



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE

May 28, 2019

Contact: Marlys Gaston
515/ 281-5834

Auditor of State Rob Sand today released an audit report on Jones County, Iowa.

The County had local tax revenue of \$31,247,308 for the year ended June 30, 2018, which included \$2,303,786 in tax credits from the state. The County forwarded \$22,762,518 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$8,484,790 of the local tax revenue to finance County operations, a 1.9% increase over the prior year. Other revenues included charges for service of \$1,927,929, operating grants, contributions and restricted interest of \$4,753,452, capital grants, contributions and restricted interest of \$3,962,961, local option sales tax of \$857,579, unrestricted investment earnings of \$173,665, gain on disposition of capital assets of \$114,272 and other general revenues of \$128,658.

Expenses for County operations for the year ended June 30, 2018 totaled \$14,982,741, a 1.6% increase over the prior year. Expenses included \$6,836,835 for roads and transportation, \$3,058,373 for public safety and legal services, \$1,922,549 for administration and \$816,671 for county environment and education.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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JONES COUNTY

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

JUNE 30, 2018

Jones County



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Rob Sand
Auditor of State

May 9, 2019

Officials of Jones County
Anamosa, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Jones County for the year ended June 30, 2018. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of Jones County throughout the audit. If I or this office can be of any further assistance, please contact me or Marlys Gaston of my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

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Jones County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ned Rohwedder	Board of Supervisors	Jan 2019
Jon C. Zirkelbach	Board of Supervisors	Jan 2019
Lloyd Eaken	Board of Supervisors	Jan 2021
Wayne Manternach	Board of Supervisors	Jan 2021
Joe Oswald	Board of Supervisors	Jan 2021
Janine Sulzner	County Auditor	Jan 2021
Amy L. Picray	County Treasurer	Jan 2019
Sheri L. Jones (Appointed Aug 2016)	County Recorder	Nov 2018
Greg A. Graver	County Sheriff	Jan 2021
Phil Parsons	County Attorney	Jan 2019
Arnie Andreesen	County Assessor	(Retired Dec 2017)
Sarah Benter (Appointed Dec 2017)	County Assessor	Nov 2021

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, 2018, 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, 2018 and the respective changes in its financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 15 to the financial statements, Jones County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 9 through 17 and 54 through 63 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.

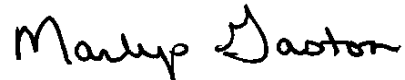
Supplementary Information

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, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 May 9, 2019 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 solely 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 effectiveness of the County's 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.



MARLYS K. GASTON, CPA
Deputy Auditor of State

May 9, 2019

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, 2018, along with comparative data for the year ended June 30, 2017. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities was restated by \$79,212 to retroactively report the increase in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.
- Program expenses of the County's governmental activities increased 1.6%, or approximately \$236,000, in fiscal year 2018 compared to fiscal year 2017. Mental health expenses decreased approximately \$367,000, or 31.7%, administration expenses increased approximately \$292,000, or 17.9%, roads and transportation expenses decreased approximately \$63,000, or 0.9%, county environment and education expenses increased approximately \$40,000, or 5.1%, governmental services to residents expenses increased approximately \$50,000, or 7.2%, public safety and legal services expenses increased approximately \$280,000, or 10.1%, physical health and social services expenses decreased approximately \$4,000, or 0.6%, and non-program expenses increased approximately \$9,000, or 9.9%.
- The County's net position increased 14%, or approximately \$5,421,000 (after restatement), from June 30, 2017 to June 30, 2018, primarily due to a significant increase in road infrastructure capital assets.
- Jones County decreased property tax rates for fiscal year 2018 an average of 0.55%, yet generated a 1.9% increase in budgeted tax dollars (\$156,036) for County operations. The County increased the fiscal year 2018 general fund property tax levy rate by \$0.43062 to \$5.83575 per \$1,000 of taxable valuation for fiscal year 2018. The County did not levy taxes for mental health as the MHDS Fund balance was more than sufficient to meet anticipated expenditures. The rural services property tax levy rate was increased by \$0.01987 to set the fiscal 2018 rate at \$2.60029 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. Jones County included a \$0.35678 Debt Service levy for fiscal year 2018 that generated approximately \$383,000 for capital type improvements.

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 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, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Agency Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference 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 and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

- 1) Governmental funds account for most of the County’s basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Capital Projects Fund, and 4) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County’s general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County’s programs.

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

- 2) 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, E-911 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

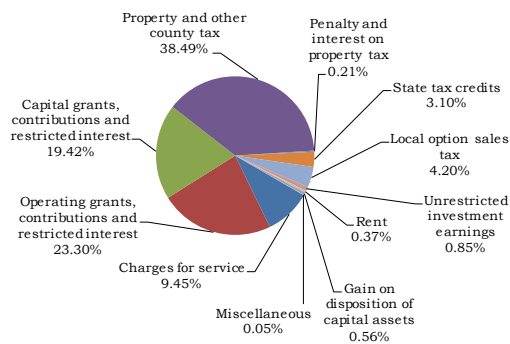
As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position of governmental activities before restatement.

Net Position of Governmental Activities		
	June 30,	
	2018	2017 (Not Restated)
Current and other assets	\$ 19,422,216	18,656,530
Capital assets	35,946,368	31,523,309
Total assets	55,368,584	50,179,839
Deferred outflows of resources	1,456,285	1,244,748
Long-term liabilities	4,673,473	4,246,355
Other liabilities	833,333	1,135,060
Total liabilities	5,506,806	5,381,415
Deferred inflows of resources	7,853,353	7,919,815
Net position:		
Net investment in capital assets	35,946,368	31,523,309
Restricted	8,341,034	7,519,328
Unrestricted	(822,692)	(919,280)
Total net position	\$ 43,464,710	38,123,357

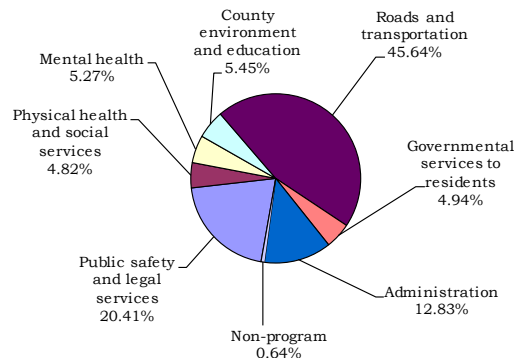
The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment). Next largest is restricted net position, which represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can 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 – is reported at a deficit of approximately (\$823,000) at June 30, 2018. The unrestricted net position deficit is due to reporting the net pension liability and the total OPEB liability.

Changes in Net Position of Governmental Activities		
	Year ended June 30,	
	2018	2017 (Not Restated)
Revenues:		
Program revenues:		
Charges for service	\$ 1,927,929	1,841,306
Operating grants, contributions and restricted interest	4,753,452	4,578,515
Capital grants, contributions and restricted interest	3,962,961	5,140,558
General revenues:		
Property and other county tax	7,852,310	7,690,082
Penalty and interest on property tax	43,162	39,598
State tax credits	632,480	638,379
Local option sales tax	857,579	843,615
Unrestricted investment earnings	173,665	128,154
Rent	75,831	79,135
Gain on disposition of capital assets	114,272	53,514
Miscellaneous	9,665	2,435
Total revenues	<u>20,403,306</u>	<u>21,035,291</u>
Program expenses:		
Public safety and legal services	3,058,373	2,778,155
Physical health and social services	721,666	725,997
Mental health	790,128	1,157,102
County environment and education	816,671	776,970
Roads and transportation	6,836,835	6,899,628
Governmental services to residents	740,588	690,608
Administration	1,922,549	1,630,562
Non-program	95,931	87,310
Total expenses	<u>14,982,741</u>	<u>14,746,332</u>
Change in net position	5,420,565	6,288,959
Net position beginning of year, as restated	<u>38,044,145</u>	<u>31,834,398</u>
Net position end of year	<u>\$ 43,464,710</u>	<u>38,123,357</u>

Revenues by Source



Expenses by Program



INDIVIDUAL MAJOR FUND ANALYSIS

As Jones County completed the year, its governmental funds reported a combined fund balance of approximately \$10.7 million, an increase of approximately \$1.1 million from last year's total of approximately \$9.6 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 2018 with a fund balance of \$4,338,108. This is an increase of \$604,255 over June 30, 2017. Expenditures increased \$658,970 while revenues increased \$416,658 over fiscal year 2017. The two most significant expenditure changes were in the mental health and the capital projects functions.

