



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

David A. Vaudt, CPA  
Auditor of State

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**NEWS RELEASE**

FOR RELEASE

April 11, 2006

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$17,347,078 for the year ended June 30, 2005, which included \$827,573 in tax credits from the state. The County forwarded \$13,765,329 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,581,749 of the local tax revenue to finance County operations, a 2.3 percent decrease from the prior year. Other revenues included charges for service of \$1,155,902, operating grants, contributions and restricted interest of \$3,265,379, capital grants, contributions and restricted interest of \$1,462,577, local option sales tax of \$357,234, unrestricted investment earnings of \$91,780 and other general revenues of \$244,158.

Expenses for County operations totaled \$8,556,080, a 3.4 percent increase from the prior year. Expenses included \$3,772,078 for roads and transportation, \$1,603,661 for public safety and legal services and \$1,007,377 for mental health.

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

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**MADISON COUNTY**

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

**JUNE 30, 2005**

Table of Contents

		Page
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	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 Assets	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 Assets	G	25
Statement of Revenues, Expenses and Changes in Fund Net Assets	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		29-41
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		44-45
Budget to GAAP Reconciliation		46
Notes to Required Supplementary Information – Budgetary Reporting		47
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	50-51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	52-53
Internal Service Funds:		
Combining Schedule of Net Assets	3	54
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	4	55
Combining Schedule of Cash Flows	5	57
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	6	58-59
Combining Schedule of Changes in Fiduciary Assets and Liabilities	7	60-61
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	8	62
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>		63-64
Schedule of Findings		65-69
Staff		70

**Madison County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2005)</b>		
Robert Weeks	Board of Supervisors	Jan 2005
Cy McDonald	Board of Supervisors	Jan 2007
Steve Raymond	Board of Supervisors	Jan 2007
Joan Welch	County Auditor	Jan 2005
G. Joann Collins	County Treasurer	Jan 2007
Michelle Utsler	County Recorder	Jan 2007
Paul Welch	County Sheriff	Jan 2005
Martin S. Ramsey	County Attorney	Jan 2007
Catherine Weltha	County Assessor	Jan 2010
<b>(After January 2005)</b>		
Cy McDonald	Board of Supervisors	Jan 2007
Steve Raymond	Board of Supervisors	Jan 2007
Robert Weeks	Board of Supervisors	Jan 2009
Joan Welch	County Auditor	Jan 2009
G. Joann Collins	County Treasurer	Jan 2007
Michelle Utsler	County Recorder	Jan 2007
Paul Welch	County Sheriff	Jan 2009
Martin S. Ramsey	County Attorney	Jan 2007
Catherine Weltha	County Assessor	Jan 2010

**Madison County**



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Independent Auditor's Report

To the Officials of Madison County:

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, 2005, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Madison County's management. Our responsibility is to express opinions on these financial statements based on our audit.

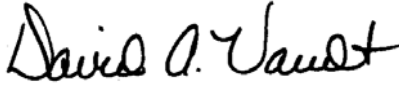
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Madison County at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

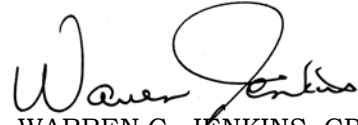
In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2006 on our consideration of Madison County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 44 through 47 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madison County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 12, 2006

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

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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, 2005. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Madison County implemented new reporting standards for last fiscal year with significant changes in content and structure. Now much of the information is easily comparable to the prior year.

### **2005 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 8.9%, or approximately \$827,000, from fiscal 2004 to fiscal 2005. Property tax decreased approximately \$85,000, operating grants, contributions and restricted interest decreased approximately \$76,000 and capital grants, contributions and restricted interest increased approximately \$419,000.
- The County's governmental activities program expenses increased 3.4%, or approximately \$282,000, from fiscal 2004 to fiscal 2005. Roads and transportation expenses increased approximately \$424,000 due to additional construction from Farm to Market funds.
- The County's net assets increased 21%, or approximately \$1,602,000, from June 30, 2004 to June 30, 2005.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of 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 statements by providing information about the most significant funds. The remaining statements provide financial 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.

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



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

### *Government-wide Financial Statements*

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

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, 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) Proprietary funds account for the County's Internal Service, Employee Group Health, Unemployment Insurance, Fuel and Supplies 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 assets, a statement of revenues, expenses and changes in fund net assets 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 auto license and use tax, emergency management 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 fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Madison County's net assets at the end of FY05 totaled approximately \$9.2 million. This compares to FY04 at \$7.6 million. The analysis that follows focuses on the changes of the net assets for our governmental activities.

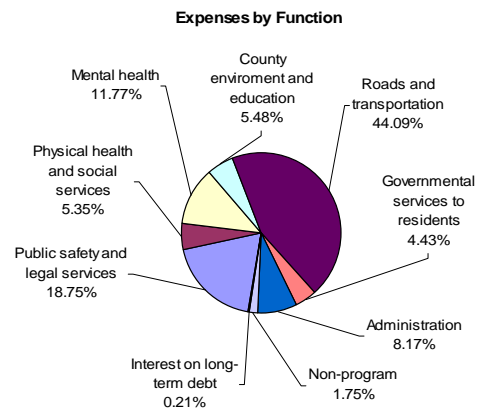
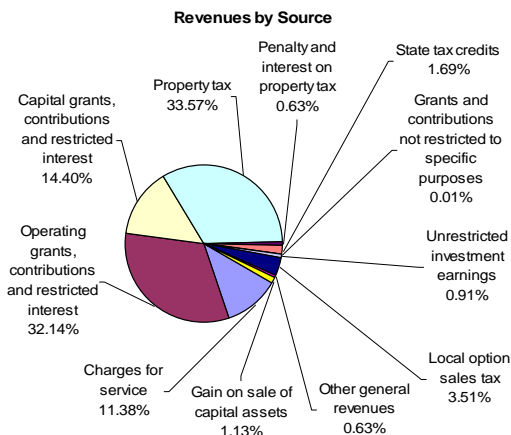
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2005	2004
Current and other assets	\$ 7,391	7,150
Capital assets	7,170	5,722
Total assets	14,561	12,872
Long-term liabilities	1,027	1,196
Other liabilities	4,294	4,038
Total liabilities	5,321	5,234
Net assets:		
Invested in capital assets, net of related debt	6,702	5,103
Restricted	1,736	1,897
Unrestricted	802	638
Total net assets	\$ 9,240	7,638

Net assets of Madison County's governmental activities increased by \$1.6 million, or 21 percent. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased from approximately \$638,000 at June 30, 2004 to approximately \$802,000 at the end of this year, an increase of 25.7 percent. This increase of approximately \$164,000 in unrestricted net assets was a result of the implementation of a one day per month furlough of courthouse personnel and a 3.2 percent cut in the General Fund department budgets.

