



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

David A. Vaudt, CPA  
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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ March 7, 2007

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 \$17,758,973 for the year ended June 30, 2006, which included \$792,480 in tax credits from the state. The County forwarded \$13,997,991 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,760,982 of the local tax revenue to finance County operations, a 5 percent increase over the prior year. Other revenues included charges for service of \$1,123,145, operating grants, contributions and restricted interest of \$3,647,807, capital grants, contributions and restricted interest of \$2,878,241, local option sales tax of \$555,435 and other general revenues of \$434,099.

Expenses for County operations totaled \$9,052,211, a 6 percent increase over the prior year. Expenses included \$3,682,066 for roads and transportation, \$1,863,566 for public safety and legal services and \$1,103,153 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 AND QUESTIONED COSTS**

**JUNE 30, 2006**

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**Madison County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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, 2006, 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.

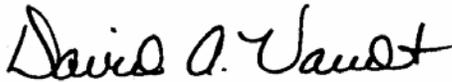
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2006, 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 November 21, 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 or 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. 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 five years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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

November 21, 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, 2006. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2006 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 22.1%, or approximately \$2,241,000, from fiscal 2005 to fiscal 2006. Property tax increased approximately \$181,000, operating grants, contributions and restricted interest increased approximately \$383,000, capital grants, contributions and restricted interest increased approximately \$1,415,000 and local option sales tax increased approximately \$198,000.
- The County's governmental activities program expenses increased 5.8%, or approximately \$496,000, from fiscal 2005 to fiscal 2006. Public safety and legal services expenses increased approximately \$260,000, primarily due to capital projects for jail repair and maintenance financed by long term debt proceeds. Governmental services to residents increased approximately \$108,000 due to election equipment paid for with Help America Vote Act (HAVA) revenue. Mental health expenses increased approximately \$96,000.
- The County's net assets increased 36%, or approximately \$3,348,000, from June 30, 2005 to June 30, 2006.

### **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. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

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

### *Government-wide Financial Statements*

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net 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 FY06 totaled approximately \$12.6 million. This compares to FY05 at \$9.2 million. The analysis that follows focuses on the net assets for our governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2006	2005
Current and other assets	\$ 8,144	7,391
Capital assets	10,040	7,170
Total assets	18,184	14,561
Long-term liabilities	1,178	1,027
Other liabilities	4,418	4,294
Total liabilities	5,596	5,321
Net assets:		
Invested in capital assets, net of related debt	9,688	6,702
Restricted	1,680	1,736
Unrestricted	1,220	802
Total net assets	\$ 12,588	9,240

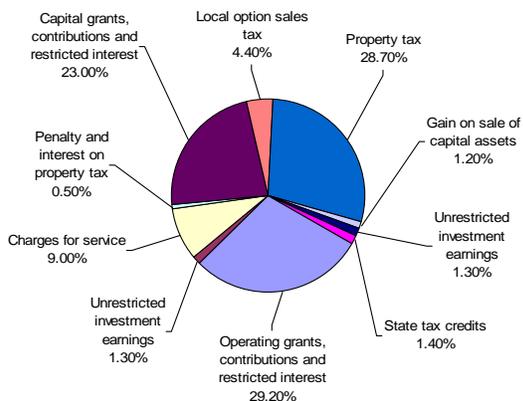
Net assets of Madison County's governmental activities increased by \$3.3 million, or 36%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is 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 \$802,000 at June 30, 2005 to approximately \$1,220,000 at the end of this year, an increase of 52.1%. This increase was primarily due to the overall increase in revenues of approximately \$2,241,000 for governmental activities, with property tax revenue up from the prior year by approximately \$181,000, or 5.3%.

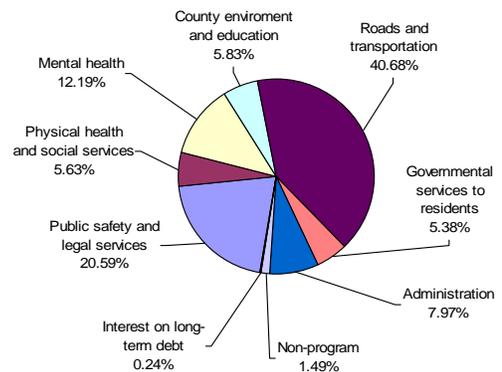
**Changes in Net Assets of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2006	2005
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 1,123	1,156
Operating grants, contributions and restricted interest	3,648	3,265
Capital grants, contributions and restricted interest	2,878	1,463
<b>General revenues:</b>		
Property tax	3,590	3,409
Penalty and interest on property tax	59	64
Local option sales tax	555	357
State tax credits	171	172
Grants and contributions not restricted to specific purposes	-	1
Unrestricted investment earnings	163	92
Gain on sale of capital assets	148	115
Other general revenues	65	64
<b>Total revenues</b>	<b>12,400</b>	<b>10,158</b>
<b>Program expenses:</b>		
Public safety and legal services	1,864	1,604
Physical health and social services	510	458
Mental health	1,103	1,007
County environment and education	528	469
Roads and transportation	3,682	3,772
Governmental services to residents	487	379
Administration	721	699
Non-program	135	150
Interest on long-term debt	22	18
<b>Total expenses</b>	<b>9,052</b>	<b>8,556</b>
<b>Increase in net assets</b>	<b>3,348</b>	<b>1,602</b>
<b>Net assets beginning of year</b>	<b>9,240</b>	<b>7,638</b>
<b>Net assets end of year</b>	<b>\$ 12,588</b>	<b>9,240</b>

**Revenues by Source**



**Expenses by Program**



The countywide property tax levy rate increased by approximately 3.6%, or \$.29 per \$1,000 of taxable valuation, for fiscal 2006. The rural levy rate increased \$.16 per 1,000 of taxable valuation due to an increase in rural cost and to fund an additional Sheriff's deputy, bringing the sheriff's office up to six deputies. Total property tax levied between fiscal 2006 and fiscal 2005 increased \$212,589.

