fiscal year 2013, Jones County amended its budget two times.

The first amendment was made on July 31, 2012 and resulted in changes to budgeted intergovernmental and miscellaneous receipts. Budgeted disbursements were increased \$1,179,432 and budgeted receipts and other financing sources were increased \$1,106,269. The receipts increase was due to expected grant reimbursements for conservation projects and a Community Development Block Grant and the disbursement increase was due to various conservation projects, a Community Development Block Grant and moving the DCAT/CPPC/Early Childhood Iowa programs from an Agency Fund to the General Fund.

The second amendment was made on May 7, 2013 and resulted in changes to budgeted appropriations for every disbursement function and receipt category. The net total decrease in receipts was \$995,330, with changes in each receipt category. The net total change in budgeted disbursements was a decrease of \$1,789,951. Of significance was a \$1,026,495 decrease in budgeted mental health disbursements due to a change in state policy with the state assuming the costs of Medicaid funded services. This change is also reflected in the largest portion of a \$1,005,429 decrease in intergovernmental receipts as state funding for mental health services was also decreased. A \$412,267 decrease in road and bridge construction projects and conservation capital projects is also reflected in the decrease in disbursements. The nonprogram function was decreased by \$399,165, reflecting the division of construction costs for the Community Development Block Grant into fiscal year 2014. Various other less significant changes in disbursements resulted in a net increase of \$47,976 in the other six functions. Nearly all departments reflected some level of change in spending authority and/or receipt adjustments with this budget amendment.

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

The County's actual receipts were \$482,920 lower than the final amended budget, a variance of 3.2%. The most significant variances resulted from the County receiving \$904,678 less intergovernmental receipts than anticipated, primarily due to a delay in conservation grant funded projects, and \$356,185 more miscellaneous receipts, primarily from the \$324,198 transferred from the Internal Service, Group Health Fund to the General Fund.

Total disbursements were \$1,725,438 less than the final amended budget, a 10.8% variance. Actual disbursements for the public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents and administration functions were all within 10% of the final amended budget. Disbursements for the nonprogram function were \$144,242, or 19.92%, below budget, primarily due to a Community Development Block Grant project not starting as soon as anticipated. Disbursements for roadway construction projects were 33.77% below budget due to a lack of funding for planned road construction projects. Disbursements for conservation land acquisition and

development were 97.35% below budget due to a delay in construction to allow time to rebid the Central Park Lake Wastewater project as initial bids received in May 2013 were higher than anticipated.

Source: Required Supplementary Information schedule

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, Jones County had \$20,180,119 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$1,542,970, or 8.3%, over last year, primarily from Secondary Roads Department projects.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2013	2012
Land	\$ 2,356,754	2,327,014
Construction in progress	150,427	246,041
Buildings	1,800,704	1,806,205
Improvements other than buildings	180,998	193,064
Equipment and vehicles	2,072,411	2,027,650
Infrastructure	13,618,825	12,037,175
Total	\$ 20,180,119	18,637,149
This year's major additions included:		
98th Street Bridge over Littlebear Creek		\$ 361,327
Business 151 paving project		207,427
Road E34 paving project		1,398,930
John Deere motor grader		275,000
Total		\$ 2,242,684

The County had depreciation expense of \$974,287 in fiscal year 2013 and total accumulated depreciation of \$8,559,279 at June 30, 2013.

The County budgets roadway construction costs in the capital projects function. Historically, Jones County has not budgeted other capital projects disbursements in the capital projects function, but rather budgets for those items in the function and fund where those items will be used.

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

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

Long-Term Debt

At June 30, 2013, Jones County had one small capital lease purchase agreement for Conservation Department equipment.

Outstanding Debt of Governmental Activities at Year-End		
	June 30,	
	2013	2012
Capital lease purchase agreement	\$ 8,180	17,780

Additional information about the County's long-term debt is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Jones County's elected and appointed officials considered many factors when setting the fiscal year 2014 budget, tax rates and the fees charged for various County activities. The primary factors considered were the increase in taxable valuations, health insurance costs for County employees, the condition of the Secondary Roads Fund and the Board's desire to eliminate the use of the special needs levy for the General Fund.

Jones County's total taxable valuation for the fiscal year 2014 budget increased 5.2%. By class of property, the County's agricultural valuation increased 5%, commercial valuation increased 7%, industrial valuation increased 8% and residential valuation rose 7%. New residential construction in Jones County increased during 2011 for the January 1, 2012 assessment to become taxable in fiscal 2014. Jones County's agricultural land values comprise 32% of Jones County's taxable valuation for fiscal year 2014, while residential values comprise 38% of the total.

The fiscal year 2014 General Fund budget reflects a tax increase of \$113,877 and is projected to produce an uncommitted fund balance on June 30, 2014 of 22.90% of total general operating disbursements (total fund balance of 24.6% of total disbursements). The tax increase of \$113,877 was generated by applying the fiscal year 2013 tax levy rate (less the \$.14944 per \$1,000 of taxable valuation unusual needs levy) to the new valuation with no further change in the general basic tax levy rate. The total General Fund fiscal year 2014 budgeted disbursements (including transfers out) are \$1,062,119 more than the fiscal year 2013 original budget. The General Fund fiscal year 2014 budget reflects a 5.84% increase in employee wages and benefits, with overall disbursements projected to increase 17.46%, primarily due to grant funded projects. The collective bargaining agreement covering wages to be paid in fiscal year 2014 calls for a 2.25% wage increase for employees in the bargaining unit. 2.5% to 3.5% wage increases were granted to non-union employees. The Board reduced the salary recommendation of the Compensation Board for elected officials by 12.5%, therefore granting salary increases in a range from 2.01% to 5.25%. Budgeted non-tax General Fund receipts are projected to increase \$1,071,000, primarily due to grant funded projects. For the fiscal 2014 budget, the Board was able to achieve its goal of eliminating the unusual needs levy adopted for fiscal year 2013 for the general basic levy and dropped the levy rate back to \$3.50 per \$1,000 of taxable valuation..

