



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ March 10, 2008

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

The County had local tax revenue of \$18,747,064 for the year ended June 30, 2007, which included \$782,270 in tax credits from the state. The County forwarded \$14,706,059 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,041,005 of the local tax revenue to finance County operations, a 7.4 percent increase over the prior year. Other revenues included charges for service of \$1,062,067, operating grants, contributions and restricted interest of \$3,709,754, capital grants, contributions and restricted interest of \$3,434,427, local option sales tax of \$565,184, unrestricted investment earnings of \$229,304 and other general revenues of \$171,095.

Expenses for County operations totaled \$9,301,373, a 2.8 percent increase over the prior year. Expenses included \$3,811,667 for roads and transportation, \$1,901,988 for public safety and legal services and \$1,296,802 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, 2007

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Madison County

Officials

(Before January 1, 2007)

| <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 |

(After January 1, 2007)

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---------------------------|----------------------|---------------------|
| Robert Weeks | Board of Supervisors | Jan 2009 |
| Joan Acela | Board of Supervisors | Jan 2011 |
| Steve Raymond | Board of Supervisors | Jan 2011 |
| Joan Welch | County Auditor | Jan 2009 |
| G. Joann Collins | County Treasurer | Jan 2011 |
| Lisa Smith | County Recorder | Jan 2011 |
| Paul Welch | County Sheriff | Jan 2009 |
| Julie A Forsyth | County Attorney | Jan 2011 |
| Catherine Weltha | County Assessor | Retired |
| Jo Ann Walser (appointed) | 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, 2007, 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, 2007, 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.

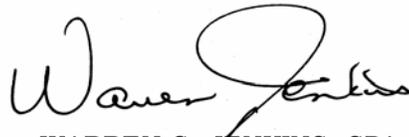
In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2008 on our consideration of Madison County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other 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 42 through 45 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 six years ended June 30, 2006 (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

February 6, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Madison County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 6.6%, or approximately \$812,000, from fiscal 2006 to fiscal 2007. Property tax increased approximately \$278,000, operating grants, contributions and restricted interest increased approximately \$62,000, capital grants, contributions and restricted interest increased approximately \$556,000 and gain on sale of capital assets decreased approximately \$148,000.
- The County's governmental activities program expenses increased 2.8%, or approximately \$249,000, from fiscal 2006 to fiscal 2007. Roads and transportation expenses increased approximately \$130,000, governmental services to residents expenses decreased approximately \$123,000 and mental health expenses increased approximately \$194,000.
- The County's net assets increased 31.1%, or approximately \$3,911,000, from June 30, 2006 to June 30, 2007.

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 FY07 totaled approximately \$16.5 million. This compares to FY06 at \$12.6 million. The analysis that follows focuses on the net assets for our governmental activities.

| Net Assets of Governmental Activities (Expressed in Thousands) | | |
|-------------------------------------------------------------------|------------------|---------------|
| | June 30, | |
| | 2007 | 2006 |
| Current and other assets | \$ 9,013 | 8,144 |
| Capital assets | 13,195 | 10,040 |
| Total assets | <u>22,208</u> | <u>18,184</u> |
| Long-term liabilities | 1,069 | 1,178 |
| Other liabilities | 4,640 | 4,418 |
| Total liabilities | <u>5,709</u> | <u>5,596</u> |
| Net assets: | | |
| Invested in capital assets, net of related debt | 12,899 | 9,688 |
| Restricted | 2,071 | 1,680 |
| Unrestricted | 1,529 | 1,220 |
| Total net assets | <u>\$ 16,499</u> | <u>12,588</u> |

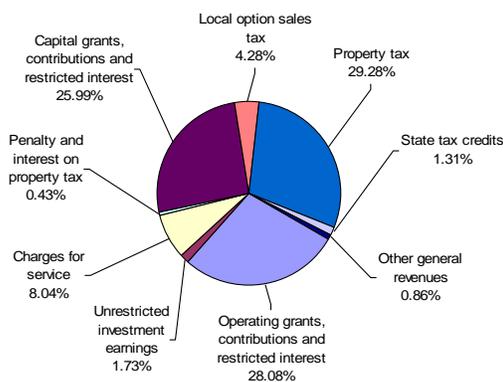
Net assets of Madison County's governmental activities increased approximately \$3.9 million, or 31.1%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital 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. Restricted net assets increased from approximately \$1,680,000 at June 30, 2006 to approximately \$2,071,000 at the end of this year, an increase of 23.3%. This increase was due to increased amounts held for supplemental levy and road purposes.