The cost of all governmental activities this year was \$9.1 million compared to \$8.6 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was only \$1.4 million because some of the cost was paid by those directly benefited from the programs (\$1,123,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6,526,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2006 from approximately \$5,884,000 to \$7,600,000, principally due to receiving farm-to market funding for the reconstruction of Macksburg Road and Bevington Park Road. The County paid for the remaining "public benefit" portion of governmental activities with approximately \$4,145,000 in taxes including local option sales tax, (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 \$3.4 million, an increase of \$600,000 over last year's total of \$2.8 million. The 22% increase in fund balance is primarily attributable to the following:

- The ending fund balance of the General Fund increased \$508,000 due to the County receiving approximately \$104,000 as insurance reimbursement for a wrecked ambulance. The County replaced the ambulance during FY07. The County also received approximately \$112,000 in grants to assist in purchasing new voting machines. Interest earned increased approximately \$71,000.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the current year, expenditures totaled \$1,103,099, an increase of 9% over the prior year. The Mental Health Fund balance at year end decreased approximately \$80,000 from the prior year. Madison County levied 72% of the maximum mental health and developmental disabilities services fund levy dollars. The drop in fund balance was partially due to costs associated with dissolving the 28E agreement with Tri-County Community Services to administer health services and startup costs with the new 28E agreement with Boone County, now know as County Community Services (CCS).
- Local option sales tax revenues increased by \$125,000. Increased revenues from user fees and local option sales tax helped to increase the Rural Services Fund ending balance by approximately \$162,000.
- Secondary Roads Fund revenues and expenditures increased approximately \$390,000 as a result of a bridge replacement project. The ending fund balance decreased 4%, or \$62,356, from the prior year to \$1,450,514.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Madison County amended its budget two times. The first amendment was made in December 2005 and resulted in an increase in budgeted disbursements related to jail repair, computers and election equipment purchases. The majority of these costs were offset by incoming revenue. The second amendment was made in May 2006. This amendment was made to pay off the loan for the ambulance that was wrecked earlier in the year.

Expenses for secondary roads capital projects were reduced by \$490,200. Expenses for secondary roads in the roads and transportation function increased \$131,600. Total expenditures decreased \$309,701.

The County's receipts were \$101,097 more than budgeted, a variance of 1%. The most significant variance resulted from the County receiving more local option sales tax than anticipated.

Total disbursements were \$711,481 less than the amended budget. This was primarily due to the secondary roads department having \$250,000 budgeted for a bridge replacement project that did not get started until after FY06. No disbursements toward this project were made in FY06. Actual disbursements for the roads and transportation, administration and capital projects functions were \$153,752, \$101,836 and \$295,369, respectively, less than budgeted.

The County did not exceed the budgeted amounts in any function for the year ended June 30, 2006.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

As of June 30, 2006, Madison County had approximately \$10 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 \$2,870,000, or 40% over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2006	2005
Land	\$ 608	602
Construction in progress	2,718	533
Buildings and improvements	1,877	1,919
Equipment and vehicles	2,400	2,164
Infrastructure	2,437	1,952
Total	<u>\$ 10,040</u>	<u>7,170</u>
This year's major additions included (in thousands):		
Capital assets contributed by the Iowa Department of Transportation	\$ 2,363	
Purchase of 2 motor graders for secondary roads	203	
Total	<u>\$ 2,566</u>	

The County had depreciation expense of \$538,190 in fiscal 2006 and total accumulated depreciation of \$3,905,237 at June 30, 2006.

The County's fiscal year 2006 capital budget was principally for completion of construction in progress for two farm-to-market paved roads, one bridge replacement and the purchase of motor graders. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

## Long-Term Debt

At June 30, 2006, Madison County had approximately \$586,000 in capital loan notes and capital lease purchase agreement obligations outstanding, compared to approximately \$468,000 at June 30, 2005, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
(Expressed in Thousands)		
	June 30,	
	2006	2005
Capital loan notes	\$ 557	430
Capital lease purchase agreements	29	38
Total	\$ 586	468

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 \$41 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 2007 budget. Tax rates and fees 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% from 1980 to 2004, and increased 19.8% 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. 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. Madison County Supervisors are also researching alternative fuel sources and checking into how we can make our buildings more energy efficient. 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, 2006

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 3,313,165
Receivables:	
Property tax:	
Delinquent	11,351
Succeeding year	3,832,000
Interest and penalty on property tax	5,379
Accounts	310,879
Accrued interest	16,197
Due from other governments	445,140
Inventories	209,492
Capital assets (net of accumulated depreciation)	10,040,494
<b>Total assets</b>	<u>18,184,097</u>
<b>Liabilities</b>	
Accounts payable	237,315
Accrued interest payable	13,889
Salaries and benefits payable	76,039
Due to other governments	208,579
Deferred revenue:	
Succeeding year property tax	3,832,000
Other	50,230
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	7,185
Capital loan notes	161,128
Compensated absences	251,466
Portion due or payable after one year:	
Capital lease purchase agreement	21,756
Capital loan notes	395,505
Compensated absences	341,309
<b>Total liabilities</b>	<u>5,596,401</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	9,687,625
Restricted for:	
Supplemental levy purposes	224,101
Mental health purposes	9,897
Secondary roads purposes	1,202,073
Other purposes	244,267
Unrestricted	1,219,733
<b>Total net assets</b>	<u>\$ 12,587,696</u>

See notes to financial statements.

Madison County  
Statement of Activities  
Year ended June 30, 2006

	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	\$ 1,863,566	393,771	18,246	203,705	(1,247,844)
Physical health and social services	510,030	46,323	176,134	-	(287,573)
Mental health	1,103,153	30,261	606,806	-	(466,086)
County environment and education	527,657	99,073	26,505	-	(402,079)
Roads and transportation	3,682,066	70,254	2,702,926	2,674,536	1,765,650
Governmental services to residents	487,343	316,456	112,671	-	(58,216)
Administration	720,970	27,939	4,519	-	(688,512)
Non-program	134,657	139,068	-	-	4,411
Interest on long-term debt	22,769	-	-	-	(22,769)
<b>Total</b>	<b>\$ 9,052,211</b>	<b>1,123,145</b>	<b>3,647,807</b>	<b>2,878,241</b>	<b>(1,403,018)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					3,475,427
Debt service					114,676
Penalty and interest on property tax					58,673
State tax credits					170,879
Local option sales tax					555,435
Unrestricted investment earnings					162,680
Gain on sale of assets					147,910
Miscellaneous					64,836
<b>Total general revenues</b>					<b>4,750,516</b>
Change in net assets					3,347,498
Net assets beginning of year					9,240,198
Net assets end of year					<b>\$ 12,587,696</b>

See notes to financial statements.

