



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

David A. Vaudt, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE March 5, 2004

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on Madison County, Iowa.

The County had local tax revenue of \$16,931,637 for the year ended June 30, 2003, which included \$811,757 in tax credits from the state. The County forwarded \$13,402,945 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,528,692 of the local tax revenue to finance County operations, a five percent increase from the prior year. Other revenues included \$3,713,504 from other governments, including indirect federal funding, and \$70,972 in interest on investments.

Expenditures for County operations totaled \$8,568,452, a five percent increase from the prior year. Expenditures included \$3,241,644 for roads and transportation, \$1,597,835 for public safety and legal services and \$953,994 for mental health.

This report contains recommendations to the Board of Supervisors and other County officials. For example, the County Sheriff should deposit forfeiture proceeds and commissary account profits with the County Treasurer and submit expenditures, other than those for commissary resale items, to the Board of Supervisors for approval and inclusion in the County's financial statements and budget. In addition, operating procedures should be reviewed to obtain maximum internal control and certain policies addressing controls over computer systems should be reduced to writing. The County's responses are included in the audit report.

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

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MADISON COUNTY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2003

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Madison County

Officials

(Before January 2003)

<u>Name</u>	<u>Term Title</u>	<u>Expires</u>
Cy McDonald	Board of Supervisors	Jan 2003
Loren Myer	Board of Supervisors	Jan 2003
Robert Weeks	Board of Supervisors	Jan 2005
Joan Welch	County Auditor	Jan 2005
Becky McDonald	County Treasurer	Jan 2003
Michelle Utsler	County Recorder	Jan 2003
Paul Welch	County Sheriff	Jan 2005
Martin S. Ramsey	County Attorney	Jan 2003
Catherine Weltha	County Assessor	Jan 2004

(After January 2003)

Robert Weeks	Board of Supervisors	Jan 2005
Cy McDonald	Board of Supervisors	Jan 2007
Steve Raymond	Board of Supervisors	Jan 2007
Joan Welch	County Auditor	Jan 2005
G. Joann Collins	County Treasurer	Jan 2007
Michelle Utsler	County Recorder	Jan 2007
Paul Welch	County Sheriff	Jan 2005
Martin S. Ramsey	County Attorney	Jan 2007
Catherine Weltha	County Assessor	Jan 2004

Madison County



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Independent Auditor's Report

To the Officials of Madison County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Madison County, Iowa, as of and for the year ended June 30, 2003. These general purpose financial statements are the responsibility of Madison County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

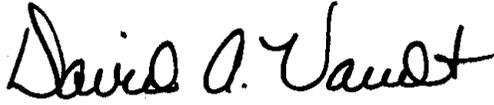
We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Madison County at June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types and expendable trust fund of Madison County for the year ended June 30, 2003.

As discussed in Note 12 to the financial statements, Madison County intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the County's financial statements and related notes in the year of implementation. The revised requirements include the use of the economic resources measurement focus and full accrual accounting, as well as an analytical overview of the County's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In accordance with Government Auditing Standards, we have also issued our reports dated December 16, 2003 on our consideration of Madison County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 17, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 16, 2003

Madison County

Madison County
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2003

	<u>Governmental Fund</u>		
	General	Special Revenue	Debt Service
Assets and Other Debits			
Cash and pooled investments:			
County Treasurer	\$ 843,454	2,226,618	18,375
Other County officials	-	-	-
Receivables:			
Property tax:			
Delinquent	13,351	9,321	498
Succeeding year	2,247,000	1,311,000	82,000
Interest and penalty on property tax	18,529	-	-
Accounts	109,474	9,324	-
Accrued interest	3,306	-	-
Special assessments:			
Delinquent	-	-	-
Succeeding year	-	-	-
Notes (note 11)	-	24,780	-
Due from other funds (note 3)	39,658	579	-
Due from other governments	23,986	194,373	-
Inventories	-	208,215	-
Property and equipment (note 4)	-	-	-
Advance to Internal Service Fund	60,000	-	-
Amount available in Debt Service Fund	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Total assets and other debits	<u>\$ 3,358,758</u>	<u>3,984,210</u>	<u>100,873</u>

Madison County
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2003

	Governmental Fund		
	General	Special Revenue	Debt Service
Liabilities, Fund Equity and Other Credits			
Liabilities:			
Accounts payable	\$ 21,614	75,393	-
Salaries and benefits payable	15,706	33,382	-
Due to other funds (note 3)	1,891	6,931	-
Due to other governments (note 5)	17,436	120,605	-
Trusts payable	-	-	-
Deferred revenue:			
Succeeding year property tax	2,247,000	1,311,000	82,000
Other	143,806	39,599	480
Capital lease purchase agreement (note 6)	-	-	-
Capital loan notes payable (note 6)	-	-	-
Advance from General Fund	-	-	-
Compensated absences	31,514	33,211	-
Total liabilities	2,478,967	1,620,121	82,480
Fund equity and other credits:			
Investment in general fixed assets	-	-	-
Unreserved retained earnings	-	-	-
Fund balances:			
Reserved for:			
Inventories	-	208,215	-
Supplemental levy purposes	79,298	-	-
Debt service	-	-	18,393
Advance to Internal Service Fund	60,000	-	-
Noncurrent notes receivable	-	24,780	-
Unreserved	740,493	2,131,094	-
Total fund equity and other credits	879,791	2,364,089	18,393
Total liabilities, fund equity and other credits	\$ 3,358,758	3,984,210	100,873

See notes to financial statements.

Types	Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
			General Fixed Assets	General Long-Term Debt	
Capital Projects	Internal Service	Trust and Agency			
8,435	43,240	14,216	-	-	162,898
-	-	-	-	-	49,088
-	-	40,253	-	-	49,075
-	2,566	14,389,243	-	-	14,529,850
-	-	48,493	-	-	48,493
-	-	-	-	-	3,640,000
-	-	-	-	-	183,885
-	-	-	-	73,171	73,171
-	-	-	-	696,078	696,078
-	60,000	-	-	-	60,000
-	-	30,047	-	485,117	579,889
8,435	105,806	14,522,252	-	1,254,366	20,072,427
-	-	-	8,804,611	-	8,804,611
-	252,479	-	-	-	252,479
-	-	-	-	-	208,215
-	-	-	-	-	79,298
-	-	-	-	-	18,393
-	-	-	-	-	60,000
-	-	-	-	-	24,780
22,409	-	148	-	-	2,894,144
22,409	252,479	148	8,804,611	-	12,341,920
30,844	358,285	14,522,400	8,804,611	1,254,366	32,414,347

Madison County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - All Governmental Fund Types
and Expendable Trust Fund

Year ended June 30, 2003

	<u>Governmental Fund</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Property and other County tax	\$ 1,989,839	1,285,671
Interest and penalty on property tax	62,939	-
Intergovernmental	468,734	3,417,490
Licenses and permits	50	63,947
Charges for service	541,100	29,111
Use of money and property	99,047	2,677
Miscellaneous	18,419	357,999
Total revenues	<u>3,180,128</u>	<u>5,156,895</u>
Expenditures:		
Operating:		
Public safety and legal services	1,597,835	-
Physical health and social services	403,794	70,746
Mental health	-	953,994
County environment and education	240,791	155,304
Roads and transportation	-	3,241,644
Governmental services to residents	335,525	4,607
Administration	645,192	-
Debt service	-	285,808
Capital projects	-	524,486
Total expenditures	<u>3,223,137</u>	<u>5,236,589</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(43,009)</u>	<u>(79,694)</u>

Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
76,460	-	-	3,351,970
-	-	-	62,939
4,002	-	-	3,890,226
-	-	-	63,997
-	-	-	570,211
17,334	-	-	119,058
6,514	-	2,000	384,932
104,310	-	2,000	8,443,333
-	-	-	1,597,835
-	-	-	474,540
-	-	-	953,994
-	-	-	396,095
-	-	-	3,241,644
-	-	-	340,132
-	8,435	-	653,627
98,291	-	-	384,099
-	-	2,000	526,486
98,291	8,435	2,000	8,568,452
6,019	(8,435)	-	(125,119)

Madison County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - All Governmental Fund Types
and Expendable Trust Fund

Year ended June 30, 2003

	<u>Governmental Fund</u>	
	<u>General</u>	<u>Special Revenue</u>
Other financing sources (uses):		
Sale of general fixed assets	3,565	8,888
Capital lease purchase agreement	92,674	-
Capital loan note proceeds	-	485,000
Operating transfers in	-	819,700
Operating transfers out	(60,317)	(759,383)
Total other financing sources (uses)	<u>35,922</u>	<u>554,205</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(7,087)	474,511
Fund balances beginning of year	886,878	1,855,192
Increase in reserve for inventories	-	<u>34,386</u>
Fund balances end of year	<u>\$ 879,791</u>	<u>2,364,089</u>

See notes to financial statements.