The fiscal year 2014 Mental Health Fund budget continues to reflect a frozen level of property tax certified at \$883,021, with the tax rate adjusted to reflect changes in taxable valuation. With a limited pool of resources, primarily controlled by the state, disbursements are budgeted to meet the requirements of the County's mental health and developmental disabilities management plan.

The budget for the Rural Services Fund for fiscal year 2014 reflects a tax increase of \$187,365. The tax increase represents the amount generated by applying the prior year's (fiscal year 2013) tax levy rate to the new valuation and further increasing the levy \$122,580 (tax levy rate increase of \$.20/\$1,000 of taxable valuation). All of the additional receipts were budgeted to increase the tax support for the Secondary Roads Fund.

The Secondary Roads Fund budget for fiscal year 2014 reflects an increase of \$293,500 in road maintenance disbursements to \$6,056,500, as well as a significant decrease in the roadway construction budget from the originally budgeted fiscal year 2013 level of \$1,660,000 down to \$485,000 in fiscal year 2014. Due to the dwindling balance in the Secondary Roads Fund, locally funded construction projects are either being curtailed or the source of funding changed to the Farm to Market fund held by the State of Iowa. The balance in the fund is projected to decrease substantially (\$704,846) from the re-estimated fiscal year 2013 balance due to the construction program and an active general roadway operations program. However, the ending fund balance is historically considerably higher than initially projected. Design and construction schedules, as well as a re-evaluation of funding sources and projected fund balances, are always considered prior to proceeding with certain road and bridge projects and equipment purchases.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Jones County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Jones County Auditor's Office, 500 W. Main Street, Anamosa, Iowa 52205.

Jones County

Basic Financial Statements

Exhibit A

Jones County
Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 4,883,578
Receivables:	
Property tax:	
Delinquent	6,280
Succeeding year	7,076,000
Interest and penalty on property tax	14,231
Accounts	111,488
Due from other governments	730,668
Inventories	476,996
Prepaid expenses	35,527
Capital assets, net of accumulated depreciation	20,180,119
Total assets	<u>33,514,887</u>
Liabilities	
Accounts payable	539,953
Salaries and benefits payable	202,064
Due to other governments	28,542
Deferred revenue:	
Succeeding year property tax	7,076,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	2,727
Compensated absences	142,063
Portion due or payable after one year:	
Capital lease purchase agreement	5,453
Compensated absences	173,337
Net OPEB liability	50,000
Total liabilities	<u>8,220,139</u>
Net Position	
Net investment in capital assets	20,171,939
Restricted for:	
Supplemental levy purposes	376,906
Mental health purposes	803,557
Rural services purposes	259,513
Secondary roads purposes	2,077,653
Other purposes	56,683
Unrestricted	1,548,497
Total net position	<u>\$ 25,294,748</u>

See notes to financial statements.

Jones County
Statement of Activities
Year ended June 30, 2013

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Service	Contributions and Restricted Interest	Operating Grants, Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,384,136	309,923	17,375	10,597	(2,046,241)
Physical health and social services	707,888	296,824	206,827	-	(204,237)
Mental health	1,105,651	6,166	327,407	-	(772,078)
County environment and education	797,600	58,329	15,501	184,659	(539,111)
Roads and transportation	5,864,833	481,687	3,016,744	1,694,402	(672,000)
Governmental services to residents	616,226	385,919	-	-	(230,307)
Administration	1,528,764	103,299	1,761	7,500	(1,416,204)
Non-program	684,575	65,127	683,236	-	63,788
Total	\$ 13,689,673	1,707,274	4,268,851	1,897,158	(5,816,390)
General Revenues:					
Property and other county tax levied for general purposes					6,811,019
Penalty and interest on property tax					46,675
State tax credits					342,202
Local option sales tax					858,480
Unrestricted investment earnings					87,472
Rent					76,908
Gain on disposition of capital assets					66,917
Miscellaneous					52
Total general revenues					8,289,725
Change in net position					2,473,335
Net position beginning of year					22,821,413
Net position end of year					\$ 25,294,748

See notes to financial statements.

Jones County
Balance Sheet
Governmental Funds

June 30, 2013

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash, cash equivalents and pooled investments	\$ 2,120,805	822,456	226,175
Receivables:			
Property tax:			
Delinquent	4,215	765	1,300
Succeeding year	4,623,000	839,000	1,614,000
Interest and penalty on property tax	14,231	-	-
Accounts	93,981	2,296	-
Due from other funds	859	-	-
Due from other governments	261,221	71,688	33,286
Inventories	-	-	-
Prepaid expenditures	-	-	-
Total assets	\$ 7,118,312	1,736,205	1,874,761
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 224,301	53,743	-
Salaries and benefits payable	126,128	10,880	864
Due to other funds	8,200	859	-
Due to other governments	10,462	13,293	-
Deferred revenue:			
Succeeding year property tax	4,623,000	839,000	1,614,000
Other	41,537	37,364	1,191
Total liabilities	5,033,628	955,139	1,616,055
Fund balances:			
Nonspendable:			
Inventories	-	-	-
E-911 loan	25,000	-	-
Prepaid expenditures	-	-	-
Restricted for:			
Supplemental levy purposes	380,212	-	-
Mental health purposes	-	781,066	-
Rural services purposes	-	-	258,706
Secondary roads purposes	-	-	-
Conservation land acquisition/capital improvements	2,965	-	-
Other purposes	-	-	-
Committed for:			
Employee health insurance program	324,198	-	-
County facility capital projects/purposes	114,697	-	-
Voting equipment replacement	30,000	-	-
Aerial tax mapping update project	5,000	-	-
Unassigned	1,202,612	-	-
Total fund balances	2,084,684	781,066	258,706
Total liabilities and fund balances	\$ 7,118,312	1,736,205	1,874,761

See notes to financial statements.

