



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

**NEWS RELEASE**

Contact: Marlys Gaston  
515/281-5834

FOR RELEASE

November 21, 2019

---

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

The County had local tax revenue of \$31,646,312 for the year ended June 30, 2018, which included \$2,137,280 in tax credits from the state. The County forwarded \$24,618,314 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$7,027,998 of the local tax revenue to finance County operations, a 16.8% increase over the prior year. Other revenues included charges for service of \$1,777,053, operating grants, contributions and restricted interest of \$4,144,816, capital grants, contributions and restricted interest of \$2,995,542, local option sales tax of \$808,020, unrestricted investment earnings of \$58,650 and other general revenues of \$137,478.

Expenses for County operations for the year ended June 30, 2018 totaled \$13,912,349, a 5.4% increase over the prior year. Expenses included \$6,590,569 for roads and transportation, \$3,250,871 for public safety and legal services and \$1,220,936 for administration.

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

###

**MADISON COUNTY**

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

**JUNE 30, 2018**

**Madison County**



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

November 1, 2019

Officials of Madison County  
Winterset, Iowa

Dear Board Members:

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

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

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand  
Auditor of State

Table of Contents

		<u>Page</u>
Officials		4
Independent Auditor’s Report		5-7
Management’s Discussion and Analysis		8-14
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Proprietary Fund Financial Statements:		
Statement of Net Position	G	25
Statement of Revenues, Expenses and Changes in Fund Net Position	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	28
Notes to Financial Statements		29-48
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		50-51
Budget to GAAP Reconciliation		53
Notes to Required Supplementary Information – Budgetary Reporting		54
Schedule of the County’s Proportionate Share of the Net Pension Liability		55
Schedule of County Contributions		56-57
Notes to Required Supplementary Information – Pension Liability		58
Schedule of Changes in the County’s Total OPEB Liability, Related Ratios and Notes		59
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	62-63
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	64-65
Internal Service Funds:		
Combining Schedule of Net Position	3	66
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	4	67
Combining Schedule of Cash Flows	5	69
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	6	70-71
Combining Schedule of Changes in Fiduciary Assets and Liabilities	7	72-73
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	8	74-75

Table of Contents  
(continued)

	<u>Schedule</u>	<u>Page</u>
Schedule of Expenditures of Federal Awards	9	76-77
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		78-79
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by Uniform Guidance		80-81
Schedule of Findings and Questioned Costs		82-88
Staff		89

**Madison County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Phil Clifton	Board of Supervisors	Jan 2019
Robert Duff	Board of Supervisors	Jan 2019
Aaron Price	Board of Supervisors	Jan 2021
Heidi L. Burhans	County Auditor	(Resigned Jan 2019)
Shelley D. Kaster (Appointed Feb 2019)	County Auditor	Nov 2019
Jana S. Corkrean	County Treasurer	Jan 2019
Lisa Smith	County Recorder	Jan 2019
Jason Barnes	County Sheriff	Jan 2021
Matt Schultz	County Attorney	Jan 2019
Joni J. Hopkins	County Assessor	Jan 2020



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Independent Auditor's Report

To the Officials of Madison County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Madison County, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Madison County as of June 30, 2018, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Emphasis of a Matter

As discussed in Note 14 to the financial statements, Madison County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 9 through 15 and 52 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

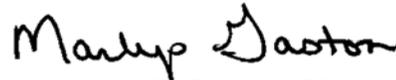
### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madison County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2019 on our consideration of Madison County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Madison County's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA  
Deputy Auditor of State

November 1, 2019

---

---

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

Madison County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2018 FINANCIAL HIGHLIGHTS**

- The County implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities was restated by \$434,017 to retroactively report the decrease in the OPEB liability as of July 1, 2017. OPEB expense for fiscal year 2017 and deferred outflows of resources at June 30, 2017 were not restated because the information needed to restate those amounts was not available.
- Revenues of the County's governmental activities increased 21.7%, or approximately \$3,018,000, from fiscal year 2017 to fiscal year 2018. Property tax increased approximately \$955,000 and capital grants, contributions and restricted interest increased approximately \$1,868,000.
- Program expenses of the County's governmental activities increased 5.4%, or approximately \$717,000, from fiscal year 2017 to fiscal year 2018. Public safety and legal services expenses increased approximately \$271,000, administration expenses approximately \$216,000 and county environment and education expenses increased approximately \$147,000.
- The County's net position at June 30, 2018 increased 14.5%, or approximately \$3,037,000, over the restated June 30, 2017 balance.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes.

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

## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

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

### *Fund Financial Statements*

The County has three kinds of funds:

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

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

- 2) A proprietary fund accounts for the County’s Internal Service, Fuel, Supplies, Employee Group Health and Unemployment Insurance Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County’s various functions.

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

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others, which cannot be used to support the County’s own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services, Central Iowa Community Services and the County Assessor, to name a few.

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

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

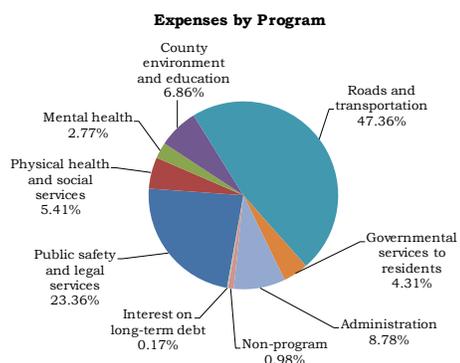
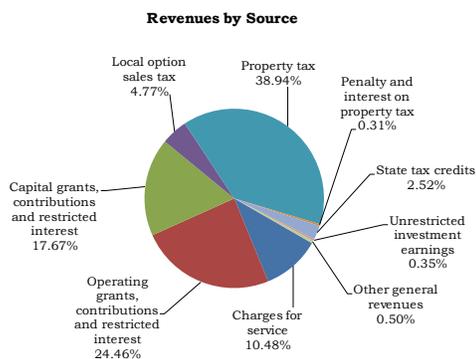
As noted earlier, net position may serve over time as a useful indicator of financial position. Prior to restatement, Madison County’s combined net position increased from approximately \$20.5 million to approximately \$24.0 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2018 (Not Restated)	2017
Current and other assets	\$ 14,773	13,101
Capital assets	21,523	18,599
Total assets	36,296	31,700
Deferred outflows of resources	1,186	1,058
Long-term liabilities	5,243	5,083
Other liabilities	773	594
Total liabilities	6,016	5,677
Deferred inflows of resources	7,510	6,596
Net position:		
Net investment in capital assets	20,428	17,789
Restricted	3,930	3,204
Unrestricted	(402)	(508)
Total net position	\$ 23,956	20,485

Prior to restatement, net position of Madison County’s governmental activities increased 16.9% (approximately \$24.0 million compared to approximately \$20.5 million). The largest portion of the County’s net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Net position invested in capital assets increased approximately \$2,639,000 due to increased road construction projects. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling

legislation on how they can be used. Restricted net position increased approximately \$726,000 due to increases in the amounts restricted for secondary roads, supplemental levy and rural services purposes. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from a deficit of approximately \$508,000 at June 30, 2017 to a deficit of approximately \$402,000 at the end of this year, an increase of 35.6%, primarily due to decreased OPEB liability, prior to restatement.

Changes in Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2017	2018 (Not Restated)
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 1,777	1,528
Operating grants, contributions and restricted interest	4,145	4,221
Capital grants, contributions and restricted interest	2,995	1,127
<b>General revenues:</b>		
Property tax	6,601	5,646
Penalty and interest on property tax	53	49
State tax credits	427	372
Local option sales tax	808	854
Unrestricted investment earnings	59	29
Gain on disposition of capital assets	-	2
Other general revenues	84	103
<b>Total revenues</b>	<b>16,949</b>	<b>13,931</b>
<b>Program expenses:</b>		
Public safety and legal services	3,251	2,980
Physical health and social services	752	722
Mental health	386	376
County environment and education	954	807
Roads and transportation	6,590	6,638
Governmental services to residents	599	575
Administration	1,221	1,005
Non-program	136	50
Interest on long-term debt	23	42
<b>Total expenses</b>	<b>13,912</b>	<b>13,195</b>
<b>Change in net position</b>	<b>3,037</b>	<b>736</b>
<b>Net position beginning of year, as restated</b>	<b>20,919</b>	<b>19,749</b>
<b>Net position end of year</b>	<b>\$ 23,956</b>	<b>20,485</b>



Madison County's net position of governmental activities increased approximately \$3,037,000 during the year. Revenues for governmental activities increased approximately \$3,018,000 over the prior year, with capital grants, contributions and restricted interest increasing over the prior year approximately \$1,868,000, or 165.8%, primarily due to an increase in capital asset contributions from the Iowa Department of Transportation for farm to market projects. Property tax revenues also increased over the prior year approximately \$955,000, or 16.9%.