Types		Fiduciary Fund Type	Total
Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
-	30,844	-	43,297
-	-	-	92,674
-	-	-	485,000
-	-	-	819,700
-	-	-	(819,700)
-	30,844	-	620,971
6,019	22,409	-	495,852
12,374	-	148	2,754,592
-	-	-	34,386
18,393	22,409	148	3,284,830

Madison County

Comparison of Receipts, Disbursements and
Changes in Balances - Actual to Budget (Cash Basis)
All Governmental Fund Types and Expendable Trust Fund

Year ended June 30, 2003

	Actual	Amended Budget
Receipts:		
Property and other County tax	\$ 3,351,084	3,365,626
Interest and penalty on property tax	63,013	58,173
Intergovernmental	3,921,159	4,033,116
Licenses and permits	62,295	49,650
Charges for service	588,525	482,380
Use of money and property	126,920	153,232
Miscellaneous	387,805	25,203
Total receipts	8,500,801	8,167,380
Disbursements:		
Public safety and legal services	1,512,997	1,521,909
Physical health and social services	507,464	537,783
Mental health	954,147	950,000
County environment and education	400,658	415,563
Roads and transportation	3,226,983	3,528,634
Governmental services to residents	339,082	341,884
Administration	642,079	646,537
Debt service	384,099	383,293
Capital projects	518,932	760,574
Total disbursements	8,486,441	9,086,177
Excess (deficiency) of receipts over (under) disbursements	14,360	(918,797)
Other financing sources, net	519,659	491,100
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	534,019	(427,697)
Balance beginning of year	2,585,420	2,592,663
Balance end of year	\$ 3,119,439	2,164,966

See notes to financial statements.

Variance - Favorable (Unfavorable)	Actual as % of Amended Budget
(14,542)	100%
4,840	108%
(111,957)	97%
12,645	125%
106,145	122%
(26,312)	83%
<u>362,602</u>	<u>1539%</u>
<u>333,421</u>	<u>104%</u>
8,912	99%
30,319	94%
(4,147)	100%
14,905	96%
301,651	91%
2,802	99%
4,458	99%
(806)	100%
<u>241,642</u>	<u>68%</u>
<u>599,736</u>	<u>93%</u>

Exhibit D

Madison County
Combined Statement of Revenues, Expenses and Changes in Retained Earnings
Proprietary Fund Type
Year ended June 30, 2003

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds and employees		\$ 558,265
Operating expenses:		
Materials and supplies	\$ 195,006	
Medical claims	216,740	
Administrative fees	35,465	
Miscellaneous	<u>8,840</u>	<u>456,051</u>
Operating income		102,214
Retained earnings beginning of year		<u>150,265</u>
Retained earnings end of year		<u><u>\$ 252,479</u></u>

See notes to financial statements.

Madison County
Statement of Cash Flows
Proprietary Fund Type
Year ended June 30, 2003

	Internal Service
Cash flows from operating activities:	
Cash received from operating fund reimbursements and employees	\$ 564,416
Cash payments for insurance claims	(216,282)
Cash payments to suppliers for services	(231,918)
Net cash provided by operating activities	116,216
Cash and cash equivalents beginning of year	222,550
Cash and cash equivalents end of year	\$ 338,766
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 102,214
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts and other receivables	6,151
Decrease in inventories	252
Increase in accounts and other payables	7,599
Net cash provided by operating activities	\$ 116,216

See notes to financial statements.

Madison County

Notes to Financial Statements

June 30, 2003

(1) Summary of Significant Accounting Policies

Madison 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.

A. Reporting Entity

For financial reporting purposes, Madison County has included all funds, organizations, account groups, 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. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Madison County Assessor's Conference Board, Madison County Emergency Management Commission, South Central Iowa Regional E-911 Board and the Madison County Empowerment 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.

B. Fund Accounting

The accounts of the County are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues and expenditures or expenses. The various funds and account groups and their designated purposes are as follows:

Governmental Funds

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

Special Revenue Funds – The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Funds – The Debt Service Funds are utilized to account for the payment of interest and principal on the County's general long-term debt.

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

Proprietary Fund

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

Fiduciary Funds

Trust Fund – The Trust Fund is used to account for assets held by the County in a trustee capacity. This includes the Expendable Trust Fund which is accounted for in essentially the same manner as Governmental Funds.

Agency Funds – The 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. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

Account Groups

General Fixed Assets – This account group is established to account for the general fixed assets of the County.

General Long-Term Debt – This account group is established to account for long-term debt of the County. Long-term liabilities expected to be financed from Governmental Funds are accounted for in this account group, not in the Governmental Funds.

C. Measurement Focus

Governmental Funds and the Expendable Trust Fund are accounted for on a spending or “financial flow” measurement focus. This means only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental Fund and Expendable Trust Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Proprietary Funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means all assets and liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity, net total assets, is reported as retained earnings. Proprietary Fund operating statements present increases (revenue) and decreases (expenses) in net total assets.

In reporting the financial activity of its Proprietary Funds, the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds and the Expendable Trust Fund are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

All Proprietary Funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The assets and liabilities of the Agency Funds are accounted for using the modified accrual basis of accounting.

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.

E. Assets, Liabilities and Fund Equity

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

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

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

Property Tax Receivable - Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred 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, 2001 assessed property valuations; is for the tax accrual period July 1, 2002 through June 30, 2003 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2002.

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 assessed to individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent assessments receivable represents assessments which are due and payable but have not been collected. Succeeding year assessments receivable represents remaining assessments which are payable, but not yet due.

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, 2003, balances of interfund amounts receivable or payable have been recorded.

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

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates they are not available to liquidate current obligations.

General Fixed Assets - General fixed assets are recorded as expenditures in the Governmental Funds and are capitalized (recorded and accounted for) in the General Fixed Assets Account Group. Assets in this account group are recorded at historical cost. Assets acquired by gift are accounted for at fair market value at the date of the gift. The General Fixed Assets Account Group excludes public domain or "infrastructure" general fixed assets such as roads, bridges, curbs, gutters, streets, sidewalks and similar assets that are immovable and of value only to the government.

In accordance with standards set forth by the Governmental Accounting Standards Board, depreciation expense is not recorded on the balance sheet for general fixed assets. At the time an asset is removed from service, the cost is removed from the General Fixed Assets Account Group. Maintenance and repair are recorded as expenditures in the Governmental Funds as incurred and are not capitalized.

During the year ended June 30, 2003, no interest costs were capitalized since the County's policy is not to capitalize interest costs on assets constructed or acquired with tax-exempt debt paid for from annual debt service tax levies.

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

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

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

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. For the Agency Funds, these accumulations are recorded as liabilities in the year earned. In Governmental Funds, the cost of vacation and sick leave payments expected to be liquidated currently are recorded as liabilities of the Governmental Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the County's commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2003.

Unreserved Retained Earnings - The unreserved retained earnings of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

F. Budgets and Budgetary Accounting

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund or fund type. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Fund and Expendable Trust Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department.

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 and for Emergency Management Services by the County Emergency Management Commission.

Exhibit C is a comparison of cash basis receipts, disbursements and changes in balances with the cash basis budget, which is legally controlled by function, not fund type. Operations and ending fund balances on the cash and modified accrual basis have been reconciled as follows:

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 3,206,781	(26,653)	3,180,128	5,187,728	(30,833)	5,156,895
Expenditures	<u>3,171,643</u>	<u>51,494</u>	<u>3,223,137</u>	<u>5,214,508</u>	<u>22,081</u>	<u>5,236,589</u>
Net	35,138	(78,147)	(43,009)	(26,780)	(52,914)	(79,694)
Other financing sources (uses)	(57,408)	93,330	35,922	546,223	7,982	554,205
Beginning fund balances	865,724	21,154	886,878	1,707,175	148,017	1,855,192
Increase in reserve for inventories	-	-	-	-	34,386	34,386
Ending fund balances	<u>\$ 843,454</u>	<u>36,337</u>	<u>879,791</u>	<u>2,226,618</u>	<u>137,471</u>	<u>2,364,089</u>

	Governmental Fund Types					
	Debt Service			Capital Projects		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 104,292	18	104,310	-	-	-
Expenditures	98,290	1	98,291	-	8,435	8,435
Net	6,002	17	6,019	-	(8,435)	(8,435)
Other financing sources (uses)	-	-	-	30,844	-	30,844
Beginning fund balances	12,373	1	12,374	-	-	-
Increase in reserve for inventories	-	-	-	-	-	-
Ending fund balances	\$ 18,375	18	18,393	30,844	(8,435)	22,409