**Changes in Net Assets of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2005	2004
Revenues:		
Program revenues:		
Charges for service	\$ 1,156	1,115
Operating grants, contributions and restricted interest	3,265	3,341
Capital grants, contributions and restricted interest	1,463	1,044
General revenues:		
Property tax	3,409	3,494
Penalty and interest on property tax	64	41
Local option sales tax	357	-
State tax credits	172	171
Grants and contributions not restricted to specific purposes	1	31
Unrestricted investment earnings	92	45
Gain on sale of capital assets	115	-
Other general revenues	64	49
Total revenues	10,158	9,331
Program expenses:		
Public safety and legal services	1,604	1,550
Physical health and social services	458	509
Mental health	1,007	947
County environment and education	469	444
Roads and transportation	3,772	3,348
Governmental services to residents	379	379
Administration	699	851
Non-program	150	222
Interest on long-term debt	18	24
Total expenses	8,556	8,274
Increase in net assets	1,602	1,057
Net assets beginning of year	7,638	6,581
Net assets end of year	\$ 9,240	7,638



Madison County's net assets of governmental activities increased by approximately \$1,602,000 during the year. Revenues for governmental activities increased by approximately \$827,000 over the prior year, with property tax revenue down from the prior year by approximately \$85,000, or 2.4 percent.

The countywide property tax levy rate increased less than 1 percent, or \$.04 per \$1,000 of taxable valuation, for fiscal 2005. The rural levy rate decreased \$.30 per 1,000 of taxable valuation due to local option property tax relief. Total property tax levied between fiscal 2005 and fiscal 2004 decreased \$116,689.

The cost of all governmental activities this year was \$8.6 million compared to \$8.3 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was only \$2.7 million because some of the cost was paid by those directly benefited from the programs (\$1,156,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,728,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2005 from approximately \$5,500,000 to \$5,884,000, principally due to receiving federal capital grant proceeds for the completion of construction on the Cedar Covered Bridge Project and the bridge deck on P57 (Earlham Road). Farm-to market funding helped fund the completion and reconstruction of Court Ave, Norwood Ave & West Summit. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$3,766,000 in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and general entitlements.

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

As Madison County completed the year, its governmental funds reported a combined fund balance of \$2.8 million, a modest increase of \$20,000 from last year's total of \$2.78 million. The .8 percent increase in fund balance is primarily attributable to the following:

- The ending fund balance of the General Fund showed an increase of \$250,000 due to the implementation of the one day per month furlough of courthouse personnel and the 3.2 percent cut in the General Fund department budgets.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the current year, expenditures totaled \$1,012,500, an increase of 6.4 percent from the prior year. The Mental Health Fund balance at year end decreased approximately \$152,000 from the prior year. Madison County levied 72 percent of the maximum mental health and developmental disabilities services fund levy dollars. The drop in fund balance was due to the state not funding allowable growth and community service funds.
- The Rural Services Fund was transferred \$277,537 in the current year from the Special Revenue, Local Option Sales Tax Fund to replace the lowered property tax levy. Increased revenues from user fees and local option sales tax helped to increase the Rural Services Fund ending balance by approximately \$51,000.
- Secondary Roads Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance showed a 6.6 percent decline of \$107,421 from the prior year to \$1,512,870.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Madison County amended its budget one time. The amendment was made in May 2005 and resulted in a net decrease in budgeted disbursements. Disbursements budgeted in the capital projects function decreased as a result of delays in project development. Disbursements increased in several other functions as a result of expenditures not budgeted.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2005, Madison County had approximately \$7.2 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$1,448,000, or 25.3 percent over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2005	2004
Land	\$ 602	602
Construction in progress	533	939
Buildings and improvements	1,919	1,986
Equipment and vehicles	2,164	2,091
Infrastructure	1,952	104
Total	<u>\$ 7,170</u>	<u>5,722</u>

This year's major additions included (in thousands):	
Capital assets contributed by the Iowa Department of Transportation	\$ 1,459
Purchase of 2 motor graders for secondary roads	352
Fuel system upgrade	31
County truck for secondary roads department	23
Total	<u>\$ 1,865</u>

The County had depreciation expense of \$433,030 in fiscal 2005 and total accumulated depreciation of \$3,747,377 at June 30, 2005.

The County's fiscal year 2005 capital budget was principally for completion of construction in progress for two farm to market paved roads, one bridge on the farm to market system, the Cedar Bridge restoration project and an upgrade of the fuel system. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

### Long-Term Debt

At June 30, 2005, Madison County had approximately \$468,000 in capital loan notes and capital lease purchase agreement obligations outstanding, compared to approximately \$620,000 at June 30, 2004, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
(Expressed in Thousands)		
	June 30,	
	2005	2004
Capital loan notes	\$ 430	565
Capital lease purchase agreements	38	55
Total	<u>\$ 468</u>	<u>620</u>

The Constitution of the State of Iowa limits the amount of debt counties can issue to 5 percent 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 \$39 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 considered many factors when setting the fiscal year 2006 budget. Tax rates and fees that apply for the various County services are only part of what has to be considered. Another factor is the economy. Madison County's population increased 18.73 percent from 1980 to 2004, and increased 19.8 percent from 1990 to 2004. Budgeted disbursements are expected to rise due to the demand for services. As our population grows, so will the demand for services. In fiscal year 2006, public safety costs are budgeted to increase \$153,151, or approximately 4 percent. County environment and education is budgeted to increase \$52,985, or 5 percent. The Board would like to think increases in valuations will support this increase in demand.

Madison County Supervisors are always looking at ways to streamline county government to run more efficiently. Areas being looked at are increasing user fees to offset property tax. Ambulance rates are being increased to offset their increased costs. Madison County Supervisors are also researching alternative fuel sources and checking into how we can make our buildings more energy efficient. They also are looking at a more efficient user fee collection method. As always, Madison County continues to look for ways to increase revenues other than by taxation. Efficient county government is a priority.