The countywide property tax levy rate increased 0.25%, or \$0.01 per \$1,000 of taxable valuation, for fiscal year 2018. The rural property tax levy rate increased 41.6%, or \$1.16 per \$1,000 of taxable valuation, for fiscal year 2018. There was also an increase in the overall valuation of approximately \$40,502,000 resulting in an increase in total property tax levied between fiscal year 2017 and fiscal year 2018.

The cost of all governmental activities this year was approximately \$13.9 million compared to approximately \$13.2 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$5.0 million because some of the cost was paid by those directly benefited from the programs (approximately \$1.8 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$7.1 million). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in fiscal year 2018 from approximately \$6,876,000 to approximately \$8,917,000, principally due to an increase in BROS grant proceeds and capital assets related to farm to market projects contributed by the Iowa Department of Transportation.

#### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Madison County completed the year, its governmental funds reported a combined fund balance of approximately \$6.0 million, an increase of approximately \$584,000 over last year's total of approximately \$5.4 million. The 10.8% increase in fund balance is primarily attributable to the following:

- General Fund revenues increased approximately \$348,000, or 6.0%, over the prior year. This is primarily due to an increase in property taxes of approximately \$202,000. Expenditures increased approximately \$580,000, or 11.1%, over the prior year, primarily due to an increase in public safety and legal services expenses of approximately \$359,000 due to a reallocation of ambulance wages from the Rural Services Fund to the General Fund, increased ambulance repairs and an additional employee in the County Attorney's Office. The ending fund balance increased approximately \$213,000, or 11.5%, over the prior year, from \$1,847,378 to \$2,060,182.
- The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal year 2018, Special Revenue, Mental Health Fund expenditures totaled approximately \$386,000, an increase of 2.6% over the prior year. Expenditures increased in fiscal year 2018 due to remitting more funds to the Mental Health Region in fiscal year 2018.
- Special Revenue, Rural Services Fund revenues increased approximately \$790,000, or 34.7%. The primary reason for the increase is due to additional property taxes received based on the increased rural service levy rate. Expenditures increased approximately \$421,000 when compared to the prior year, primarily due to the Rural Services Fund paying the costs of Secondary Roads insurance premium. The ending fund balance increased approximately \$146,000, or 30.1%, over the prior year to \$633,355.
- Special Revenue, Secondary Roads Fund revenues decreased approximately \$106,000, or 2.3%, from the prior year, primarily the result of a decrease in disaster recovery grants received from the Federal Emergency Management Agency (FEMA). Expenditures decreased approximately \$380,000, or 5.7%, primarily due to the Rural Services Fund paying the costs of Secondary Roads insurance premium. The ending fund balance

increased 7.4%, or approximately \$192,000, over the prior year to an ending balance of \$2,771,589.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Madison County amended its budget two times. The first amendment, made on November 21, 2017, increased budgeted disbursements for the physical health and social services, administration and capital projects functions. The second amendment, made on June 26, 2018, increased budgeted disbursements for the public safety and legal services, mental health, county environment and education and government services to residents functions.

The County's receipts were approximately \$232,000 more than budgeted, a variance of 1.6%. The most significant variance resulted from the County receiving more receipts for ambulance calls in fiscal year 2018, than anticipated.

Total disbursements were approximately \$1,118,000 less than the amended budget. This was primarily due to the County spending approximately \$677,000 less than budgeted for roads and transportation, approximately \$136,000 less than budgeted for public safety and legal services and approximately \$115,000 less than budgeted for physical health and social services.

Disbursements during the year ended June 30, 2018 exceeded the amounts budgeted in the mental health and county environment and education functions prior to amendment. In addition, disbursements in certain departments exceeded the amounts appropriated.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2018, Madison County had approximately \$21.5 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of approximately \$2,924,000, or 15.7% over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2018	2017
Land	\$ 1,649	1,649
Intangibles	104	104
Construction in progress	787	501
Buildings and improvements	2,496	2,198
Equipment and vehicles	2,102	2,405
Infrastructure	14,385	11,742
Total	\$ 21,523	18,599
This year's major additions included (in thousands):		
Buildings	\$ 399	
Infrastructure	3,337	
Total	\$ 3,736	

The County had depreciation expense of \$1,172,447 in fiscal year 2018 and total accumulated depreciation of \$14,238,264 at June 30, 2018.

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

## **Long-Term Debt**

At June 30, 2018, Madison County had approximately \$1,095,000 of general obligation notes compared to approximately \$810,000 of general obligation notes outstanding at June 30, 2017.

Debt increased as a result of issuing \$400,000 in general obligation capital loan notes during fiscal year 2018.

The Constitution of the State of Iowa limits the amount of debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Madison County's outstanding debt is significantly below its constitutional debt limit of approximately \$77.6 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Madison County's elected and appointed officials and citizens consider many factors when budgeting each fiscal year. Tax rates and fees for various county services are only part of what has to be considered. The economy is another major factor. Interest rates continue to be low and document recording fees seem to be coming in slightly stronger than in the recent past. More homes are being refinanced as the mortgage market improves and building permits are holding steady. In addition, union wages are set through June 30, 2020.

Madison County's General Fund balance experienced strong growth in fiscal year 2018, which has continued throughout fiscal year 2019. The General Fund's monthly balance is regularly above \$1,000,000, and the Group Health Insurance Fund now maintains a monthly balance of \$375,000 to \$620,000. The net total of the budget amendments was \$400,633. The County's total tax levy rate decreased from \$9.80454 in fiscal year 2018 to \$9.7905 in fiscal year 2019.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Madison County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Madison County Auditor's Office, 112 N John Wayne Drive, Winterset, Iowa 50273-1534.

## **Basic Financial Statements**

Madison County  
Statement of Net Position  
June 30, 2018

	Governmental Activities
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 6,086,322
Receivables:	
Property tax:	
Delinquent	24,461
Succeeding year	7,379,000
Accounts	403,290
Accrued interest	10,009
Due from other governments	464,087
Inventories	405,405
Capital assets, net of accumulated depreciation	21,523,276
<b>Total assets</b>	<b>36,295,850</b>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	1,186,403
<b>Liabilities</b>	
Accounts payable	528,093
Accrued interest payable	1,796
Salaries and benefits payable	227,325
Due to other governments	15,651
Long-term liabilities:	
Portion due or payable within one year:	
General obligation notes	115,000
Compensated absences	370,835
Portion due or payable after one year:	
General obligation notes	980,000
Compensated absences	455,909
Net pension liability	3,090,437
Total OPEB liability	230,447
<b>Total liabilities</b>	<b>6,015,493</b>
<b>Deferred Inflows of Resources:</b>	
Unavailable property tax revenue	7,379,000
Pension related deferred inflows	127,300
OPEB related deferred inflows	4,083
<b>Total deferred inflows of resources</b>	<b>7,510,383</b>
<b>Net Position</b>	
Net investment in capital assets	20,428,276
Restricted for:	
Supplemental levy purposes	496,049
Mental health purposes	90,012
Rural services purposes	590,080
Secondary roads purposes	2,318,502
Debt service	500
Other purposes	434,772
Unrestricted	(401,814)
<b>Total net position</b>	<b>\$ 23,956,377</b>

See notes to financial statements.