	Fiduciary Fund Type					
	Expendable Trust			Total		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 2,000	-	2,000	8,500,801	(57,468)	8,443,333
Expenditures	2,000	-	2,000	8,486,441	82,011	8,568,452
Net	-	-	-	14,360	(139,479)	(125,119)
Other financing sources (uses)	-	-	-	519,659	101,312	620,971
Beginning fund balances	148	-	148	2,585,420	169,172	2,754,592
Increase in reserve for inventories	-	-	-	-	34,386	34,386
Ending fund balances	\$ 148	-	148	3,119,439	165,391	3,284,830

G. Total (Memorandum Only)

The total column on the combined balance sheet and the combined statement of revenues, expenditures and changes in fund balances is captioned "Memorandum Only" to indicate it is presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2003 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized cost of \$1,154,675 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

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

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2003 is as follows:

Receivable Fund	Payable Fund	Amount
General	Trust and Agency:	
	Auto License and Use Tax	\$ 9,997
	County Recorder	17,073
	County Sheriff	12,588
Special Revenue:		
County Recorder's	Trust and Agency:	
Records Management	County Recorder	579
Internal Service:		
Fuel	General	1,443
	Special Revenue:	
	Rural Services	113
	Secondary Roads	6,353
Supplies	General	242
	Special Revenue:	
	Rural Services	27
	Secondary Roads	17
	Trust and Agency:	
	County Assessor	16
Trust and Agency:		
County Sheriff	General	206
	Special Revenue:	
	Mental Health	421
Total		<u>\$ 49,075</u>

(4) Property and Equipment

A summary of changes in property and equipment comprising general fixed assets for the year ended June 30, 2003 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land	\$ 702,596	-	-	702,596
Buildings	2,895,204	121,980	13,995	3,003,189
Equipment	4,724,473	619,954	245,601	5,098,826
Total	<u>\$ 8,322,273</u>	<u>741,934</u>	<u>259,596</u>	<u>8,804,611</u>

Equipment includes \$220,830 of assets acquired under capital leases.

(5) Due to Other Governments

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

Fund	Description	Amount
General	Services	\$ 17,436
Special Revenue:		
Mental Health	Services	116,402
Secondary Roads	Services	4,203
		<u>120,605</u>
Internal Service:		
Unemployment Insurance	Fees	2,566
Trust and Agency:		
County Assessor	Collections	361,158
Schools		8,188,082
Community Colleges		293,872
Corporations		3,218,447
Townships		204,942
Auto License and Use Tax		292,238
Special Assessment		256,272
County Hospital		1,328,243
Agricultural Extension Education		126,548
All other		119,441
		<u>14,389,243</u>
Total		<u>\$ 14,529,850</u>

(6) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2003 is as follows:

	Capital Lease Purchase Agreements	1992 General Obligation Bonds	Capital Loan Notes			Compen-sated Absences	Total
			DHS Building	Courthouse	FHA		
Balance beginning of year	\$ 4,902	345,000	78,642	-	165,242	451,274	1,045,060
Additions	92,674	-	-	485,000	-	33,843	611,517
Reductions	24,405	345,000	24,687	-	8,119	-	402,211
Balance end of year	<u>\$ 73,171</u>	<u>-</u>	<u>53,955</u>	<u>485,000</u>	<u>157,123</u>	<u>485,117</u>	<u>1,254,366</u>

Capital Lease Purchase Agreements

The County has entered into capital lease purchase agreements to lease a truck and an ambulance. The following is a schedule of the future minimum lease payments, including interest at 5.5% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2003:

<u>Year Ending June 30,</u>	<u>Conservation Truck</u>	<u>Ambulance</u>	<u>Total</u>
2004	\$ 1,408	20,575	21,983
2005	-	20,575	20,575
2006	-	20,575	20,575
2007	-	20,575	20,575
Total minimum lease payments	1,408	82,300	83,708
Less amount representing interest	(350)	(10,187)	(10,537)
Present value of net minimum lease payments	<u>\$ 1,058</u>	<u>72,113</u>	<u>73,171</u>

Payments under these capital lease purchase agreements for the year ended June 30, 2003 totaled \$24,419.

Capital Loan Notes Payable - DHS Building

During the year ended June 30, 1995, the County issued \$200,000 in general obligation capital loan notes to acquire and renovate a building for use by the Iowa Department of Human Services and the County. Currently, the building is rented out by the County and the notes are being paid from the rent proceeds. A summary of the County's June 30, 2003 capital loan notes indebtedness is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	6.00%	\$ 26,169	3,237	29,406
2005	6.00	27,786	1,667	29,453
Total		<u>\$ 53,955</u>	<u>4,904</u>	<u>58,859</u>

Capital Loan Notes Payable - Courthouse

During the year ended June 30, 2003, the County issued \$485,000 in general obligation capital loan notes to pay the costs of refunding and refinancing the general obligation bonds, series 1992 and repairing, remodeling and equipping the courthouse. The notes will be repaid from a debt service levy. A summary of the County's June 30, 2003 capital loan notes indebtedness is as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	1.4 - 2.6%	\$ 97,000	9,700	106,700
2005	1.7 - 2.6	97,000	8,342	105,342
2006	2.0 - 2.6	97,000	6,693	103,693
2007	2.3 - 2.6	97,000	4,753	101,753
2008	2.6	97,000	2,522	99,522
Total		<u>\$ 485,000</u>	<u>32,010</u>	<u>517,010</u>

Capital Loan Notes Payable – FHA Loans

During the years ended June 30, 1995 and June 30, 1997, the County issued \$100,000 each year in general obligation capital loan notes to construct two group home/residential care facilities for developmentally disabled persons. The notes were purchased by the Farmers Home Administration. A summary of the County's June 30, 2003 capital loan note indebtedness is as follows:

Year Ending June 30,	1995 Issue				1997 Issue			
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
2004	5.625%	\$ 4,512	4,190	8,702	5.50%	\$ 4,059	4,557	8,616
2005	5.625	4,765	3,937	8,702	5.50	4,295	4,321	8,616
2006	5.625	5,033	3,669	8,702	5.50	4,531	4,085	8,616
2007	5.625	5,307	3,395	8,702	5.50	4,780	3,836	8,616
2008	5.625	5,615	3,087	8,702	5.50	5,033	3,583	8,616
2009	5.625	5,931	2,771	8,702	5.50	5,320	3,296	8,616
2010	5.625	6,265	2,437	8,702	5.50	5,613	3,003	8,616
2011	5.625	6,611	2,091	8,702	5.50	5,921	2,695	8,616
2012	5.625	6,989	1,713	8,702	5.50	6,240	2,376	8,616
2013	5.625	7,382	1,320	8,702	5.50	6,590	2,026	8,616
2014	5.625	7,797	905	8,702	5.50	6,953	1,663	8,616
2015	5.625	8,290	412	8,702	5.50	7,335	1,281	8,616
2016		-	-	-	5.50	7,736	880	8,616
2017		-	-	-	5.50	8,220	396	8,616
Total		\$ 74,497	29,927	104,424		\$ 82,626	37,998	120,624

(7) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 5.37% and 8.05%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$153,559, \$153,336, and \$147,666, respectively, equal to the required contributions for each year.

(8) Risk Management

Madison 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Employee Group Health Plan

For the period July 1, 2002 through February 28, 2003, the Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan was funded by both employee and County contributions and insured through commercial insurers. However, the County provided partial reimbursement of employee deductibles. The plan included a \$100/\$200 single/family deductible and insurance covered claims in excess of \$1,500/\$3,000 single/family. The \$100/\$200 deductible was waived for in hospital benefits. The County paid benefits in excess of \$500/\$600 single/family. Thus, the County self-insured the corridor between \$500/\$600 and \$1,500/\$3,000 single/family. The plan also included dental benefits.

Effective March 1, 2003, the Employee Group Health Fund is used to account for the self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with American Administrators. The County assumes liability for claims up to the individual stop loss limitation of \$25,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative service agreement, monthly payments of service fees and claims processed are paid to American Administrators from the Employee Group Health Fund. The County records the plan assets and related liabilities of the Employee Group Health Fund as an Internal Service Fund. The County and employee contributions to the fund for the year ended June 30, 2003 were \$366,713.

Amounts payable from the Employee Group Health Fund at June 30, 2003 total \$43,200 which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$223,148 at June 30, 2003 and is reported as a designation of the Employee Group Health Fund retained earnings. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2002	\$ 34,400
Incurred claims (including claims incurred but not reported at June 30, 2003)	216,740
Payment of claims	<u>(207,940)</u>
Unpaid claims at June 30, 2003	<u>\$ 43,200</u>

(10) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed amounts budgeted by function or amounts appropriated by department. During the year ended June 30, 2003, disbursements exceeded the amount budgeted in the mental health and debt service functions and disbursements in one department exceeded the amounts appropriated.