Madison County  
Balance Sheet  
Governmental Funds

June 30, 2006

	General	Special Revenue		
		Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 1,367,031	207,645	209,775	1,107,169
Receivables:				
Property tax:				
Delinquent	6,898	1,102	3,020	-
Succeeding year	2,359,000	451,000	856,000	-
Interest and penalty on property tax	5,379	-	-	-
Accounts	236,639	24,961	9,950	8,401
Accrued interest	16,197	-	-	-
Due from other funds	-	-	-	9,647
Due from other governments	53,158	32,843	65,414	268,039
Inventories	-	-	-	164,615
Advance to Internal Service Fund	60,000	-	-	-
<b>Total assets</b>	<b>\$ 4,104,302</b>	<b>717,551</b>	<b>1,144,159</b>	<b>1,557,871</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 53,296	27,404	3,024	43,446
Salaries and benefits payable	23,772	1,603	-	50,664
Due to other funds	-	-	9,647	-
Due to other governments	22,611	177,867	-	7,984
Deferred revenue:				
Succeeding year property tax	2,359,000	451,000	856,000	-
Other	203,767	51,000	11,890	5,263
Total liabilities	2,662,446	708,874	880,561	107,357
Fund balances:				
Reserved for:				
Advance to Internal Service Fund	60,000	-	-	-
Supplemental levy purposes	266,526	-	-	-
Noncurrent receivables	-	24,780	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	1,115,330	-	-	-
Special revenue funds	-	(16,103)	263,598	1,450,514
Capital projects fund	-	-	-	-
Total fund balances	1,441,856	8,677	263,598	1,450,514
<b>Total liabilities and fund balances</b>	<b>\$ 4,104,302</b>	<b>717,551</b>	<b>1,144,159</b>	<b>1,557,871</b>

See notes to financial statements.

Nonmajor	Total
233,689	3,125,309
331	11,351
166,000	3,832,000
-	5,379
1,890	281,841
-	16,197
-	9,647
21,132	440,586
-	164,615
-	60,000
423,042	7,946,925
118	127,288
-	76,039
-	9,647
117	208,579
166,000	3,832,000
1,756	273,676
167,991	4,527,229
-	60,000
-	266,526
-	24,780
10,784	10,784
-	1,115,330
236,509	1,934,518
7,758	7,758
255,051	3,419,696
423,042	7,946,925

**Madison County**

Madison County

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

June 30, 2006

**Total governmental fund balances (page 19)** \$ 3,419,696

***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 \$13,945,731 and the accumulated depreciation is \$3,905,237. 10,040,494

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 223,446

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. 96,298

Long-term liabilities, including a 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. (1,192,238)

**Net assets of governmental activities (page 16)** \$ 12,587,696

See notes to financial statements.

Madison County

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

Year ended June 30, 2006

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 2,296,717	367,340	1,256,419	-
Interest and penalty on property tax	59,215	-	-	-
Intergovernmental	495,132	624,667	43,271	3,006,717
Licenses and permits	-	-	87,788	8,515
Charges for service	688,369	318	12,980	12,006
Use of money and property	209,757	1,872	-	-
Miscellaneous	115,001	28,389	7,891	54,557
Total revenues	<u>3,864,191</u>	<u>1,022,586</u>	<u>1,408,349</u>	<u>3,081,795</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	1,492,032	-	122,871	-
Physical health and social services	426,160	-	77,589	-
Mental health	-	1,103,099	-	-
County environment and education	335,659	-	193,888	-
Roads and transportation	-	-	-	3,703,088
Governmental services to residents	474,411	-	-	-
Administration	677,738	-	-	-
Debt service	-	-	-	-
Capital projects	5,000	-	-	399,986
Total expenditures	<u>3,411,000</u>	<u>1,103,099</u>	<u>394,348</u>	<u>4,103,074</u>
Excess (deficiency) of revenues over (under) expenditures	453,191	(80,513)	1,014,001	(1,021,279)
<b>Other financing sources (uses):</b>				
Sale of capital assets	950	-	-	106,658
Operating transfers in	25,000	-	-	852,265
Operating transfers out	-	-	(852,265)	-
Capital lease purchase agreement	28,941	-	-	-
Capital loan notes issued	-	-	-	-
Total other financing sources (uses)	<u>54,891</u>	<u>-</u>	<u>(852,265)</u>	<u>958,923</u>
Net change in fund balances	508,082	(80,513)	161,736	(62,356)
Fund balances beginning of year	933,774	89,190	101,862	1,512,870
Fund balances end of year	<u>\$ 1,441,856</u>	<u>8,677</u>	<u>263,598</u>	<u>1,450,514</u>

See notes to financial statements.

Nonmajor	Total
225,760	4,146,236
-	59,215
19,291	4,189,078
-	96,303
6,367	720,040
18,181	229,810
-	205,838
<u>269,599</u>	<u>9,646,520</u>
4,508	1,619,411
-	503,749
-	1,103,099
1,700	531,247
-	3,703,088
7,188	481,599
5,868	683,606
139,211	139,211
239,021	644,007
<u>397,496</u>	<u>9,409,017</u>
(127,897)	237,503
-	107,608
-	877,265
(25,000)	(877,265)
-	28,941
250,000	250,000
<u>225,000</u>	<u>386,549</u>
97,103	624,052
157,948	2,795,644
<u>255,051</u>	<u>3,419,696</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, 2006

**Net change in fund balances - Total governmental funds (page 23)** \$ 624,052

**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	\$ 903,700	
Capital assets contributed by the Iowa Department of Transportation and others	2,566,600	
Depreciation expense	<u>(538,190)</u>	2,932,110

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. (61,734)

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	(698)	
Other	<u>2,345</u>	1,647

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets. 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. Current year issues exceeded repayments as follows:

Issued	(278,941)	
Repaid	<u>161,848</u>	(117,093)

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 governmental funds, as follows:

Compensated absences	(33,949)	
Interest on long-term debt	<u>(7,417)</u>	(41,366)

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. 9,882

**Change in net assets of governmental activities (page 17)** \$ 3,347,498

See notes to financial statements.