Secondary Roads	Nonmajor	Total
1,670,901	43,241	4,883,578
-	-	6,280
-	-	7,076,000
-	-	14,231
4,484	10,727	111,488
8,200	-	9,059
364,473	-	730,668
476,996	-	476,996
35,527	-	35,527
<u>2,560,581</u>	<u>53,968</u>	<u>13,343,827</u>

261,659	250	539,953
64,192	-	202,064
-	-	9,059
4,787	-	28,542
-	-	7,076,000
4,928	-	85,020
<u>335,566</u>	<u>250</u>	<u>7,940,638</u>

476,996	-	476,996
-	-	25,000
35,527	-	35,527
-	-	380,212
-	-	781,066
-	-	258,706
1,712,492	-	1,712,492
-	-	2,965
-	53,718	53,718
-	-	324,198
-	-	114,697
-	-	30,000
-	-	5,000
-	-	1,202,612
<u>2,225,015</u>	<u>53,718</u>	<u>5,403,189</u>
<u>2,560,581</u>	<u>53,968</u>	<u>13,343,827</u>

Jones County

Jones County

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

June 30, 2013

Total governmental fund balances (page 23)	\$ 5,403,189
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$28,739,398 and the accumulated depreciation is \$8,559,279.	20,180,119
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	85,020
Long-term liabilities, including capital lease purchase agreement payable, compensated absences payable and other postemployment benefits payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(373,580)</u>
Net position of governmental activities (page 20)	<u><u>\$ 25,294,748</u></u>

See notes to financial statements.

Jones County

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

Year ended June 30, 2013

	General	Special Revenue	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 4,533,613	842,939	1,435,184
Local option sales tax	-	-	214,620
Interest and penalty on property tax	45,497	-	-
Intergovernmental	1,543,551	365,813	72,558
Licenses and permits	42,546	-	-
Charges for service	581,383	3,869	5,300
Use of money and property	169,546	-	1
Miscellaneous	552,750	-	-
Total revenues	7,468,886	1,212,621	1,727,663
Expenditures:			
Operating:			
Public safety and legal services	2,405,565	-	-
Physical health and social services	705,586	-	-
Mental health	-	1,105,325	-
County environment and education	631,844	-	178,038
Roads and transportation	357,372	-	-
Governmental services to residents	599,579	-	4,089
Administration	1,523,341	-	-
Non-program	683,283	-	-
Capital projects	20,534	-	-
Total expenditures	6,927,104	1,105,325	182,127
Excess (deficiency) of revenues over (under) expenditures	541,782	107,296	1,545,536
Other financing sources (uses):			
Sale of capital assets	7,649	-	-
Operating transfers in	335,558	-	-
Operating transfers out	(67,000)	-	(1,516,000)
Total other financing sources (uses)	276,207	-	(1,516,000)
Change in fund balances	817,989	107,296	29,536
Fund balances beginning of year	1,266,695	673,770	229,170
Fund balances end of year	\$ 2,084,684	781,066	258,706

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	-	6,811,736
643,860	-	858,480
-	-	45,497
3,124,175	11,685	5,117,782
14,295	-	56,841
55	4,575	595,182
-	93	169,640
205,407	15,835	773,992
<u>3,987,792</u>	<u>32,188</u>	<u>14,429,150</u>
-	9,654	2,415,219
-	65	705,651
-	-	1,105,325
-	12,881	822,763
5,105,105	-	5,462,477
-	1,167	604,835
-	-	1,523,341
-	-	683,283
161,719	3,104	185,357
<u>5,266,824</u>	<u>26,871</u>	<u>13,508,251</u>
<u>(1,279,032)</u>	<u>5,317</u>	<u>920,899</u>
23,669	-	31,318
1,583,000	-	1,918,558
-	(10,284)	(1,593,284)
<u>1,606,669</u>	<u>(10,284)</u>	<u>356,592</u>
327,637	(4,967)	1,277,491
<u>1,897,378</u>	<u>58,685</u>	<u>4,125,698</u>
<u>2,225,015</u>	<u>53,718</u>	<u>5,403,189</u>

Jones County

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

Year ended June 30, 2013

Change in fund balances - Total governmental funds (page 27) \$ 1,277,491

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

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

Expenditures for capital assets	\$ 878,000	
Capital assets contributed by the Iowa Department of Transportation and others	1,599,557	
Depreciation expense	<u>(974,287)</u>	1,503,270

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

39,700

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	389	
Other	<u>(724)</u>	(335)

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

9,600

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

Compensated absences	(16,395)	
Other postemployment benefits	<u>(9,300)</u>	(25,695)

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

(330,696)

Change in net position of governmental activities (page 21) \$ 2,473,335

See notes to financial statements.

Jones County

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

Year ended June 30, 2013

	<u>Internal Service</u>
Operating revenues:	
Contributions from employees	\$ 61,236
Insurance reimbursements	1,238
Total operating revenues	<u>62,474</u>
Operating expenses:	
Medical claims	20
Administrative fees	6,861
Miscellaneous	62,159
Total operating expenses	<u>69,040</u>
Operating loss	(6,566)
Non-operating revenues:	
Interest income	<u>1,144</u>
Net loss before transfers	(5,422)
Transfers out	<u>(325,274)</u>
Net loss	(330,696)
Net position beginning of year	<u>330,696</u>
Net position end of year	<u>\$ -</u>
See notes to financial statements.	

Jones County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2013

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from employees and others	\$ 83,714
Cash paid to employees for reimbursements	(61,237)
Cash paid to suppliers for services	(15,634)
Net cash provided by operating activities	<u>6,843</u>
Cash flows from investing activities:	
Interest on investments	1,144
Cash flows from noncapital financing activities:	
Transfers to other funds	<u>(325,274)</u>
Net decrease in cash and cash equivalents	(317,287)
Cash and cash equivalents beginning of year	<u>317,287</u>
Cash and cash equivalents end of year	<u>\$ -</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (6,566)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Decrease in accounts receivable	21,240
Decrease in accounts payable	<u>(7,831)</u>
Net cash provided by operating activities	<u>\$ 6,843</u>

See notes to financial statements.