(11) Loan to Genesis Development

Genesis Development provides services to mentally handicapped residents of Madison County and is reimbursed for these services by the County. In June 2001, the County loaned \$24,780 to Genesis Development for down payments to purchase three houses to be used as group homes. Genesis Development is responsible for the payment of the mortgages for these homes. The County will be repaid after the 30 year mortgages have been repaid. The County has obtained promissory notes from Genesis Development.

(12) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements - And Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the year ending June 30, 2004. The effects are expected to significantly impact the presentation of the County's financial statements in the year of implementation. The revised requirements include using the economic resources measurement focus and full accrual accounting. Also, the revised minimum reporting requirements include Management's Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the County's financial activities.

Supplemental Information

Schedule 1

Madison County

General Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2003

Revenues:

Property and other County tax:

Property tax	\$ 1,871,266	
Utility tax replacement excise tax	115,553	
Other	<u>3,020</u>	\$ 1,989,839

Interest and penalty on property tax 62,939

Intergovernmental:

State shared revenues:

Franchise tax	11,030	
Other	<u>618</u>	
	<u>11,648</u>	

State tax replacements:

State tax credits	107,541	
State allocation	<u>93,487</u>	
	<u>201,028</u>	

State and federal pass-thru revenues:

Human services administrative reimbursement	35,545	
Safety incentive grants for use of seatbelts	1,543	
Other	<u>367</u>	
	<u>37,455</u>	

Contributions from other
governmental units:

Contract law enforcement	47,193	
Prisoner care	77,089	
Other	<u>23,902</u>	
	<u>148,184</u>	

State grants and entitlements:

Home care aide grant	36,452	
Juvenile justice county base reimbursement	1,220	
Public health nurse grant	13,880	
Local board of health infrastructure	1,580	
Well testing and abandonment	3,400	
Other	<u>12,973</u>	
	<u>69,505</u>	

Payments in lieu of taxes 914 468,734

Licenses and permits 50

Madison County

General Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2003

Revenues (continued):		
Charges for service:		
Office fees and collections	156,219	
Auto registration, use tax, drivers license and mailing	116,775	
Ambulance services	198,443	
Other	<u>69,663</u>	541,100
Use of money and property:		
Interest on investments	70,161	
Other	<u>28,886</u>	99,047
Miscellaneous		<u>18,419</u>
Total revenues		<u>3,180,128</u>
Expenditures:		
Operating:		
Public safety and legal services		1,597,835
Physical health and social services		403,794
County environment and education		240,791
Governmental services to residents		335,525
Administration		<u>645,192</u>
Total expenditures		<u>3,223,137</u>
Deficiency of revenues under expenditures		<u>(43,009)</u>
Other financing sources (uses):		
Sale of general fixed assets		3,565
Capital lease purchase agreement		92,674
Operating transfers out:		
Special Revenue:		
Secondary Roads		<u>(60,317)</u>
Total other financing sources (uses)		<u>35,922</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses		(7,087)
Fund balance beginning of year		<u>886,878</u>
Fund balance end of year		<u>\$ 879,791</u>

See accompanying independent auditor's report.

Schedule 2

Madison County

General Fund

Statement of Expenditures

Year ended June 30, 2003

Public safety and legal services:

Law enforcement:

Uniformed patrol services	\$ 327,311
Investigations	99
Law enforcement communication	230,440
Adult correctional services	219,236
Administration	<u>116,596</u>
	<u>893,682</u>

Legal services:

Criminal prosecution	135,032
Medical examinations	<u>8,083</u>
	<u>143,115</u>

Emergency services:

Ambulance services	457,241
Emergency management	<u>24,860</u>
	<u>482,101</u>

Court proceedings:

Court costs	<u>8,490</u>
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Juvenile justice administration:

Juvenile representation services	13,777
Court-appointed attorneys and court costs for juveniles	<u>56,670</u>
	<u>70,447</u>
	\$ 1,597,835

Physical health and social services:

Physical health services:

Personal and family health services	106,733
Communicable disease prevention and control services	45,534
Sanitation	<u>9</u>
	<u>152,276</u>

Services to the poor:

Administration	103,933
General welfare services	<u>22,285</u>
	<u>126,218</u>

Madison County
 General Fund
 Statement of Expenditures
 Year ended June 30, 2003

Physical health and social services (continued):

Services to military veterans:

Administration	26,927	
General services to veterans	4,241	
	<u>31,168</u>	

Services to other adults:

Services to the elderly	78,818	
	<u>78,818</u>	

Chemical dependency:

Treatment services	15,314	403,794
	<u>15,314</u>	

County environment and education:

Environmental quality:

Environmental restoration	3,400	
	<u>3,400</u>	

Conservation and recreation services:

Administration	71,586	
Maintenance and operations	142,305	
	<u>213,891</u>	

County development:

Economic development	500	
	<u>500</u>	

Educational services:

Fair and 4-H Clubs	23,000	240,791
	<u>23,000</u>	

Governmental services to residents:

Representation services:

Elections administration	47,020	
Local elections	16,946	
Township officials	2,490	
	<u>66,456</u>	

Schedule 2

Madison County
General Fund
Statement of Expenditures
Year ended June 30, 2003

Governmental services to residents (continued):

State administrative services:

Motor vehicle registrations and licensing	122,702	
Recording of public documents	146,367	
	<u>269,069</u>	335,525

Administration:

Policy and administration:

General County management	157,958	
Administration management services	93,822	
Treasury management services	119,651	
Other policy and administration	21,150	
	<u>392,581</u>	

Central services:

General services	137,167	
Data processing services	37,118	
	<u>174,285</u>	

Risk management services:

Tort liability	33,385	
Safety of the workplace	44,433	
Fidelity of public officials	508	
	<u>78,326</u>	645,192

Total		<u>\$ 3,223,137</u>
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See accompanying independent auditor's report.

Madison County

Madison County
Special Revenue Funds
Combining Balance Sheet
June 30, 2003

	Rural Services	Secondary Roads
Assets		
Cash and pooled investments	\$ 68,290	1,493,047
Receivables:		
Property tax:		
Delinquent	6,578	-
Succeeding year	902,000	-
Accounts	2,512	5,539
Notes	-	-
Due from other funds	-	-
Due from other governments	3,503	190,598
Inventories	-	208,215
	\$ 982,883	1,897,399
Liabilities and Fund Equity		
Liabilities:		
Accounts payable	\$ 1,055	34,776
Salaries and benefits payable	-	31,339
Due to other funds	140	6,370
Due to other governments	-	4,203
Deferred revenue:		
Succeeding year property tax	902,000	-
Other	6,275	5,378
Compensated absences	2,832	30,379
Total liabilities	912,302	112,445
Fund equity:		
Fund balance:		
Reserved for:		
Inventories	-	208,215
Noncurrent note receivable	-	-
Unreserved	70,581	1,576,739
Total fund equity	70,581	1,784,954
	\$ 982,883	1,897,399

See accompanying independent auditor's report.

Resource Enhancement and Protection	County Recorder's Records Management	Mental Health	Covered Bridge	Capital Projects Bonded	Total
4,756	8,182	361,869	166,810	123,664	2,226,618
-	-	2,743	-	-	9,321
-	-	409,000	-	-	1,311,000
-	-	1,273	-	-	9,324
-	-	24,780	-	-	24,780
-	579	-	-	-	579
272	-	-	-	-	194,373
-	-	-	-	-	208,215
5,028	8,761	799,665	166,810	123,664	3,984,210
-	55	31,952	7,555	-	75,393
-	-	2,043	-	-	33,382
-	-	421	-	-	6,931
-	-	116,402	-	-	120,605
-	-	409,000	-	-	1,311,000
-	-	27,946	-	-	39,599
-	-	-	-	-	33,211
-	55	587,764	7,555	-	1,620,121
-	-	-	-	-	208,215
-	-	24,780	-	-	24,780
5,028	8,706	187,121	159,255	123,664	2,131,094
5,028	8,706	211,901	159,255	123,664	2,364,089
5,028	8,761	799,665	166,810	123,664	3,984,210