The mental health function in the General Fund decreased approximately \$264,000 primarily due to the County terminating their Mental Health Case Management program in December 2017. The capital projects function increased approximately \$508,000 primarily due to more activity and expenditures being incurred on the Central Park Lake restoration project in fiscal year 2018.

Property and other county tax in the General Fund increased approximately \$561,000 due to the implementation of a \$500,000 unusual needs levy to assist with local funding for the Central Park Lake Project, with the balance of the increase due to growth in the taxable valuation in fiscal 2018. Intergovernmental revenues decreased approximately \$558,000, primarily due to a decrease in grant receipts. Miscellaneous revenues increased approximately \$304,000 due to an increase in private grants provided for the Central Park Lake project and increased donations to the Senior Dining program.

The Special Revenue, Mental Health Fund ended fiscal year 2018 with a fund balance of \$989,991. The balance decreased \$560,855 from June 30, 2017. Expenditures decreased 11.8%, or \$98,080, from fiscal year 2017 and revenues decreased 74.9%, or \$507,134, primarily as a result of the decrease in the tax levy.

The Special Revenue, Rural Services Fund ended fiscal year 2018 with a balance of \$314,742, or \$387 more than the June 30, 2017 balance of \$314,355. Property and other county tax increased \$60,848, or 3.5% due to an increase in the levy rate applied to increased valuation. The transfer to the Secondary Roads Fund to support road maintenance and road projects was increased from \$1,844,000 to \$1,920,000.

The Special Revenue, Secondary Roads Fund ended fiscal year 2018 with a balance of \$4,898,248, an increase of \$1,056,622 over the June 30, 2017 balance of \$3,841,626. Of the ending balance, \$2,706,671 is unspent local option sales tax restricted for future road and bridge projects, per voter approval in 1999, and \$465,442 is the value of materials held in inventory and prepaid expenditures at June 30, 2018. The restricted fund balance within the Special Revenue, Secondary Roads Fund reflects a positive balance of \$4,432,806 on a GAAP basis, 32.0% higher than the June 30, 2017 balance of \$3,359,093. Expenditures increased \$175,540, or 2.7%. The County increased its spending for its locally funded road construction activities in fiscal year 2018 by over 489% (\$896,101 compared to \$152,084 in fiscal year 2017), primarily due to construction schedules. Revenues for the Special Revenue, Secondary Roads Fund for fiscal year 2018 reflect an increase from fiscal year 2017 of \$772,814, primarily in intergovernmental revenues related to road and bridge construction projects and in miscellaneous revenues for a reimbursement for damage done to a County road. There was a transfer in fiscal year 2018 from the Capital Projects Fund in the amount of \$175,000, from the Rural Services Fund in the amount of \$1,920,000, and \$166,000 was transferred from the General Fund in fiscal year 2018, bringing the total funds transferred to the Secondary Roads Fund to \$2,261,000.

The Capital Projects Fund ended fiscal year 2018 with a fund balance of \$59,076. The balance represented funds reserved for various projects not yet completed. The Capital Projects Fund received funding through a single day loan transaction in June 2018. Capital projects expenditures incurred earlier in the year were funded by permanent and temporary transfers from other funds into the Capital Projects Fund.

The Debt Service Fund ended fiscal year 2018 with a fund balance of \$10,383,021 from the debt service levy was used to service a single day loan obligation with no interest.

The County budgets roadway construction and conservation land acquisition and major development costs in the capital projects function. Historically, Jones County had not budgeted other capital projects disbursements in the capital projects function, but rather budgeted for those items in the function and fund where those items would be used. In fiscal 2017, the County established a Capital Projects Fund and began using the capital projects function, where appropriate.

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

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 blended component unit and the 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 2018, Jones County amended its budget two times.

The first amendment was made on December 27, 2017 primarily to provide spending authority for a new JETS transit service facility and various capital projects type programs. The total increase in budgeted disbursements (non-transfer) was \$306,041 while the total increase in revenue (non-transfer) was \$228,000 in the intergovernmental revenue category.

The final amendment was made on March 13, 2018 and resulted in changes to budgeted appropriations for every disbursement function and revenue category.

The net total decrease in revenue (non-transfer) adopted in the March amendment was \$1,509,974, with changes in each revenue category. Of significance was a \$1,891,815 decrease in intergovernmental revenues, primarily reflecting changes to grant related revenues as a result of grant funded project scheduling.

The net total change in budgeted disbursements (non-transfer) adopted in the March amendment reflects a decrease of \$2,083,701. Of significance was a \$301,277 decrease in budgeted mental health disbursements due to the mid-year termination of the Mental Health Case Management program, a \$1,236,733 decrease in budgeted county environment and education due to the delay in the planned construction of the MonMaq Dam project and a \$821,819 decrease in budgeted capital projects disbursements, primarily as a result of road construction project schedules. Various other less significant changes in disbursements resulted in a net increase of \$276,128 in the other seven functions. Nearly all departments reflected some level of change in spending authority and/or revenue 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 \$439,262 more than the final amended budget, a variance of less than 3%. The March 2018 amendment allowed the County to minimize significant variances in budgeted to actual revenues.

Total disbursements were \$1,316,688 less than the final amended budget, a 7% variance. Actual disbursements for the public safety and legal services, physical health and social services, county environment and education, roads and transportation, governmental services to residents, administration and debt service functions were all within 10% of the final amended budget. Disbursements for the mental health function were \$193,376, or 19%, below budget, primarily due to the mental health region not requesting one of the budgeted quarterly assessments. Disbursements for the non-program function were \$313,555, or 79% below budget, primarily due to reclassification of the expenditures for the JETS facility to the capital projects function. Disbursements for the capital projects function were \$305,446, or 14%, below budget, primarily due to road construction scheduling, conservation projects and facility projects being moved into fiscal 2019.

During the year ended June 30, 2018, in spite of the budget amendments, disbursements in the Juvenile Services department exceeded the amount appropriated prior to an appropriation amendment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, Jones County had \$35,946,368 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 \$4,423,059, or 14%, over last year, primarily due to Secondary Roads projects.

Capital Assets of Governmental Activities at Year End		
	June 30,	
	2018	2017
Land	\$ 3,804,839	3,777,440
Intangibles, road network	924,305	898,870
Construction/intangibles in progress	1,583,474	341,419
Buildings	2,318,744	2,202,740
Improvements other than buildings	120,663	132,732
Equipment and vehicles	4,253,117	3,885,799
Intangibles, other	96,643	114,964
Infrastructure	22,844,583	20,169,345
Total	<u>\$ 35,946,368</u>	<u>31,523,309</u>
This year's major additions included:		
Infrastructure, road network	\$	3,322,445
2017 Caterpillar motor grader		305,000
Wyoming main shop		222,960
2018 Mack truck body		<u>150,539</u>
Total	<u>\$</u>	<u>4,000,944</u>

The County had depreciation/amortization expense of \$1,551,678 in fiscal year 2018 and total accumulated depreciation/amortization of \$13,038,659 at June 30, 2018.

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

Long-Term Debt

At June 30, 2018, Jones County had no general obligation long-term debt outstanding. Information about the County's long-term liabilities 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 2019 budget, tax rates and the fees charged for various County activities. The primary factors considered were the increase in taxable valuations, changes in funding for mental health services, needed facility improvements and repairs and the Board's desire to invest in County facility upgrades and keep the tax levy rate relatively stable.

Jones County's total taxable valuation for the fiscal year 2019 budget increased 1.1%. By class of property, the County's agricultural valuation increased 1%, residential valuation rose 1%, commercial valuation reflects less than a 1% increase and industrial valuation reflects a decrease of 2%. The multi-residential valuation decreased by 8%, primarily reflective of an adjustment in the state ordered rollback. New residential construction in Jones County increased during 2017 for the January 1, 2018 assessment to become taxable in fiscal 2019. Jones County's agricultural land values comprise 34% of Jones County's taxable valuation, while residential values continue to comprise 38% of the total.