Jones County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2013

Assets

Cash, cash equivalents and pooled investments:	
County Treasurer	\$ 3,548,505
Other County officials	831
Receivables:	
Property tax:	
Delinquent	17,058
Succeeding year	18,477,000
Accounts	44,196
Accrued interest	6,044
Special assessments	198,703
Due from other governments	49,779
Prepaid expenses	1,320
Capital assets, net of accumulated depreciation	735,426
Total assets	23,078,862

Liabilities

Accounts payable	36,714
Salaries and benefits payable	15,244
Due to other governments	22,041,602
Trusts payable	831
Compensated absences	39,505
Estimated liability for landfill closure and posclosure care	944,966
Total liabilities	23,078,862

Net position	\$ -
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See notes to financial statements.

Jones County

Notes to Financial Statements

June 30, 2013

(1) Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Jones County Assessor's Conference Board, Jones County Emergency Management Commission, Jones County Solid Waste Commission and Jones County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County. Condensed financial statements for the Jones County Solid Waste Commission are included in Note 14 to the financial statements.

The County also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Multi-County Cooperative Child Support Agreement, East Central Iowa Employment and Training Consortium, Medical Emergency Response Group, Eastern Iowa Regional Housing Authority, Eastern Iowa Regional Utility Service Systems Commission, Jones County Crime Commission, Jones County Economic Development Commission and Jones County Communications Commission.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents 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.

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Special Assessments Receivable – Special assessments receivable represent the amounts due from individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Special assessments receivable represent assessments which have been made but have not been collected.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements during the ended June 30, 2013 did not exceed the amounts budgeted by function.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Special Revenue: Mental Health	\$ 859
Special Revenue: Secondary Roads	General	8,200
Total		<u>\$ 9,059</u>

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Senior Dining	\$ 10,284
	Internal Service: Employee Group Health	324,198
	Flexible Benefits Plan	1,076
		<u>335,558</u>
Special Revenue: Secondary Roads	General	67,000
	Special Revenue: Rural Services	1,516,000
		<u>1,583,000</u>
Total		<u>\$ 1,918,558</u>

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,327,014	29,740	-	2,356,754
Construction in progress, road network	215,185	1,752,500	(1,967,685)	-
Construction in progress, other	30,856	209,271	(89,700)	150,427
Total capital assets not being depreciated	<u>2,573,055</u>	<u>1,991,511</u>	<u>(2,057,385)</u>	<u>2,507,181</u>
Capital assets being depreciated:				
Buildings	3,098,602	59,447	-	3,158,049
Improvements other than buildings	241,331	-	-	241,331
Equipment and vehicles	7,189,658	582,199	(565,086)	7,206,771
Infrastructure, road network	12,870,021	1,967,685	-	14,837,706
Infrastructure, other	788,360	-	-	788,360
Total capital assets being depreciated	<u>24,187,972</u>	<u>2,609,331</u>	<u>(565,086)</u>	<u>26,232,217</u>
Less accumulated depreciation for:				
Buildings	1,292,397	64,948	-	1,357,345
Improvements other than buildings	48,267	12,066	-	60,333
Equipment and vehicles	5,162,008	511,238	(538,886)	5,134,360
Infrastructure, road network	1,578,475	370,268	-	1,948,743
Infrastructure, other	42,731	15,767	-	58,498
Total accumulated depreciation	<u>8,123,878</u>	<u>974,287</u>	<u>(538,886)</u>	<u>8,559,279</u>
Total capital assets being depreciated, net	<u>16,064,094</u>	<u>1,635,044</u>	<u>(26,200)</u>	<u>17,672,938</u>
Governmental activities capital assets, net	<u>\$18,637,149</u>	<u>3,626,555</u>	<u>(2,083,585)</u>	<u>20,180,119</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 64,808
Physical health and social services	1,991
County environment and education	77,384
Roads and transportation	755,639
Governmental services to residents	12,750
Administration	61,715
Total depreciation expense - governmental activities	<u>\$ 974,287</u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2013 is as follows:

Fund	Description	Amount
General	Services	\$ 10,462
Special Revenue:		
Mental Health	Services	13,293
Secondary Roads	Services and materials	4,787
		<u>18,080</u>
Total for governmental funds		<u>\$ 28,542</u>
Agency:		
Couty Offices	Collections	\$ 55
Agricultural Extension Education	Collections	199,472
County Assessor	Collections	652,531
Schools	Collections	12,012,102
Community Colleges	Collections	899,564
Corporations	Collections	4,932,726
Townships	Collections	256,057
City Special Assessments	Collections	199,858
Auto License and Use Tax	Collections	402,585
Jones County Solid Waste		
Management Commission	Collections and services	2,208,154
All other	Collections	278,498
Total for agency funds		<u>\$ 22,041,602</u>

(7) Prepaid Rental Agreement

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

The County has elected to amortize prepaid expenses of \$80,743 over 25 years. At June 30, 2013, the unamortized prepaid expense balance was \$35,527.

(8) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Capital Lease Purchase Agreement	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 17,780	299,005	40,700	357,485
Increases	-	318,101	13,500	331,601
Decreases	9,600	301,706	4,200	315,506
Balance end of year	<u>\$ 8,180</u>	<u>315,400</u>	<u>50,000</u>	<u>373,580</u>
Due within one year	<u>\$ 2,727</u>	<u>142,063</u>	-	<u>144,790</u>

Capital Lease Purchase Agreement

The County entered into a capital lease purchase agreement in June 2012 for a mower with a historical cost of \$16,180.

The following is a schedule of the future minimum lease payments, including interest at 0.00% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2013:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 2,727
2015	2,727
2016	<u>2,726</u>
Total minimum lease payments	<u>\$ 8,180</u>

Payments under the above capital lease purchase agreement and an agreement which was paid in full during the year totaled \$9,600.

The historical cost of the asset acquired under the above capital lease purchase agreement and included in capital assets in the governmental activities government-wide financial statements at June 30, 2013 is as follows:

Equipment	\$ 16,180
Accumulated depreciation	<u>(6,472)</u>
Net	<u>\$ 9,708</u>

(9) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$406,762, \$389,056 and \$322,587, respectively, equal to the required contributions for each year.