Madison County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	Rural Services	Secondary Roads
Revenues:		
Property and other County tax:		
Property tax	\$ 813,420	-
Utility tax replacement excise tax	62,910	-
Other	547	-
	<u>876,877</u>	<u>-</u>
Intergovernmental:		
State shared revenues:		
Road use tax	-	2,517,647
		<u>-</u>
State tax replacements:		
State tax credits	43,118	-
Mental health property tax relief	-	-
	<u>43,118</u>	<u>-</u>
State and federal pass-thru revenues:		
Social services block grant	-	-
Bridge replacement	-	246,005
	<u>-</u>	<u>246,005</u>
Contributions from other governmental units	-	32,015
		<u>-</u>
State grants and entitlements:		
MH-DD community services fund allocation	-	-
MH-DD allowed growth factor adjustment	-	-
Other	5,729	-
	<u>5,729</u>	<u>-</u>
Payments in lieu of taxes	-	-
	<u>48,847</u>	<u>2,795,667</u>
Licenses and permits	60,485	3,462
	<u>60,485</u>	<u>3,462</u>
Charges for service	7,061	14,280
	<u>7,061</u>	<u>14,280</u>
Use of money and property:		
Interest on investments	-	-
Building rent	-	-
	<u>-</u>	<u>-</u>

Resource Enhancement and Protection	County Recorder's Records Management	Mental Health	Covered Bridge	Capital Projects Bonded	Total
-	-	384,602	-	-	1,198,022
-	-	23,742	-	-	86,652
-	-	450	-	-	997
-	-	408,794	-	-	1,285,671
-	-	-	-	-	2,517,647
-	-	22,095	-	-	65,213
-	-	407,205	-	-	407,205
-	-	429,300	-	-	472,418
-	-	48,043	-	-	48,043
-	-	-	-	-	246,005
-	-	48,043	-	-	294,048
-	-	-	-	-	32,015
-	-	54,201	-	-	54,201
-	-	40,763	-	-	40,763
481	-	-	-	-	6,210
481	-	94,964	-	-	101,174
-	-	188	-	-	188
481	-	572,495	-	-	3,417,490
-	-	-	-	-	63,947
-	6,151	1,619	-	-	29,111
103	130	-	-	578	811
-	-	1,866	-	-	1,866
103	130	1,866	-	578	2,677

Madison County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	<u>Rural Services</u>	<u>Secondary Roads</u>
Revenues (continued):		
Miscellaneous:		
Sale of materials	-	17,121
Insurance recovery	-	-
Donations	-	-
Miscellaneous	12,554	5,110
	<u>12,554</u>	<u>22,231</u>
Total revenues	<u>1,005,824</u>	<u>2,835,640</u>
Expenditures:		
Operating:		
Physical health and social services:		
Physical health services:		
Sanitation	70,746	-
	<u>70,746</u>	<u>-</u>
Mental health:		
Persons with mental health problems - mental illness:		
Information and education	-	-
General administration	-	-
Personal and environmental support	-	-
Treatment services	-	-
Institutional, hospital, and commitment services	-	-
	<u>-</u>	<u>-</u>
Persons with chronic mental illness:		
Coordination services	-	-
Personal and environmental support	-	-
Treatment services	-	-
Vocational and day services	-	-
Licensed or certified living arrangements	-	-
Institutional, hospital, and commitment services	-	-
	<u>-</u>	<u>-</u>

Resource Enhancement and Protection	County Recorder's Records Management	Mental Health	Covered Bridge	Capital Projects Bonded	Total
-	-	-	-	-	17,121
-	-	-	284,810	-	284,810
-	-	-	2,075	-	2,075
-	-	36,329	-	-	53,993
-	-	36,329	286,885	-	357,999
584	6,281	1,021,103	286,885	578	5,156,895
-	-	-	-	-	70,746
-	-	730	-	-	730
-	-	72,139	-	-	72,139
-	-	24,432	-	-	24,432
-	-	588	-	-	588
-	-	29,115	-	-	29,115
-	-	127,004	-	-	127,004
-	-	2,049	-	-	2,049
-	-	20,894	-	-	20,894
-	-	85,843	-	-	85,843
-	-	11,596	-	-	11,596
-	-	49,576	-	-	49,576
-	-	8,888	-	-	8,888
-	-	178,846	-	-	178,846

Madison County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	<u>Rural</u> <u>Services</u>	<u>Secondary</u> <u>Roads</u>
Expenditures (continued):		
Operating:		
Mental health:		
Persons with mental retardation:		
Coordination services	-	-
Personal and environmental support	-	-
Vocational and day services	-	-
Licensed or certified living arrangements	-	-
Institutional, hospital, and commitment services	-	-
	<u>-</u>	<u>-</u>
Persons with other developmental disabilities:		
Personal and environmental support	-	-
Licensed or certified living arrangements	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
County environment and education:		
Environmental quality:		
Weed eradication	19,436	-
County development:		
Land use and building controls	83,493	-
Educational services:		
Libraries	52,375	-
	<u>155,304</u>	<u>-</u>
Roads and transportation:		
Secondary roads administration		
and engineering:		
Administration	-	159,781
Engineering	-	268,405
	<u>-</u>	<u>428,186</u>

Resource Enhancement and Protection	County Recorder's Records Management	Mental Health	Covered Bridge	Capital Projects Bonded	Total
-	-	5,230	-	-	5,230
-	-	12,548	-	-	12,548
-	-	123,768	-	-	123,768
-	-	318,940	-	-	318,940
-	-	153,235	-	-	153,235
-	-	613,721	-	-	613,721
-	-	27,625	-	-	27,625
-	-	6,798	-	-	6,798
-	-	34,423	-	-	34,423
-	-	953,994	-	-	953,994
-	-	-	-	-	19,436
-	-	-	-	-	83,493
-	-	-	-	-	52,375
-	-	-	-	-	155,304
-	-	-	-	-	159,781
-	-	-	-	-	268,405
-	-	-	-	-	428,186

Madison County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	<u>Rural</u> <u>Services</u>	<u>Secondary</u> <u>Roads</u>
Expenditures (continued):		
Operating:		
Roads and transportation:		
Roadway maintenance:		
Bridges and culvert	-	114,218
Roads	-	1,233,111
Snow and ice control	-	125,084
Traffic controls	-	59,102
Road clearing	-	134,779
	<u>-</u>	<u>1,666,294</u>
General roadway:		
Equipment	-	301,988
Equipment operation	-	600,873
Tools, materials, and supplies	-	111,762
Real estate and buildings	-	132,541
	<u>-</u>	<u>1,147,164</u>
	<u>-</u>	<u>3,241,644</u>
Governmental services to residents:		
State administrative services:		
Recording of public documents	-	-
	<u>-</u>	<u>-</u>
Debt service:		
Principal redeemed	-	-
Interest paid	-	-
	<u>-</u>	<u>-</u>
Capital projects:		
Roadway construction	-	317,750
County conservation land aquisition	-	-
Other capital projects	-	-
	<u>-</u>	<u>317,750</u>
Total expenditures	<u>226,050</u>	<u>3,559,394</u>
Excess (deficiency) of revenues over (under) expenditures	<u>779,774</u>	<u>(723,754)</u>

Resource Enhancement and Protection	County Recorder's Records Management	Mental Health	Covered Bridge	Capital Projects Bonded	Total
-	-	-	-	-	114,218
-	-	-	-	-	1,233,111
-	-	-	-	-	125,084
-	-	-	-	-	59,102
-	-	-	-	-	134,779
-	-	-	-	-	1,666,294
-	-	-	-	-	301,988
-	-	-	-	-	600,873
-	-	-	-	-	111,762
-	-	-	-	-	132,541
-	-	-	-	-	1,147,164
-	-	-	-	-	3,241,644
-	4,607	-	-	-	4,607
-	-	-	-	285,000	285,000
-	-	-	-	808	808
-	-	-	-	285,808	285,808
-	-	-	-	-	317,750
3,000	-	-	-	-	3,000
-	-	-	127,630	76,106	203,736
3,000	-	-	127,630	76,106	524,486
3,000	4,607	953,994	127,630	361,914	5,236,589
(2,416)	1,674	67,109	159,255	(361,336)	(79,694)

Madison County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	<u>Rural Services</u>	<u>Secondary Roads</u>
Other financing sources (uses):		
Sale of general fixed assets	1,537	7,351
Capital loan note proceeds	-	-
Operating transfers in (out):		
General	-	60,317
Special Revenue:		
Rural Services	-	759,383
Secondary Roads	(759,383)	-
Total other financing sources (uses)	<u>(757,846)</u>	<u>827,051</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	21,928	103,297
Fund balances beginning of year	48,653	1,647,271
Increase in reserve for inventories	-	<u>34,386</u>
Fund balances end of year	<u>\$ 70,581</u>	<u>1,784,954</u>

See accompanying independent auditor's report.