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 \$1,220,000 at June 30, 2006 to approximately \$1,529,000 at the end of this year, an increase of 25.3%. This increase was primarily due to an overall increase in governmental revenues, with property tax revenue up about \$278,000, or 7.7%, and unrestricted interest on investments up about \$66,000.

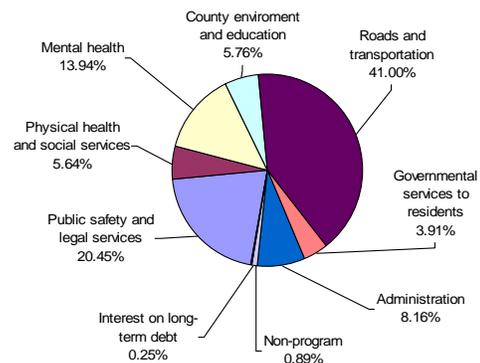
Changes in Net Assets of Governmental Activities
(Expressed in Thousands)

| | Year ended June 30, | |
|---------------------------------------------------------|---------------------|---------------|
| | 2007 | 2006 |
| Revenues: | | |
| Program revenues: | | |
| Charges for service | \$ 1,062 | 1,123 |
| Operating grants, contributions and restricted interest | 3,710 | 3,648 |
| Capital grants, contributions and restricted interest | 3,434 | 2,878 |
| General revenues: | | |
| Property tax | 3,868 | 3,590 |
| Penalty and interest on property tax | 57 | 59 |
| State tax credits | 173 | 171 |
| Local option sales tax | 565 | 555 |
| Unrestricted investment earnings | 229 | 163 |
| Gain on sale of capital assets | - | 148 |
| Other general revenues | 114 | 65 |
| Total revenues | 13,212 | 12,400 |
| Program expenses: | | |
| Public safety and legal services | 1,902 | 1,864 |
| Physical health and social services | 525 | 510 |
| Mental health | 1,297 | 1,103 |
| County environment and education | 536 | 528 |
| Roads and transportation | 3,812 | 3,682 |
| Governmental services to residents | 364 | 487 |
| Administration | 759 | 721 |
| Non-program | 83 | 135 |
| Interest on long-term debt | 23 | 22 |
| Total expenses | 9,301 | 9,052 |
| Increase in net assets | 3,911 | 3,348 |
| Net assets beginning of year | 12,588 | 9,240 |
| Net assets end of year | \$ 16,499 | 12,588 |

Revenues by Source



Expenses by Program



The countywide property tax levy rate increased approximately 2%, or \$.16 per \$1,000 of taxable valuation, for fiscal 2007. The rural levy rate increased \$.04 per \$1,000 of taxable valuation. Total property tax levied between fiscal 2007 and fiscal 2006 increased \$275,581.

The cost of all governmental activities this year was \$9.3 million compared to \$9.1 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was only \$1.1 million because some of the cost was paid by those directly benefited from the programs (\$1,062,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,144,000). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in 2007 from approximately \$7,649,000 to \$8,206,000, principally due to receiving farm-to market funding for the reconstruction of roads.

INDIVIDUAL MAJOR FUND ANALYSIS

As Madison County completed the year, its governmental funds reported a combined fund balance of \$3.8 million, an increase of approximately \$382,000 over last year's total of \$3.4 million. The 11.2% increase in fund balance is primarily attributable to the following:

- General Fund revenues remained relatively consistent when compared to the prior year. Expenditures increased approximately \$380,000, or 11.1%, over the prior year. This increase is due primarily to the purchase of two ambulances during the current year. The ending fund balance increased \$125,035 over the prior year, from \$1,441,856 to \$1,566,891.
- The County has continued to look for ways to effectively manage the cost of mental health services. Current year revenues increased \$115,506, or 11.3%, over the prior year while current year expenditures increased \$193,737, or 17.6% over the prior year. The Mental Health Fund balance at year end decreased \$158,744 from the prior year.
- Rural Service Fund revenues and expenditures remained consistent when compared to the prior year. The ending fund balance increased \$93,557 over the prior year to \$357,155. The increase is attributable to revenues of \$1,465,880 offset by expenditures and transfers out of \$1,372,323.
- Secondary Roads Fund revenues increased approximately \$390,000, an increase of 12.7%, due principally to an increase in BROS reimbursements. Secondary Roads Fund expenditures remained consistent with the prior year. While work was performed on three different bridge replacement projects during FY07 compared to only one bridge replacement project during FY06, the County spent approximately \$437,000 less on new equipment during FY07. The ending fund balance increased 13%, or \$187,842, over the prior year to \$1,638,356.