(10) Risk Management

The County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan was funded by both employee and County contributions and was administered through a service agreement with Auxiant. The agreement was subject to automatic renewal provisions. The County assumed liability for claims up to the individual stop loss limitation of \$40,000. Claims in excess of coverage were insured through purchase of stop loss insurance.

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

Under the administrative services agreement, monthly payments of service fees and claims processed were paid to Auxiant from the Employee Group Health Fund. Auxiant continued to process run-out medical claims for services prior to May 2012, after which claims are handled by the Wellmark fully insured plan. This fund has been closed out as of June 30, 2013.

(12) Flexible Benefits Plan

The Internal Service, Flexible Benefits Plan Fund was established on December 16, 2008. The plan is funded by employee contributions and is administered through a service agreement with Auxiant. Employee contributions are paid bi-weekly. Prior to January 1, 2009, Auxiant was responsible for depositing employee contributions into an account and paying flexible benefit claims. Beginning January 1, 2009, Auxiant was only responsible for paying flexible benefit claims. The County was responsible for depositing employee contributions into an account and transferring funds to Auxiant. In May 2012, the County contracted with Wellmark to become the administrator of the Flexible Benefits Plan. Employee contributions are now paid to Wellmark bi-weekly and all claims are processed through Wellmark. This fund has been closed out as of June 30, 2013.

(13) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 98 active and one retired members in the plan. Retired participants must be age 55 or older at retirement, except retired sheriffs or deputies may be age 50 or older if the sheriff or deputy has 22 years of service or more.

The medical/prescription drug benefits are provided through a fully insured medical plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 14,200
Interest on net OPEB obligation	1,800
Adjustment to annual required contribution	(2,500)
Annual OPEB cost	<u>13,500</u>
Contributions made	<u>(4,200)</u>
Increase in net OPEB obligation	9,300
Net OPEB obligation beginning of year	<u>40,700</u>
Net OPEB obligation end of year	<u>\$ 50,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the County contributed \$4,200 to the medical plan. The plan member eligible for benefits contributed \$7,060, or 62.7% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 20,900	32.5%	\$ 28,500
2012	19,900	35.8	40,700
2013	13,500	31.1	50,000

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$120,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$120,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,972,000 and the ratio of the UAAL to covered payroll was 3.0%. As of June 30, 2013, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP 2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2010 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$864 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(14) Jointly Governed Organization

The County participates in the Jones County Solid Waste Management Commission, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa. Financial transactions of this organization are included in the County's financial statements as part of the Agency Funds because of the County's fiduciary relationship with the organization. The following condensed financial statements are for the year ended June 30, 2013.

Condensed Statement of Net Position	
Assets	
Current assets:	
Cash, cash equivalents and investments	\$ 1,041,624
Receivables:	
Accounts and other	33,779
Due from other governments	10,305
Prepaid items	1,320
Total current assets	<u>1,087,028</u>
Noncurrent assets:	
Restricted certificates of deposit	1,378,203
Capital assets, net of accumulated depreciation	735,426
Total noncurrent assets	<u>2,113,629</u>
Total assets	<u>3,200,657</u>
Liabilities	
Current liabilities:	
Accounts payable	35,666
Salaries and benefits payable	4,563
Due to other governments	288
Compensated absences payable	7,308
Total current liabilities	<u>47,825</u>
Non-current liabilities:	
Estimated liability for landfill closure and postclosure care	944,966
Total liabilities	<u>992,791</u>
Net position	
Net investment in capital assets	735,426
Restricted for closure and postclosure care	433,237
Unrestricted	1,039,203
Total net position	<u>\$ 2,207,866</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position	
Operating additions:	
Assessments	\$ 93,507
Gate fees	502,964
Other operating revenues	12,462
Total operating revenues	<u>608,933</u>
Operating deductions:	
Salaries and benefits	160,554
Solid waste hauling and disposal	411,199
Other operating expenses	102,735
Total operating expenses	<u>674,488</u>
Operating loss	(65,555)
Non-operating revenues:	
Interest income	<u>35,389</u>
Change in net position	(30,166)
Net position beginning of year	<u>2,238,032</u>
Net position end of year	<u>\$ 2,207,866</u>

Condensed Statement of Cash Flows	
Net cash used by operating activities	\$ (68,987)
Net cash provided by investing activities	58,561
Net decrease in cash and cash equivalents	<u>(10,426)</u>
Cash and cash equivalents beginning of year	139,405
Cash and cash equivalents end of year	<u>\$ 128,979</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (65,555)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	41,459
Closure and postclosure care	(35,948)
Other changes in assets and liabilities	(8,943)
Total adjustments	<u>(3,432)</u>
Net cash used by operating activities	<u>\$ (68,987)</u>

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

These costs for the Commission have been estimated at \$929,957 for closure as of June 30, 2013, and the portion of the liability that has been recognized is \$929,957. During the year ended June 30, 2009, the Commission stopped accepting waste at the landfill and began transferring waste to Milan, Illinois.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2013, assets of \$1,361,222 are restricted for these purposes. They are reported as restricted certificates of deposit in the condensed Statement of Net Position.

The total closure costs for the Commission's transfer station have been estimated at \$15,009 as of June 30, 2013 and the portion of the liability that has been recognized is \$15,009. The Commission has begun accumulating resources to fund these costs and, at June 30, 2013, assets of \$16,981 are restricted for these purposes. They are reported as restricted certificates of deposit in the condensed Statement of Net Position.