Resource Enhancement and Protection	County Recorder's Records Management	Mental Health	Covered Bridge	Capital Projects Bonded	Total
-	-	-	-	-	8,888
-	-	-	-	485,000	485,000
-	-	-	-	-	60,317
-	-	-	-	-	759,383
-	-	-	-	-	(759,383)
-	-	-	-	485,000	554,205
(2,416)	1,674	67,109	159,255	123,664	474,511
7,444	7,032	144,792	-	-	1,855,192
-	-	-	-	-	34,386
5,028	8,706	211,901	159,255	123,664	2,364,089

Schedule 5

Madison County
Debt Service Funds
Combining Balance Sheet
June 30, 2003

	General Obligation Bonds	FHA Group Home Loans	Total
Assets			
Cash and pooled investments:			
County Treasurer	\$ 8,194	10,181	18,375
Receivables:			
Property tax:			
Delinquent	498	-	498
Succeeding year	82,000	-	82,000
Total assets	\$ 90,692	10,181	100,873
Liabilities and Fund Equity			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 82,000	-	82,000
Other	480	-	480
Total liabilities	82,480	-	82,480
Fund equity:			
Reserved for debt service	8,212	10,181	18,393
Total liabilities and fund equity	\$ 90,692	10,181	100,873

See accompanying independent auditor's report.

Madison County

Debt Service Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2003

	General Obligation Bonds	FHA Group Home Loans	Total
Revenues:			
Property and other County tax:			
Property tax	\$ 72,120	-	72,120
Utility tax replacement excise tax	4,236	-	4,236
Other	104	-	104
	<u>76,460</u>	<u>-</u>	<u>76,460</u>
Intergovernmental:			
State tax replacements:			
State tax credits	3,968	-	3,968
Payments in lieu of taxes:			
Local governments	34	-	34
	<u>4,002</u>	<u>-</u>	<u>4,002</u>
Use of money and property:			
Building and equipment rent	-	17,334	17,334
Miscellaneous	6,514	-	6,514
Total revenues	<u>86,976</u>	<u>17,334</u>	<u>104,310</u>
Expenditures:			
Debt service:			
Principal redeemed	60,000	8,119	68,119
Interest paid	20,973	9,199	30,172
Total expenditures	<u>80,973</u>	<u>17,318</u>	<u>98,291</u>
Excess of revenues over expenditures	6,003	16	6,019
Fund balances beginning of year	<u>2,209</u>	<u>10,165</u>	<u>12,374</u>
Fund balances end of year	<u>\$ 8,212</u>	<u>10,181</u>	<u>18,393</u>

See accompanying independent auditor's report.

Schedule 7

Madison County

Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2003

Revenues:	
None	\$ -
Expenditures:	
Administration:	
General services	<u>8,435</u>
Deficiency of revenues under expenditures	(8,435)
Other financing sources:	
Sale of general fixed assets	<u>30,844</u>
Excess of revenues and other financing sources over expenditures	22,409
Fund balance beginning of year	<u>-</u>
Fund balance end of year	<u><u>\$ 22,409</u></u>

See accompanying independent auditor's report.

Madison County
Internal Service Funds
Combining Balance Sheet
June 30, 2003

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Assets					
Cash and pooled investments	\$ 37,353	274	266,348	34,791	338,766
Due from other funds	7,909	302	-	-	8,211
Due from other governments	2,490	-	-	-	2,490
Inventories	8,818	-	-	-	8,818
Total assets	\$ 56,570	576	266,348	34,791	358,285
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	40	43,200	-	43,240
Due to other governments	-	-	-	2,566	2,566
Advance from General Fund	60,000	-	-	-	60,000
Total liabilities	60,000	40	43,200	2,566	105,806
Fund equity:					
Retained earnings	(3,430)	536	223,148	32,225	252,479
Total liabilities and fund equity	\$ 56,570	576	266,348	34,791	358,285

See accompanying independent auditor's report.

Schedule 9

Madison County
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Retained Earnings
Year ended June 30, 2003

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Operating revenues:					
Reimbursements from operating funds and employees	\$ 189,732	1,820	366,713	-	558,265
Operating expenses:					
Materials and supplies	193,283	1,723	-	-	195,006
Medical claims	-	-	216,740	-	216,740
Administrative fees	-	-	35,465	-	35,465
Miscellaneous	-	-	1,438	7,402	8,840
Total operating expenses	193,283	1,723	253,643	7,402	456,051
Operating income (loss)	(3,551)	97	113,070	(7,402)	102,214
Retained earnings beginning of year	121	439	110,078	39,627	150,265
Retained earnings end of year	\$ (3,430)	536	223,148	32,225	252,479

See accompanying independent auditor's report.

Madison County

Madison County
 Internal Service Funds
 Combining Statement of Cash Flows
 Year ended June 30, 2003

	Fuel	Supplies
Cash flows from operating activities:		
Cash received from operating funds and employees	\$ 195,546	2,157
Cash payments for medical claims	-	-
Cash payments to suppliers for services	(193,031)	(1,984)
Cash payments for miscellaneous	-	-
Net cash provided (used) by operating activities	2,515	173
Cash and cash equivalents beginning of year	34,838	101
Cash and cash equivalents end of year	\$ 37,353	274
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (3,551)	97
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Decrease in accounts and other receivables	5,814	337
Decrease in inventories	252	-
Increase (decrease) in accounts and other payables	-	(261)
Net cash provided (used) by operating activities	\$ 2,515	173

See accompanying independent auditor's report.

Employee Group Health	Unemployment Insurance	Total
366,713	-	564,416
(207,940)	-	(207,940)
(35,465)	-	(230,480)
(1,438)	(8,342)	(9,780)
121,870	(8,342)	116,216
144,478	43,133	222,550
266,348	34,791	338,766
113,070	(7,402)	102,214
-	-	6,151
-	-	252
8,800	(940)	7,599
121,870	(8,342)	116,216

Schedule 11

Madison County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2003

	Expendable		
	Trust	Agency	Total
Assets			
Cash and pooled investments:			
County Treasurer	\$ 148	712,280	712,428
Other County officials	-	40,382	40,382
Receivables:			
Property tax:			
Delinquent	-	75,254	75,254
Succeeding year	-	13,433,000	13,433,000
Accounts	-	861	861
Accrued interest	-	337	337
Special assessments:			
Delinquent	-	848	848
Succeeding year	-	249,800	249,800
Due from other funds	-	627	627
Due from other governments	-	8,863	8,863
Total assets	\$ 148	14,522,252	14,522,400
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	14,216	14,216
Due to other funds	-	40,253	40,253
Due to other governments	-	14,389,243	14,389,243
Trusts payable	-	48,493	48,493
Compensated absences	-	30,047	30,047
Total liabilities	-	14,522,252	14,522,252
Fund equity:			
Unreserved fund balance	148	-	148
Total liabilities and fund equity	\$ 148	14,522,252	14,522,400

See accompanying independent auditor's report.

Madison County
Expendable Trust Fund
Balance Sheet
June 30, 2003

	Conservation Land Acquisition Trust
Assets	
Cash and pooled investments	\$ 148
Liabilities and Fund Equity	
Liabilities:	
None	\$ -
Fund equity:	
Unreserved fund balance	148
Total liabilities and fund equity	\$ 148

See accompanying independent auditor's report.

Schedule 13

Madison County
Expendable Trust Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year ended June 30, 2003

	<u>Conservation Land Acquisition Trust</u>
Revenues:	
Miscellaneous	
Sale of commodities	\$ 2,000
Expenditures:	
Capital projects:	
Conservation land acquisition and development	<u>2,000</u>
Excess of revenues over expenditures	-
Fund balance beginning of year	<u>148</u>
Fund balance end of year	<u>\$ 148</u>

See accompanying independent auditor's report.