Madison County  
 Statement of Net Assets  
 Proprietary Funds  
 June 30, 2006

	Internal Service
<b>Assets</b>	
Cash and cash equivalents	\$ 187,856
Accounts receivable	29,038
Due from other governments	4,554
Inventories	44,877
	266,325
<b>Liabilities</b>	
Accounts payable	110,027
Advance from General Fund	60,000
	170,027
<b>Net Assets</b>	
Unrestricted	\$ 96,298

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, 2006

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds		\$ 1,002,200
Reimbursements from employees and others		29,217
Insurance reimbursements		100,850
Fuel tax refunds		3,230
Total operating revenues		<u>1,135,497</u>
Operating expenses:		
Medical claims	\$ 883,285	
Materials and supplies	247,947	1,131,232
Operating income		<u>4,265</u>
Non-operating revenues:		
Interest income		5,617
Net income		<u>9,882</u>
Net assets beginning of year		86,416
Net assets end of year		<u><u>\$ 96,298</u></u>

See notes to financial statements.

Madison County  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2006

	Internal Service
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,041,910
Cash received from employees and others	149,191
Cash paid to suppliers for goods and services	(1,148,207)
Net cash provided by operating activities	42,894
Cash flows from investing activities:	
Interest on investments	5,617
Net increase in cash and cash equivalents	48,511
Cash and cash equivalents beginning of year	139,345
Cash and cash equivalents end of year	\$ 187,856
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 4,265
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	55,604
(Increase) in inventories	(18,528)
Increase in accounts payable	1,553
Net cash provided by operating activities	\$ 42,894

See notes to financial statements.

Madison County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2006

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 825,481
Other County officials	19,863
Receivables:	
Property tax:	
Delinquent	32,443
Succeeding year	13,874,000
Accounts	514
Special assessments:	
Delinquent	3,406
Succeeding year	386,166
Due from other governments	2,329
<b>Total assets</b>	<u>15,144,202</u>

**Liabilities**

Accounts payable	21,763
Due to other governments	15,084,068
Trusts payable	5,254
Compensated absences	33,117
<b>Total liabilities</b>	<u>15,144,202</u>

**Net assets** \$ -

See notes to financial statements.

Madison County

Notes to Financial Statements

June 30, 2006

**(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, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2005.

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, 2006, 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 acquired after July 1, 2003 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net 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, compensatory and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. 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, 2006, disbursements did not exceed the amounts budgeted by function. However, disbursements in certain departments exceeded the amounts appropriated prior to amendment.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2006 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 \$804,671 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, 2006 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	\$ 9,647

This balance resulted 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	\$ 60,000

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, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 852,265
General	Capital Projects	25,000
Total		\$ 877,265

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, 2006 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	5,615	-	607,617
Construction in progress	532,584	2,752,446	(567,129)	2,717,901
Total capital assets not being depreciated	1,134,586	2,758,061	(567,129)	3,325,518
Capital assets being depreciated:				
Buildings	2,574,593	-	-	2,574,593
Improvements other than buildings	31,147	-	-	31,147
Equipment and vehicles	5,206,834	712,239	(442,064)	5,477,009
Infrastructure, road network	1,970,335	567,129	-	2,537,464
Total capital assets being depreciated	9,782,909	1,279,368	(442,064)	10,620,213
Less accumulated depreciation for:				
Buildings	655,815	66,844	-	722,659
Improvements other than buildings	3,115	3,115	-	6,230
Equipment and vehicles	3,070,802	386,348	(380,330)	3,076,820
Infrastructure, road network	17,645	81,883	-	99,528
Total accumulated depreciation	3,747,377	538,190	(380,330)	3,905,237
Total capital assets being depreciated, net	6,035,532	741,178	(61,734)	6,714,976
Governmental activities capital assets, net	\$ 7,170,118	3,499,239	(628,863)	10,040,494

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 64,628
Physical health and social services	8,297
County environment and education	29,213
Roads and transportation	421,494
Governmental services to residents	1,522
Administration	13,036
Total depreciation expense - governmental activities	\$ 538,190

**(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	\$ 22,611
Special Revenue:		
Mental Health	Services	177,867
Secondary Roads	Services	7,984
Sheriff McDee	Services	117
		<u>185,968</u>
Total for governmental funds		<u>\$ 208,579</u>
Agency:		
County Assessor	Collections	\$ 310,048
Schools		8,475,650
Community Colleges		354,688
Corporations		3,314,071
Townships		206,538
County Hospital		1,365,892
Auto License and Use Tax		336,398
All other		720,783
Total for agency funds		<u>\$ 15,084,068</u>

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

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Capital Lease		Capital Loan Notes			Compensated Absences	Total
	Purchase Agreements		Court-house	FHA	Jail		
	Ambulance	Pickups					
Balance beginning of year	\$ 37,989	-	291,000	139,492	-	558,826	1,027,307
Increases	-	28,941	-	-	250,000	270,220	549,161
Decreases	37,989	-	97,000	9,564	17,295	236,271	398,119
Balance end of year	\$ -	28,941	194,000	129,928	232,705	592,775	1,178,349
Due within one year	\$ -	7,185	97,000	10,087	54,041	251,466	419,779

Capital Lease Purchase Agreements

The County entered into a capital lease purchase agreement to lease an ambulance with an historical cost of \$92,674. In 2006, the ambulance was wrecked and the lease was paid in full. Payments under this capital lease purchase agreement totaled \$37,989 for the year ended June 30, 2006.

The County has also entered into a capital lease purchase agreement to lease two vehicles for the Conservation Board with a historical cost of \$35,552. The following is a schedule of the future minimum lease payments, including interest at 3.65% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2006:

Year ending June 30,	Vehicles
2007	\$ 7,500
2008	7,500
2009	7,500
2010	7,500
2011	930
Total minimum lease payments	30,930
Less amount representing interest	1,989
Present value of net minimum least payments	\$ 28,941

No payments were made under this capital lease purchase agreement for the year ended June 30, 2006.