Required Supplementary Information

Jones County

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

Required Supplementary Information

Year ended June 30, 2013

	Actual	Budgeted Amounts		Final to
		Original	Final	Actual Variance
Receipts:				
Property and other county tax	\$ 7,667,782	7,645,121	7,612,539	55,243
Interest and penalty on property tax	45,649	41,200	42,250	3,399
Intergovernmental	5,144,135	6,347,973	6,048,813	(904,678)
Licenses and permits	56,401	73,109	66,723	(10,322)
Charges for service	597,397	536,560	577,719	19,678
Use of money and property	193,639	174,173	196,064	(2,425)
Miscellaneous	1,031,358	294,894	675,173	356,185
Total receipts	14,736,361	15,113,030	15,219,281	(482,920)
Disbursements:				
Public safety and legal services	2,403,475	2,400,433	2,417,677	14,202
Physical health and social services	704,028	776,155	774,817	70,789
Mental health	1,465,957	2,633,135	1,606,640	140,683
County environment and education	823,130	779,294	879,637	56,507
Roads and transportation	5,827,820	6,125,807	6,097,114	269,294
Governmental services to residents	604,219	638,479	626,008	21,789
Administration	1,521,516	1,546,161	1,588,593	67,077
Non-program	579,762	5,900	724,004	144,242
Debt service	-	7,878	500	500
Capital projects	307,378	1,660,000	1,247,733	940,355
Total disbursements	14,237,285	16,573,242	15,962,723	1,725,438
Excess (deficiency) of receipts over (under) disbursements	499,076	(1,460,212)	(743,442)	1,242,518
Other financing sources, net	31,318	-	4,688	26,630
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	530,394	(1,460,212)	(738,754)	1,269,148
Balance beginning of year	4,353,184	3,806,886	4,325,910	27,274
Balance end of year	\$ 4,883,578	2,346,674	3,587,156	1,296,422

See accompanying independent auditor's report.

Jones County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 14,736,361	(307,211)	14,429,150
Expenditures	14,237,285	(729,034)	13,508,251
Net	499,076	421,823	920,899
Other financing sources, net	31,318	325,274	356,592
Beginning fund balances	4,353,184	(227,486)	4,125,698
Ending fund balances	\$ 4,883,578	519,611	5,403,189

See accompanying independent auditor's report.

Jones County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

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

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Funds and the Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund and the Special Revenue Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments decreased budgeted disbursements by \$610,519. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2013, disbursements did not exceed the amounts budgeted by function.

Jones County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 163	163	0.00%	\$ 3,767	4.30%
2011	July 1, 2009	-	163	163	0.00	3,775	4.30
2012	July 1, 2009	-	163	163	0.00	3,992	4.10
2013	July 1, 2012	-	120	120	0.00	3,972	3.00

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

See accompanying independent auditor's report.

Jones County

Supplementary Information

Jones County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2013

	Special Revenue		
	County Recorder's Records Management	Special Law Enforcement Proceeds	Law Enforcement Canine
Assets			
Cash and pooled investments	\$ 15,550	1,011	1,650
Accounts receivable	-	-	10,727
Total assets	\$ 15,550	1,011	12,377
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	-	250
Fund balances:			
Restricted for other purposes	15,550	1,011	12,127
Total liabilities and fund balances	\$ 15,550	1,011	12,377

See accompanying independent auditor's report.

<u>Resource Enhancement and Protection</u>	<u>Total</u>
25,030	43,241
-	10,727
<u>25,030</u>	<u>53,968</u>
-	250
<u>25,030</u>	<u>53,718</u>
<u>25,030</u>	<u>53,968</u>

Jones County

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

Year ended June 30, 2013

	Special Revenue		
	County Recorder's Records Management	Senior Dining	Special Law Enforcement Proceeds
Revenues:			
Intergovernmental	\$ -	-	-
Charges for service	4,575	-	-
Use of money and property	7	-	-
Miscellaneous	-	-	1,011
Total revenues	<u>4,582</u>	<u>-</u>	<u>1,011</u>
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
Physical health and social services	-	65	-
County environment and education	-	-	-
Governmental services to residents	1,167	-	-
Capital projects	-	-	-
Total expenditures	<u>1,167</u>	<u>65</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	3,415	(65)	1,011
Other financing uses:			
Operating transfers out	-	(10,284)	-
Change in fund balances	3,415	(10,349)	1,011
Fund balances beginning of year	12,135	10,349	-
Fund balances end of year	<u>\$ 15,550</u>	<u>-</u>	<u>1,011</u>

See accompanying independent auditor's report.

Law Enforcement Canine	Resource Enhancement and Protection	Total
-	11,685	11,685
-	-	4,575
-	86	93
14,824	-	15,835
14,824	11,771	32,188
9,654	-	9,654
-	-	65
-	12,881	12,881
-	-	1,167
-	3,104	3,104
9,654	15,985	26,871
5,170	(4,214)	5,317
-	-	(10,284)
5,170	(4,214)	(4,967)
6,957	29,244	58,685
12,127	25,030	53,718

Schedule 3

Jones County

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

Year ended June 30, 2013

	Employee Group Health	Flexible Benefits Plan	Total
Operating revenues:			
Contributions from employees	\$ -	61,236	61,236
Insurance reimbursements	1,238	-	1,238
Total operating revenues	1,238	61,236	62,474
Operating expenses:			
Medical claims	20	-	20
Administrative fees	6,861	-	6,861
Miscellaneous	922	61,237	62,159
Total operating expenses	7,803	61,237	69,040
Operating loss	(6,565)	(1)	(6,566)
Non-operating revenues:			
Interest income	1,144	-	1,144
Net loss before transfers	(5,421)	(1)	(5,422)
Transfers out	(324,198)	(1,076)	(325,274)
Net loss	(329,619)	(1,077)	(330,696)
Net position beginning of year	329,619	1,077	330,696
Net position end of year	\$ -	-	-

See accompanying independent auditor's report.

Jones County
Combining Statement of Cash Flows
Internal Service Funds

Year ended June 30, 2013

	Employee Group Health	Flexible Benefits Plan	Total
Cash flows from operating activities:			
Cash received from employees and others	\$ 22,478	61,236	83,714
Cash paid to employees for reimbursements	-	(61,237)	(61,237)
Cash paid to suppliers for services	(15,634)	-	(15,634)
Net cash provided (used) by operating activities	6,844	(1)	6,843
Cash flows from investing activities:			
Interest on investments	1,144	-	1,144
Cash flows from noncapital financing activities:			
Transfers to other funds	(324,198)	(1,076)	(325,274)
Net decrease in cash and cash equivalents	(316,210)	(1,077)	(317,287)
Cash and cash equivalents beginning of year	316,210	1,077	317,287
Cash and cash equivalents end of year	\$ -	-	-
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (6,565)	(1)	(6,566)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Decrease in accounts receivable	21,240	-	21,240
Decrease in accounts payable	(7,831)	-	(7,831)
Net cash provided (used) by operating activities	\$ 6,844	(1)	6,843

See accompanying independent auditor's report.