Madison County

Madison County
 Agency Funds
 Combining Balance Sheet
 June 30, 2003

	<u>County Offices</u>		Agricultural	County Assessor	Schools
	County Recorder	County Sheriff	Extension Education		
Assets					
Cash and pooled investments:					
County Treasurer	\$ -	-	1,820	49,230	123,481
Other County officials	26,738	13,644	-	-	-
Receivables:					
Property tax:					
Delinquent	-	-	728	1,874	49,601
Succeeding year	-	-	124,000	347,000	8,015,000
Accounts	78	783	-	-	-
Accrued interest	-	-	-	-	-
Special assessments:					
Delinquent	-	-	-	-	-
Succeeding year	-	-	-	-	-
Due from other funds	-	627	-	-	-
Due from other governments	-	2,008	-	-	-
Total assets	\$ 26,816	17,062	126,548	398,104	8,188,082
Liabilities					
Accounts payable	\$ -	-	-	6,883	-
Due to other funds	17,652	12,588	-	16	-
Due to other governments	9,164	-	126,548	361,158	8,188,082
Trusts payable	-	4,474	-	-	-
Compensated absences	-	-	-	30,047	-
Total liabilities	\$ 26,816	17,062	126,548	398,104	8,188,082

Community Colleges	Corporations	Townships	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication	Tax Sale Redemption
4,205	55,368	2,730	302,235	413	29,854
-	-	-	-	-	-
1,667	12,079	1,212	-	11	-
288,000	3,151,000	201,000	-	2,000	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
293,872	3,218,447	204,942	302,235	2,424	29,854
-	-	-	-	-	-
-	-	-	9,997	-	-
293,872	3,218,447	204,942	292,238	2,424	-
-	-	-	-	-	29,854
-	-	-	-	-	-
293,872	3,218,447	204,942	302,235	2,424	29,854

Madison County
 Agency Funds
 Combining Balance Sheet
 June 30, 2003

	Special Assessment	Emergency Management Services	County Hospital	Badger Creek Soil and Water Districts	Advance Tax
Assets					
Cash and pooled investments:					
County Treasurer	5,624	15,648	20,177	45,732	9,062
Other County officials	-	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	-	8,066	16	-
Succeeding year	-	-	1,300,000	5,000	-
Accounts	-	-	-	-	-
Accrued interest	-	-	-	-	-
Special assessments:					
Delinquent	848	-	-	-	-
Succeeding year	249,800	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	6,832	-	23	-
Total assets	256,272	22,480	1,328,243	50,771	9,062
Liabilities					
Accounts payable	-	83	-	129	-
Due to other funds	-	-	-	-	-
Due to other governments	256,272	22,397	1,328,243	50,642	-
Trusts payable	-	-	-	-	9,062
Compensated absences	-	-	-	-	-
Total liabilities	256,272	22,480	1,328,243	50,771	9,062

See accompanying independent auditor's report.

Abandoned Property	Refunds	Anatomical Gift Public Awareness and Transportation	Empowerment Board	E911 Sign Assessment	Total
5,103	-	107	41,491	-	712,280
-	-	-	-	-	40,382
-	-	-	-	-	75,254
-	-	-	-	-	13,433,000
-	-	-	-	-	861
-	-	-	337	-	337
-	-	-	-	-	848
-	-	-	-	-	249,800
-	-	-	-	-	627
-	-	-	-	-	8,863
5,103	-	107	41,828	-	14,522,252
-	-	-	7,121	-	14,216
-	-	-	-	-	40,253
-	-	107	34,707	-	14,389,243
5,103	-	-	-	-	48,493
-	-	-	-	-	30,047
5,103	-	107	41,828	-	14,522,252

Madison County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year ended June 30, 2003

	<u>County Offices</u>		Agricultural	
	County	County	Extension	County
	Recorder	Sheriff	Education	Assessor
Assets and Liabilities				
Balances beginning of year	\$ 20,284	17,103	115,996	335,354
Additions:				
Property and other County tax	-	-	118,858	333,704
State tax credits	-	-	5,856	15,095
State allocation	-	-	-	1,037
Office fees and collections	296,752	265,819	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	102,819	-	-
Miscellaneous	-	-	50	3,126
Total additions	296,752	368,638	124,764	352,962
Deductions:				
Agency remittances:				
To other funds	165,249	265,860	-	-
To other governments	124,971	-	114,212	290,212
Trusts paid out	-	102,819	-	-
Total deductions	290,220	368,679	114,212	290,212
Balances end of year	\$ 26,816	17,062	126,548	398,104

Schools	Community Colleges	Corporations	Townships	Auto License, Use Tax and Postage	Brucellosis and Tuberculosis Eradication	Tax Sale Redemption
7,850,964	268,754	3,129,742	194,775	227,300	2,433	24,842
7,648,696	276,145	2,948,259	195,479	-	1,825	-
392,363	13,570	133,435	9,238	-	99	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	3,327,627	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	282,290
3,094	114	2,251	-	-	-	-
8,044,153	289,829	3,083,945	204,717	3,327,627	1,924	282,290
-	-	-	-	110,413	-	-
7,707,035	264,711	2,995,240	194,550	3,142,279	1,933	-
-	-	-	-	-	-	277,278
7,707,035	264,711	2,995,240	194,550	3,252,692	1,933	277,278
8,188,082	293,872	3,218,447	204,942	302,235	2,424	29,854

Madison County
 Agency Funds
 Combining Statement of Changes in Assets and Liabilities
 Year ended June 30, 2003

Assets and Liabilities	Special Assessment	Emergency Management Services	County Hospital	Badger Creek Soil and Water Districts
Balances beginning of year	239,587	10,620	1,289,881	61,389
Additions:				
Property and other County tax	-	-	1,240,719	4,225
State tax credits	-	-	64,971	408
State allocation	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	130,199	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	51,807	552	2,188
Total additions	130,199	51,807	1,306,242	6,821
Deductions:				
Agency remittances:				
To other funds	-	-	-	-
To other governments	-	39,947	1,267,880	17,439
Trusts paid out	113,514	-	-	-
Total deductions	113,514	39,947	1,267,880	17,439
Balances end of year	256,272	22,480	1,328,243	50,771

See accompanying independent auditor's report.

Advance Tax	Abandoned Property	Refunds	Anatomical Gift Public Awareness and Transportation	Empowerment Board	E911 Sign Assessment	Total
6,990	5,103	-	103	44,882	1,668	13,847,770
-	-	-	-	-	-	12,767,910
-	-	-	-	-	-	635,035
-	-	-	-	-	-	1,037
-	-	-	-	-	-	562,571
-	-	-	-	-	-	3,327,627
-	-	-	-	-	3,169	133,368
-	-	-	-	-	-	385,109
8,853	-	54,545	426	82,105	-	209,111
8,853	-	54,545	426	82,105	3,169	18,021,768
-	-	-	-	-	4,837	546,359
-	-	-	422	85,159	-	16,245,990
6,781	-	54,545	-	-	-	554,937
6,781	-	54,545	422	85,159	4,837	17,347,286
9,062	5,103	-	107	41,828	-	14,522,252

Schedule 16

Madison County

Comparison of Taxes and Intergovernmental Revenues

	Year ended June 30,			
	2003	2002	2001	2000
Taxes:				
Property and other County tax	\$ 3,141,408	2,957,387	2,718,376	2,761,812
Utility tax replacement excise tax	206,441	204,714	201,233	-
Other	4,121	3,794	2,615	-
	<u>3,351,970</u>	<u>3,165,895</u>	<u>2,922,224</u>	<u>2,761,812</u>
Intergovernmental:				
State shared revenues:				
Road use tax	2,517,647	2,524,741	2,421,103	2,456,311
Other	11,648	8,242	16,256	15,137
State tax replacements:				
State tax credits	176,722	205,480	209,490	192,693
State allocation	93,487	98,502	98,934	99,220
Mental health property tax relief	407,205	424,546	407,205	407,205
State and federal pass-thru revenues:				
Community development block grant	-	16,265	583,735	-
Social services block grant	48,043	50,836	53,739	54,749
Bridge replacement	246,005	-	-	350,937
Human services administrative reimbursement	35,545	29,353	49,620	32,334
Outdoor recreation acquisition, development and planning	-	72,061	-	-
Rural health outreach	-	8,652	-	-
Other	1,910	37,491	79,914	59,446
Contributions from other governmental units	180,199	173,702	193,816	203,629
State grants and entitlements:				
Home care aid grant	36,452	45,631	40,421	46,706
Juvenile justice county base reimbursement	1,220	280	1,530	3,911
Public health nurse grant	13,880	17,609	18,329	22,279
Well testing and abandonment	3,400	5,362	8,804	14,609
MH/DD community services fund allocation	54,201	37,884	87,557	87,557
Mental health allowed growth factor	40,763	-	68,963	64,822
Other	20,763	11,226	-	-
Federal grants and entitlements:				
Public safety partnership and community policing grant	-	-	4,059	10,665
Payments in lieu of taxes	1,136	-	-	1,044
	<u>3,890,226</u>	<u>3,767,863</u>	<u>4,343,475</u>	<u>4,123,254</u>
Total	<u>\$ 7,242,196</u>	<u>6,933,758</u>	<u>7,265,699</u>	<u>6,885,066</u>

See accompanying independent auditor's report.