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, 2006 capital loan note indebtedness for the courthouse is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2007	2.3 - 2.6%	\$ 97,000	4,753	101,753
2008	2.6	97,000	2,522	99,522
		\$ 194,000	7,275	201,275

Capital Loan Notes Payable – FHA

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, 2006 capital loan note indebtedness for FHA is as follows:

Year ending June 30,	1995 Issue				1997 Issue			
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
2007	5.625%	\$ 5,307	3,395	8,702	5.50%	\$ 4,780	3,836	8,616
2008	5.625	5,615	3,087	8,702	5.50	5,033	3,583	8,616
2009	5.625	5,931	2,771	8,702	5.50	5,320	3,296	8,616
2010	5.625	6,265	2,437	8,702	5.50	5,613	3,003	8,616
2011	5.625	6,611	2,091	8,702	5.50	5,921	2,695	8,616
2012-2016	5.625	30,458	4,350	34,808	5.50	34,854	8,226	43,080
2017		-	-	-	5.50	8,220	396	8,616
Total		\$ 60,187	18,131	78,318		\$ 69,741	25,035	94,776

Capital Loan Notes Payable – Jail

During the year ended June 30, 2006, the County issued \$250,000 of general obligation capital loan notes to pay the costs of repairing the County jail. The notes will be repaid from a debt service levy. A summary of the County's June 30, 2006 capital loan note indebtedness for the jail is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2007	3.65 - 6.75%	\$ 54,041	13,876	67,917
2008	3.65	57,422	6,540	63,962
2009	3.65	59,534	4,426	63,960
2010	3.65	61,708	2,252	63,960
Total		\$ 232,705	27,094	259,799

**(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, 2006, 2005 and 2004 were \$179,365, \$173,616 and \$159,803, 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 (effective through February 2006) and First Administrators, Inc., (effective from March 2006). 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 or First Administrators, Inc. from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2006 was \$776,388.

Amounts payable from the Employee Group Health Fund at June 30, 2006 total \$93,000, 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 \$38,118 at June 30, 2006 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, 2005	\$ 95,000
Incurred claims (including claims incurred but not reported at June 30, 2005)	882,835
Payment on claims	<u>(884,835)</u>
Unpaid claims at June 30, 2006	<u>\$ 93,000</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) Litigation**

The County is engaged in one civil case. The probability of loss, if any, is undeterminable.

**(13) Subsequent Events**

In September 2006, the County entered into a lease purchase agreement with Farmers and Merchants Bank for \$79,788 to purchase two new ambulances.

**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, 2006

	Actual	Budgeted Amounts	
		Original	Final
<b>Receipts:</b>			
Property and other county tax	\$ 4,118,600	3,949,353	3,949,353
Interest and penalty on property tax	62,972	57,305	57,305
Intergovernmental	4,133,348	4,644,532	4,391,552
Licenses and permits	96,138	67,650	75,550
Charges for service	708,875	599,820	651,093
Use of money and property	233,235	159,369	153,718
Miscellaneous	194,881	26,075	168,381
Total receipts	9,548,049	9,504,104	9,446,952
<b>Disbursements:</b>			
Public safety and legal services	1,872,997	1,704,367	1,947,539
Physical health and social services	490,541	507,326	526,326
Mental health	1,039,420	1,051,650	1,051,650
County environment and education	491,432	481,915	513,606
Roads and transportation	3,672,178	3,694,330	3,825,930
Governmental services to residents	480,256	432,626	496,048
Administration	703,696	789,532	805,532
Debt service	139,211	152,212	139,212
Capital projects	433,751	1,219,320	729,120
Total disbursements	9,323,482	10,033,278	10,034,963
Excess (deficiency) of receipts over (under) disbursements	224,567	(529,174)	(588,011)
Other financing sources, net	357,608	100,000	356,658
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	582,175	(429,174)	(231,353)
Balance beginning of year	2,543,134	2,322,254	2,543,134
Balance end of year	\$ 3,125,309	1,893,080	2,311,781

See accompanying independent auditor's report.

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Final to Actual Variance
169,247
5,667
(258,204)
20,588
57,782
79,517
26,500
101,097
74,542
35,785
12,230
22,174
153,752
15,792
101,836
1
295,369
711,481
812,578
950
813,528
-
813,528

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Madison County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 9,548,049	98,471	9,646,520
Expenditures	9,323,482	85,535	9,409,017
Net	224,567	12,936	237,503
Other financing sources, net	357,608	28,941	386,549
Beginning fund balances	2,543,134	252,510	2,795,644
Ending fund balances	\$ 3,125,309	294,387	3,419,696

See accompanying independent auditor's report.

Madison County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. 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, two budget amendments increased budgeted disbursements by \$1,685. The budget amendments are reflected in the final budgeted amounts.

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

During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted by function. However, disbursements in certain departments exceeded the amounts appropriated prior to amendment.

**Madison County**

**Other Supplementary Information**

Madison County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2006

	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	\$ 3,255	107	21,595	35,573
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	446	-	-	-
Due from other governments	-	-	5,414	-
<b>Total assets</b>	<b>\$ 3,701</b>	<b>107</b>	<b>27,009</b>	<b>35,573</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ -	-	29	-
Due to other governments	-	-	-	-
Deferred revenue:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total liabilities	-	-	29	-
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved	3,701	107	26,980	35,573
Total fund equity	3,701	107	26,980	35,573
<b>Total liabilities and fund equity</b>	<b>\$ 3,701</b>	<b>107</b>	<b>27,009</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
2,060	148,675	3,901	10,765	7,758	233,689
-	-	-	331	-	331
-	-	-	166,000	-	166,000
-	-	-	1,444	-	1,890
-	15,718	-	-	-	21,132
2,060	164,393	3,901	178,540	7,758	423,042
-	-	89	-	-	118
-	-	117	-	-	117
-	-	-	166,000	-	166,000
-	-	-	1,756	-	1,756
-	-	206	167,756	-	167,991
-	-	-	10,784	-	10,784
2,060	164,393	3,695	-	7,758	244,267
2,060	164,393	3,695	10,784	7,758	255,051
2,060	164,393	3,901	178,540	7,758	423,042

Madison County

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

Year ended June 30, 2006

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Resource Enhancement and Protection
Revenues:			
Property and other county tax	\$ -	-	-
Intergovernmental	-	-	10,402
Charges for service	5,144	1,223	-
Use of money and property	196	-	657
Total revenues	5,340	1,223	11,059
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	-	-
Governmental services to residents	4,980	2,208	-
Administration	2,110	-	-
Debt service	-	-	-
Capital projects	-	-	1,702
Total expenditures	7,090	2,208	1,702
Excess (deficiency) of revenues over (under) expenditures	(1,750)	(985)	9,357
Other financing sources (uses):			
Operating transfers out	-	-	-
Capital loan notes issued	-	-	-
Total other financing sources (uses)	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,750)	(985)	9,357
Fund balances beginning of year	5,451	1,092	17,623
Fund balances end of year	\$ 3,701	107	26,980

See accompanying independent auditor's report.