BUDGETARY HIGHLIGHTS

Over the course of the year, Madison County amended its budget two times. The first amendment was made in December 2006 and resulted in an increase in budgeted disbursements to hire ambulance personnel and increase the County Attorney's budget. The majority of these costs were offset by incoming receipts. The second amendment was made in May 2007. This increased the budget for several functions. The largest increase was for capital projects due to bridge projects nearing completion.

The County's receipts were \$317,329 less than budgeted. The most significant variance resulted from the County receiving fewer than anticipated grants.

Total disbursements were \$1,436,917 less than the amended budget. This was primarily due to the county spending approximately \$710,000 less than budgeted for capital projects and approximately \$321,000 less than budgeted for roads and transportation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2007, Madison County had approximately \$13.2 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of approximately \$3,155,000, or 31.4%, over last year.

| Capital Assets of Governmental Activities at Year End | | |
|---------------------------------------------------------------------|------------------|---------------|
| (Expressed in Thousands) | | |
| | June 30, | |
| | 2007 | 2006 |
| Land | \$ 608 | 608 |
| Construction in progress | 906 | 2,718 |
| Buildings and improvements | 1,846 | 1,877 |
| Equipment and vehicles | 2,224 | 2,400 |
| Infrastructure | 7,611 | 2,437 |
| Total | \$ 13,195 | 10,040 |
| This year's major additions included (in thousands): | | |
| Capital assets contributed by the Iowa Department of Transportation | \$ 2,672 | |
| Purchase of two ambulances | 213 | |
| Total | \$ 2,885 | |

The County had depreciation expense of \$697,338 in fiscal 2007 and total accumulated depreciation of \$4,501,025 at June 30, 2007.

The County's fiscal year 2007 capital budget was principally for completion of two farm-to-market paved roads and three bridge replacement projects. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2007, Madison County had approximately \$475,000 in capital loan notes and capital lease purchase agreement obligations outstanding, compared to approximately \$586,000 at June 30, 2006, as shown below.

| Outstanding Debt of Governmental Activities at Year-End | | |
|---------------------------------------------------------|----------|------|
| (Expressed in Thousands) | | |
| | June 30, | |
| | 2007 | 2006 |
| Capital loan notes | \$ 396 | 557 |
| Capital lease purchase agreements | 79 | 29 |
| Total | \$ 475 | 586 |

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 \$44.7 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 2008 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 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, 2007

| | <u>Governmental Activities</u> |
|--------------------------------------------------|------------------------------------|
| Assets | |
| Cash and pooled investments | \$ 3,925,727 |
| Receivables: | |
| Property tax: | |
| Delinquent | 11,422 |
| Succeeding year | 3,871,000 |
| Interest and penalty on property tax | 5,171 |
| Accounts | 390,716 |
| Accrued interest | 17,966 |
| Due from other governments | 533,913 |
| Inventories | 256,648 |
| Capital assets (net of accumulated depreciation) | 13,195,273 |
| | <u>22,207,836</u> |
| Total assets | |
| Liabilities | |
| Accounts payable | 312,255 |
| Accrued interest payable | 11,641 |
| Salaries and benefits payable | 91,304 |
| Due to other governments | 353,577 |
| Deferred revenue: | |
| Succeeding year property tax | 3,871,000 |
| Long-term liabilities: | |
| Portion due or payable within one year: | |
| Capital loan notes | 165,069 |
| Compensated absences | 272,874 |
| Portion due or payable after one year: | |
| Capital lease purchase agreements | 79,727 |
| Capital loan notes | 230,620 |
| Compensated absences | 320,610 |
| | <u>5,708,677</u> |
| Total liabilities | |
| Net Assets | |
| Invested in capital assets, net of related debt | 12,898,705 |
| Restricted for: | |
| Supplemental levy purposes | 296,010 |
| Secondary roads purposes | 1,409,799 |
| Other purposes | 365,601 |
| Unrestricted | 1,529,044 |
| | <u>\$ 16,499,159</u> |
| Total net assets | |

See notes to financial statements.