### **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 North John Wayne Drive, Winterset, Iowa 50273-1534.

**Madison County**

## **Basic Financial Statements**



**Exhibit A**

Madison County  
Statement of Net Assets  
June 30, 2005

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 2,683,500
Receivables:	
Property tax:	
Delinquent	11,438
Succeeding year	3,758,000
Interest and penalty on property tax	4,690
Accounts	356,826
Accrued interest	9,892
Due from other governments	335,365
Inventories	231,066
Capital assets (net of accumulated depreciation)	7,170,118
	<u>14,560,895</u>
<b>Total assets</b>	
<b>Liabilities</b>	
Accounts payable	271,727
Accrued interest payable	6,472
Salaries and benefits payable	75,430
Due to other governments	156,731
Deferred revenue:	
Succeeding year property tax	3,758,000
Other	25,030
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	18,486
Capital loan notes	106,564
Compensated absences	246,633
Portion due or payable after one year:	
Capital lease purchase agreement	19,503
Capital loan notes	323,928
Compensated absences	312,193
	<u>5,320,697</u>
<b>Total liabilities</b>	
<b>Net Assets</b>	
Invested in capital assets, net of related debt	6,701,637
Restricted for:	
Supplemental levy purposes	154,280
Mental health purposes	90,527
Secondary roads purposes	1,272,551
Other purposes	219,364
Unrestricted	801,839
	<u>\$ 9,240,198</u>
<b>Total net assets</b>	

See notes to financial statements.

Madison County  
Statement of Activities  
Year ended June 30, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	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	\$ 1,603,661	459,096	8,597	-	(1,135,968)
Physical health and social services	458,281	57,802	162,594	-	(237,885)
Mental health	1,007,377	1,716	457,481	-	(548,180)
County environment and education	468,854	106,499	14,575	-	(347,780)
Roads and transportation	3,772,078	80,949	2,621,784	1,462,577	393,232
Governmental services to residents	378,946	289,489	98	-	(89,359)
Administration	698,979	10,930	250	-	(687,799)
Non-program	149,646	149,421	-	-	(225)
Interest on long-term debt	18,258	-	-	-	(18,258)
<b>Total</b>	<b>\$ 8,556,080</b>	<b>1,155,902</b>	<b>3,265,379</b>	<b>1,462,577</b>	<b>(2,672,222)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					3,309,156
Debt service					100,301
Penalty and interest on property tax					64,025
Local option sales tax					357,234
State tax credits					172,292
Grants and contributions not restricted to specific purpose					1,179
Unrestricted investment earnings					91,780
Gain on sale of assets					114,831
Miscellaneous					64,123
<b>Total general revenues</b>					<b>4,274,921</b>
Change in net assets					1,602,699
Net assets beginning of year					7,637,499
Net assets end of year					<b>\$ 9,240,198</b>

See notes to financial statements.

Madison County  
Balance Sheet  
Governmental Funds

June 30, 2005

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 917,998	218,228	71,710	1,205,096
Receivables:				
Property tax:				
Delinquent	7,060	1,188	2,879	-
Succeeding year	2,405,000	385,000	848,000	-
Interest and penalty on property tax	4,690	-	-	-
Accounts	224,594	24,936	8,525	7,708
Accrued interest	9,892	-	-	-
Due from other funds	-	-	-	11,174
Due from other governments	38,341	14,150	46,397	226,164
Inventories	-	-	-	204,717
Advance to Internal Service Fund	60,000	-	-	-
<b>Total assets</b>	<b>\$ 3,667,575</b>	<b>643,502</b>	<b>977,511</b>	<b>1,654,859</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 55,186	21,171	4,704	76,898
Salaries and benefits payable	19,274	1,612	935	53,609
Due to other funds	25,000	-	11,174	-
Due to other governments	24,997	120,412	-	7,703
Deferred revenue:				
Succeeding year property tax	2,405,000	385,000	848,000	-
Other	204,344	26,117	10,836	3,779
Total liabilities	2,733,801	554,312	875,649	141,989
Fund balances:				
Reserved for:				
Advance to Internal Service Fund	60,000	-	-	-
Supplemental levy purposes	160,598	-	-	-
Noncurrent receivables	-	24,780	-	-
Debt service	-	-	-	-
Inventories	-	-	-	204,717
Unreserved, reported in:				
General fund	713,176	-	-	-
Special revenue funds	-	64,410	101,862	1,308,153
Capital projects fund	-	-	-	-
Total fund balances	933,774	89,190	101,862	1,512,870
<b>Total liabilities and fund balances</b>	<b>\$ 3,667,575</b>	<b>643,502</b>	<b>977,511</b>	<b>1,654,859</b>

See notes to financial statements.

Nonmajor	Total
131,123	2,544,155
311	11,438
120,000	3,758,000
-	4,690
1,867	267,630
-	9,892
25,000	36,174
10,313	335,365
-	204,717
-	60,000
<u>288,614</u>	<u>7,232,061</u>
5,882	163,841
-	75,430
-	36,174
3,031	156,143
120,000	3,758,000
1,753	246,829
<u>130,666</u>	<u>4,436,417</u>
-	60,000
-	160,598
-	24,780
12,605	12,605
-	204,717
-	713,176
125,266	1,599,691
20,077	20,077
<u>157,948</u>	<u>2,795,644</u>
<u>288,614</u>	<u>7,232,061</u>

**Madison County**

Madison County

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

June 30, 2005

**Total governmental fund balances (page 19)** \$ 2,795,644

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$10,917,495 and the accumulated depreciation is \$3,747,377. 7,170,118

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 221,799

The Internal Service Funds are used by management to charge the costs of 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 in governmental activities in the Statement of Net Assets. 86,416

Long-term liabilities, including capital lease purchase agreement, capital loan notes, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (1,033,779)

**Net assets of governmental activities (page 16)** \$ 9,240,198

See notes to financial statements.

Madison County

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

Year ended June 30, 2005

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 2,176,909	366,450	781,391	-
Interest and penalty on property tax	63,583	-	-	-
Intergovernmental	373,584	474,614	46,760	2,680,421
Licenses and permits	250	-	85,183	8,175
Charges for service	603,836	15,886	10,387	12,890
Use of money and property	134,807	1,716	-	-
Miscellaneous	59,366	1,949	8,578	50,421
Total revenues	<u>3,412,335</u>	<u>860,615</u>	<u>932,299</u>	<u>2,751,907</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	1,497,697	-	56,631	-
Physical health and social services	396,955	-	80,563	-
Mental health	-	1,012,500	-	-
County environment and education	256,210	-	193,078	-
Roads and transportation	-	-	-	3,756,935
Governmental services to residents	333,934	-	-	-
Administration	652,791	-	-	-
Debt service	-	-	-	-
Capital projects	1,698	-	-	32,810
Total expenditures	<u>3,139,285</u>	<u>1,012,500</u>	<u>330,272</u>	<u>3,789,745</u>
Excess (deficiency) of revenues over (under) expenditures	273,050	(151,885)	602,027	(1,037,838)
<b>Other financing sources (uses):</b>				
Sale of capital assets	1,800	-	-	102,000
Operating transfers in	-	-	277,537	828,417
Operating transfers out	(25,000)	-	(828,417)	-
Total other financing sources (uses)	<u>(23,200)</u>	<u>-</u>	<u>(550,880)</u>	<u>930,417</u>
Net change in fund balances	249,850	(151,885)	51,147	(107,421)
Fund balances beginning of year	683,924	241,075	50,715	1,620,291
Fund balances end of year	<u>\$ 933,774</u>	<u>89,190</u>	<u>101,862</u>	<u>1,512,870</u>

See notes to financial statements.