Special Revenue						
Covered	Conservation	Local				
Bridge	Land	Option	Sheriff	Debt	Capital	Total
	Acquisition	Sales	McDee	Service	Projects	
		Tax				
-	-	111,087	-	114,673	-	225,760
-	-	-	3,500	5,389	-	19,291
-	-	-	-	-	-	6,367
-	-	-	-	17,328	-	18,181
-	-	111,087	3,500	137,390	-	269,599
-	-	-	4,508	-	-	4,508
-	1,700	-	-	-	-	1,700
-	-	-	-	-	-	7,188
-	-	3,758	-	-	-	5,868
-	-	-	-	139,211	-	139,211
-	-	-	-	-	237,319	239,021
-	1,700	3,758	4,508	139,211	237,319	397,496
-	(1,700)	107,329	(1,008)	(1,821)	(237,319)	(127,897)
-	-	-	-	-	(25,000)	(25,000)
-	-	-	-	-	250,000	250,000
-	-	-	-	-	225,000	225,000
-	(1,700)	107,329	(1,008)	(1,821)	(12,319)	97,103
35,573	3,760	57,064	4,703	12,605	20,077	157,948
35,573	2,060	164,393	3,695	10,784	7,758	255,051

**Schedule 3**

Madison County  
Combining Schedule of Net Assets  
Internal Service Funds

June 30, 2006

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 46,565	812	120,939	19,540	187,856
Accounts receivable	18,692	167	10,179	-	29,038
Due from other governments	4,554	-	-	-	4,554
Inventories	44,877	-	-	-	44,877
<b>Total assets</b>	<b>114,688</b>	<b>979</b>	<b>131,118</b>	<b>19,540</b>	<b>266,325</b>
<b>Liabilities</b>					
Accounts payable	17,027	-	93,000	-	110,027
Advance from General Fund	60,000	-	-	-	60,000
<b>Total liabilities</b>	<b>77,027</b>	<b>-</b>	<b>93,000</b>	<b>-</b>	<b>170,027</b>
<b>Net Assets</b>					
Unrestricted	\$ 37,661	979	38,118	19,540	96,298

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, 2006

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
<b>Operating revenues:</b>					
Reimbursements from operating funds, employees and others	\$ 253,888	1,141	776,388	-	1,031,417
Insurance reimbursements	10,352	-	90,498	-	100,850
Fuel tax refunds	3,230	-	-	-	3,230
Total operating revenues	267,470	1,141	866,886	-	1,135,497
<b>Operating expenses:</b>					
Medical claims	-	-	883,285	-	883,285
Materials and supplies	246,906	1,041	-	-	247,947
Total operating expenses	246,906	1,041	883,285	-	1,131,232
Operating income (loss)	20,564	100	(16,399)	-	4,265
<b>Non-operating revenues:</b>					
Interest income	-	-	5,617	-	5,617
Net income (loss)	20,564	100	(10,782)	-	9,882
Net assets beginning of year	17,097	879	48,900	19,540	86,416
Net assets end of year	\$ 37,661	979	38,118	19,540	96,298

See accompanying independent auditor's report.

**Madison County**

Madison County  
Combining Schedule of Cash Flows  
Internal Service Funds

Year ended June 30, 2006

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Cash flows from operating activities:					
Cash received from operating funds, employees and others	\$ 264,702	820	776,388	-	1,041,910
Cash received from others	10,747	154	138,290	-	149,191
Cash paid to suppliers for goods and services	(261,216)	(1,118)	(885,285)	(588)	(1,148,207)
Net cash provided (used) by operating activities	14,233	(144)	29,393	(588)	42,894
Cash flows from investing activities:					
Interest on investments	-	-	5,617	-	5,617
Net increase (decrease) in cash and cash equivalents	14,233	(144)	35,010	(588)	48,511
Cash and cash equivalents beginning of year	32,332	956	85,929	20,128	139,345
Cash and cash equivalents end of year	\$ 46,565	812	120,939	19,540	187,856
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ 20,564	100	(16,399)	-	4,265
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
(Increase) decrease in accounts receivable	7,979	(167)	47,792	-	55,604
(Increase) in inventories	(18,528)	-	-	-	(18,528)
Increase (decrease) in accounts payable	4,218	(77)	(2,000)	(588)	1,553
Net cash provided (used) by operating activities	\$ 14,233	(144)	29,393	(588)	42,894

See accompanying independent auditor's report.

Madison County

Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	2,505	100,049	135,565
Other County officials	19,863	-	-	-
Receivables:				
Property tax:				
Delinquent	-	436	945	23,085
Succeeding year	-	152,000	255,000	8,317,000
Accounts	68	-	-	-
Special assessments:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<b>\$ 19,931</b>	<b>154,941</b>	<b>355,994</b>	<b>8,475,650</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	12,829	-
Due to other governments	14,677	154,941	310,048	8,475,650
Trusts payable	5,254	-	-	-
Compensated absences	-	-	33,117	-
<b>Total liabilities</b>	<b>\$ 19,931</b>	<b>154,941</b>	<b>355,994</b>	<b>8,475,650</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Special Assessments	Auto License and Use Tax	Other	Total
5,692	61,595	2,896	22,050	8,858	336,398	149,873	825,481
-	-	-	-	-	-	-	19,863
996	2,476	642	3,842	-	-	21	32,443
348,000	3,250,000	203,000	1,340,000	-	-	9,000	13,874,000
-	-	-	-	-	-	446	514
-	-	-	-	3,406	-	-	3,406
-	-	-	-	386,166	-	-	386,166
-	-	-	-	-	-	2,329	2,329
354,688	3,314,071	206,538	1,365,892	398,430	336,398	161,669	15,144,202
-	-	-	-	-	-	8,934	21,763
354,688	3,314,071	206,538	1,365,892	398,430	336,398	152,735	15,084,068
-	-	-	-	-	-	-	5,254
-	-	-	-	-	-	-	33,117
354,688	3,314,071	206,538	1,365,892	398,430	336,398	161,669	15,144,202

Madison County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2006

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets and Liabilities</b>				
Balances beginning of year	\$ 45,931	120,327	413,824	8,437,966
Additions:				
Property and other county tax	-	180,320	240,370	7,946,653
State tax credits	-	7,067	15,293	380,376
Office fees and collections	487,614	-	-	-
Electronic transaction fees	5,144	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	357,316	-	-	-
Miscellaneous	-	-	272	-
Total additions	850,074	187,387	255,935	8,327,029
Deductions:				
Agency remittances:				
To other funds	346,896	-	-	-
To other governments	170,467	152,773	313,765	8,289,345
Trusts paid out	358,711	-	-	-
Total deductions	876,074	152,773	313,765	8,289,345
Balances end of year	\$ 19,931	154,941	355,994	8,475,650