The fiscal year 2019 General Fund budget reflects a tax decrease of \$440,028 and is projected to produce an unrestricted fund balance on June 30, 2019 of 36.4% of total general operating disbursements (total General Fund balance of 37.1% of total disbursements). The tax decrease of \$440,028 was generated by eliminating the fiscal year 2018 unusual needs levy, bringing the General Basic tax levy rate back to the standard \$3.50 per thousand and applying that rate, and the same General Supplemental tax levy rate as fiscal year 2018, to the increased valuation. The total General Fund fiscal year 2019 budgeted disbursements (including transfers out) are \$592,493 less than the original 2018 fiscal year budget. The General Fund fiscal year 2019 budget reflects a 4.89% increase in employee wages and benefits, with overall disbursements projected to decrease by 5.65%, primarily due to changes in the plans for the Central Park Lake Restoration, MonMaq Dam, and Wapsipinicon Trail projects and elimination of the Mental Health Case Management Program. The collective bargaining agreement covering wages to be paid in fiscal year 2019 calls for a 2.75% wage increase for employees in the bargaining unit. A variety of wage increase rates were granted to non-union employees. The Board reduced by 10% the salary increases recommended by the Compensation Board for the elected Attorney, Auditor, Recorder, Sheriff and Treasurer, and by 50% for their own salaries. Budgeted non-tax General Fund receipts are projected to decrease \$377,823, primarily due to a reduction in intergovernmental grant reimbursements for the Central Park Lake Restoration and MonMaq Dam projects.

The fiscal year 2019 Special Revenue, Mental Health Fund levy was established at a rate sufficient to meet projected expenses when considering the projected ending fund balance, and is \$575,000, or 77%, below the maximum permitted by law. The Board will carefully re-evaluate the status of the mental health fund, fiscal obligations to the region and current legislation prior to establishing a levy for fiscal 2020.

The budget for the Special Revenue, Rural Services Fund for fiscal year 2019 reflects a tax increase of \$81,987. The tax increase represents the Board's desire to keep revenues in this fund close to proposed disbursements and transfers out and reflects a 2.59% increase in the tax levy rate from fiscal year 2018. The transfer to the Secondary Road Fund increased \$80,000 in the fiscal year 2019 budget to help fund Secondary Road expenditures.

The Special Revenue, Secondary Roads Fund budget for fiscal year 2019 reflects a decrease of \$275,580 in road maintenance disbursements to \$6,121,800, and a \$220,000 increase in the roadway construction budget from the originally budgeted fiscal year 2018 level of \$1,600,000 to \$1,820,000 in fiscal year 2019. The County is increasing the amount of funds spent on locally funded construction projects, as well as replacing outdated and worn equipment and updating secondary road facilities for fiscal year 2019. This will result in the projected balance in the fund to decrease \$731,948 from the original projected fiscal year 2018 ending fund balance. The actual 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.

In fiscal year 2019, the Board of Supervisors took steps to initiate for a third year, a debt service levy for essential county purposes. The levy was implemented to take advantage of savings from the reduction in the mental health levy. By balancing the various levy adjustments, the Board was able to reduce the total taxes levied by 1.43% (\$120,000) from fiscal year 2018. The funds generated from the debt service levy will be used to provide facility capital improvements including improvements to the courthouse steps and sidewalks, lighting upgrades, public safety communication equipment and computer systems, heating and air conditioning equipment at the Broadway Place Annex, upgrades at the Sheriff's storage garage. The funds will also be used to provide the local match for federal transportation funds for new JETS transit vans. It is anticipated 100% of the funds borrowed for these projects will be fully paid back by the end of fiscal year 2019 with the debt service levy.

The overall fiscal year 2019 budget reflects a nearly twenty-six cent (\$0.25962/\$1,000) decrease in the countywide levy rate and a nearly six and three-quarter cent (\$0.06730/\$1,000) increase in the rural services rate. The combination of the countywide rate and rural rate generates nearly a total nineteen cent (\$0.19232/\$1,000) total levy rate decrease on rural properties. The adopted budget generates a 1.43% decrease (\$120,000) in total tax dollars to be levied to support the County budget.

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

Jones County
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash and pooled investments	\$ 10,348,883
Receivables:	
Property tax:	
Delinquent	4,560
Succeeding year	7,675,000
Interest and penalty on property tax	17,932
Accounts	41,007
Accrued interest	12,661
Special assessments	2,442
Due from other governments	854,289
Inventories	446,064
Prepaid expense	19,378
Capital assets, net of accumulated depreciation/amortization	35,946,368
Total assets	55,368,584
Deferred Outflows of Resources	
Pension related deferred outflows	1,448,953
OPEB related deferred outflows	7,332
Total deferred outflows of resources	1,456,285
Liabilities	
Accounts payable	459,294
Salaries and benefits payable	354,707
Due to other governments	19,332
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	190,181
Portion due or payable after one year:	
Compensated absences	227,219
Net pension liability	4,121,821
Total OPEB liability	134,252
Total liabilities	5,506,806
Deferred Inflows of Resources	
Unavailable property tax revenue	7,675,000
Pension related deferred inflows	147,874
OPEB related deferred inflows	30,479
Total deferred inflows of resources	7,853,353
Net Position	
Net investment in capital assets	35,946,368
Restricted for:	
Supplemental levy purposes	1,186,809
Mental health purposes	972,436
Rural services purposes	314,742
Secondary roads purposes	4,752,935
Debt service	10
Capital projects	174,537
Other purposes	939,565
Unrestricted	(822,692)
Total net position	\$ 43,464,710

See notes to financial statements.

Jones County

Statement of Activities

Year ended June 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 3,058,373	349,341	44,968	-	(2,664,064)
Physical health and social services	721,666	200,368	233,724	-	(287,574)
Mental health	790,128	169,703	67,265	-	(553,160)
County environment and education	816,671	52,518	27,094	390,210	(346,849)
Roads and transportation	6,836,835	590,706	4,283,251	3,572,751	1,609,873
Governmental services to residents	740,588	442,286	-	-	(298,302)
Administration	1,922,549	118,772	2,149	-	(1,801,628)
Non-program	95,931	4,235	95,001	-	3,305
Total	\$ 14,982,741	1,927,929	4,753,452	3,962,961	(4,338,399)
General Revenues:					
Property and other county tax levied for general purposes					
General purposes				\$ 7,494,999	
Debt service				357,311	
Penalty and interest on property tax				43,162	
State tax credits				632,480	
Local option sales tax				857,579	
Unrestricted investment earnings				173,665	
Rent				75,831	
Gain on disposition of capital assets				114,272	
Miscellaneous				9,665	
Total general revenues				9,758,964	
Change in net position				5,420,565	
Net position beginning of year, as restated				38,044,145	
Net position end of year				\$ 43,464,710	

See notes to financial statements.

Jones County
Balance Sheet
Governmental Funds

June 30, 2018

	Special		
	General	Mental Health	Rural Services
Assets			
Cash and pooled investments	\$ 4,703,660	950,845	299,796
Receivables:			
Property tax:			
Delinquent	4,560	-	-
Succeeding year	5,253,000	159,000	1,845,000
Interest and penalty on property tax	16,577	97	1,010
Accounts	31,173	-	-
Accrued interest	12,661	-	-
Special assessments	2,442	-	-
Due from other funds	-	-	-
Due from other governments	152,049	48,047	33,051
Inventories	-	-	-
Prepaid expenditures	-	-	-
Total assets	\$ 10,176,122	1,157,989	2,178,857
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 237,640	706	163
Salaries and benefits payable	231,845	8,199	2,109
Due to other funds	6,510	-	-
Due to other governments	14,328	-	-
Total liabilities	490,323	8,905	2,272
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	5,253,000	159,000	1,845,000
Other	94,691	93	16,843
Total deferred inflows of resources	5,347,691	159,093	1,861,843
Fund balances:			
Nonspendable:			
Inventories and prepaid expenditures	-	-	-
Restricted for:			
Supplemental levy purposes	1,186,809	-	-
Mental health purposes	-	989,991	-
Rural services purposes	-	-	314,742
Secondary roads purposes	-	-	-
Conservation land acquisition/capital improvements	115,461	-	-
Debt service	-	-	-
Capital projects	-	-	-
Conservation department projects	782,074	-	-
Other purposes	4,708	-	-
Committed for:			
County facility capital projects/purposes	164,124	-	-
Voting equipment replacement	40,000	-	-
Aerial tax mapping update project	31,500	-	-
GIS projects	6,000	-	-
Unassigned	2,007,432	-	-
Total fund balances	4,338,108	989,991	314,742
Total liabilities, deferred inflows of resources and fund balances	\$ 10,176,122	1,157,989	2,178,857

See notes to financial statements.