Madison County  
Statement of Activities  
Year ended June 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 3,250,871	888,411	113,735	-	(2,248,725)
Physical health and social services	751,823	67,235	87,827	-	(596,761)
Mental health	385,994	-	-	-	(385,994)
County environment and education	953,737	130,665	126,647	-	(696,425)
Roads and transportation	6,590,569	105,026	3,803,807	2,995,542	313,806
Governmental services to residents	599,065	392,443	1,765	-	(204,857)
Administration	1,220,936	51,310	11,035	-	(1,158,591)
Non-program	135,681	141,963	-	-	6,282
Interest on long-term debt	23,673	-	-	-	(23,673)
<b>Total</b>	<b>\$ 13,912,349</b>	<b>1,777,053</b>	<b>4,144,816</b>	<b>2,995,542</b>	<b>(4,994,938)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					6,601,371
Penalty and interest on property tax					53,485
State tax credits					426,627
Local option sales tax					808,020
Unrestricted investment earnings					58,650
Miscellaneous					83,993
<b>Total general revenues</b>					<b>8,032,146</b>
Change in net position					3,037,208
Net position beginning of year, as restated					20,919,169
Net position end of year					<b>\$ 23,956,377</b>

See notes to financial statements.

Madison County  
Balance Sheet  
Governmental Funds

June 30, 2018

	General	Special Mental Health
<b>Assets</b>		
Cash, cash equivalents and pooled investments	\$ 1,940,628	92,270
Receivables:		
Property tax:		
Delinquent	19,940	577
Succeeding year	4,586,000	350,000
Accounts	368,188	-
Accrued interest	9,183	-
Due from other governments	41,520	-
Inventories	-	-
Advances to other funds	60,000	-
	<b>\$ 7,025,459</b>	<b>442,847</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ 51,506	2,269
Salaries and benefits payable	74,918	566
Due to other governments	13,432	-
Total liabilities	139,856	2,835
Deferred inflows of resources:		
Unavailable revenues:		
Succeeding year property tax	4,586,000	350,000
Other	239,421	577
Total deferred inflows of resources	4,825,421	350,577
Fund balances:		
Nonspendable:		
Inventories	-	-
Advance to Internal Service Fund	60,000	-
Restricted for:		
Supplemental levy purposes	522,343	-
Mental health purposes	-	89,435
Rural services purposes	-	-
Secondary roads purposes	-	-
Debt service	-	-
Other purposes	-	-
Capital projects purposes	-	-
Unassigned	1,477,839	-
Total fund balances	2,060,182	89,435
	<b>\$ 7,025,459</b>	<b>442,847</b>

See notes to financial statements.

Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
531,581	2,470,843	404,334	5,439,656
3,868	-	76	24,461
2,394,000	-	49,000	7,379,000
150	1,048	7,803	377,189
-	-	166	9,349
110,694	284,199	27,674	464,087
-	371,666	-	371,666
-	-	-	60,000
3,040,293	3,127,756	489,053	14,125,408
3,858	207,321	2,985	267,939
5,121	146,720	-	227,325
93	2,126	-	15,651
9,072	356,167	2,985	510,915
2,394,000	-	49,000	7,379,000
3,866	-	76	243,940
2,397,866	-	49,076	7,622,940
-	371,666	-	371,666
-	-	-	60,000
-	-	-	522,343
-	-	-	89,435
633,355	-	-	633,355
-	2,399,923	-	2,399,923
-	-	424	424
-	-	412,964	412,964
-	-	23,604	23,604
-	-	-	1,477,839
633,355	2,771,589	436,992	5,991,553
3,040,293	3,127,756	489,053	14,125,408

**Madison County**

Madison County

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

June 30, 2018

**Total governmental fund balances (page 21)** \$ 5,991,553

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$35,761,540 and the accumulated depreciation is \$14,238,264. 21,523,276

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 243,940

The Internal Service Funds are used by management to charge the costs of the self-funding of the County's health insurance benefit plan and other internal costs to individual funds. The assets and liabilities of the Internal Service Funds are included with governmental activities in the Statement of Net Position. 387,012

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

Deferred outflows of resources	\$ 1,186,403	
Deferred inflows of resources	<u>(131,383)</u>	1,055,020

Long-term liabilities, including general obligation notes payable, compensated absences payable, net pension liability, total OPEB liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (5,244,424)

**Net position of governmental activities (page 18)** \$ 23,956,377

See notes to financial statements.

Madison County

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

Year ended June 30, 2018

		Special
	General	Mental Health
Revenues:		
Property and other county tax	\$ 4,078,005	332,208
Local option sales tax	-	-
Interest and penalty on property tax	53,485	-
Intergovernmental	640,217	23,434
Licenses and permits	1,306	-
Charges for service	1,172,177	-
Use of money and property	141,127	-
Miscellaneous	76,801	-
Total revenues	6,163,118	355,642
Expenditures:		
Operating:		
Public safety and legal services	2,868,964	-
Physical health and social services	658,434	-
Mental health	-	385,828
County environment and education	626,411	-
Roads and transportation	-	-
Governmental services to residents	480,994	-
Administration	1,147,852	-
Debt service	-	-
Capital projects	-	-
Total expenditures	5,782,655	385,828
Excess (deficiency) of revenues over (under) expenditures	380,463	(30,186)
Other financing sources (uses):		
Note proceeds	-	-
Transfers in	-	-
Transfers out	(167,659)	-
Total other financing sources (uses)	(167,659)	-
Change in fund balances	212,804	(30,186)
Fund balances beginning of year	1,847,378	119,621
Fund balances end of year	\$ 2,060,182	89,435

See notes to financial statements.

Revenue			
Rural Services	Secondary Roads	Nonmajor	Total
2,158,211	-	31,909	6,600,333
646,416	-	161,604	808,020
-	-	-	53,485
121,836	4,502,375	15,433	5,303,295
72,245	23,015	-	96,566
31,870	10,905	3,995	1,218,947
-	-	1,432	142,559
34,889	33,273	121,069	266,032
3,065,467	4,569,568	335,442	14,489,237
243,930	-	748	3,113,642
83,133	-	-	741,567
-	-	-	385,828
245,038	-	10,647	882,096
614,882	4,876,083	-	5,490,965
1,913	-	-	482,907
-	-	84,867	1,232,719
-	-	137,999	137,999
10,240	1,356,877	470,779	1,837,896
1,199,136	6,232,960	705,040	14,305,619
1,866,331	(1,663,392)	(369,598)	183,618
-	-	400,000	400,000
-	1,855,246	62,379	1,917,625
(1,719,966)	-	(30,000)	(1,917,625)
(1,719,966)	1,855,246	432,379	400,000
146,365	191,854	62,781	583,618
486,990	2,579,735	374,211	5,407,935
633,355	2,771,589	436,992	5,991,553

Madison County

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

Year ended June 30, 2018

**Change in fund balances - Total governmental funds (page 25)** \$ 583,618

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

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

Expenditures for capital assets	\$ 1,768,438	
Contributed capital assets	2,328,078	
Depreciation expense	<u>(1,172,447)</u>	2,924,069

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

Property tax	1,038	
Other	<u>(10,759)</u>	(9,721)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments, as follows:

Issued	(400,000)	
Repaid	<u>115,000</u>	(285,000)

The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position.

439,324

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

Compensated absences	(104,111)	
OPEB expense	(24,147)	
Pension expense	(495,587)	
Interest on long-term debt	<u>(674)</u>	(624,519)

The Internal Service Funds are used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan and other internal costs to individual funds. The change in net position of the Internal Service Funds is reported with governmental activities.

9,437

**Change in net position of governmental activities (page 19)**

\$ 3,037,208

See notes to financial statements.

Madison County  
 Statement of Net Position  
 Proprietary Funds

June 30, 2018

	<u>Internal Service</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 646,666
Accounts receivable	26,101
Accrued interest	660
Inventories	<u>33,739</u>
<b>Total assets</b>	<u>707,166</u>
<b>Liabilities</b>	
Accounts payable	260,154
Advance from General Fund	<u>60,000</u>
<b>Total liabilities</b>	<u>320,154</u>
<b>Net Position</b>	
Unrestricted	<u>\$ 387,012</u>

See notes to financial statements.

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

Year ended June 30, 2018

	<u>Internal Service</u>
Operating revenues:	
Reimbursements from operating funds and employees	\$ 2,360,831
Reimbursements from others	<u>15,462</u>
Total operating revenues	2,376,293
Operating expenses:	
Medical claims	\$ 2,007,708
Materials and supplies	<u>364,577</u>
Operating income	<u>4,008</u>
Non-operating revenues:	
Interest income	<u>5,429</u>
Net income	9,437
Net position beginning of year	<u>377,575</u>
Net position end of year	<u>\$ 387,012</u>

See notes to financial statements.