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Special Assessments	Auto License and Use Tax	Other	Total
285,657	3,319,866	204,197	1,369,276	356,287	335,053	177,487	15,065,871
399,573	3,126,469	198,273	1,279,136	-	-	5,596	13,376,390
16,052	130,596	9,119	62,210	-	-	888	621,601
-	-	-	-	-	-	-	487,614
-	-	-	-	-	-	5,144	10,288
-	-	-	-	-	3,805,707	-	3,805,707
-	-	-	-	345,575	-	-	345,575
-	-	-	-	-	-	186,918	544,234
-	-	-	-	-	-	238,129	238,401
415,625	3,257,065	207,392	1,341,346	345,575	3,805,707	436,675	19,429,810
-	-	-	-	-	155,186	-	502,082
346,594	3,262,860	205,051	1,344,730	303,432	3,649,176	196,758	18,234,951
-	-	-	-	-	-	255,735	614,446
346,594	3,262,860	205,051	1,344,730	303,432	3,804,362	452,493	19,351,479
354,688	3,314,071	206,538	1,365,892	398,430	336,398	161,669	15,144,202

Madison County

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

For the Last Six Years

			Modified
	2006	2005	2004
<b>Revenues:</b>			
Property and other county tax	\$ 4,146,236	3,782,515	3,489,036
Interest and penalty on property tax	59,215	63,583	55,809
Intergovernmental	4,189,078	3,796,249	3,971,314
Licenses and permits	96,303	93,608	66,124
Charges for service	720,040	662,292	614,945
Use of money and property	229,810	152,709	95,810
Miscellaneous	205,838	125,017	55,565
<b>Total</b>	<b>\$ 9,646,520</b>	<b>8,675,973</b>	<b>8,348,603</b>
<b>Expenditures:</b>			
<b>Operating:</b>			
Public safety and legal services	\$ 1,619,411	1,558,488	1,594,735
Physical health and social services	503,749	477,518	517,376
Mental health	1,103,099	1,012,500	951,864
County environment and education	531,247	454,545	436,614
Roads and transportation	3,703,088	3,756,935	3,699,220
Governmental services to residents	481,599	372,840	367,811
Administration	683,606	685,801	679,426
Debt service	139,211	122,661	124,018
Capital projects	644,007	320,773	549,182
<b>Total</b>	<b>\$ 9,409,017</b>	<b>8,762,061</b>	<b>8,920,246</b>

See accompanying independent auditor's report.

Accrual Basis		
2003	2002	2001
3,351,970	3,165,895	2,923,224
62,939	62,198	58,181
3,890,226	3,767,863	4,343,475
63,997	40,119	25,885
570,211	542,147	491,318
119,058	186,616	291,658
384,932	31,439	31,467
<b>8,443,333</b>	<b>7,796,277</b>	<b>8,165,208</b>
1,597,835	1,433,056	1,362,699
474,540	498,989	506,316
953,994	1,083,090	1,094,889
396,095	485,829	349,256
3,241,644	3,379,254	3,111,854
340,132	374,545	330,420
653,627	644,790	584,326
384,099	101,742	99,848
526,486	121,462	636,371
<b>8,568,452</b>	<b>8,122,757</b>	<b>8,075,979</b>

**Schedule 9**

Madison County  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures			
Indirect:						
U.S. Department of Agriculture:						
Iowa Department of Human Services:						
Human Services Administrative Reimbursements:						
State Administrative Matching Grants for Food Stamp Program	10.561		\$ 8,075			
U.S. Department of Transportation:						
Iowa Department of Transportation:						
Highway Planning and Construction	20.205	BROS-CO61(65)-8J-61	311,641			
Iowa Department of Public Safety:						
Safety Belt Performance Grants	20.609	06-157, Task 99	3,500			
U.S. Elections Assistance Commission:						
Iowa Secretary of State:						
Help America Vote Act Requirements Payments	90.401		113,472			
U.S. Department of Health and Human Services:						
Iowa Department of Public Health:						
Ringgold County Public Health:						
Immunization Grant	93.268		2,994			
Centers for Disease Control and Prevention-Investigations and Technical Assistance				93.283	5885BT29	19,092
Visiting Nurse Association of Pottawattamie County:						
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	5885BT04-10	20,706			
			39,798			
Maternal and Child Health Social Block Grant to the States	93.994		1,183			
Iowa Department of Human Services:						
Human Services Administrative Reimbursements:						
Temporary Assistance for Needy Families	93.558		9,751			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		2,300			
Foster Care - Title IV-E	93.658		5,033			
Adoption Assistance	93.659		1,215			
Medical Assistance Program	93.778		13,116			
Social Services Block Grant	93.667		6,855			
Social Services Block Grant	93.667		44,880			
			51,735			

Madison County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2006

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Homeland Security Grant Program	97.004		203,705
Emergency Management Performance Grants	97.042		4,539
Homeland Security Grant Program	97.067		1,727
Total Indirect			\$ 773,784

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

See accompanying independent auditor's report.

**Madison County**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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, 2006, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated November 21, 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 Part II of the accompanying Schedule of Findings and Questioned Costs.

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 II-A-06 is a material weakness.

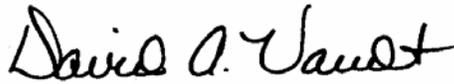
Compliance and Other Matters

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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2006 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, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

November 21, 2006

**Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

**Madison County**



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

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Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Officials of Madison County:

Compliance

We have audited the compliance of Madison County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2006. Madison County's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of Madison County's management. Our responsibility is to express an opinion on Madison County's compliance based on our audit.

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

As described in Part III of the accompanying Schedule of Findings and Questioned Costs, Madison County did not comply with requirements regarding equipment and real property management applicable to its Homeland Security Grant Program. Compliance with such requirements is necessary, in our opinion, for Madison County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Madison County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect Madison County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. A reportable condition is described in Part III of the accompanying Schedule of Findings and Questioned Costs.

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 non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance 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, we believe the reportable condition described above is a material weakness.