<u>Revenue</u>				
<u>Secondary Roads</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
4,184,320	57,170	-	153,092	10,348,883
-	-	-	-	4,560
-	-	418,000	-	7,675,000
-	-	248	-	17,932
3,517	6,317	-	-	41,007
-	-	-	-	12,661
-	-	-	-	2,442
6,510	-	-	-	6,510
621,142	-	-	-	854,289
446,064	-	-	-	446,064
19,378	-	-	-	19,378
<u>5,280,931</u>	<u>63,487</u>	<u>418,248</u>	<u>153,092</u>	<u>19,428,726</u>
216,464	4,011	-	310	459,294
112,554	-	-	-	354,707
-	-	-	-	6,510
5,004	-	-	-	19,332
<u>334,022</u>	<u>4,011</u>	<u>-</u>	<u>310</u>	<u>839,843</u>
-	-	418,000	-	7,675,000
48,661	400	238	-	160,926
<u>48,661</u>	<u>400</u>	<u>418,238</u>	<u>-</u>	<u>7,835,926</u>
465,442	-	-	-	465,442
-	-	-	-	1,186,809
-	-	-	-	989,991
-	-	-	-	314,742
4,432,806	-	-	-	4,432,806
-	-	-	-	115,461
-	-	10	-	10
-	59,076	-	-	59,076
-	-	-	-	782,074
-	-	-	152,782	157,490
-	-	-	-	164,124
-	-	-	-	40,000
-	-	-	-	31,500
-	-	-	-	6,000
-	-	-	-	2,007,432
<u>4,898,248</u>	<u>59,076</u>	<u>10</u>	<u>152,782</u>	<u>10,752,957</u>
<u>5,280,931</u>	<u>63,487</u>	<u>418,248</u>	<u>153,092</u>	<u>19,428,726</u>

Jones County

Jones County

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

June 30, 2018

Total governmental fund balances (page 23) \$ 10,752,957

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

Capital assets used in governmental activities are not current financial resources and therefore, are not reposted in the governmental funds. The cost of assets is \$48,985,027 and the accumulated depreciation/amortization is \$13,038,659.

35,946,368

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.

160,926

Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 1,456,285	
Deferred inflows of resources	<u>(178,353)</u>	1,277,932

Long-term liabilities, including compensated absences payable, net pension liability and total OPEB liability are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(4,673,473)

Net position of governmental activities (page 20) **\$ 43,464,710**

See notes to financial statements.

Jones County

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

Year ended June 30, 2018

	Special		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 5,699,123	4	1,792,867
Local option sales tax	-	-	208,517
Interest and penalty on property tax	43,490	-	-
Intergovernmental	1,584,328	169,877	116,879
Licenses and permits	48,838	-	-
Charges for service	674,793	-	11,950
Use of money and property	258,493	-	1
Miscellaneous	596,538	-	-
Total revenues	<u>8,905,603</u>	<u>169,881</u>	<u>2,130,214</u>
Expenditures:			
Operating:			
Public safety and legal services	2,984,718	-	-
Physical health and social services	715,706	-	-
Mental health	64,847	730,736	-
County environment and education	773,781	-	202,855
Roads and transportation	482,117	-	-
Governmental services to residents	709,048	-	6,972
Administration	1,815,971	-	-
Non-program	82,243	-	-
Debt service	-	-	-
Capital projects	509,917	-	-
Total expenditures	<u>8,138,348</u>	<u>730,736</u>	<u>209,827</u>
Excess (deficiency) of revenues over (under) expenditures	<u>767,255</u>	<u>(560,855)</u>	<u>1,920,387</u>
Other financing sources (uses):			
Proceeds long term debt	-	-	-
Sale of capital assets	3,000	-	-
Transfers in	-	-	-
Transfers out	(166,000)	-	(1,920,000)
Total other financing sources (uses)	<u>(163,000)</u>	<u>-</u>	<u>(1,920,000)</u>
Change in fund balances	604,255	(560,855)	387
Fund balances beginning of year	<u>3,733,853</u>	<u>1,550,846</u>	<u>314,355</u>
Fund balances end of year	<u>\$ 4,338,108</u>	<u>989,991</u>	<u>314,742</u>

See notes to financial statements.

Revenue				
Secondary Roads	Capital Projects	Debt Service	Nonmajor	Total
-	-	357,311	-	7,849,305
625,550	-	-	-	834,067
-	-	-	-	43,490
4,380,631	230,309	30,905	12,246	6,525,175
7,135	-	-	-	55,973
-	-	-	3,555	690,298
-	-	-	386	258,880
443,123	6,278	-	20,924	1,066,863
5,456,439	236,587	388,216	37,111	17,324,051
-	-	-	11,366	2,996,084
-	-	-	-	715,706
-	-	-	-	795,583
-	-	-	2,059	978,695
5,803,714	-	-	-	6,285,831
-	-	-	1,942	717,962
-	-	-	-	1,815,971
-	-	-	-	82,243
-	-	383,021	-	383,021
896,101	468,586	-	-	1,874,604
6,699,815	468,586	383,021	15,367	16,645,700
(1,243,376)	(231,999)	5,195	21,744	678,351
-	383,021	-	-	383,021
38,998	-	-	-	41,998
2,261,000	11,002	-	-	2,272,002
-	(175,000)	(11,002)	-	(2,272,002)
2,299,998	219,023	(11,002)	-	425,019
1,056,622	(12,976)	(5,807)	21,744	1,103,370
3,841,626	72,052	5,817	131,038	9,649,587
4,898,248	59,076	10	152,782	10,752,957

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, 2018

Change in fund balances - Total governmental funds (page 27) \$ 1,103,370

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/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 2,990,249	
Capital assets contributed by the Iowa Department of Transportation	2,912,214	
Depreciation/amortization expense	<u>(1,551,678)</u>	4,350,785

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. 72,274

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

Property tax	3,005	
Other	<u>71,038</u>	74,043

The current year County share of IPERS contributions is reported as expenditures in the governmental funds but is reported as deferred outflows of resources in the Statement of Net Position. 487,270

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	(45,702)	
Pension expense	(620,888)	
OPEB expense	<u>(587)</u>	<u>(667,177)</u>

Change in net position of governmental activities (page 21) \$ 5,420,565

See notes to financial statements.

Jones County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2018

Assets

Cash and pooled investments:	
County Treasurer	\$ 9,255,275
Other County officials	4,127
Receivables:	
Property tax:	
Delinquent	13,044
Succeeding year	20,777,000
Accounts	78,992
Accrued interest	7,334
Special assessments	51,211
Due from other governments	101,428
Prepaid expenses	1,437
Capital assets, net of accumulated depreciation	<u>746,666</u>
Total assets	<u>31,036,514</u>

Liabilities

Accounts payable	45,721
Salaries and benefits payable	25,825
Due to other governments	29,940,653
Trusts payable	3,627
Compensated absences	23,964
Estimated liability for landfill closure and posclosure care	<u>996,724</u>
Total liabilities	<u>31,036,514</u>
Net position	<u>\$ -</u>

See notes to financial statements.

Jones County

Jones County

Notes to Financial Statements

June 30, 2018

(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.

Blended Component Unit – The following component unit is an entity which is legally separate from the County, but is so intertwined with the County it is, in substance, the same as the County. It is reported as part of the County and blended into the appropriate fund.

The Friends of Jones County Conservation and Nature Center has been incorporated under Chapter 504A of the Code of Iowa to receive donations for the benefit of the Jones County Conservation Board. These donations are to be used to purchase items not included in the County's budget. The financial transactions of the Foundation are reported as a nonmajor special revenue fund.

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 911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County. Condensed financial statements for the Jones County Solid Waste Commission are included in Note 13 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, Jones County Communications Commission and East Central Iowa Mental Health Region.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position 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, deferred outflows of resources, liabilities and deferred inflows of resources, 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/amortization.

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. Net position restricted through enabling legislation consists of the balance of the unusual needs levy for Conservation Department projects.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs 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, transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary roads construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

Additionally, the County reports the following funds:

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current 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.

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

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 amortized cost.

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 reported as a deferred inflow of resources 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, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2017.

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 more than 15 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, 2018, 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, furniture and equipment and intangibles acquired after July 1, 1980 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 acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Intangibles	50,000
Road right of way easements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated/amortized 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
Intangibles	2 - 65
Equipment	3 - 20
Vehicles	5 - 15

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the County after the measurement date but before the end of the County’s reporting period.

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.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. 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, 2018. 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 financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ fiduciary net position have been determined on

the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension 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.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources as deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on Jones County’s actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB 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.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected with the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax and other receivables not collected within sixty days after year end and succeeding year property tax receivable that will not be recognized until the year for which it is levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized until the year for which it is levied, unrecognized items not yet charged to pension and OPEB expense and the net difference between projected and actual earnings on IPERS’ investments.