Madison County  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2018

	Internal Service
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 2,239,947
Cash received from others	135,741
Cash paid to suppliers for goods and services	(2,299,767)
Net cash provided by operating activities	75,921
Cash flows from investing activities:	
Interest on investments	5,429
Net increase in cash and cash equivalents	81,350
Cash and cash equivalents beginning of year	565,316
Cash and cash equivalents end of year	\$ 646,666
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 4,008
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	(169)
Increase in accrued interest	(436)
Increase in inventories	(5,883)
Increase in accounts payable	78,401
Net cash provided by operating activities	\$ 75,921

See notes to financial statements.

## Madison County

Statement of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2018

**Assets**

Cash and pooled investments:

County Treasurer	\$ 14,097,390
Other County officials	79,940

Receivables:

Property tax:

Delinquent	35,313
Succeeding year	23,813,000
Accounts	566
Accrued interest	13,012
Special assessments	291,980
Due from other governments	58,612

**Total assets**38,389,813**Liabilities**

Accounts payable	672,024
Salaries and benefits payable	6,238
Due to other governments	37,653,066
Trusts payable	58,485

**Total liabilities**38,389,813**Net position**\$ -

See notes to financial statements.

Madison County

Notes to Financial Statements

June 30, 2018

**(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.

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

A. Reporting Entity

For financial reporting purposes, Madison County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Madison County (the primary government) and its component unit. The component unit discussed below is included in the County's reporting entity because of the significance of its operational or financial relationship with the County.

Blended Component Unit – The Madison County Covered Bridge Preservation Association, Inc. (Association) is legally separate from the County, but is so intertwined with the County it is, in substance, the same as the County. The Association was established pursuant to Chapter 504A of the Code of Iowa to promote the repair, maintenance and preservation of Madison County's six covered bridges. The Association is reported as a Special Revenue Fund.

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

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

The Statement of Net Position presents the County’s nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

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

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

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

### C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for 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 amortized 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 reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments based on January 1, 2016 assessed property valuations; is for the tax accrual period July 1, 2017 through June 30, 2018 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2017.

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

Special Assessments Receivable – Special assessments receivable represents the amounts assessed to individuals for work done which benefits their property. These assessments are payable by individuals in not more than 15 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent special assessments receivable represents assessments which are due and payable but have not been collected.

Advances to/from Other Funds – Non-current long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve for governmental funds, which indicates they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Intangibles	50,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

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

Asset Class	Estimated Useful Lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Intangibles	5 - 20
Equipment	2 - 20
Vehicles	3 - 10

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, compensatory, and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2018. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on Madison County’s actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2018, disbursements exceeded the amounts budgeted in the mental health and county environment and education functions prior to amendment. In addition, disbursements in certain departments exceeded the amounts appropriated.

**(2) Cash, Cash Equivalents and Pooled Investments**

The County's deposits in banks at June 30, 2018 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$3,820,213 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

**(3) Advances To and From Other Funds**

The detail of advances to/from other funds at June 30, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Internal Service: Fuel	<u>\$ 60,000</u>

The advance between the General Fund and the Internal Service, Fuel Fund resulted from a loan between funds which has not been repaid.

#### (4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:		
Secondary Roads	General	\$ 135,280
	Special Revenue:	
	Rural Services	1,719,966
		<u>1,855,246</u>
Capital Projects	General	32,379
	Special Revenue:	
	Local Option Sales Tax	30,000
		<u>62,379</u>
Total		<u>\$ 1,917,625</u>

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

#### (5) Capital Assets

Capital assets activity for the year ended June 30, 2018 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,648,385	-	-	1,648,385
Intangibles, road network	104,029	-	-	104,029
Construction in progress	501,387	3,114,953	(2,829,464)	786,876
Total capital assets not being depreciated	2,253,801	3,114,953	(2,829,464)	2,539,290
Capital assets being depreciated:				
Buildings	3,815,091	398,618	-	4,213,709
Improvements other than buildings	31,147	-	-	31,147
Equipment and vehicles	8,600,686	74,758	-	8,675,444
Infrastructure, road network	16,964,299	3,337,651	-	20,301,950
Total capital assets being depreciated	29,411,223	3,811,027	-	33,222,250
Less accumulated depreciation for:				
Buildings	1,617,202	99,931	-	1,717,133
Improvements other than buildings	31,147	-	-	31,147
Equipment and vehicles	6,195,900	376,809	-	6,572,709
Infrastructure, road network	5,221,568	695,707	-	5,917,275
Total accumulated depreciation	13,065,817	1,172,447	-	14,238,264
Total capital assets being depreciated, net	16,345,406	2,638,580	-	18,983,986
Governmental activities capital assets, net	\$ 18,599,207	5,753,533	(2,829,464)	<u>21,523,276</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 84,094
Physical health and social services	8,298
County environment and education	22,689
Roads and transportation	999,028
Administration	58,338
Total depreciation expense - governmental activities	<u>\$ 1,172,447</u>

**(6) Due to Other Governments**

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2018 is as follows:

Fund	Description	Amount
General	Services	\$ 13,432
Special Revenue:		
Rural Services	Services	93
Secondary Roads	Services	2,126
Total for governmental funds		<u>\$ 15,651</u>
Agency:		
County Offices	Collections	\$ 22,021
Agricultural Extension Education		281,316
Central Iowa Community Services		12,322,518
County Assessor		484,622
Schools		14,771,858
Community Colleges		608,374
Corporations		5,232,559
Townships		381,570
County Hospital		2,273,519
Special Assessments		292,835
Auto License and Use Tax		498,792
Other		483,082
Total for agency funds		<u>\$ 37,653,066</u>

**(7) Long-Term Liabilities**

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

	General					Total
	General Obligation Refunding Notes	Obligation Capital Loan Notes	Compensated Absences	Net Pension Liability	Total OPEB Liability	
Balance beginning of year, as restated	\$ 810,000	-	722,633	2,906,161	210,383	4,649,177
Increases	-	400,000	503,312	184,276	20,064	1,107,652
Decreases	75,000	40,000	399,201	-	-	514,201
Balance end of year	\$ 735,000	360,000	826,744	3,090,437	230,447	5,242,628
Due within one year	\$ 75,000	40,000	370,835	-	-	485,835

General Obligation Notes

A summary of the County's June 30, 2018 general obligation bonded indebtedness is as follows:

Year Ending June 30,	General Obligation Notes					
	General Obligation Refunding Notes Issued June 22, 2016			General Obligation Capital Loan Notes Issued July 3, 2017		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2019	1.00%	\$ 75,000	12,710	2.45%	\$ 40,000	8,820
2020	1.20	75,000	11,960	2.45	40,000	7,861
2021	1.20	80,000	11,060	2.45	40,000	6,860
2022	2.00	80,000	10,100	2.45	40,000	5,880
2023	2.00	80,000	8,500	2.45	40,000	4,900
2024-2028	2.00	345,000	17,400	2.45	160,000	9,811
Total		<u>\$ 735,000</u>	<u>71,730</u>		<u>\$ 360,000</u>	<u>44,132</u>

### General Obligation Refunding Notes

On June 22, 2016, the County issued \$810,000 of general obligation local option sales and service tax refunding capital loan notes for the crossover advance refunding of \$775,000 of general obligation local sales and service tax bonds dated August 25, 2010. The \$775,000 of bonds were called on June 1, 2017.

### General Obligation Capital Loan Notes

General obligation capital loan notes totaling \$400,000 were issued on July 3, 2017 to Farmers and Merchants State Bank for the purpose of paying the costs of public buildings, including the site or grounds of, and the erection, equipment, remodeling, or reconstruction of, and additions or extensions to the buildings, including acquisition of the Union State Bank property. The notes bear interest of 2.45% per annum and mature on June 1, 2027. During the year ended June 30, 2018, the County retired \$40,000 of the notes.