Jones County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	2,295	307,002	133,474	10,750
Other County officials	831	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	177	345	10,628	814
Succeeding year	-	197,000	379,000	11,868,000	888,000
Accounts	55	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Capital assets, net of accumulated depreciation	-	-	-	-	-
Total assets	\$ 886	199,472	686,347	12,012,102	899,564
Liabilities					
Accounts payable	\$ -	-	14	-	-
Salaries and benefits payable	-	-	8,662	-	-
Due to other governments	55	199,472	652,531	12,012,102	899,564
Trusts payable	831	-	-	-	-
Compensated absences	-	-	25,140	-	-
Estimated liability for landfill closure and postclosure care	-	-	-	-	-
Total liabilities	\$ 886	199,472	686,347	12,012,102	899,564

See accompanying independent auditor's report.

Corporations	Townships	City Special Assessments	Auto License and Use Tax	Solid Waste Management Commission	Other	Total
61,879	2,850	1,155	402,585	2,419,827	206,688	3,548,505
-	-	-	-	-	-	831
4,847	207	-	-	-	40	17,058
4,866,000	253,000	-	-	-	26,000	18,477,000
-	-	-	-	27,735	16,406	44,196
-	-	-	-	6,044	-	6,044
-	-	198,703	-	-	-	198,703
-	-	-	-	10,305	39,474	49,779
-	-	-	-	1,320	-	1,320
-	-	-	-	735,426	-	735,426
4,932,726	256,057	199,858	402,585	3,200,657	288,608	23,078,862
-	-	-	-	35,666	1,034	36,714
-	-	-	-	4,563	2,019	15,244
4,932,726	256,057	199,858	402,585	2,208,154	278,498	22,041,602
-	-	-	-	-	-	831
-	-	-	-	7,308	7,057	39,505
-	-	-	-	944,966	-	944,966
4,932,726	256,057	199,858	402,585	3,200,657	288,608	23,078,862

Jones County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2013

	Agricultural				
	County Offices	Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 1,426	187,845	673,343	10,938,865	877,372
Additions:					
Property and other county tax	-	196,544	582,810	11,862,752	887,720
E911 surcharges	-	-	-	-	-
State tax credits	-	9,248	18,983	539,342	43,176
Office fees and collections	508,534	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	122,246	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	630,780	205,792	601,793	12,402,094	930,896
Deductions:					
Agency remittances:					
To other funds	236,296	-	-	-	-
To other governments	270,850	194,165	588,789	11,328,857	908,704
Trusts paid out	124,174	-	-	-	-
Total deductions	631,320	194,165	588,789	11,328,857	908,704
Balances end of year	\$ 886	199,472	686,347	12,012,102	899,564

See accompanying independent auditor's report.

Corpora- tions	Townships	City Special Assess- ments	Auto License and Use Tax	Solid Waste Management Commission	Other	Total
4,873,019	251,913	282,257	442,757	3,273,047	179,213	21,981,057
4,902,973	252,415	-	-	-	24,978	18,710,192
-	-	-	-	-	76,282	76,282
208,927	12,125	-	-	-	1,639	833,440
-	-	-	-	-	-	508,534
-	-	-	5,725,477	-	257	5,725,734
-	-	5,995	-	-	-	5,995
-	-	-	-	-	-	122,246
-	-	-	-	644,322	506,223	1,150,545
5,111,900	264,540	5,995	5,725,477	644,322	609,379	27,132,968
-	-	-	238,670	-	-	474,966
5,052,193	260,396	88,394	5,526,979	716,712	499,984	25,436,023
-	-	-	-	-	-	124,174
5,052,193	260,396	88,394	5,765,649	716,712	499,984	26,035,163
4,932,726	256,057	199,858	402,585	3,200,657	288,608	23,078,862

Jones County

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

For the Last Ten Years

	2013	2012	2011	2010
Revenues:				
Property and other county tax	\$ 6,811,736	6,201,839	5,823,796	5,560,528
Local option sales tax	858,480	776,241	817,836	763,075
Interest and penalty on property tax	45,497	45,878	43,251	45,386
Intergovernmental	5,117,782	6,983,623	6,152,216	7,294,072
Licenses and permits	56,841	71,408	63,011	64,694
Charges for service	595,182	563,242	569,839	539,851
Use of money and property	169,640	180,357	216,425	255,423
Miscellaneous	773,992	449,883	427,913	372,901
Total	\$ 14,429,150	15,272,471	14,114,287	14,895,930
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,415,219	2,259,095	2,134,638	2,067,063
Physical health and social services	705,651	705,535	758,680	766,459
Mental health	1,105,325	2,747,884	2,341,471	2,125,968
County environment and education	822,763	1,403,336	938,442	1,708,968
Roads and transportation	5,462,477	5,488,545	5,534,155	4,925,870
Governmental services to residents	604,835	608,099	540,325	570,903
Administration	1,523,341	1,586,149	1,359,275	1,593,790
Non-program	683,283	28,885	34,171	82,726
Debt service	-	-	167,265	60,902
Capital projects	185,357	888,496	44,369	1,460,545
Total	\$ 13,508,251	15,716,024	13,852,791	15,363,194

See accompanying independent auditor's report.