Fund Balance – 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. During the year ended June 30, 2018, disbursements in one department exceeded the amount appropriated prior to an appropriation amendment.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2018 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 ensure 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. 72.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	<u>\$ 6,510</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, 2018 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 166,000
	Special Revenue:	
	Rural Services	1,920,000
	Capital Projects	<u>175,000</u>
		<u>2,261,000</u>
Capital Projects	Debt Service	<u>11,002</u>
Total		<u>\$ 4,533,002</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, 2018 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 3,777,441	27,398	-	3,804,839
Intangibles, road network	898,870	25,435	-	924,305
Construction in progress, road network	-	3,605,697	3,347,880	257,817
Construction in progress	341,417	1,207,200	222,960	1,325,657
Total capital assets not being depreciated/amortized	5,017,728	4,865,730	3,570,840	6,312,618
Capital assets being depreciated/amortized:				
Buildings	3,838,255	222,960	-	4,061,215
Improvements other than buildings	241,331	-	-	241,331
Equipment and vehicles	10,033,520	1,143,442	462,783	10,714,179
Intangibles	151,607	-	-	151,607
Infrastructure, road network	23,393,272	3,322,445	-	26,715,717
Infrastructure, other	788,360	-	-	788,360
Total capital assets being depreciated/amortized	38,446,345	4,688,847	462,783	42,672,409
Less accumulated depreciation/amortization for:				
Buildings	1,635,513	106,958	-	1,742,471
Improvements other than buildings	108,601	12,067	-	120,668
Equipment and vehicles	6,147,719	767,126	453,783	6,461,062
Intangibles, other	36,642	18,322	-	54,964
Infrastructure, road network	3,890,723	631,438	-	4,522,161
Infrastructure, other	121,566	15,767	-	137,333
Total accumulated depreciation/amortization	11,940,764	1,551,678	453,783	13,038,659
Total capital assets being depreciated/amortized, net	26,505,581	3,137,169	9,000	29,633,750
Governmental activities capital assets, net	\$ 31,523,309	8,002,899	3,579,840	35,946,368

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 146,574
Physical health and social services	313
County environment and education	68,067
Roads and transportation	1,208,362
Governmental services to residents	10,180
Administration	118,182
Total depreciation/amortization expense - governmental activities	\$ 1,551,678

(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, 2018 is as follows:

Fund	Description	Amount
General	Services	\$ 14,328
Special Revenue:		
Secondary Roads	Services and materials	5,004
Total for governmental funds		<u>\$ 19,332</u>
Agency:		
Agricultural Extension Education	Collections	\$ 225,187
County Assessor	Collections	987,107
Schools	Collections	13,577,211
Community Colleges	Collections	1,188,032
Corporations	Collections	5,086,812
Townships	Collections	286,791
Auto License and Use Tax	Collections	495,230
Jones County Solid Waste		
Management Commission	Collections and services	1,904,335
MHDS - ECR	Collections	5,627,014
All other	Collections	596,578
Total for agency funds		<u>\$ 29,974,297</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, 2018 the unamortized prepaid expense balance was \$19,378.

(8) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2018 is as follows:

	General Obligation Notes	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year, as restated	\$ -	371,698	3,797,057	156,812	4,325,567
Increases	383,021	357,609	324,764	19,874	1,085,268
Decreases	383,021	311,907	-	42,434	737,362
Balance end of year	<u>\$ -</u>	<u>417,400</u>	<u>4,121,821</u>	<u>134,252</u>	<u>4,673,473</u>
Due within one year	\$ -	190,181	-	-	190,181

General Obligation Notes

On February 21, 2017, the County adopted a resolution anticipating the future authorization of a general obligation loan agreement and providing for the levy of taxes to pay the principal of a general obligation loan. On June 12, 2018, the County issued a \$383,021, no interest, general obligation note to Citizens Bank for the purpose of paying the costs of various County improvements. The County paid the \$383,021 general obligation note in full on June 12, 2018.

(9) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally at age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff's, deputy's and protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% of covered payroll, for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.38% of covered payroll, for a total rate of 18.76%. Protection occupation members contributed 6.56% of covered payroll and the County contributed 9.84% of covered payroll, for a total rate of 16.40%.

The County's contributions to IPERS for the year ended June 30, 2018 totaled \$487,270.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the County reported a liability of \$4,121,821 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the County's proportion was 0.061877%, which was an increase of 0.001542% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018 the County recognized pension expense of \$620,888. At June 30, 2018 the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 52,959	54,557
Changes of assumptions	845,520	8,307
Net difference between projected and actual earnings on IPERS' investments	-	53,404
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	63,204	31,606
County contributions subsequent to the measurement date	487,270	-
Total	<u>\$ 1,448,953</u>	<u>147,874</u>

\$487,270 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	\$ 97,971
2020	380,281
2021	235,963
2022	36,368
2023	63,226
Total	<u>\$ 813,809</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience study dated March 24, 2017.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 7,340,228	4,121,821	1,420,257

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2018.

(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) Other Postemployment Benefits (OPEB)

Plan Description – The County administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Jones County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>98</u>
Total	<u><u>99</u></u>

Total OPEB Liability – The County’s total OPEB liability of \$134,252 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation	
(effective June 30, 2018)	3.00% per annum.
Rates of salary increase	3.00% per annum, including
(effective June 30, 2018)	inflation.
Discount rate	3.58% compounded annually,
(effective June 30, 2018)	including inflation.
Healthcare cost trend rate	5.00% annually
(effective June 30, 2018)	

Discount Rate – The discount rate used to measure the total OPEB liability was 3.58% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA RPH-2017 total dataset mortality table fully generational using Scale MP-2017. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	\$ 156,812
Changes for the year:	
Service cost	6,876
Interest	4,783
Differences between expected and actual experiences	(34,151)
Changes in assumptions	8,215
Benefit payments	<u>(8,283)</u>
Net changes	<u>(22,560)</u>
Total OPEB liability end of year	<u>\$ 134,252</u>

Changes of assumptions reflect a change in the discount rate from 4.50% in fiscal year 2017 to 3.58% in fiscal year 2018.

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.58%) or 1% higher (4.58%) than the current discount rate.

	<u>1% Decrease (2.58%)</u>	<u>Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Total OPEB liability	\$ 145,552	134,252	123,984

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

	<u>1% Decrease (4.00%)</u>	<u>Healthcare Cost Trend Rate (5.00%)</u>	<u>1% Increase (6.00%)</u>
Total OPEB liability	\$ 121,068	134,252	149,397

OPEB Expense and Deferred Outflows of Resources and deferred inflows of resources Related to OPEB – For the year ended June 30, 2018, the County recognized OPEB expense of \$587. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(30,479)
Changes in assumptions	7,332	
Total	<u>\$ 7,332</u>	<u>(30,479)</u>

The amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30,	Amount
2019	\$ (2,789)
2020	(2,789)
2021	(2,789)
2022	(2,789)
2023	(2,789)
Thereafter	<u>(9,202)</u>
	<u>\$ (23,147)</u>

(12) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2018 under agreements entered into by the following entities:

Entity	Tax Abatement Program	Amount of Tax Abated
City of Anamosa	Urban renewal and economic development projects	\$ 13,524
City of Monticello	Urban renewal and economic development projects	29,300

(13) 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 financial statements are for the year ended June 30, 2018.

Statement of Net Position	
Assets	
Current assets:	
Cash and cash equivalents	\$ 126,140
Investments	779,688
Receivables:	
Accounts and other	73,149
Due from other governments	5,375
Prepaid items	1,437
Total current assets	<u>985,789</u>
Noncurrent assets:	
Restricted certificates of deposit	1,194,209
Capital assets, net of accumulated depreciation	746,666
Total noncurrent assets	<u>1,940,875</u>
Total assets	<u>2,926,664</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>39,384</u>
Liabilities	
Current liabilities:	
Accounts payable	41,826
Salaries and benefits payable	8,394
Due to other governments	24,970
Compensated absences payable	9,029
Total current liabilities	<u>84,219</u>
Non-current liabilities:	
Estimated liability for landfill closure and postclosure care	996,724
Net pension liability	109,124
Total non-current liabilities	<u>1,105,848</u>
Total liabilities	<u>1,190,067</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>5,741</u>
Net position	
Net investment in capital assets	746,666
Restricted for closure and postclosure care	197,485
Unrestricted	826,089
Total net position	<u>\$ 1,770,240</u>