## **(8) Pension Plan**

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

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

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

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

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

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

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

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

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

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

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

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

The County's contributions to IPERS for the year ended June 30, 2018 were \$439,324.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the County reported a liability of \$3,090,437 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the County's proportion was 0.046394%, which was an increase of 0.000215% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of \$495,587. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,475	46,022
Changes of assumptions	695,761	5,293
Net difference between projected and actual earnings on IPERS' investments	-	45,349
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	11,843	30,636
County contributions subsequent to the measurement date	439,324	-
Total	<u>\$ 1,186,403</u>	<u>127,300</u>

\$439,324 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2019	\$ 55,720
2020	304,559
2021	189,526
2022	17,807
2023	49,167
Total	<u>\$ 616,779</u>

There were no non-employer contributing entities to IPERS.

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

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

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

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

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

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

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
County's proportionate share of the net pension liability	\$ 5,777,932	3,090,437	834,366

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

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

**(9) Other Postemployment Benefits (OPEB)**

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

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

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

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>89</u>
Total	<u>89</u>

Total OPEB Liability – The County’s total OPEB liability of \$230,447 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

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

Rate of inflation (effective June 30, 2018)	2.60% per annum.
Rates of salary increase (effective June 30, 2018)	3.25% to 16.25% average, including inflation.
Discount rate (effective June 30, 2018)	3.87% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2018)	1.70% for fiscal year 2018.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.87% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP-2014 Employee Table, projected generationally using MP-2017. Annual retirement rates are from the RP-2014 Healthy Annuitant Table, projected generationally using MP-2017.

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year, as restated	\$ 210,383
Changes for the year:	
Service cost	20,911
Interest	8,204
Changes in assumptions	(4,683)
Benefit payments	(4,368)
Net changes	<u>20,064</u>
Total OPEB liability end of year	<u>\$ 230,447</u>

Changes of assumptions reflect a change in the discount rate from 3.58% in fiscal year 2017 to 3.87% in fiscal year 2018.

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.87%) or 1% higher (4.87%) than the current discount rate.

	<u>1% Decrease (2.87%)</u>	<u>Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Total OPEB liability	\$ 246,956	230,447	214,819

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (0.70%) or 1% higher (2.70%) than the current healthcare cost trend rates.

	<u>1% Decrease (0.70%)</u>	<u>Healthcare Cost Trend Rate (1.70%)</u>	<u>1% Increase (2.70%)</u>
Total OPEB liability	\$ 207,185	230,447	257,681

OPEB Expense and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2018, the County recognized OPEB expense of \$20,064. At June 30, 2018, the County reported deferred inflows of resources related to OPEB from the following resources:

	<u>Deferred Inflows of Resources</u>
Changes in assumptions	<u>\$ 4,083</u>

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

Year ending June 30,	Amount
2019	\$ (600)
2020	(600)
2021	(600)
2022	(600)
2023	(600)
Thereafter	(1,083)
	<u>\$ (4,083)</u>

**(10) Risk Management**

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 775 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member’s annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool’s general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

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

The County’s property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County’s contributions to the Pool for the year ended June 30, 2018 were \$117,745.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials’ liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County’s risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County’s risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2018, no liability has been recorded in the County's financial statements. As of June 30, 2018, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from another insurer for coverage associated with workers compensation in the amount of \$1,000,000. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **(11) Employee Health Insurance Plan**

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2018 was \$2,009,947.

Amounts payable from the Employee Group Health Fund at June 30, 2018 total \$207,487, 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 \$310,704 at June 30, 2018 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires 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 liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 160,454
Incurred claims (including claims incurred but not reported at June 30, 2018)	2,007,708
Payments on claims during the fiscal year	<u>(1,960,675)</u>
Unpaid claims end of year	<u>\$ 207,487</u>

**(12) Tax Abatements**

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

**Tax Abatements of Other Entities**

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

Entity	Tax Abatement Program	Amount of Tax Abated
City of Winterset	Urban renewal and economic development projects	\$ 55,285
City of Earlham	Urban renewal and economic development projects	3,478

**(13) County Financial Information Included in the Central Iowa Community Services Mental Health Region**

Central Iowa Community Services, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa, includes the following member counties: Boone County, Franklin County, Hamilton County, Hardin County, Jasper County, Marshall County, Poweshiek County, Story County, Warren County and Madison County. The financial activity of the County's Special Revenue, Mental Health Fund is included in the Central Iowa Community Services Mental Health Region for the year ended June 30, 2018, as follows:

Revenues:			
Property and other county tax		\$	332,208
Intergovernmental:			
State tax credits	\$	23,290	
Other		144	23,434
			<u>355,642</u>
Total revenues			
Expenditures:			
Services to persons with:			
Mental illness			20,838
General administration:			
Direct administration		4,969	
Distribution to regional fiscal agent		360,021	364,990
			<u>385,828</u>
Total expenditures			
Excess of revenues over expenditures			(30,186)
Fund balance beginning of year			<u>119,621</u>
Fund balance end of year		\$	<u>89,435</u>

**(14) Accounting Change/Restatement**

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

	<u>Governmental Activities</u>
Net position June 30, 2017, as previously reported	\$ 20,485,152
Net OPEB obligation measured under previous standards	644,400
Total OPEB liability at June 30, 2017	<u>(210,383)</u>
Net position July 1, 2017, as restated	<u>\$ 20,919,169</u>

**Required Supplementary Information**

Madison County

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

Required Supplementary Information

Year ended June 30, 2018

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 7,340,985	-	7,340,985
Interest and penalty on property tax	54,248	-	54,248
Intergovernmental	5,398,518	-	5,398,518
Licenses and permits	96,132	-	96,132
Charges for service	1,194,287	-	1,194,287
Use of money and property	136,998	140	136,858
Miscellaneous	254,110	113,596	140,514
Total receipts	<u>14,475,278</u>	<u>113,736</u>	<u>14,361,542</u>
<b>Disbursements:</b>			
Public safety and legal services	3,120,684	-	3,120,684
Physical health and social services	740,277	-	740,277
Mental health	383,503	-	383,503
County environment and education	882,965	8,006	874,959
Roads and transportation	5,442,058	-	5,442,058
Governmental services to residents	481,447	-	481,447
Administration	1,228,193	-	1,228,193
Debt service	137,999	-	137,999
Capital projects	1,796,866	-	1,796,866
Total disbursements	<u>14,213,992</u>	<u>8,006</u>	<u>14,205,986</u>
Excess (deficiency) of receipts over (under) disbursements	261,286	105,730	155,556
Other financing sources, net	400,000	-	400,000
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	661,286	105,730	555,556
Balance beginning of year	4,778,370	118,937	4,659,433
Balance end of year	<u>\$ 5,439,656</u>	<u>224,667</u>	<u>5,214,989</u>

See accompanying independent auditor's report.

---

Budgeted Amounts		Final to Net Variance
Original	Final	
7,493,495	7,493,495	(152,510)
67,255	67,255	(13,007)
5,386,152	5,386,152	12,366
56,280	52,780	43,352
964,490	967,955	226,332
97,513	97,548	39,310
59,073	64,746	75,768
14,124,258	14,129,931	231,611
3,096,389	3,256,965	136,281
854,078	855,578	115,301
351,216	385,000	1,497
834,266	887,552	12,593
6,119,428	6,119,428	677,370
473,683	492,683	11,236
1,309,921	1,330,445	102,252
138,001	138,001	2
1,760,577	1,858,327	61,461
14,937,559	15,323,979	1,117,993
(813,301)	(1,194,048)	1,349,604
402,000	402,000	(2,000)
(411,301)	(792,048)	1,347,604
3,752,683	3,752,683	906,750
3,341,382	2,960,635	2,254,354

**Madison County**

---

Madison County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2018

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 14,475,278	13,959	14,489,237
Expenditures	14,213,992	91,627	14,305,619
Net	261,286	(77,668)	183,618
Other financing sources, net	400,000	-	400,000
Beginning fund balances	4,778,370	629,565	5,407,935
Ending fund balances	\$ 5,439,656	551,897	5,991,553

See accompanying independent auditor's report.

Madison County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2018

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$386,420. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2018, disbursements exceeded the amounts budgeted in the mental health and county environment and education functions prior to the budget amendment. In addition, disbursements in certain departments exceeded the amounts appropriated.