Nonmajor	Total
457,765	3,782,515
-	63,583
220,870	3,796,249
-	93,608
19,293	662,292
16,186	152,709
4,703	125,017
<u>718,817</u>	<u>8,675,973</u>
4,160	1,558,488
-	477,518
-	1,012,500
5,257	454,545
-	3,756,935
38,906	372,840
33,010	685,801
122,661	122,661
286,265	320,773
<u>490,259</u>	<u>8,762,061</u>
228,558	(86,088)
-	103,800
25,000	1,130,954
(277,537)	(1,130,954)
<u>(252,537)</u>	<u>103,800</u>
(23,979)	17,712
<u>181,927</u>	<u>2,777,932</u>
<u>157,948</u>	<u>2,795,644</u>



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, 2005

**Net change in fund balances - Total governmental funds (page 23)** \$ 17,712

**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	\$ 407,297	
Capital assets contributed by the Iowa Department of Transportation	1,462,577	
Depreciation expense	(433,030)	1,436,844

In the Statement of Activities, the gain on the sale of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. 11,031

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

Property tax	(15,824)	
Other	(9,349)	(25,173)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 151,361

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	17,379	
Interest on long-term debt	2,171	19,550

The Internal Service Funds are used by management to charge the costs of self funding of the County's health insurance benefit plan and other internal costs to individual funds. The change in net assets of the Internal Service Funds is reported with governmental activities. (8,626)

**Change in net assets of governmental activities (page 17)** \$ 1,602,699

See notes to financial statements.

Madison County  
 Statement of Net Assets  
 Proprietary Funds  
 June 30, 2005

	Internal Service
<b>Assets</b>	
Cash and cash equivalents	\$ 139,345
Accounts receivable	89,196
Inventories	26,349
	254,890
<b>Liabilities</b>	
Accounts payable	107,886
Due to other governments	588
Advance from General Fund	60,000
	168,474
<b>Net Assets</b>	
Unrestricted	\$ 86,416

See notes to financial statements.

**Exhibit H**

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

Year ended June 30, 2005

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds		\$ 957,599
Reimbursements from employees		14,634
Insurance reimbursements		1,613
Reimbursements from others		101,544
Fuel tax refunds		6,459
Miscellaneous		335
Total operating revenues		<u>1,082,184</u>
Operating expenses:		
Medical claims	\$ 870,243	
Materials and supplies	214,654	
Miscellaneous	5,913	1,090,810
Operating loss		<u>(8,626)</u>
Net assets beginning of year		<u>95,042</u>
Net assets end of year		<u>\$ 86,416</u>

See notes to financial statements.

Madison County  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2005

	Internal Service
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,022,934
Cash received from employees and others	69,547
Cash paid to suppliers for goods and services	(1,144,615)
Net cash used by operating activities	(52,134)
Cash and cash equivalents beginning of year	191,479
Cash and cash equivalents end of year	\$ 139,345
<b>Reconciliation of operating loss to net cash</b>	
<b>used by operating activities:</b>	
Operating loss	\$ (8,626)
Adjustments to reconcile operating loss to net cash	
used by operating activities:	
Decrease in accounts receivable	10,297
(Increase) in inventories	(12,229)
(Decrease) in accounts payable	(41,576)
Net cash used for operating activities	\$ (52,134)

See notes to financial statements.

Madison County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2005

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 881,131
Other County officials	42,151
Receivables:	
Property tax:	
Delinquent	34,474
Succeeding year	13,765,000
Accounts	1,165
Special assessments:	
Delinquent	6,811
Succeeding year	332,095
Due from other governments	3,044
<b>Total assets</b>	<u>15,065,871</u>

**Liabilities**

Accounts payable	8,869
Due to other governments	14,979,592
Trusts payable	49,383
Compensated absences	28,027
<b>Total liabilities</b>	<u>15,065,871</u>

**Net assets** \$ -

See notes to financial statements.

Madison County

Notes to Financial Statements

June 30, 2005

**(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. The County has no component units which meet the Governmental Accounting Standards Board criteria.

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

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County. 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 Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

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

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, 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 secondary road construction and maintenance.

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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



The proprietary funds of the County apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

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, Liabilities and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2004.

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

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

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

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	20 - 50
Infrastructure	30 - 50
Equipment and vehicles	2 - 20

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, 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 Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The net assets of the Employee Group Health Fund are 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, 2005, disbursements did not exceed the amounts budgeted by function. However, disbursements in certain departments exceeded the amounts appropriated prior to amendment. In addition, a public hearing was not held prior to a decrease in appropriations greater than 10% or \$5,000 in accordance with Chapter 331.434(6) of the Code of Iowa.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$709,805 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Credit risk. The investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk. The County places no limit on the amount that may be invested in any one issuer.

**(3) Interfund Assets/Liabilities**

The detail of due to/due from other funds and advances to/from other funds at June 30, 2005 is as follows:

Due To/Due From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 11,174
Capital Projects	General	25,000
Total		<u>\$ 36,174</u>

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

Advances To/From Other Funds

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

This balance 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, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 828,417
Rural Services	Local Option Sales Tax	277,537
Capital Projects	General	25,000
Total		<u>\$ 1,130,954</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, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 602,002	-	-	602,002
Construction in progress	939,486	1,459,404	(1,866,306)	532,584
Total capital assets not being depreciated	1,541,488	1,459,404	(1,866,306)	1,134,586
Capital assets being depreciated:				
Buildings	2,574,593	-	-	2,574,593
Improvements other than buildings	-	31,147	-	31,147
Equipment and vehicles	5,161,364	390,354	(344,884)	5,206,834
Infrastructure, road network	104,029	1,866,306	-	1,970,335
Total capital assets being depreciated	7,839,986	2,287,807	(344,884)	9,782,909
Less accumulated depreciation for:				
Buildings	588,971	66,844	-	655,815
Improvements other than buildings	-	3,115	-	3,115
Equipment and vehicles	3,070,260	345,426	(344,884)	3,070,802
Infrastructure, road network	-	17,645	-	17,645
Total accumulated depreciation	3,659,231	433,030	(344,884)	3,747,377
Total capital assets being depreciated, net	4,180,755	1,854,777	-	6,035,532
Governmental activities capital assets, net	\$ 5,722,243	3,314,181	(1,866,306)	7,170,118