Statement of Revenues, Expenses and Changes in Net Position	
Operating revenues:	
Assessments	\$ 93,499
Gate fees	624,210
Other operating revenues	17,566
Total operating revenues	<u>735,275</u>
Operating expenses:	
Salaries and benefits	174,172
Solid waste hauling and disposal	477,505
Depreciation	69,230
Other operating expenses	122,493
Total operating expenses	<u>843,400</u>
Operating loss	(108,125)
Non-operating revenues:	
Interest income	32,552
Loss on sale of capital assets	(32,341)
Total non-operating revenues	<u>211</u>
Change in net position	(107,914)
Net position beginning of year	<u>1,878,154</u>
Net position end of year	<u>\$ 1,770,240</u>

Statement of Cash Flows	
Cash flows from operating activities:	
Cash received from gate fees	\$ 620,662
Cash received from assessments	93,499
Cash received from other operating receipts	17,566
Cash paid to employees for services	(167,566)
Cash paid to suppliers for goods and services	(623,976)
Net cash used by operating activities	<u>(59,815)</u>
Cash flows from capital and related financing activities:	
Purchase of capital assets	(128,588)
Sale of capital assets	65,000
Net cash used by capital and related financing activities	<u>(63,588)</u>
Cash flows from investing activities:	
Purchase of certificates of deposit	(1,054,419)
Sale of certificates of deposit	1,189,932
Interest received	9,132
Net cash provided by investing activities	<u>144,645</u>
Net increase in cash and cash equivalents	21,242
Cash and cash equivalents beginning of year	<u>104,898</u>
Cash and cash equivalents end of year	<u>\$ 126,140</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	<u>\$ (108,125)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	69,230
Closure and postclosure care	(37,800)
Other changes in assets and liabilities	16,880
Total adjustments	<u>48,310</u>
Net cash used by operating activities	<u>\$ (59,815)</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 \$978,600 for closure as of June 30, 2018 and the portion of the liability that has been recognized is \$978,600. 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, 2018, assets of \$1,175,265 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 \$18,124 as of June 30, 2018 and the portion of the liability that has been recognized is \$18,124. The Commission has begun accumulating resources to fund these costs and, at June 30, 2018, assets of \$18,944 are restricted for these purposes. They are reported as restricted certificates of deposit in the condensed Statement of Net Position.

(14) Jones County Financial Information Included in the Mental Health/Disability Services of the East Central Region (MHDS-ECR)

MHDS-ECR, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa, includes the following member counties: Benton County, Bremer County, Buchanan County, Delaware County, Dubuque County, Iowa County, Jones County, Johnson County and Linn County. The financial activity of Jones County's Special Revenue, Mental Health Fund is included in the MHDS-ECR for the year ended June 30, 2018, as follows:

Revenues:		
Property and other county tax		\$ 4
Intergovernmental:		
Distribution from regional fiscal agent		<u>169,877</u>
Total revenues		<u>169,881</u>
Expenditures:		
Services to persons with mental illness		71,687
General administration:		
Direct administration	\$ 99,713	
Distribution to regional fiscal agent	<u>559,336</u>	<u>659,049</u>
Total expenditures		<u>730,736</u>
Excess of expenditures over revenues		(560,855)
Fund balance beginning of year		<u>1,550,846</u>
Fund balance end of year		<u>\$ 989,991</u>

(15) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, as follows:

	<u>Governmental Activities</u>
Net position June 30, 2017, as previously reported	\$ 38,123,357
Net OPEB obligation measured under previous standards	77,600
Total OPEB liability at June 30, 2017	<u>(156,812)</u>
Net position July 1, 2017, as restated	<u>\$ 38,044,145</u>

(16) Subsequent Event

As of June 30, 2018, financial transactions of the Mental Health/Disability Services of the East Central Region (MHDS-ECR) were included as an Agency Fund of Jones County. Effective July 1, 2018, Johnson County became the new fiscal agent for MHDS-ECR. As a result, on July 2, 2018, Jones County transferred the remaining MHDS-ECR fund balance of \$5,627,014 to Johnson County.

Jones County

Required Supplementary Information

Jones County

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

Required Supplementary Information

Year ended June 30, 2018

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 8,753,627	-	8,753,627
Interest and penalty on property tax	43,427	-	43,427
Intergovernmental	6,397,530	-	6,397,530
Licenses and permits	55,845	-	55,845
Charges for service	689,199	-	689,199
Use of money and property	255,850	-	255,850
Miscellaneous	1,028,547	5,857	1,022,690
Total receipts	17,224,025	5,857	17,218,168
Disbursements:			
Public safety and legal services	2,893,687	-	2,893,687
Physical health and social services	717,565	-	717,565
Mental health	801,823	-	801,823
County environment and education	967,198	2,059	965,139
Roads and transportation	6,686,683	-	6,686,683
Governmental services to residents	714,387	-	714,387
Administration	1,805,839	-	1,805,839
Non-program	83,960	-	83,960
Debt service	383,021	-	383,021
Capital projects	1,874,159	-	1,874,159
Total disbursements	16,928,322	2,059	16,926,263
Excess (deficiency) of receipts over (under) disbursements	295,703	3,798	291,905
Other financing sources, net	449,429	-	449,429
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	745,132	3,798	741,334
Balance beginning of year	9,603,751	4,717	9,599,034
Balance end of year	\$ 10,348,883	8,515	10,340,368

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual Variance
8,708,537	8,720,573	33,054
42,800	42,400	1,027
8,119,339	6,455,524	(57,994)
65,778	62,386	(6,541)
620,780	625,401	63,798
192,481	241,178	14,672
341,165	631,444	391,246
18,090,880	16,778,906	439,262
2,774,543	2,945,047	51,360
744,003	754,081	36,516
1,296,476	995,199	193,376
2,305,328	1,068,595	103,456
6,881,932	6,889,711	203,028
719,138	734,938	20,551
1,835,677	1,892,239	86,400
92,652	397,515	313,555
390,479	386,021	3,000
2,980,383	2,179,605	305,446
20,020,611	18,242,951	1,316,688
(1,929,731)	(1,464,045)	1,755,950
388,021	418,021	31,408
(1,541,710)	(1,046,024)	1,787,358
9,001,209	9,564,688	39,063
7,459,499	8,518,664	1,826,421

Jones County

Jones County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2018

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 17,224,025	100,026	17,324,051
Expenditures	16,928,322	(282,622)	16,645,700
Net	295,703	382,648	678,351
Other financing sources, net	449,429	(24,410)	425,019
Beginning fund balances	9,603,751	45,836	9,649,587
Ending fund balances	\$ 10,348,883	404,074	10,752,957

See accompanying independent auditor's report.

Jones County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2018

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

Formal and legal budgetary control is based upon 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, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. 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 \$1,777,660. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2018, disbursements did not exceed the amount budgeted by function. However, disbursements in one department exceeded the amount appropriated prior to an appropriation amendment.

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 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission. During the year ended June 30, 2018, disbursements did not exceed the amounts budgeted.

Jones County

Schedule of the County's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Four Years*
(In Thousands)

Required Supplementary Information

	2018	2017	2016	2015
County's proportion of the net pension liability	0.061877%	0.060335%	0.058300%	0.056897%
County's proportionate share of the net pension liability	\$ 4,122	3,797	2,880	2,256
County's covered payroll	\$ 5,291	5,003	4,827	4,699
County's proportionate share of the net pension liability as a percentage of its covered payroll	77.91%	75.89%	59.66%	48.01%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

Jones County

Schedule of County Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Required Supplementary Information

	2018	2017	2016	2015
Statutorily required contribution	\$ 487	480	455	440
Contributions in relation to the statutorily required contribution	(487)	(480)	(455)	(440)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered payroll	\$ 5,384	5,291	5,003	4,827
Contributions as a percentage of covered payroll	9.05%	9.07%	9.09%	9.12%

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
429	407	389	323	296	282
(429)	(407)	(389)	(323)	(296)	(282)
-	-	-	-	-	-
4,699	4,568	4,637	4,367	4,290	4,281
9.13%	8.91%	8.39%	7.40%	6.90%	6.59%

Jones County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2018

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

Jones County

Schedule of Changes in the County's
Total OPEB Liability, Related Ratios and Notes

For the Current Year
Required Supplementary Information

	<u>2018</u>
Service cost	\$ 6,876
Interest cost	4,783
Difference between expected and actual experiences	(34,151)
Changes in assumptions	8,215
Benefit payments	<u>(8,283)</u>
Net change in total OPEB liability	<u>(22,560)</u>
Total OPEB liability beginning of year, as restated	<u>156,812</u>
Total OPEB liability end of year	<u>\$ 134,252</u>
Covered-employee payroll	\$ 4,698,081
Total OPEB liability as a percentage of covered-employee payroll	2.9%

Notes to Schedule of Changes in the County's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2018	3.58%
Year ended June 30, 2017	4.50%

Jones County

Supplementary Information

Jones County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2018

		Special
	County Recorder's Records Management	Special Law Enforcement Proceeds
Assets		
Cash and pooled investments	\$ 24,437	1,632
Liabilities and Fund Balances		
Liabilities:		
Accounts	\$ -	-
Fund balances:		
Restricted for other purposes	24,437	1,632
Total liabilities and fund balances	\$ 24,437	1,632

See accompanying independent auditor's report.