---

Madison County

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

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

Required Supplementary Information

	2018	2017	2016	2015
County's proportion of the net pension liability	0.046394%	0.046179%	0.042667%	0.039541%
County's proportionate share of the net pension liability	\$ 3,090	2,906	2,108	1,568
County's covered payroll	\$ 4,485	4,285	4,129	4,034
County's proportionate share of the net pension liability as a percentage of its covered payroll	68.90%	67.82%	51.05%	38.87%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

---

Madison County

Schedule of County Contributions

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

Required Supplementary Information

	2018	2017	2016	2015
Statutorily required contribution	\$ 439	411	394	384
Contributions in relation to the statutorily required contribution	(439)	(411)	(394)	(384)
Contribution deficiency (excess)	\$ -	-	-	-
County's covered payroll	\$ 4,808	4,485	4,285	4,129
Contributions as a percentage of covered payroll	9.13%	9.16%	9.19%	9.30%

See accompanying independent auditor's report.

---

2014	2013	2012	2011	2010	2009
373	365	342	267	239	295
(373)	(365)	(342)	(267)	(239)	(295)
-	-	-	-	-	-
4,034	4,029	3,975	3,542	3,379	4,019
9.25%	9.06%	8.60%	7.54%	7.07%	7.34%

Madison County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2018

*Changes of benefit terms:*

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

*Changes of assumptions:*

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

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

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

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

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

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

---

Madison County

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

For the Current Year  
Required Supplementary Information

	<u>2018</u>
Service cost	\$ 20,911
Interest cost	8,204
Changes in assumptions	(4,683)
Benefit payments	<u>(4,368)</u>
Net change in total OPEB liability	<u>20,064</u>
Total OPEB liability beginning of year, as restated	<u>210,383</u>
Total OPEB liability end of year	<u>\$ 230,447</u>
Covered-employee payroll	<u>\$ 4,497,640</u>
Total OPEB liability as a percentage of covered-employee payroll	5.1%

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

*Changes in benefit terms:*

There were no significant changes in benefit terms.

*Changes in assumptions:*

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

Year ended June 30, 2018	3.87%
Year ended June 30, 2017	3.58%

**Madison County**

## **Supplementary Information**

Madison County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2018

	County Recorder's Records Management	Resource Enhancement and Protection	Special Covered Bridge
<b>Assets</b>			
Cash and pooled investments	\$ 35,349	90,192	1
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	320	-	-
Accrued interest	46	120	-
Due from other governments	-	-	-
<b>Total assets</b>	<b>\$ 35,715</b>	<b>90,312</b>	<b>1</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	-	115	-
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	-	-
Other	-	-	-
Total deferred inflows of resources	-	-	-
Restricted for:			
Debt service	-	-	-
Other purposes	35,715	90,197	1
Capital projects	-	-	-
Total fund balances	35,715	90,197	1
<b>Total liabilities and fund balances</b>	<b>\$ 35,715</b>	<b>90,312</b>	<b>1</b>

See accompanying independent auditor's report.

Revenue						
Local Option Sales Tax	Sheriff McDee	County Attorney Forfeiture	Covered Bridge Preservation Association	Debt Service	Capital Projects	Total
19,175	9,728	1,204	224,657	424	23,604	404,334
-	-	-	-	76	-	76
-	-	-	-	49,000	-	49,000
-	7,483	-	-	-	-	7,803
-	-	-	-	-	-	166
27,674	-	-	-	-	-	27,674
46,849	17,211	1,204	224,657	49,500	23,604	489,053
2,122	748	-	-	-	-	2,985
-	-	-	-	49,000	-	49,000
-	-	-	-	76	-	76
-	-	-	-	49,076	-	49,076
-	-	-	-	424	-	424
44,727	16,463	1,204	224,657	-	-	412,964
-	-	-	-	-	23,604	23,604
44,727	16,463	1,204	224,657	424	23,604	436,992
46,849	17,211	1,204	224,657	49,500	23,604	489,053

Madison County

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

Year ended June 30, 2018

	County Recorder's Records Management	Resource Enhancement and Protection	Special Covered Bridge
Revenues:			
Property and other county tax	\$ -	-	-
Local option sales tax	-	-	-
Intergovernmental	-	11,057	-
Charges for service	3,995	-	-
Use of money and property	356	936	-
Miscellaneous	-	-	-
Total revenues	4,351	11,993	-
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	2,641	-
Administration	225	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	225	2,641	-
Excess (deficiency) of revenues over (under) expenditures	4,126	9,352	-
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Note proceeds	-	-	-
Total other financing sources (uses)	-	-	-
Change in fund balances	4,126	9,352	-
Fund balances beginning of year	31,589	80,845	1
Fund balances end of year	\$ 35,715	90,197	1

See accompanying independent auditor's report.

Revenue							
Local Option Sales Tax	Sheriff McDee	County Attorney Forfeiture	Covered Bridge Preservation Association	Debt Service	Capital Projects	Total	
-	-	-	-	31,909	-	31,909	
161,604	-	-	-	-	-	161,604	
-	-	-	-	2,372	2,004	15,433	
-	-	-	-	-	-	3,995	
-	-	-	140	-	-	1,432	
-	7,483	-	113,586	-	-	121,069	
161,604	7,483	-	113,726	34,281	2,004	335,442	
-	748	-	-	-	-	748	
-	-	-	8,006	-	-	10,647	
84,642	-	-	-	-	-	84,867	
89,060	-	-	-	48,939	-	137,999	
-	-	-	-	-	470,779	470,779	
173,702	748	-	8,006	48,939	470,779	705,040	
(12,098)	6,735	-	105,720	(14,658)	(468,775)	(369,598)	
-	-	-	-	-	62,379	62,379	
(30,000)	-	-	-	-	-	(30,000)	
-	-	-	-	-	400,000	400,000	
(30,000)	-	-	-	-	462,379	432,379	
(42,098)	6,735	-	105,720	(14,658)	(6,396)	62,781	
86,825	9,728	1,204	118,937	15,082	30,000	374,211	
44,727	16,463	1,204	224,657	424	23,604	436,992	

**Schedule 3**

---

## Madison County

Combining Schedule of Net Position  
Internal Service Funds

June 30, 2018

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 108,490	4,918	517,531	15,727	646,666
Accounts receivable	26,101	-	-	-	26,101
Accrued interest	-	-	660	-	660
Inventories	33,739	-	-	-	33,739
<b>Total assets</b>	<b>168,330</b>	<b>4,918</b>	<b>518,191</b>	<b>15,727</b>	<b>707,166</b>
<b>Liabilities</b>					
Accounts payable	52,667	-	207,487	-	260,154
Advance from General Fund	60,000	-	-	-	60,000
<b>Total liabilities</b>	<b>112,667</b>	<b>-</b>	<b>207,487</b>	<b>-</b>	<b>320,154</b>
<b>Net Position</b>					
Unrestricted	\$ 55,663	4,918	310,704	15,727	387,012

See accompanying independent auditor's report.

## Madison County

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

Year ended June 30, 2018

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Operating revenues:					
Reimbursements from operating funds and employees	\$ 327,444	23,440	2,009,947	-	2,360,831
Reimbursements from others	15,462	-	-	-	15,462
Total operating revenues	342,906	23,440	2,009,947	-	2,376,293
Operating expenses:					
Medical claims	-	-	2,007,708	-	2,007,708
Materials and supplies	344,455	20,122	-	-	364,577
Unemployment claims	-	-	-	-	-
Total operating expenses	344,455	20,122	2,007,708	-	2,372,285
Operating income (loss)	(1,549)	3,318	2,239	-	4,008
Non-operating revenues:					
Interest income	-	-	5,429	-	5,429
Net income (loss)	(1,549)	3,318	7,668	-	9,437
Net position beginning of year	57,212	1,600	303,036	15,727	377,575
Net position end of year	\$ 55,663	4,918	310,704	15,727	387,012

See accompanying independent auditor's report.