Madison County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2003

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative			
Reimbursements:			
State Administrative Matching Grants for Food Stamp Program	10.561		\$ 6,057
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative			
Reimbursements:			
Temporary Assistance for Needy Families	93.558		8,996
Refugee and Entrant Assistance - State Administered Programs	93.566		25
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,729
Foster Care - Title IV-E	93.658		3,066
Adoption Assistance	93.659		1,017
Medical Assistance Program	93.778		8,742
Social Services Block Grant	93.667		5,913
Social Services Block Grant	93.667		48,043
			53,956
U.S. Department of Homeland Security:			
Iowa Department of Public Health:			
State and Local Domestic Preparedness Training Program	97.005		367
Iowa Department of Public Defense:			
Emergency Management Performance Grants	97.042		9,406
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205		246,005
Iowa Department of Public Safety:			
Safety Incentive Grants for Use of Seatbelts	20.604		1,543
Total			\$ 340,909

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

See accompanying independent auditor's report.

Madison County



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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Auditor of State

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

To the Officials of Madison County:

We have audited the general purpose financial statements of Madison County, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 16, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2003 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for items IV-J-03, IV-L-03 and IV-M-03.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Madison County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Madison County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

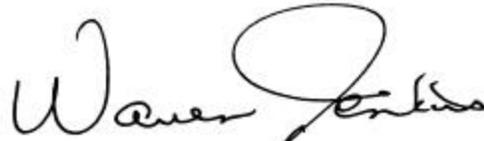
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-03 is a material weakness. Prior year reportable conditions have not been resolved and are repeated as items II-A-03 and II-B-03.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Madison County and other parties to whom Madison County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 16, 2003

Madison County

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

David A. Vaudt, CPA
Auditor of State

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

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance

To the Officials of Madison County:

Compliance

We have audited the compliance of Madison County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2003. Madison County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Madison County's management. Our responsibility is to express an opinion on Madison County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Madison County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Madison County's compliance with those requirements.

In our opinion, Madison County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

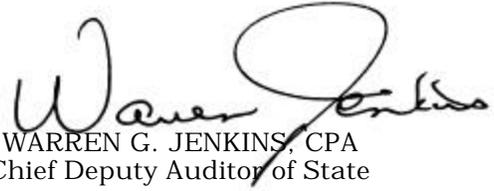
The management of Madison County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Madison County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Madison County and other parties to whom Madison County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 16, 2003

Madison County
Schedule of Findings and Questioned Costs
Year ended June 30, 2003

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Madison County did not qualify as a low-risk auditee.

Madison County
Schedule of Findings and Questioned Costs
Year ended June 30, 2003

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-03 Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. The segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Incoming mail was not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received was not prepared, so it could not be compared to the cash receipt records.	Sheriff, Ambulance
(2) Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety.	Recorder, Sheriff
(3) The person who signs checks was not independent of the person preparing checks, approving disbursements, and recording cash disbursements.	Recorder, Sheriff

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, County officials should review the operating procedures of their offices to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Responses -

Sheriff - We will attempt to separate duties as personnel are available.

Recorder - We are segregating duties by switching off each month on reconciling, writing and signing checks.

Ambulance - Procedures will be performed as employee status permits.

Conclusion - Response acknowledged. County officials should review the operating procedures of their offices to obtain the maximum internal control possible under the circumstances.

II-B-03 Electronic Data Processing Systems - The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- usage of the internet.
- obtaining monthly virus updates from software vendors.

Also, the County does not have a written disaster recovery plan which includes the computer system and equipment.

Recommendation - The County should develop written policies addressing the above items in order to improve the County's control over computer based systems. A disaster recovery plan should be developed which includes the computer system and equipment.

Response - We will check into what other counties are doing and try to get a policy in place.

Conclusion - Response accepted.

Madison County
Schedule of Findings and Questioned Costs
Year ended June 30, 2003

Part III: Findings and Questioned Costs for Federal Awards :

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

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

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-03 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year except for the amount for the Madison County Treasurer at Union State Bank which was exceeded in October 2002.

Recommendation – A new resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the Board.

Response – County Treasurer agrees to review depository maximum and develop a resolution to amend the document and/or to increase maximums as warranted by previous activity levels.

Conclusion – Response accepted.

IV-B-03 Certified Budget – Disbursements during the year ended June 30, 2003 exceeded the amounts budgeted in the mental health and debt service functions. In addition, disbursements in one department exceeded the amount appropriated. Also, Chapter 331.434(6) of the Code of Iowa requires that decreases in appropriations in excess of \$5,000 or ten percent, whichever is greater, are not effective unless a public hearing on the decrease is held. A public hearing was not held for a decrease in appropriation in excess of \$5,000 and ten percent.

Recommendation – The budget should be amended in sufficient amounts in accordance with Chapter 331.435 of the Code of Iowa before disbursements are allowed to exceed the budget.

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 and a public hearing held when required.

Response – We will try to watch it closer this next year.

Conclusion – Response accepted.

IV-C-03 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-D-03 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

IV-E-03 Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Clayton Allen, Deputy Sheriff, Allen Lawn Care	Mowing services	\$ 1,360
Tom Johnson, County Ambulance employee, J & C Lawncare	Mowing services, per bid	1,530

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with the Deputy Sheriff do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

The transactions for mowing services totaling \$1,530 with J & C Lawncare do not appear to represent a conflict of interest since the services were competitively bid in accordance with Chapter 331.342(4) of the Code of Iowa.

IV-F-03 Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-G-03 Board Minutes - Except for the following, no transactions were found that we believe should have been approved in the Board minutes, but were not:

Certain interfund transfers did not appear to have been approved by the Board of Supervisors by resolution as required by Chapter 331.432 of the Code of Iowa.

Although minutes of the Board proceedings were published, they were not published within the time period specified by Chapter 349.18 of the Code of Iowa.

In addition, the Board went into closed session on numerous occasions during the year ended June 30, 2003. The specific exemption under Chapter 21.5 of the Code of Iowa was not properly identified and documented.

Recommendation - The County should ensure all transfers are approved by resolution as required by Chapter 331.432 of the Code of Iowa and all Board proceedings and claims are published as required. In addition, the Board minutes should reference the specific Code exemption for holding closed sessions, as required.

Response - We will review our policy to see if publications could be more timely.

Conclusion - Response acknowledged. The recommendations regarding transfers and closed sessions should also be followed.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

IV-H-03 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-I-03 Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-J-03 County Ordinances - The County Board of Supervisors has not completed a compilation of County ordinances.

Recommendation - The compilation of County ordinances should be prepared and published as required by Section 331.302(9) of the Code of Iowa.

Response - We will check into requirements and try to comply.

Conclusion - Response acknowledged.

IV-K-03 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.

County Extension Office disbursements during the year ended June 30, 2003 did not exceed the amount budgeted.

IV-L-03 Forfeiture and Commissary Account - The County Sheriff maintains a bank account for forfeiture funds and for the commissary account. The financial activity of these accounts was not reflected in the County's financial statements and has not been included in the County's annual budget.

Recommendation - Forfeiture receipts and commissary fund profits should be remitted to the County Treasurer and credited to Special Revenue Funds in order to reflect this activity in the County's annual budget and financial statements.

Response - Both the Madison County Drug Enforcement and Education (MCDEE) and the commissary funds are reported to the County Auditor on the end of year report. The expenditures for these accounts are approved by the Board of Supervisors during regular board meetings and are a matter of record. Last year the Treasurer was approached with the idea of deposit, however she stated that those funds at the end of year would go to the general fund. That was not what the funds are collected for. We will continue to operate as we are, with the understanding that it is not illegal, just contrary to requested procedures.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

Conclusion - Response acknowledged. Commissary profits that are spent for other than commissary items and forfeiture receipts should be deposited into and expended from a Special Revenue Fund to ensure those purchases are properly budgeted and reflected in the County's accounting system. Utilizing the same process of depositing revenues with the County Treasurer and expending resources with County warrants, after Board approval, provides for stronger segregation of duties and helps ensure all public funds are spent for the purpose for which they were received. In addition, balances in a Special Revenue Fund do not revert to the General Fund.

IV-M-03 Interest - Interest earned on the Employee Group Health Fund was not credited to the fund in accordance with Chapter 331.301(12) of the Code of Iowa.

Recommendation - Interest earned on the Employee Group Health Fund should be credited to the Employee Group Health Fund as required by Chapter 331.301(12) of the Code of Iowa.

Response - We will re-evaluate our policy.

Conclusion - Response acknowledged.

IV-N-03 Financial Condition - The Internal Service Fund, Fuel Fund account had a deficit balance at June 30, 2003.

Recommendation - The County should investigate alternatives to eliminate the deficit in order to return this account to a sound financial condition.

Response - We have increased the billing rate to the departments to recover the deficit and will watch this closely in the future.

Conclusion - Response accepted.

Madison County

Staff

This audit was performed by:

Suzanne R. Hanft, CPA, Manager
Denise A. Walter, CPA, Senior Auditor II
Kelly V. Rea, CPA, Staff Auditor
Nicole B. Tenges, Staff Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State