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

November 21, 2006

Madison County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) A qualified opinion was issued on compliance with requirements applicable to the Homeland Security Grant Program. An unqualified opinion was issued on compliance with requirements applicable to the Highway Planning and Construction program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA Number 20.205 – Highway Planning and Construction and CFDA Number 97.004 – Homeland Security Grant Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Madison County did not qualify as a low-risk auditee.

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

**REPORTABLE CONDITIONS:**

II-A-06 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
(2) Generally, one individual may have control over opening and listing mail receipts, collecting, depositing, posting and daily reconciling of receipts for which no compensating controls exist.	Ag Extension, Ambulance, Engineer and Public Health Nurse
(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.	Sheriff
(3) The person who signs checks was not independent of the person preparing checks, approving disbursements and recording cash disbursements.	Sheriff
(4) Investments were not periodically inspected by a person who is not responsible for the custody or recordkeeping of investments.	Treasurer

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.

Madison County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

Responses –

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

Ag Extension – Efforts will be made to segregate duties. Limited staff makes this difficult.

Ambulance – With limited staff, issues will remain.

Engineer – We try to segregate duties as much as possible with a limited number of people.

Public Health Nurse – We try to segregate duties as much as possible with only two people in our department.

Treasurer – I will review the procedure/situation and determine who might be a viable resource for this review.

Conclusion –

Sheriff, Ag Extension and Treasurer’s response accepted.

Ambulance, Engineer and Public Health Nurse’s response acknowledged. Someone other than the person receipting should perform the daily reconciliation and evidence of independent review should be documented.

II-B-06 Ambulance Billing Reconciliation – Ambulance billings, collections and delinquencies were not reconciled monthly.

Recommendation – The Department should reconcile billings, collections and delinquencies monthly.

Response – We will start running this report with the other monthly reports.

Conclusion – Response accepted.

II-C-06 Public Health Billing Reconciliation – Nursing service billings, collections and delinquencies were not reconciled monthly.

Recommendation – The Department should reconcile billings, collections and delinquencies monthly.

Response – A monthly reconciliation of nursing service billings and collections shall be prepared.

Conclusion – Response accepted.

II-D-06 Public Health Receipts – The Public Health Nurse does not have a cash receipts journal listing all cash collections. Pre-numbered receipts are not issued for all collections.

Recommendation – The Public Health Nurse should maintain a cash receipts journal listing all collections and issue pre-numbered receipts for all cash collections.

Response – We do have a cash receipts log we keep for all incoming cash, however, we did not start this log until August 2006. We are now issuing pre-numbered receipts for all collections.

Conclusion – Response accepted.

II-E-06 Public Health Restrictive Endorsement – A restrictive endorsement was not placed on checks upon receipt.

Recommendation – A restrictive endorsement should be placed on all checks when received to help provide protection in case of theft or loss.

Response – A stamp was ordered on November 11, 2006. We will begin using it as soon as it arrives.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Madison County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

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

**INSTANCE OF NON-COMPLIANCE AND REPORTABLE CONDITION:**

**CFDA Number 97.004: Homeland Security Grant Program  
Federal Award Year: 2005  
U.S. Department of Homeland Security  
Passed through the Iowa Department of Public Defense, Homeland Security and  
Emergency Management**

III-A-06 Lack of Recordkeeping – Accurate records were not maintained for all property acquired with federal awards. Records did not contain a description, a source, title holder, acquisition date, cost, location and condition to substantiate \$203,705 of equipment received.

Recommendation – The County should maintain proper records of all equipment received through the Homeland Security Grant Program.

Response – An in-house equipment inventory is now in place showing the date received, serial number, description, location, and a disposal date. Equipment will be entered whether purchased with grant or local funding. A policy is being written to provide proper guidelines for handling of equipment from the time of order to time of disposal.

Conclusion – Response acknowledged. Records should also include a source, title holder and cost.

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

IV-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted by function. However, disbursements in certain departments exceeded the amounts appropriated prior to amendment.

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.

Response – We will try to amend sooner in the future.

Conclusion – Response accepted.

IV-B-06 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-06 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-06 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	\$1,460

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 and were less than \$1,500 during the year.

IV-E-06 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes, but were not.

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.

Recommendation – The County should ensure all Board proceedings and claims are published as required.

Response – This is a weekly publication and the date minutes are approved and forwarded to the paper do not always coordinate, but we will do the best we can to meet the dates.

Conclusion – Response accepted.

IV-G-06 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.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

IV-H-06 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-06 Capital Lease Purchase Agreement – During the year ended June 30, 2006, the County entered into a capital lease purchase agreement to lease two vehicles for the Conservation Department. However, a public hearing was not held prior to the authorization of this capital lease purchase agreement as required by Chapter 331.479 of the Code of Iowa.

Recommendation – The County should consult legal counsel for the disposition of this matter. In the future, the County should hold a public hearing prior to the authorization of a capital lease purchase agreement as required by Chapter 331.479 of the Code of Iowa.

Response – We will abide by the Iowa Code and file a public hearing notice if lease purchases exceed \$25,000.

Conclusion – Response accepted.

IV-J-06 Financial Condition – The Special Revenue, Mental Health Fund had a deficit unreserved fund balance of over \$16,000 at June 30, 2006.

Recommendation – The County should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – Madison County is looking at increasing the mental health levy to maximum.

Conclusion – Response accepted.

IV-K-06 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

County Extension Office disbursements during the year ended June 30, 2006 did not exceed the amount budgeted. However, the budget was approved prior to the public hearing held on the budget.

Recommendation – The County Extension Office should not approve budgets prior to the public hearing.

Response – This was noted as preparations were made for the current budget. A new County Extension Education Director started January 2006.

Conclusion – Response accepted.

IV-L-06 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 – The Commissary account is reported to the County Auditor for the end of the year report. The expenditures for this account are for the commissary items for resale to the inmates. Any expenditures that are not for resale are preapproved by the Board of Supervisors before purchasing. All items are inmate and jail related items. We will continue to operate as we are, within the guidelines and with the understanding that it is not illegal, just contrary to requested operating 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.

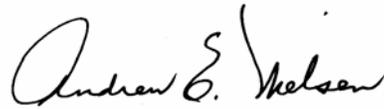
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Madison County

Staff

This audit was performed by:

Suzanne R. Hanft, CPA, Manager  
Selina V. Johnson, CPA, Senior Auditor II  
Karen J. Kibbe, Staff Auditor  
Jennifer L. Wall, Staff Auditor  
Brian P. Schenkelberg, 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