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
5,142,689	5,039,929	4,944,551	4,610,837	4,456,444	4,328,573
753,271	745,100	692,459	606,518	680,333	615,568
40,303	51,273	40,526	38,376	41,809	43,800
6,663,391	5,459,916	6,130,056	5,815,503	6,384,409	4,836,462
58,847	63,133	57,254	72,345	59,517	46,118
553,916	529,861	488,122	513,186	505,718	513,303
257,293	370,789	397,223	331,045	226,899	154,548
445,307	355,767	259,011	279,683	276,380	371,759
13,915,017	12,615,768	13,009,202	12,267,493	12,631,509	10,910,131
2,093,055	1,926,539	1,882,227	1,805,964	1,713,155	1,636,654
690,390	649,771	729,577	698,613	605,430	767,276
2,357,861	2,405,752	2,358,418	2,226,362	2,127,455	2,168,835
951,581	843,139	966,643	1,184,737	554,528	571,865
5,013,318	5,181,336	4,289,198	4,013,501	4,355,370	4,427,394
551,949	516,672	495,762	619,332	448,029	385,668
1,364,766	1,168,905	1,153,525	1,270,527	1,202,306	959,960
135,130	100,033	73,670	109,192	38,133	35,667
29,243	41,126	5,618	-	-	-
815,014	1,036,367	794,653	1,278,659	1,994,791	385,766
14,002,307	13,869,640	12,749,291	13,206,887	13,039,197	11,339,085

Jones County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 7,397
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRPG-227	644
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	12-CF-001	381,515
			<u>382,159</u>
U.S. Department of the Interior:			
Iowa Department of Natural Resources:			
North American Wetlands Conservation Fund	15.623	F12AP00110	20,000
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO53(56)--8J-53	202,525
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 12-03 Task 192	4,500
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5882BT53	2,610
Public Health Emergency Preparedness	93.069	5883BT53	27,284
			<u>29,894</u>
Iowa Department of Human Services:			
Promoting Safe and Stable Families	93.556	DCFS7-10-090	19,948
Promoting Safe and Stable Families	93.556	PSSFP7-10-029A	1,741
			<u>21,689</u>
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State Administered Programs	93.566		34
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,709
Foster Care - Title IV-E	93.658		2,576
Adoption Assistance	93.659		719
Social Services Block Grant	93.667		2,240
Children's Health Insurance Program	93.767		28
Medical Assistance Program	93.778		7,362

Jones County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2013

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Emergency Management Performance Grants	97.042	EMPG-12-PT-53	4,377
Emergency Management Performance Grants	97.042	EMPG-13-PT-53	23,046
			<u>27,423</u>
Total			<u>\$ 710,255</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Jones County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

Jones County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Jones County:

We have audited 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jones County, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jones County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jones County's internal control. Accordingly, we do not express an opinion on the effectiveness of Jones County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-13 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-13 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jones County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Jones County's Responses to the Findings

Jones County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Jones County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 18, 2014

**Independent Auditor's Report on Compliance
for Each Major Program and on Internal Control over Compliance
Required by OMB Circular A-133**

Jones County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Compliance
for Each Major Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Officials of Jones County:

Report on Compliance for Each Major Federal Program

We have audited Jones County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2013. Jones County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Jones County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jones County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Jones County's compliance.

Opinion on Each Major Federal Program

In our opinion, Jones County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of Jones County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Jones County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jones County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 18, 2014

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Jones County did not qualify as a low-risk auditee.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Segregation of Duties – During our review of internal controls, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. The following were identified for which no compensating controls exist:

County Recorder – Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from those for recording and accounting for cash. In addition, responsibility for signing checks is not segregated from handling petty cash/change funds, approving disbursements and recording cash receipts.

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

Transfer Station – Generally, one individual has control over account billings, collections, deposit preparation and reconciliation functions.

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

Responses –

County Recorder – With our limited staff, we will try to comply with the recommendation as best we can.

County Extension Office – We initiated action through our office which was intended to assist in rectifying the situation in regard to separation of duties of financial responsibilities. Elected officials serving on the Extension Council sign off on a review of the reconciliations. Plans are being made to further transfer responsibilities and utilize additional staff and elected officials in an attempt to provide additional control in reviewing financial transactions. An additional elected official serving on the Extension Council, preferably the Treasurer, will sign off on review of bank statements. An additional staff member in the position of bookkeeper has been hired and will review all financial transactions as well as generate and verify fiscal reports.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

Conclusions – Responses accepted.

- II-B-13 Disaster Recovery Plan – A documented disaster recovery plan for processing critical jobs in the event of a major hardware or software failure or temporary or permanent destruction of the Courthouse has not been developed. The County has not developed an adequate disaster recovery plan which provides for a backup site, procedures to be followed to prepare the site for equipment and identify staff responsibilities.

Recommendation – The County should ensure an adequate disaster recovery plan is developed and documented.

Response – The County will continue to work with department heads and other key personnel to develop a disaster recovery plan which will address continuation of government operations and procedures in the event of a major hardware or software failure, or the temporary or permanent destruction of the Courthouse. The County will continue to work on development of the plan until it addresses the anticipated needs of the County.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted by function.
- IV-B-13 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-13 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-13 Business Transactions – The following business transactions between the County and County officials or employees were noted:

Name, Title and Business Connection	Transaction Description	Amount
Rebecca Moore, Senior Dining employee, independent contractor	Laundry	\$ 417
Joe Oswald, Supervisor, Owner of All Seasons Auto Body	Auto repair	268
Kathy Kenney, Senior Dining employee, independent contractor	Laundry	115
Sharon Shank, Senior Dining employee, independent contractor	Laundry	93
Lisa Tallman, Senior Dining employee, independent contractor	Laundry	17

The transactions with the employees listed above do not appear to represent a conflict of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since the total transactions for each individual were less than \$1,500 during the fiscal year.

- IV-E-13 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be periodically reviewed to ensure the coverage is adequate for current operations.
- IV-F-13 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.

Jones County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

IV-H-13 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).

IV-I-13 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, 2013 for the County Extension Office did not exceed the amount budgeted.

IV-J-13 Financial Assurance – The Jones County Solid Waste Management Commission has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	<u>\$ 944,966</u>
Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2013	<u>\$ 1,378,203</u>

Jones County

Staff

This audit was performed by:

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Daniel L. Grady, Senior Auditor II
Stephen J. Hoffman, Staff Auditor
Tiffany N. Aliprandi, Assistant Auditor
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Andrew E. Nielsen, CPA
Deputy Auditor of State