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 56,452
Physical health and social services	7,990
County environment and education	25,657
Roads and transportation	328,373
Governmental services to residents	1,522
Administration	13,036
Total depreciation expense - governmental activities	\$ 433,030

**(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 is as follows:

Fund	Description	Amount
General	Services	\$ 24,997
Special Revenue:		
Mental Health	Services	120,412
Secondary Roads	Services	7,703
County Recorder's Electronic Transaction Fee	Services	3,031
		<u>131,146</u>
Total for governmental funds		<u>\$ 156,143</u>
Internal Service:		
Unemployment Insurance	Services	\$ 588
Agency:		
County Assessor	Collections	\$ 381,594
Schools		8,437,966
Community Colleges		285,657
Corporations		3,319,866
Townships		204,197
County Hospital		1,369,276
Auto License and Use Tax		335,053
All other		645,983
Total for agency funds		<u>\$ 14,979,592</u>

**(7) Changes in Long-Term Liabilities**

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

	Capital	Capital Loan Notes			Compen- sated Absences	Total
	Lease Purchase Agreement	DHS Building	Court- house	FHA		
Balance beginning of year	\$ 55,504	27,786	388,000	148,552	576,205	1,196,047
Increases	-	-	-	-	251,478	251,478
Decreases	17,515	27,786	97,000	9,060	268,857	420,218
Balance end of year	\$ 37,989	-	291,000	139,492	558,826	1,027,307
Due within one year	\$ 18,486	-	97,000	9,564	246,633	371,683

Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement to lease an ambulance with an historical cost of \$92,674 and accumulated depreciation of \$18,520 at June 30, 2005. The following is a schedule of the future minimum lease payments, including interest at 5.5% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2005:

<u>Year ending June 30,</u>	<u>Ambulance</u>
2006	\$ 20,575
2007	20,575
Total minimum lease payments	<u>41,150</u>
Less amount representing interest	<u>(3,161)</u>
Present value of net minimum least payments	<u>\$ 37,989</u>

Payments under the capital lease purchase agreement totaled \$20,575 for the year ended June 30, 2005.

Capital Loan Notes Payable – DHS Building

During the year ended June 30, 1996, the County issued \$200,000 of general obligation capital loan notes to acquire and renovate a building for use by the Iowa Department of Human Services and the County. Currently, the building is rented out by the County and the notes are being paid from the rent proceeds. The capital loan notes were paid in full during fiscal year 2005.

Capital Loan Notes Payable – Courthouse

During the year ended June 30, 2003, the County issued \$485,000 of general obligation capital loan notes to pay the costs of refunding and refinancing the general obligation bonds, series 1992, and repairing, remodeling and equipping the courthouse. The notes will be repaid from a debt service levy. A summary of the County's June 30, 2005 capital loan note indebtedness is as follows:

<u>Year ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	2.0 - 2.6%	\$ 97,000	6,693	103,693
2007	2.3 - 2.6	97,000	4,753	101,753
2008	2.6	97,000	2,522	99,522
Total		<u>\$ 291,000</u>	<u>13,968</u>	<u>304,968</u>



### Capital Loan Notes Payable – FHA Loans

During the years ended June 30, 1995 and June 30, 1997, the County issued \$100,000 each year in general obligation capital loan notes to construct two group home/residential care facilities for developmentally disabled persons. The notes were purchased by the Farmers Home Administration. A summary of the County's June 30, 2005 capital loan note indebtedness is as follows:

Year ending June 30,	1995 Issue				1997 Issue			
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
2006	5.625%	\$ 5,033	3,669	8,702	5.50%	\$ 4,531	4,085	8,616
2007	5.625	5,307	3,395	8,702	5.50	4,780	3,836	8,616
2008	5.625	5,615	3,087	8,702	5.50	5,033	3,583	8,616
2009	5.625	5,931	2,771	8,702	5.50	5,320	3,296	8,616
2010	5.625	6,265	2,437	8,702	5.50	5,613	3,003	8,616
2011-2015	5.625	37,069	6,441	43,510	5.50	33,039	10,041	43,080
2012-2017		-	-	-	5.50	15,956	1,276	17,232
Total		\$ 65,220	21,800	87,020		\$ 74,272	29,120	103,392

#### **(8) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$173,616, \$159,803 and \$153,559, respectively, equal to the required contributions for each year.

#### **(9) Risk Management**

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

#### **(10) Employee Group Health 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 American Administrators. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$30,000. 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 American Administrators from the Employee Group Health Fund. The County and employee contributions for the year ended June 30, 2005 were \$750,175.

Amounts payable from the Employee Group Health Fund at June 30, 2005 total \$95,000, 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 \$48,900 at June 30, 2005 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. 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 at July 1, 2004	\$ 141,000
Incurred claims (including claims incurred but not reported at June 30, 2005)	870,243
Payment of claims	<u>(916,243)</u>
Unpaid claims at June 30, 2005	<u>\$ 95,000</u>

**(11) Loan to Genesis Development**

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

**(12) Subsequent Events**

In October 2005, the County issued \$250,000 of general obligation capital loan notes to pay the costs of jail improvements and various other county projects. The bonds are payable from a continuing annual levy of taxes against all taxable property of the County.

In December 2005, the County entered into a loan agreement to borrow up to \$4,000,000 for remodeling and construction projects at the Madison County Hospital, as well as refunding certain current outstanding indebtedness of the Hospital. The loan agreement was entered into pursuant to the authority contained in Section 331.402(3) of the Code of Iowa and does not constitute a general obligation of the County because it is a hospital revenue bond.