**Madison County**

Madison County  
Combining Schedule of Cash Flows  
Internal Service Funds

Year ended June 30, 2018

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Cash flows from operating activities:					
Cash received from operating fund reimbursements	\$ 326,107	23,131	1,890,709	-	2,239,947
Cash received from others	15,462	1,477	118,802	-	135,741
Cash paid to suppliers for goods and services	(318,970)	(20,122)	(1,960,675)	-	(2,299,767)
Net cash provided by operating activities	22,599	4,486	48,836	-	75,921
Cash flows from investing activities:					
Interest on investments	-	-	5,429	-	5,429
Net increase (decrease) in cash and cash equivalents	22,599	4,486	54,265	-	81,350
Cash and cash equivalents beginning of year	85,891	432	463,266	15,727	565,316
Cash and cash equivalents end of year	\$ 108,490	4,918	517,531	15,727	646,666
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (1,549)	3,318	2,239	-	4,008
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Increase in accounts receivable	(1,337)	1,168	-	-	(169)
Increase in accrued interest	-	-	(436)	-	(436)
Increase in inventories	(5,883)	-	-	-	(5,883)
Increase (Decrease) in accounts payable	31,368	-	47,033	-	78,401
Net cash provided by operating activities	\$ 22,599	4,486	48,836	-	75,921

See accompanying independent auditor's report.

Madison County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2018

	County Offices	Agricultural Extension Education	Central Iowa Community Services	County Assessor	Schools
<b>Assets</b>					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	1,881	12,922,483	101,966	107,010
Other county officials	79,940	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	435	-	640	23,848
Succeeding year	-	279,000	-	388,000	14,641,000
Accounts	566	-	-	-	-
Accrued interest	-	-	13,012	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	58,612	-	-
<b>Total assets</b>	<b>\$ 80,506</b>	<b>281,316</b>	<b>12,994,107</b>	<b>490,606</b>	<b>14,771,858</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	671,589	51	-
Salaries and benefits payable	-	-	-	5,933	-
Due to other governments	22,021	281,316	12,322,518	484,622	14,771,858
Trusts payable	58,485	-	-	-	-
<b>Total liabilities</b>	<b>\$ 80,506</b>	<b>281,316</b>	<b>12,994,107</b>	<b>490,606</b>	<b>14,771,858</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Special Assessments	Auto License and Use Tax	Other	Total
4,397	31,419	14,020	16,804	855	498,792	397,763	14,097,390
-	-	-	-	-	-	-	79,940
977	5,140	550	3,715	-	-	8	35,313
603,000	5,196,000	367,000	2,253,000	-	-	86,000	23,813,000
-	-	-	-	-	-	-	566
-	-	-	-	-	-	-	13,012
-	-	-	-	291,980	-	-	291,980
-	-	-	-	-	-	-	58,612
<b>608,374</b>	<b>5,232,559</b>	<b>381,570</b>	<b>2,273,519</b>	<b>292,835</b>	<b>498,792</b>	<b>483,771</b>	<b>38,389,813</b>
-	-	-	-	-	-	384	672,024
-	-	-	-	-	-	305	6,238
608,374	5,232,559	381,570	2,273,519	292,835	498,792	483,082	37,653,066
-	-	-	-	-	-	-	58,485
<b>608,374</b>	<b>5,232,559</b>	<b>381,570</b>	<b>2,273,519</b>	<b>292,835</b>	<b>498,792</b>	<b>483,771</b>	<b>38,389,813</b>

Madison County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2018

<b>Assets and Liabilities</b>	County Offices	Agricultural Extension Education	Central Iowa Community Services	County Assessor	Schools
Balances beginning of year	\$ 34,471	353,638	16,262,973	406,795	13,095,915
Additions:					
Property and other county tax	-	152,260	-	392,223	14,772,804
State tax credits	-	15,808	-	23,005	935,781
Office fees and collections	585,385	-	-	2,483	-
Electronic transaction fees	-	-	-	-	-
Intergovernmental	-	-	4,406,806	-	-
Use of money and property	-	-	117,668	-	-
Drivers license fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	260,596	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	845,981	168,068	4,524,474	417,711	15,708,585
Deductions:					
Agency remittances:					
To other funds	325,976	-	-	-	-
To other governments	221,160	240,390	7,793,340	333,900	14,032,642
Trusts paid out	252,810	-	-	-	-
Total deductions	799,946	240,390	7,793,340	333,900	14,032,642
Balances end of year	\$ 80,506	281,316	12,994,107	490,606	14,771,858

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Special Assessments	Auto License and Use Tax	Other	Total
519,360	5,386,676	319,834	2,000,270	133,251	641,806	334,741	39,489,730
609,870	4,070,691	378,059	2,279,063	-	-	252,691	22,907,661
36,867	538,103	17,991	141,034	-	-	2,064	1,710,653
-	-	-	-	-	-	-	587,868
-	-	-	-	-	-	3,990	3,990
-	-	-	-	-	-	-	4,406,806
-	-	-	-	-	-	-	117,668
-	-	-	-	-	31,605	-	31,605
-	-	-	-	-	6,387,598	-	6,387,598
-	-	-	-	214,798	-	-	214,798
-	-	-	-	-	-	-	260,596
-	965	-	-	-	-	455,810	456,775
646,737	4,609,759	396,050	2,420,097	214,798	6,419,203	714,555	37,086,018
-	-	-	-	-	213,110	-	539,086
557,723	4,763,876	334,314	2,146,848	55,214	6,349,107	565,525	37,394,039
-	-	-	-	-	-	-	252,810
557,723	4,763,876	334,314	2,146,848	55,214	6,562,217	565,525	38,185,935
608,374	5,232,559	381,570	2,273,519	292,835	498,792	483,771	38,389,813

Madison County

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

For the Last Ten Years

	2018	2017	2016	Modified 2015
<b>Revenues:</b>				
Property and other county tax	\$ 6,600,333	5,645,590	5,245,036	5,102,423
Local option sales tax	808,020	853,834	828,022	782,964
Interest and penalty on property tax	53,485	49,664	50,976	68,799
Intergovernmental	5,303,295	5,391,755	5,763,728	4,303,079
Licenses and permits	96,566	85,924	82,113	77,368
Charges for service	1,218,947	1,121,149	1,011,350	999,314
Use of money and property	142,559	130,423	89,402	80,382
Miscellaneous	266,032	95,988	422,754	84,568
Total	<u>\$ 14,489,237</u>	<u>13,374,327</u>	<u>13,493,381</u>	<u>11,498,897</u>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 3,113,642	2,987,974	2,676,285	2,621,374
Physical health and social services	741,567	702,013	813,304	787,797
Mental health	385,828	375,970	462,688	1,093,759
County environment and education	882,096	803,659	801,043	776,979
Roads and transportation	5,490,965	5,597,445	5,269,385	4,961,120
Governmental services to residents	482,907	532,604	545,440	440,382
Administration	1,232,719	1,036,588	960,458	1,037,060
Debt service	137,999	109,080	108,730	95,365
Capital projects	1,837,896	1,015,015	586,530	330,927
Total	<u>\$ 14,305,619</u>	<u>13,160,348</u>	<u>12,223,863</u>	<u>12,144,763</u>

See accompanying independent auditor's report.

Accrual Basis					
2014	2013	2012	2011	2010	2009
5,103,832	4,950,192	4,889,033	4,686,472	4,577,982	4,188,008
616,372	638,033	657,207	602,982	520,628	550,144
62,203	54,362	73,249	67,508	69,986	67,857
3,810,503	4,268,480	4,507,478	4,588,148	4,564,032	5,039,690
74,010	51,876	47,457	50,271	43,816	53,116
1,097,147	1,049,418	964,730	997,725	853,295	843,810
82,091	87,971	85,308	92,295	116,991	148,741
185,974	132,709	219,062	94,568	149,770	95,833
<u>11,032,132</u>	<u>11,233,041</u>	<u>11,443,524</u>	<u>11,179,969</u>	<u>10,896,500</u>	<u>10,987,199</u>
2,584,643	2,576,984	2,662,269	2,414,981	2,407,600	2,253,877
656,646	646,271	676,795	638,138	730,227	667,658
158,846	538,171	2,096,367	1,162,155	1,218,829	1,138,136
708,773	431,731	226,955	622,784	613,421	662,155
4,482,822	4,623,156	4,864,203	4,324,970	3,875,440	4,088,516
462,328	710,190	458,115	436,243	427,940	415,448
1,159,194	858,981	811,147	962,660	838,801	1,250,962
96,850	97,615	93,460	113,432	80,362	81,278
93,750	839	1,053,555	603,619	832,758	152,549
<u>10,403,852</u>	<u>10,483,938</u>	<u>12,942,866</u>	<u>11,278,982</u>	<u>11,025,378</u>	<u>10,710,579</u>