Madison County
Statement of Activities
Year ended June 30, 2007

| | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|-------------------------------------------|---------------------|---------------------------|------------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------|
| | | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest | |
| Functions/Programs: | | | | | |
| Governmental activities: | | | | | |
| Public safety and legal services | \$ 1,901,988 | 462,402 | 34,282 | - | (1,405,304) |
| Physical health and social services | 524,979 | 31,558 | 233,866 | - | (259,555) |
| Mental health | 1,296,802 | 2,028 | 658,825 | - | (635,949) |
| County environment and education | 535,955 | 93,320 | 82,131 | - | (360,504) |
| Roads and transportation | 3,811,667 | 53,916 | 2,673,342 | 3,434,427 | 2,350,018 |
| Governmental services to residents | 363,645 | 300,645 | 4,192 | - | (58,808) |
| Administration | 759,370 | 19,199 | 23,116 | - | (717,055) |
| Non-program | 83,274 | 98,999 | - | - | 15,725 |
| Interest on long-term debt | 23,693 | - | - | - | (23,693) |
| Total | \$ 9,301,373 | 1,062,067 | 3,709,754 | 3,434,427 | (1,095,125) |
| General Revenues: | | | | | |
| Property and other county tax levied for: | | | | | |
| General purposes | | | | | 3,701,759 |
| Debt service | | | | | 166,591 |
| Penalty and interest on property tax | | | | | 56,598 |
| State tax credits | | | | | 172,655 |
| Local option sales tax | | | | | 565,184 |
| Unrestricted investment earnings | | | | | 229,304 |
| Miscellaneous | | | | | 114,497 |
| Total general revenues | | | | | 5,006,588 |
| Change in net assets | | | | | 3,911,463 |
| Net assets beginning of year | | | | | 12,587,696 |
| Net assets end of year | | | | | \$ 16,499,159 |

See notes to financial statements.

Madison County
Balance Sheet
Governmental Funds

June 30, 2007

| | General | Special Revenue | | |
|--------------------------------------------|---------------------|-----------------|------------------|------------------|
| | | Mental Health | Rural Services | Secondary Roads |
| Assets | | | | |
| Cash and pooled investments | \$ 1,482,622 | 192,713 | 269,496 | 1,288,338 |
| Receivables: | | | | |
| Property tax: | | | | |
| Delinquent | 6,733 | 1,288 | 2,948 | - |
| Succeeding year | 2,389,000 | 507,000 | 819,000 | - |
| Interest and penalty on property tax | 5,171 | - | - | - |
| Accounts | 320,047 | 261 | 21,850 | 1,071 |
| Accrued interest | 17,966 | - | - | - |
| Loans | - | 49,780 | - | - |
| Due from other governments | 101,306 | 14,683 | 81,839 | 283,980 |
| Inventories | - | - | - | 222,710 |
| Advance to Internal Service Fund | 60,000 | - | - | - |
| Total assets | \$ 4,382,845 | 765,725 | 1,195,133 | 1,796,099 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 74,110 | 36,849 | 6,610 | 75,260 |
| Salaries and benefits payable | 26,925 | - | 2,834 | 61,545 |
| Due to other governments | 45,830 | 305,168 | 247 | 2,332 |
| Deferred revenue: | | | | |
| Succeeding year property tax | 2,389,000 | 507,000 | 819,000 | - |
| Other | 280,089 | 66,775 | 9,287 | 18,606 |
| Total liabilities | 2,815,954 | 915,792 | 837,978 | 157,743 |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Advance to Internal Service Fund | 60,000 | - | - | - |
| Supplemental levy purposes | 331,188 | - | - | - |
| Debt service | - | - | - | - |
| Unreserved, reported in: | | | | |
| General fund | 1,175,703 | - | - | - |
| Special revenue funds | - | (150,067) | 357,155 | 1,638,356 |
| Total fund balances | 1,566,891 | (150,067) | 357,155 | 1,638,356 |
| Total liabilities and fund balances | \$ 4,382,845 | 765,725 | 1,195,133 | 1,796,099 |

See notes to financial statements.