**Madison County**

**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, 2005

	Actual	Budgeted Amounts	
		Original	Final
<b>Receipts:</b>			
Property and other county tax	\$ 3,731,205	3,680,126	3,680,126
Interest and penalty on property tax	63,567	62,961	62,961
Intergovernmental	3,899,044	4,411,202	3,881,838
Licenses and permits	98,149	58,650	74,250
Charges for service	667,201	578,203	566,475
Use of money and property	141,256	160,169	156,318
Miscellaneous	120,911	262,225	332,661
Total receipts	8,721,333	9,213,536	8,754,629
<b>Disbursements:</b>			
Public safety and legal services	1,525,769	1,607,268	1,608,560
Physical health and social services	483,814	533,308	521,718
Mental health	1,002,670	1,051,650	1,051,650
County environment and education	455,623	457,057	474,046
Roads and transportation	3,744,970	3,620,371	3,780,191
Governmental services to residents	370,410	359,906	389,477
Administration	692,914	736,670	744,020
Debt service	122,661	122,664	122,664
Capital projects	297,161	1,073,042	330,182
Total disbursements	8,695,992	9,561,936	9,022,508
Excess (deficiency) of receipts over (under) disbursements	25,341	(348,400)	(267,879)
Other financing sources, net	103,800	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	129,141	(348,400)	(267,879)
Balance beginning of year	2,415,014	2,414,108	2,414,499
Balance end of year	\$ 2,544,155	2,065,708	2,146,620

See accompanying independent auditor's report.

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Final to Actual Variance
51,079
606
17,206
23,899
100,726
(15,062)
(211,750)
<u>(33,296)</u>

82,791
37,904
48,980
18,423
35,221
19,067
51,106
3
33,021
<u>326,516</u>

293,220
<u>103,800</u>

397,020
515
<u>397,535</u>

Madison County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2005

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 8,721,333	(45,360)	8,675,973
Expenditures	8,695,992	66,069	8,762,061
Net	25,341	(111,429)	(86,088)
Other financing sources, net	103,800	-	103,800
Beginning fund balances	2,415,014	362,918	2,777,932
Ending fund balances	\$ 2,544,155	251,489	2,795,644

See accompanying independent auditor's report.

Madison County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant 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 blended component units, 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 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, 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, one budget amendment decreased budgeted disbursements by \$539,428. The budget amendment is reflected in the final budgeted amounts.

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

During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted by function. However, disbursements in certain departments exceeded the amounts appropriated prior to amendment. In addition, a public hearing was not held prior to a decrease in appropriations greater than 10% or \$5,000 in accordance with Chapter 331.434(6) of the Code of Iowa.



**Madison County**

**Other Supplementary Information**

Madison County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2005

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Special Covered Bridge
<b>Assets</b>				
Cash and pooled investments	\$ 5,431	4,123	17,790	35,573
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	423	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 5,854</b>	<b>4,123</b>	<b>17,790</b>	<b>35,573</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ 403	-	167	-
Due to other governments	-	3,031	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	403	3,031	167	-
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved	5,451	1,092	17,623	35,573
Total fund equity	5,451	1,092	17,623	35,573
<b>Total liabilities and fund equity</b>	<b>\$ 5,854</b>	<b>4,123</b>	<b>17,790</b>	<b>35,573</b>

See accompanying independent auditor's report.

Revenue					
Conservation Land Acquisition	Local Option Sales Tax	Sheriff McDee	Debt Service	Capital Projects	Total
3,760	46,751	4,703	12,603	389	131,123
-	-	-	311	-	311
-	-	-	120,000	-	120,000
-	-	-	1,444	-	1,867
-	-	-	-	25,000	25,000
-	10,313	-	-	-	10,313
<b>3,760</b>	<b>57,064</b>	<b>4,703</b>	<b>134,358</b>	<b>25,389</b>	<b>288,614</b>
-	-	-	-	5,312	5,882
-	-	-	-	-	3,031
-	-	-	120,000	-	120,000
-	-	-	1,753	-	1,753
-	-	-	121,753	5,312	130,666
-	-	-	12,605	-	12,605
3,760	57,064	4,703	-	20,077	145,343
3,760	57,064	4,703	12,605	20,077	157,948
<b>3,760</b>	<b>57,064</b>	<b>4,703</b>	<b>134,358</b>	<b>25,389</b>	<b>288,614</b>

Madison County

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

Year ended June 30, 2005

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection	Special Covered Bridge
Revenues:				
Property and other county tax	\$ -	-	-	-
Intergovernmental	-	-	9,970	205,860
Charges for service	5,097	14,196	-	-
Use of money and property	98	-	204	-
Miscellaneous	-	-	-	-
Total revenues	5,195	14,196	10,174	205,860
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	-	4,096	-
Governmental services to residents	3,006	35,900	-	-
Administration	3,948	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	949	285,316
Total expenditures	6,954	35,900	5,045	285,316
Excess (deficiency) of revenues over (under) expenditures	(1,759)	(21,704)	5,129	(79,456)
Other financing sources:				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,759)	(21,704)	5,129	(79,456)
Fund balances beginning of year	7,210	22,796	12,494	115,029
Fund balances end of year	\$ 5,451	1,092	17,623	35,573

See accompanying independent auditor's report.

Revenue						
Conservation Land Acquisition	Local Option Sales Tax	Sheriff McDee	Debt Service	Capital Projects	Total	
-	357,234	-	100,531	-	457,765	
-	-	-	5,040	-	220,870	
-	-	-	-	-	19,293	
-	-	-	15,884	-	16,186	
-	-	4,703	-	-	4,703	
-	357,234	4,703	121,455	-	718,817	
-	-	-	-	4,160	4,160	
1,161	-	-	-	-	5,257	
-	-	-	-	-	38,906	
-	22,633	-	-	6,429	33,010	
-	-	-	122,661	-	122,661	
-	-	-	-	-	286,265	
1,161	22,633	-	122,661	10,589	490,259	
(1,161)	334,601	4,703	(1,206)	(10,589)	228,558	
-	-	-	-	25,000	25,000	
-	(277,537)	-	-	-	(277,537)	
-	(277,537)	-	-	25,000	(252,537)	
(1,161)	57,064	4,703	(1,206)	14,411	-	(23,979)
4,921	-	-	13,811	5,666	181,927	
3,760	57,064	4,703	12,605	20,077	157,948	

**Schedule 3**

Madison County  
Combining Schedule of Net Assets  
Internal Service Funds

June 30, 2005

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 32,332	956	85,929	20,128	139,345
Accounts receivable	31,225	-	57,971	-	89,196
Inventories	26,349	-	-	-	26,349
<b>Total assets</b>	<b>89,906</b>	<b>956</b>	<b>143,900</b>	<b>20,128</b>	<b>254,890</b>
<b>Liabilities</b>					
Accounts payable	12,809	77	95,000	-	107,886
Due to other governments	-	-	-	588	588
Advance from General Fund	60,000	-	-	-	60,000
<b>Total liabilities</b>	<b>72,809</b>	<b>77</b>	<b>95,000</b>	<b>588</b>	<b>168,474</b>
<b>Net Assets</b>					
Unrestricted	\$ 17,097	879	48,900	19,540	86,416

See accompanying independent auditor's report.