**Schedule 9**

Madison County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Payments in Lieu of Taxes	15.226		\$ 13,869
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		5,412
U.S. Department of Justice:			
Iowa Department of Justice:			
Crime Victim Assistance	16.575	VA-18-42-16	25,662
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	BROS-CO61(102)-8J-61	3,394
Highway Planning and Construction	20.205	BROS-CO61(105)-8J-61	629,500
Highway Planning and Construction	20.205	BROS-CO61(107)-8J-61	35,445
			668,339
Iowa Department of Public Safety:			
Governor's Traffic Safety Bureau:			
State and Community Highway Safety	20.600	PAP 18-402-MOOP, Task 30-20-00	4,200
U. S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Polk County Board of Health:			
Hospital Preparedness Program (HPP) and Public Health			
Emergency Preparedness (PHEP) Cooperative Agreements	93.074	5888BT09	34,628
Immunization Cooperative Agreements	93.268	5888I452	6,699
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance State/Replacement			
Designee Administered Programs	93.566		8
Foster Care Title IV-E	93.658		1,979
Adoption Assistance	93.659		637
Social Services Block Grant	93.667		1,615
Children's Health Insurance Program	93.767		40
CCDF Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,470
Medicaid Cluster:			
Medical Assistance Program	93.778		8,795
Community-Based Child Abuse Prevention Grants	93.590	16-223	3,797

Madison County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2018

Grantor/Program	CFDA Number	Pass-through Entity Identifying Number	Program Expenditures
Indirect (Continued):			
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Emergency Management Performance Grants	97.036	EMPG-17-PT-61	23,856
Total Indirect			<u>787,137</u>
Total			<u>\$ 801,006</u>

**Basis of Presentation** – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Madison County under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Madison County, it is not intended to and does not present the financial position, changes in financial position or cash flows of Madison County.

**Summary of Significant Accounting Policies** – Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate** – Madison County has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor’s report.



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

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

To the Officials of Madison County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Madison County, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 1, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item II-A-19, we consider to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madison County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in 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, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

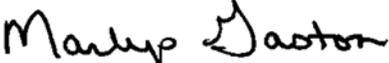
### Madison County's Responses to the Findings

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

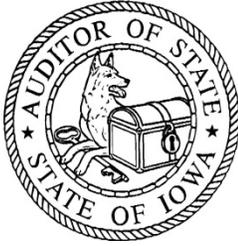
### Purpose of this Report

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

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

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

November 1, 2019



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by the Uniform Guidance

To the Officials of Madison County:

Report on Compliance for Each Major Federal Program

We have audited Madison County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2018. Madison County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Madison County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Madison County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

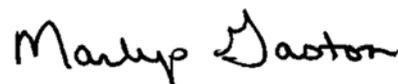
## Report on Internal Control Over Compliance

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

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

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

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



Marlys K. Gaston, CPA  
Deputy Auditor of State

November 1, 2019

Madison County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2018

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no instances of non-compliance which were required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was the Highway Planning and Construction Cluster, CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Madison County did not qualify as a low-risk auditee.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCY:**

II-A-18 Segregation of Duties

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

Condition – Generally, one or two individuals in the offices identified have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) One individual has control over opening and listing mail receipts, collecting, depositing, posting and daily reconciling of receipts.	Ambulance, Conservation Board, Public Health Nurse and Madison County Covered Bridge Preservation Association
(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.	Madison County Covered Bridge Preservation Association
(3) The person who signs checks was not independent of the person preparing checks, approving disbursements and recording cash disbursements.	Sheriff

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

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

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Recommendation – Each official should review the control activities of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

Responses –

Sheriff – The Senior Deputy will be responsible for the bank reconciliation duties effective immediately. This will allow the Chief Deputy to continue recording and documenting all monies coming into the Sheriff's office and it will segregate the duties for recording and reconciling.

At this time, we do not have the personnel to allow one person to prepare a check to another to sign the check. However, as the Sheriff's office expands and more people are hired, the practice will be implemented.

Ambulance – Our staff will do the best to segregate the duties with the limited amount of staff in the ambulance department.

Conservation Board – The Madison County Conservation Board attempts to segregate the responsibility of collections in the most feasible manner possible given the size of our staff.

Non-Reservation Camping Fee Collections (paid on-site): The four person full-time staff currently rotates three employees for weekend camping responsibilities on a weekly schedule. The Conservation Board established a Camp Ground Host Program in 2011. Two sets of camp hosts (scheduled on a monthly basis) are responsible for collecting fees and registration envelopes. The campground host collects the camping fees and registration envelopes on a daily basis and the County Conservation Board staff-person "on-duty" for each respective weekend, collects the camping receipt envelopes and fees from the host on Saturday and Sunday mornings. A second staff person re-counts all weekend camping revenue on Monday mornings and we provide two sets of initialing on camping receipts deposited with the Madison County Treasurer.

Advanced Reservation Camping Fee Collections (paid in advance): All advanced camping reservation fees are transacted by credit card only. All four full-time staff are responsible for taking reservations and operating the "phone-in" credit card transactions. These same staff members are also responsible for filling out corresponding registration envelopes.

Shelter, Cabins and Equipment Rental Fees: Almost 100% of these transactions are conducted by phone utilizing credit card payments (we require credit card transactions for all phone-in reservations). All staff personnel participate in taking such reservations and conducting the credit card transactions (depending on who is in the office or which staff person takes the phone call). Utilizing credit card transactions as the primary payment method (we discourage cash or checks for such

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

rentals) provides an additional paper trail from our credit card provider and associated local bank depository. A second staff person re-counts weekly revenue from these sources on Monday mornings and we provide two sets of initialing on receipts deposited with the Madison County Treasurer.

Environmental Education Program Fees: For most environmental education programs which require a fee, registrants usually mail their registration form and fee to our PO Box. These registrations and fees are usually addressed in a manner which identify them to be directed to the Naturalist, who in turn is responsible to document and deposit the fees utilizing the same duplication of initialing as mentioned above for other types of fee collections.

Mail Collection: Normally the Director picks up mail from the post office box. Mail is then distributed to appropriate staff. When the Director is vacation, another staff member normally handles all mail pickups. Since most facility reservation revenue is handled by credit card transaction, very little mail contains user fees, with the exception being Environmental Education programming fees (see above).

The only time we would depart from these procedures is if there is a staffing shortage in which only one staff person is present in the office for an extended period of time due to vacations, sickness or other causes requiring the absence of other staff personnel to provide duplicate initialing of deposits.

Public Health Nurse – Due to lack of staff members in the office, the recommendation will be difficult to implement. However, best efforts will be conducted to utilize additional persons with segregation of financial receipts duties.

Madison County Covered Bridge Preservation Association – The Madison County Bridge Preservation Association has a limited number of active members, but we will continue to work towards a method of reconciling receipts that will include more members and find an independent person to do bank reconciliations.

Conclusion – Responses accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Madison County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2018

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCE OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

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

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-18 Certified Budget – Disbursements during the year ended June 30, 2018 exceeded the amounts budgeted in the mental health and county environment and education functions prior to the budget amendment and disbursements in certain departments exceeded the amounts appropriated.

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

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

Response – The County will monitor the budget closer in the future.

Conclusion – Response accepted.

IV-B-18 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-18 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-18 Business Transactions – No business transactions between the County and County officials or employees were noted during the year ended June 30, 2018.

IV-E-18 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-F-18 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-18 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-H-18 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).

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

IV-I-18 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

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

IV-J-18 Emergency Management Board Budget – Disbursements during the year ended June 30, 2018 exceeded the amount budgeted.

Recommendation – The budget should have been amended by the Emergency Management Board in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The County and Emergency Management Board will watch the budget more closely in the future.

Conclusion – Response accepted.

Madison County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
Tammy A. Hollingsworth, CIA, Manager  
Erin J. Sietstra, Senior Auditor  
Alex N. Kawamura CPA, Senior Auditor  
Molly N. Kalkwarf, Staff Auditor  
Nichole D. Tucker, Staff Auditor  
Bianca M. Cleary, Assistant Auditor