Revenue

Law Enforcement Canine	Resource Enhancement and Protection	Drug Abuse Resistance Education	Friends of Jones County Conservation	Total
13,561	103,125	1,822	8,515	153,092
310	-	-	-	310
13,251	103,125	1,822	8,515	152,782
13,561	103,125	1,822	8,515	153,092

Jones County

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

Year ended June 30, 2018

	County	Special	Special
	Recorder's Records Management	Law Enforcement Proceeds	Law Enforcement Canine
Revenues:			
Intergovernmental	\$ -	-	-
Charges for service	3,555	-	-
Use of money and property	12	-	-
Miscellaneous	-	-	13,253
Total revenues	3,567	-	13,253
Expenditures:			
Operating:			
Public safety and legal services	-	-	11,020
County environment and education	-	-	-
Governmental services to residents	1,942	-	-
Total expenditures	1,942	-	11,020
Change in fund balances	1,625	-	2,233
Fund balances beginning of year	22,812	1,632	11,018
Fund balances end of year	\$ 24,437	1,632	13,251

See accompanying independent auditor's report.

Revenue			
Resource Enhancement and Protection	Drug Abuse Resistance Education	Friends of Jones County Conservation	Total
12,246	-	-	12,246
-	-	-	3,555
374	-	-	386
-	1,814	5,857	20,924
12,620	1,814	5,857	37,111
-	346	-	11,366
-	-	2,059	2,059
-	-	-	1,942
-	346	2,059	15,367
12,620	1,468	3,798	21,744
90,505	354	4,717	131,038
103,125	1,822	8,515	152,782

Jones County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	1,050	488,554	66,731	5,312
Other County officials	4,127	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	137	315	8,480	720
Succeeding year	-	224,000	517,000	13,502,000	1,182,000
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Capital assets, net of accumulated depreciation	-	-	-	-	-
Total assets	\$ 4,127	225,187	1,005,869	13,577,211	1,188,032
Liabilities					
Liabilities:					
Accounts payable	\$ 500	-	41	-	-
Salaries and benefits payable	-	-	13,144	-	-
Due to other governments	-	225,187	987,107	13,577,211	1,188,032
Trusts payable	3,627	-	-	-	-
Compensated absences	-	-	5,577	-	-
Estimated liability for landfill closure and posclosure care	-	-	-	-	-
Total liabilities	\$ 4,127	225,187	1,005,869	13,577,211	1,188,032

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Solid Waste Management Commission	MHDS-ECR	Other	Total
51,583	631	495,230	2,100,037	5,627,014	419,133	9,255,275
-	-	-	-	-	-	4,127
3,229	160	-	-	-	3	13,044
5,032,000	286,000	-	-	-	34,000	20,777,000
-	-	-	65,815	-	13,177	78,992
-	-	-	7,334	-	-	7,334
-	-	-	-	-	51,211	51,211
-	-	-	5,375	-	96,053	101,428
-	-	-	1,437	-	-	1,437
-	-	-	746,666	-	-	746,666
<u>5,086,812</u>	<u>286,791</u>	<u>495,230</u>	<u>2,926,664</u>	<u>5,627,014</u>	<u>613,577</u>	<u>31,036,514</u>
-	-	-	41,826	-	3,354	45,721
-	-	-	8,394	-	4,287	25,825
5,086,812	286,791	495,230	1,870,691	5,627,014	596,578	29,940,653
-	-	-	-	-	-	3,627
-	-	-	9,029	-	9,358	23,964
-	-	-	996,724	-	-	996,724
<u>5,086,812</u>	<u>286,791</u>	<u>495,230</u>	<u>2,926,664</u>	<u>5,627,014</u>	<u>613,577</u>	<u>31,036,514</u>

Jones County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2018

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 5,309	220,576	1,255,777	13,699,362	1,115,428
Additions:					
Property and other county tax	-	228,403	527,904	13,754,721	1,202,606
911 surcharges	-	-	-	-	-
State tax credits	-	15,859	38,843	990,656	80,594
Office fees and collections	430,181	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	79,411	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	509,592	244,262	566,747	14,745,377	1,283,200
Deductions:					
Agency remittances:					
To other funds	206,368	-	-	-	-
To other governments	223,074	239,651	816,655	14,867,528	1,210,596
Trusts paid out	81,332	-	-	-	-
Total deductions	510,774	239,651	816,655	14,867,528	1,210,596
Balances end of year	\$ 4,127	225,187	1,005,869	13,577,211	1,188,032

See accompanying independent auditor's report.

Corporations	Townships	Auto License and Use Tax	Solid Waste Management Commission	MHDS-ECR	Other	Total
5,005,428	289,535	509,919	3,051,970	5,197,260	468,745	30,819,309
5,051,257	292,072	-	-	-	34,249	21,091,212
-	-	-	-	-	67,128	67,128
525,579	17,163	-	-	-	2,612	1,671,306
-	-	-	-	-	-	430,181
-	-	6,561,991	-	-	382	6,562,373
-	-	-	-	-	19,143	19,143
-	-	-	-	-	-	79,411
-	-	-	767,827	16,276,973	457,925	17,502,725
5,576,836	309,235	6,561,991	767,827	16,276,973	581,439	47,423,479
-	-	293,171	-	-	-	499,539
5,495,452	311,979	6,283,509	893,133	15,847,219	436,607	46,625,403
-	-	-	-	-	-	81,332
5,495,452	311,979	6,576,680	893,133	15,847,219	436,607	47,206,274
5,086,812	286,791	495,230	2,926,664	5,627,014	613,577	31,036,514

Jones County

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

For the Last Ten Years

	2018	2017	2016	Modified 2015
Revenues:				
Property and other county tax	\$ 7,849,305	7,693,151	7,434,518	7,280,962
Local option sales tax	834,067	857,403	832,518	917,239
Interest and penalty on property tax	43,490	40,000	42,938	42,982
Intergovernmental	6,525,175	6,450,432	7,192,925	6,661,282
Licenses and permits	55,973	51,086	70,810	73,594
Charges for service	690,298	640,945	637,180	581,223
Use of money and property	258,880	214,765	172,370	197,919
Miscellaneous	1,066,863	437,154	454,828	436,108
Total	\$ 17,324,051	16,384,936	16,838,087	16,191,309
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,996,084	2,752,376	2,722,911	2,537,685
Physical health and social services	715,706	722,072	702,077	696,151
Mental health	795,583	1,157,430	1,115,440	1,035,751
County environment and education	978,695	948,592	923,276	886,991
Roads and transportation	6,285,831	6,836,332	6,600,997	6,158,379
Governmental services to residents	717,962	677,712	796,892	619,073
Administration	1,815,971	1,707,156	1,758,826	1,806,532
Non-program	82,243	93,130	89,655	420,735
Debt service	383,021	400,000	-	-
Capital projects	1,874,604	354,087	923,830	764,868
Total	\$ 16,645,700	15,648,887	15,633,904	14,926,165

See accompanying independent auditor's report.

Accrual Basis					
2014	2013	2012	2011	2010	2009
7,072,449	6,811,736	6,201,839	5,823,796	5,560,528	5,142,689
799,323	858,480	776,241	817,836	763,075	753,271
45,618	45,497	45,878	43,251	45,386	40,303
5,915,710	5,117,782	6,983,623	6,152,216	7,294,072	6,663,391
57,568	56,841	71,408	63,011	64,694	58,847
559,166	595,182	563,242	569,839	539,851	553,916
194,765	169,640	180,357	216,425	255,423	257,293
605,283	773,992	449,883	427,913	372,901	445,307
15,249,882	14,429,150	15,272,471	14,114,287	14,895,930	13,915,017
2,437,181	2,415,219	2,259,095	2,134,638	2,067,063	2,093,055
670,071	705,651	705,535	758,680	766,459	690,390
1,118,618	1,105,325	2,747,884	2,341,471	2,125,968	2,357,861
760,787	822,763	1,403,336	938,442	1,708,968	951,581
5,969,549	5,462,477	5,488,545	5,534,155	4,925,870	5,013,318
595,338	604,835	608,099	540,325	570,903	551,949
1,600,204	1,523,341	1,586,149	1,359,275	1,593,790	1,364,766
488,353	683,283	28,885	34,171	82,726	135,130
-	-	-	167,265	60,902	29,243
995,249	185,357	888,496	44,369	1,460,545	815,014
14,635,350	13,508,251	15,716,024	13,852,791	15,363,194	14,002,307

Jones County



**OFFICE OF AUDITOR OF STATE
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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, 2018, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 9, 2019.