## Madison County

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

Year ended June 30, 2005

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Operating revenues:					
Reimbursements from operating funds	\$ 206,303	1,121	750,175	-	957,599
Reimbursements from employees	-	-	14,634	-	14,634
Insurance reimbursements	-	-	1,613	-	1,613
Reimbursements from others	30,076	-	71,468	-	101,544
Fuel tax refunds	6,459	-	-	-	6,459
Miscellaneous	-	-	335	-	335
Total operating revenues	242,838	1,121	838,225	-	1,082,184
Operating expenses:					
Medical claims	-	-	870,243	-	870,243
Materials and supplies	213,876	778	-	-	214,654
Miscellaneous	-	-	348	5,565	5,913
Total operating expenses	213,876	778	870,591	5,565	1,090,810
Operating income (loss)	28,962	343	(32,366)	(5,565)	(8,626)
Net assets beginning of year	(11,865)	536	81,266	25,105	95,042
Net assets end of year	\$ 17,097	879	48,900	19,540	86,416

See accompanying independent auditor's report.



**Madison County**

Madison County  
Combining Schedule of Cash Flows  
Internal Service Funds

Year ended June 30, 2005

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Cash flows from operating activities:					
Cash received from operating fund reimbursements	\$188,116	1,377	833,441	-	1,022,934
Cash received from employees and others	44,710	69	24,768	-	69,547
Cash paid to suppliers for goods and services	(221,858)	(701)	(916,591)	(5,465)	(1,144,615)
Net cash provided (used) by operating activities	10,968	745	(58,382)	(5,465)	(52,134)
Cash and cash equivalents beginning of year	21,364	211	144,311	25,593	191,479
Cash and cash equivalents end of year	\$ 32,332	956	85,929	20,128	139,345
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ 28,962	343	(32,366)	(5,565)	(8,626)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
(Increase) decrease in accounts receivable	(10,012)	325	19,984	-	10,297
(Increase) in inventories	(12,229)	-	-	-	(12,229)
Increase (decrease) in accounts payable	4,247	77	(46,000)	100	(41,576)
Net cash provided (used) by operating activities	\$ 10,968	745	(58,382)	(5,465)	(52,134)

See accompanying independent auditor's report.

Madison County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	2,868	83,780	159,784
Other County officials	42,151	-	-	-
Receivables:				
Property tax:				
Delinquent	-	459	1,044	24,182
Succeeding year	-	117,000	329,000	8,254,000
Accounts	1,165	-	-	-
Special assessments:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Due from other governments	2,615	-	-	-
<b>Total assets</b>	<b>\$ 45,931</b>	<b>120,327</b>	<b>413,824</b>	<b>8,437,966</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	4,203	-
Due to other governments	39,685	120,327	381,594	8,437,966
Trusts payable	6,246	-	-	-
Compensated absences	-	-	28,027	-
<b>Total liabilities</b>	<b>\$ 45,931</b>	<b>120,327</b>	<b>413,824</b>	<b>8,437,966</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Special Assessments	Auto License and Use Tax	Other	Total
5,743	93,703	3,545	25,241	17,381	335,053	154,033	881,131
-	-	-	-	-	-	-	42,151
914	3,163	652	4,035	-	-	25	34,474
279,000	3,223,000	200,000	1,340,000	-	-	23,000	13,765,000
-	-	-	-	-	-	-	1,165
-	-	-	-	6,811	-	-	6,811
-	-	-	-	332,095	-	-	332,095
-	-	-	-	-	-	429	3,044
<b>285,657</b>	<b>3,319,866</b>	<b>204,197</b>	<b>1,369,276</b>	<b>356,287</b>	<b>335,053</b>	<b>177,487</b>	<b>15,065,871</b>
-	-	-	-	-	-	4,666	8,869
285,657	3,319,866	204,197	1,369,276	356,287	335,053	129,684	14,979,592
-	-	-	-	-	-	43,137	49,383
-	-	-	-	-	-	-	28,027
<b>285,657</b>	<b>3,319,866</b>	<b>204,197</b>	<b>1,369,276</b>	<b>356,287</b>	<b>335,053</b>	<b>177,487</b>	<b>15,065,871</b>

Madison County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2005

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 44,518	149,977	413,141	8,267,674
Additions:				
Property and other county tax	-	110,908	311,282	7,899,530
State tax credits	-	7,422	16,748	404,567
Office fees and collections	657,726	-	-	-
Electronic transaction fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	118,796	-	-	-
Miscellaneous	-	-	441	-
Total additions	776,522	118,330	328,471	8,304,097
Deductions:				
Agency remittances:				
To other funds	503,495	-	-	-
To other governments	152,818	147,980	327,788	8,133,805
Trusts paid out	118,796	-	-	-
Total deductions	775,109	147,980	327,788	8,133,805
Balances end of year	\$ 45,931	120,327	413,824	8,437,966

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Special Assessments	Auto License and Use Tax	Other	Total
301,889	3,341,726	200,141	1,326,168	259,034	313,488	163,400	14,781,156
265,990	3,021,520	194,758	1,283,868	-	-	22,192	13,110,048
14,879	136,847	9,498	65,320	-	-	-	655,281
-	-	-	-	-	-	1,718	659,444
-	-	-	-	-	-	5,097	5,097
-	-	-	-	-	3,688,808	-	3,688,808
-	-	-	-	215,830	-	-	215,830
-	-	-	-	-	-	281,835	400,631
-	-	-	-	-	-	187,659	188,100
280,869	3,158,367	204,256	1,349,188	215,830	3,688,808	498,501	18,923,239
-	-	-	-	-	135,797	-	639,292
297,101	3,180,227	200,200	1,306,080	118,577	3,531,446	179,700	17,575,722
-	-	-	-	-	-	304,714	423,510
297,101	3,180,227	200,200	1,306,080	118,577	3,667,243	484,414	18,638,524
285,657	3,319,866	204,197	1,369,276	356,287	335,053	177,487	15,065,871