| Nonmajor | Total |
|----------------|------------------|
| 387,977 | 3,621,146 |
| 453 | 11,422 |
| 156,000 | 3,871,000 |
| - | 5,171 |
| 1,843 | 345,072 |
| - | 17,966 |
| - | 49,780 |
| 22,193 | 504,001 |
| - | 222,710 |
| - | 60,000 |
| <u>568,466</u> | <u>8,708,268</u> |
| 22,193 | 215,022 |
| - | 91,304 |
| - | 353,577 |
| 156,000 | 3,871,000 |
| 451 | 375,208 |
| <u>178,644</u> | <u>4,906,111</u> |
| - | 60,000 |
| - | 331,188 |
| 24,221 | 24,221 |
| - | 1,175,703 |
| 365,601 | 2,211,045 |
| <u>389,822</u> | <u>3,802,157</u> |
| <u>568,466</u> | <u>8,708,268</u> |

Madison County

Madison County

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

June 30, 2007

Total governmental fund balances (page 19) \$ 3,802,157

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 \$17,696,298 and the accumulated depreciation is \$4,501,025. 13,195,273

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 375,208

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. 207,062

Long-term liabilities, including capital lease purchase agreements, 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. (1,080,541)

Net assets of governmental activities (page 16) \$ 16,499,159

See notes to financial statements.

Madison County

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

Year ended June 30, 2007

| | Special Revenue | | | |
|-----------------------------------------------------------|---------------------|------------------|------------------|------------------|
| | General | Mental Health | Rural Services | Secondary Roads |
| Revenues: | | | | |
| Property and other county tax | \$ 2,372,753 | 454,214 | 1,326,366 | - |
| Interest and penalty on property tax | 55,586 | - | - | - |
| Intergovernmental | 435,936 | 679,555 | 48,003 | 3,415,982 |
| Licenses and permits | 25 | - | 69,703 | 8,490 |
| Charges for service | 666,619 | - | 13,904 | 9,780 |
| Use of money and property | 272,040 | 2,028 | - | - |
| Miscellaneous | 33,408 | 2,295 | 7,904 | 37,727 |
| Total revenues | <u>3,836,367</u> | <u>1,138,092</u> | <u>1,465,880</u> | <u>3,471,979</u> |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | 1,901,700 | - | 190,773 | - |
| Physical health and social services | 438,906 | - | 82,212 | - |
| Mental health | - | 1,296,836 | - | - |
| County environment and education | 326,988 | - | 179,819 | - |
| Roads and transportation | - | - | - | 3,203,353 |
| Governmental services to residents | 373,930 | - | - | - |
| Administration | 746,996 | - | - | - |
| Debt service | - | - | - | - |
| Capital projects | 2,600 | - | - | 1,014,033 |
| Total expenditures | <u>3,791,120</u> | <u>1,296,836</u> | <u>452,804</u> | <u>4,217,386</u> |
| Excess (deficiency) of revenues over (under) expenditures | 45,247 | (158,744) | 1,013,076 | (745,407) |
| Other financing sources (uses): | | | | |
| Sale of capital assets | - | - | - | 13,730 |
| Operating transfers in | - | - | - | 919,519 |
| Operating transfers out | - | - | (919,519) | - |
| Capital lease purchase agreement | 79,788 | - | - | - |
| Total other financing sources (uses) | <u>79,788</u> | <u>-</u> | <u>(919,519)</u> | <u>933,249</u> |
| Net change in fund balances | 125,035 | (158,744) | 93,557 | 187,842 |
| Fund balances beginning of year | 1,441,856 | 8,677 | 263,598 | 1,450,514 |
| Fund balances end of year | <u>\$ 1,566,891</u> | <u>(150,067)</u> | <u>357,155</u> | <u>1,638,356</u> |

See notes to financial statements.

| Nonmajor | Total |
|----------------|-------------------|
| 279,488 | 4,432,821 |
| - | 55,586 |
| 17,567 | 4,597,043 |
| - | 78,218 |
| 4,724 | 695,027 |
| 22,060 | 296,128 |
| 64,578 | 145,912 |
| <u>388,417</u> | <u>10,300,735</u> |
| 3,499 | 2,095,972 |
| - | 521,118 |
| - | 1,296,836 |
| 8,292 | 515,099 |
| - | 3,203,353 |
| 2,741 | 376,671 |
| 24,533 | 771,529 |
| 186,885 | 186,885 |
| 27,696 | 1,044,329 |
| <u>253,646</u> | <u>10,011,792</u> |
| <u>134,771</u> | <u>288,943</u> |
| - | 13,730 |
| 7,758 | 927,277 |
| (7,758) | (927,277) |
| - | 79,788 |
| - | <u>93,518</u> |
| 134,771 | 382,461 |
| 255,051 | 3,419,696 |
| <u>389,822</u> | <u>3,802,157</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, 2007