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 have not been identified. However, as described in the accompanying Schedule of Findings, we identified certain 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 the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as items (B) through (D) to be significant deficiencies.

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2018 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.

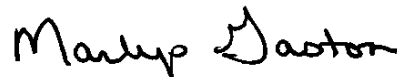
Jones County's Responses to the Findings

Jones County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. 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.



MARLYS K. GASTON, CPA
Deputy Auditor of State

May 9, 2019

Jones County
Schedule of Findings
Year ended June 30, 2018

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregations of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County's financial statements.

Condition –

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.

Cause – The County offices noted above have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the County's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned 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 documented by the signature or initials of the reviewer and the date of the review.

Responses –

County Extension Office – Our Board now has three committees – program, personnel, and fiscal. The program committee manages the budgets for programs. The personnel committee reviews time cards, travel reimbursements, and overtime. The fiscal committee has final approval over all of these things, plus credit card approvals, counting cash box in the office and approving all expenditures. We are also updating all the process documentation for fiscal processes and will review our operating procedures to obtain the maximum internal control possible.

Jones County

Schedule of Findings

Year ended June 30, 2018

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

Conclusions – Responses accepted.

(B) Sheriff Untimely Deposit

Criteria – An effective internal control system provides for internal controls related to ensuring the timely deposit of all incoming cash and checks.

Condition – Receipts are not always deposited timely. One receipt tested in the County Sheriff's office was deposited 139 days after the month during which the receipt was received.

Cause – Procedures have not been implemented to ensure all incoming cash and checks are deposited timely.

Effect – This condition could result in unrecorded or misstated revenues and receivables.

Recommendation – Procedures should be established and implemented to ensure all receipts are deposited timely (i.e, weekly).

Response – We will work to make sure our procedures are implemented by remitting all deposits to the Treasurer's office in a timely manner.

Conclusion – Response accepted.

(C) Infrastructure Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County's financial statements.

Condition – County infrastructure amounts were not properly recorded by the County Engineer. Adjustments were subsequently made by the County Engineer to properly include these amounts in the Iowa County Engineers Association (ICEA) Service Bureau GASB-34 (ICEA GASB-34) report and in the County's financial statements.

Cause – Procedures have not been established to require independent review of the ICEA GASB-34 infrastructure report to ensure the report is accurate and reliable.

Jones County

Schedule of Findings

Year ended June 30, 2018

Effect – Lack of procedures resulted in County employees not detecting the errors in the ICEA GASB-34 infrastructure report during their normal course of performing their assigned functions. As a result, adjustments to the ICEA GASB-34 infrastructure report and the County's financial statements were necessary.

Recommendation – The County Engineer should ensure all infrastructure additions and deletions are identified and properly reported in the ICEA GASB-34 report and in the County's financial statements.

Response – The County Engineer's Office will ensure that all infrastructure additions and deletions are identified and properly reported.

Conclusion – Response accepted.

(D) Procurement Policy

Criteria – The County's purchasing policy requires purchases of equipment with a value equal to or greater than \$10,000 be posted on the Jones County web-site for bidders to submit sealed bids to the Auditor's Office. The bids are to be opened at a Board of Supervisors' meeting.

Condition – In January 2018, a snow plow dump body, plow equipment and hydraulic system was purchased at a value of \$85,780 with no notice given to bidders and no bids taken.

Cause – The Board of Supervisors waived the County's purchasing policy requiring competitive bids for this purchase.

Effect – Lack of following the County's policy may have resulted in the County not receiving the best price for equipment purchased.

Recommendation – The Board of Supervisors should comply with the County's Purchasing Policy and require sealed bids for purchases of equipment with a value equal or greater than \$10,000.

Response – The Engineer reported to the Board that no comparable equipment package (combination of snow plow dump body, plow equipment, and hydraulic system) was available for bid comparison through other vendors or the Iowa Department of Transportation and instead presented a bid amount from the Minnesota Department of Transportation for comparison purposes to the only bid presented for consideration. The Board will continue to review each particular bidding situation and take into consideration the provisions of the County purchasing policy, while keeping in mind the interests of the taxpayers to assure the best price is obtained.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted

Jones County
Schedule of Findings
Year ended June 30, 2018

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2018 did not exceed the amounts budgeted by function. However, disbursements in one department exceeded the amount appropriated prior to an appropriation amendment.

Recommendation – Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the function budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – The County adopted an appropriation resolution to address the \$346 excess payment for the Juvenile Services department within two weeks of the payment. The County will continue to closely monitor departmental spending authority and approve appropriation resolutions on timely basis.

Conclusion – Response accepted.

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

Vendor and County Connection	Transaction Description	Amount
K Sulzner Construction, owner is Spouse of the County Auditor	Truck/trailer rental	\$ 789
WM Burger, owner’s son works for County Engineer	Land survey	2,782
Keith Dirks Auto Body Owned by Father of the County Sheriff’s Secretary	Auto repair	12,010
Sam’s Septic Owned by a Secondary Roads employee	Septic system test	4,427
A & L Rolloff Owned by spouse of the County Auditor	Fuel and waste storage	200
Sharon Shank County Employee	Laundry services	30
Lisa Tallman County Employee	Laundry services	10
Regina Engelbart County Employee	Laundry services	205
Sheila Kirby County Employee	Laundry services	380

Jones County

Schedule of Findings

Year ended June 30, 2018

The transactions with Sam's Septic may represent a conflict of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since the total transactions were more than \$1,500 during the fiscal year and the transactions were not competitively bid.

The transactions with K Sulzner Construction, Sharon Shank, Lisa Tallman, Regina Engelbart, Sheila Kirby and A & L Rolloff, do not appear to represent conflicts of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since the total transactions with each were less than \$1,500 during the fiscal year.

The transactions with WM Burger and Keith Dirks Auto Body do not appear to represent conflicts of interest in accordance with Chapter 331.342(2)(d) since the respective employees are not directly affected as a result of the transactions and their duties of employment do not directly involve procurement or preparation of any part of the transactions.

Recommendation – The County should consult legal counsel to determine the disposition of these matters.

Response – The Board has reviewed the related party transactions with legal counsel. Legal counsel carefully reviewed all available documentation regarding the purchases from Sam's Septic and based upon said review agrees there does appear to be a conflict of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa and there does not appear to be evidence of a closed bidding process as required by Chapter 331.342(2)(d). However, previous legal counsel provided advice to the Board in November 2017 to allow payment of the claim to Sam's Septic. Furthermore, legal counsel advised that he agrees with the determination from the Auditor of State regarding the remaining listed related party transactions. The County's purchasing policy, adopted in July 2016, contains provisions specifically referencing adherence to the provisions of Iowa Code Section 331.342 for the purchase of goods and services. Email communication was provided to all department heads on March 30, 2017 regarding the related party provisions of Iowa Code Section 331.342. The Board will again remind department heads of the provisions of the Purchasing Policy and Iowa Code Section 331.342.

Conclusion – Response accepted.

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

Jones County

Schedule of Findings

Year ended June 30, 2018

- (8) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (9) County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2018 for the County Extension Office did not exceed the amount budgeted.

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

Total estimated costs for closure and postclosure care	<u>\$ 996,724</u>
Amount the Commission has restricted and reserved for closure and postclosure care at June 30, 2018	<u>\$ 1,194,209</u>

- (11) Semi Annual Report – The semi-annual report of the County Treasurer, including a schedule of receipts and disbursements of the County and the current cash balance in each fund in the Treasurer’s Office was not published as required by Chapter 349.16(3) of the Code of Iowa at the end of the year.

Recommendation – The County should establish procedures to ensure the Treasurer’s Semi-Annual report is published in accordance with Chapter 349.16(3) of the Code of Iowa.

Response – The Auditor and Treasurer will more closely monitor the submission of the Treasurer’s Semi-Annual Report to the newspapers to assure publication in conjunction with the Board of Supervisors’ minutes approving the report.

Conclusion – Response accepted.

Jones County

Staff

This audit was performed by:

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