**Schedule 8**

## Madison County

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

For the Last Five Years

	Modified Accrual Basis				
	2005	2004	2003	2002	2001
<b>Revenues:</b>					
Property and other county tax	\$ 3,782,515	3,489,036	3,351,970	3,165,895	2,923,224
Interest and penalty on property tax	63,583	55,809	62,939	62,198	58,181
Intergovernmental	3,796,249	3,971,314	3,890,226	3,767,863	4,343,475
Licenses and permits	93,608	66,124	63,997	40,119	25,885
Charges for service	662,292	614,945	570,211	542,147	491,318
Use of money and property	152,709	95,810	119,058	186,616	291,658
Miscellaneous	125,017	55,565	384,932	31,439	31,467
<b>Total</b>	<b>\$ 8,675,973</b>	<b>8,348,603</b>	<b>8,443,333</b>	<b>7,796,277</b>	<b>8,165,208</b>
<b>Expenditures:</b>					
Operating:					
Public safety and legal services	\$ 1,558,488	1,594,735	1,597,835	1,433,056	1,362,699
Physical health and social services	477,518	517,376	474,540	498,989	506,316
Mental health	1,012,500	951,864	953,994	1,083,090	1,094,889
County environment and education	454,545	436,614	396,095	485,829	349,256
Roads and transportation	3,756,935	3,699,220	3,241,644	3,379,254	3,111,854
Governmental services to residents	372,840	367,811	340,132	374,545	330,420
Administration	685,801	679,426	653,627	644,790	584,326
Debt service	122,661	124,018	384,099	101,742	99,848
Capital projects	320,773	549,182	526,486	121,462	636,371
<b>Total</b>	<b>\$ 8,762,061</b>	<b>8,920,246</b>	<b>8,568,452</b>	<b>8,122,757</b>	<b>8,075,979</b>

See accompanying independent auditor's report.



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

David A. Vaudt, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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

To the Officials of Madison County:

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, 2005, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated January 12, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

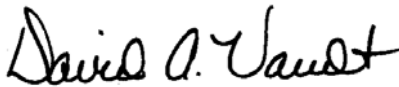
As part of obtaining reasonable assurance about whether Madison County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 that are described in the accompanying Schedule of Findings.




Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 12, 2006

Madison County  
Schedule of Findings  
Year ended June 30, 2005

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

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

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

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

Responses –

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

Recorder – We will comply as much as possible with a small office staff.

Ambulance – Procedures will be performed as employee status permits.

Conclusion – Responses accepted.

Madison County

Schedule of Findings

Year ended June 30, 2005

- (B) Credit Card Policy – The County has credit cards for use in various departments while employees are on County business. The County has not adopted a formal policy to regulate the use of credit cards and no policy exists to establish procedures for the proper accounting of credit card charges. Adequate supporting documentation was not maintained to support credit card charges for two of five items tested.

Recommendation – The County should adopt a formal written policy regulating the use of County credit cards. The policy, at a minimum, should address who controls credit cards and who is authorized to use credit cards and for what purpose. The policy should also require an itemized vendor receipt to support each charge on the credit card statement.

Response – We are in the process of setting a policy.

Conclusion – Response accepted.

Madison County  
 Schedule of Findings  
 Year ended June 30, 2005

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

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year June 30, 2005.
- (2) Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted by function. However, disbursements in certain departments exceeded the amounts appropriated prior to amendment.

In addition, a public hearing was not held prior to a decrease in appropriations greater than ten percent or \$5,000 in accordance with Chapter 331.434(6) of the Code of Iowa.

Recommendation – The Board of Supervisors should ensure appropriation amendments are made before disbursements are allowed to exceed the appropriation in accordance with Chapter 331.437 of the Code of Iowa.

In addition, public hearings should be held as required by the Code of Iowa.

Response – We will try to watch it closer in the future.

Conclusion – Response accepted.

- (3) 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.
- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Clayton Allen, Deputy Sheriff, Allen Lawn Care	Mowing services, per bid	\$ 2,550
Tom Johnson, County Ambulance employee, J & C Lawn Care	Snow removal services	372

In accordance with Chapter 331.342(4) of the Code of Iowa, the transactions with the Deputy Sheriff do not appear to represent a conflict of interest since the services were competitively bid.

In accordance with Chapter 331.342(4) of the Code of Iowa, the transactions with J & C Lawn Care do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

Madison County

Schedule of Findings

Year ended June 30, 2005

- (6) 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.

- (7) Board Minutes – Except for the following, no transactions were found that we believe should have been approved in the Board minutes, but were not:

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

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

In addition, the Board went into closed session on numerous occasions during the year ended June 30, 2005. The specific exemption under Chapter 21.5 of the Code of Iowa for entering into the closed session was not properly identified and documented.

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

Response – We will review our policy and comply.

Conclusion – Response accepted.

- (8) 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.

- (9) 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).

- (10) County Ordinances – The County Board of Supervisors has not completed a compilation of County ordinances.

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

Response – The Board of Supervisors is in the process of having it codified.

Conclusion – Response accepted.

- (11) 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.

Madison County

Schedule of Findings

Year ended June 30, 2005

County Extension Office disbursements during the year ended June 30, 2005 did not exceed the amount budgeted.

- (12) Commissary Account – The County Sheriff maintains a bank account for the commissary account. The financial activity of this account is not reflected in the County’s financial statements and has not been included in the County’s annual budget.

Recommendation – Commissary fund profits should be remitted to the County Treasurer and credited to a Special Revenue Fund in order to reflect this activity in the County’s annual budget and financial statements.

Response – This fund is reviewed by your agency as part of the County audit. The expenditures for this account outside the replacement items for inmate commissary, are approved by the Madison County Board of Supervisors and are part of the Board’s minutes. Having had problems with the conversion of the MCDEE Funds to the General Fund, and the ability to access those funds, I believe that this fund will remain as is, with the understanding that it is not illegal, just contrary to requested procedures.

Conclusion – Response acknowledged. Commissary profits spent for other than commissary items should be deposited into and expended from a Special Revenue Fund to ensure those purchases are properly budgeted and reflected in the County’s accounting system. Utilizing the same process of depositing revenues with the County Treasurer and expending resources with County warrants, after Board approval, provides for stronger segregation of duties and helps ensure all public funds are spent for the purpose for which they were received.

- (13) Interest – Interest earned on the Internal Service, Employee Group Health Fund was not credited to the fund in accordance with Chapter 331.301(12) of the Code of Iowa.

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

Response – The County Auditor notified the County Treasurer to credit the interest as required.

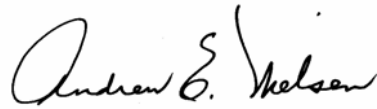
Conclusion – Response accepted.

Madison County

Staff

This audit was performed by:

Suzanne R. Hanft, CPA, Manager  
Denise A. Walter, CPA, Senior Auditor II  
Nicole B. Tenges, Staff Auditor  
Cheryl R. Moya, CPA, Assistant Auditor  
Jennifer L. Wall, Assistant Auditor  
Richard W. Reeves, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State