Net change in fund balances - Total governmental funds (page 23) \$ 382,461

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

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

| | | |
|---------------------------------------------------------------------|--------------|-----------|
| Expenditures for capital assets | \$ 1,245,551 | |
| Capital assets contributed by the Iowa Department of Transportation | 2,672,090 | |
| Depreciation expense | (697,338) | 3,220,303 |
| | | |

In the Statement of Activities, the loss on the sale of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (65,524)

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 | 262 | |
| Other | 151,500 | 151,762 |
| | | |

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 repayments exceeded issuances, as follows:

| | | |
|--------|----------|---------|
| Issued | (79,788) | |
| Repaid | 189,946 | 110,158 |
| | | |

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

| | | |
|----------------------------|-------|-------|
| Compensated absences | (709) | |
| Interest on long-term debt | 2,248 | 1,539 |
| | | |

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. 110,764

Change in net assets of governmental activities (page 17) \$3,911,463

See notes to financial statements.

Madison County
Statement of Net Assets
Proprietary Funds
June 30, 2007

| | Internal Service |
|----------------------------|---------------------|
| Assets | |
| Cash and cash equivalents | \$ 304,581 |
| Accounts receivable | 20,864 |
| Due from other governments | 4,912 |
| Inventories | 33,938 |
| | 364,295 |
| Liabilities | |
| Accounts payable | 97,233 |
| Advance from General Fund | 60,000 |
| | 157,233 |
| Net Assets | |
| Unrestricted | \$ 207,062 |

See notes to financial statements.

Exhibit H

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

Year ended June 30, 2007

| | | <u>Internal Service</u> |
|---------------------------------------------------|--------------|-----------------------------|
| Operating revenues: | | |
| Reimbursements from operating funds and employees | | \$ 1,332,396 |
| Reimbursements from others | | 54,027 |
| Insurance reimbursements | | 35,308 |
| Total operating revenues | | <u>1,421,731</u> |
| Operating expenses: | | |
| Medical claims | \$ 1,008,002 | |
| Materials and supplies | 312,640 | 1,320,642 |
| Operating income | | <u>101,089</u> |
| Non-operating revenues: | | |
| Interest income | | 9,675 |
| Net income | | <u>110,764</u> |
| Net assets beginning of year | | <u>96,298</u> |
| Net assets end of year | | <u><u>\$ 207,062</u></u> |

See notes to financial statements.

Madison County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2007

| | Internal Service |
|-----------------------------------------------------------------------------------------|---------------------|
| Cash flows from operating activities: | |
| Cash received from operating fund reimbursements | \$ 1,331,944 |
| Cash received from others | 97,603 |
| Cash paid to suppliers for goods and services | (1,322,497) |
| Net cash provided by operating activities | 107,050 |
| Cash flows from investing activities: | |
| Interest on investments | 9,675 |
| Net increase in cash and cash equivalents | 116,725 |
| Cash and cash equivalents beginning of year | 187,856 |
| Cash and cash equivalents end of year | \$ 304,581 |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 101,089 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Decrease in accounts receivable | 7,816 |
| Decrease in inventories | 10,939 |
| (Decrease) in accounts payable | (12,794) |
| Net cash provided by operating activities | \$ 107,050 |

See notes to financial statements.

Madison County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

Assets

Cash and pooled investments:

| | |
|------------------------|------------|
| County Treasurer | \$ 935,230 |
| Other County officials | 25,714 |

Receivables:

Property tax:

| | |
|-----------------|------------|
| Delinquent | 32,710 |
| Succeeding year | 14,093,000 |

Accounts

427

Special assessments:

| | |
|-----------------|---------|
| Delinquent | 3,290 |
| Succeeding year | 429,286 |

Total assets

15,519,657

Liabilities

| | |
|------------------|--------|
| Accounts payable | 16,115 |
|------------------|--------|

| | |
|--------------------------|------------|
| Due to other governments | 15,412,916 |
|--------------------------|------------|

| | |
|----------------|--------|
| Trusts payable | 66,082 |
|----------------|--------|

| | |
|----------------------|--------|
| Compensated absences | 24,544 |
|----------------------|--------|

Total liabilities

15,519,657

Net assets

\$ -

See notes to financial statements.

Madison County

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

Madison County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

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

A. Reporting Entity

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

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

Blended Component Unit – The following component unit is legally separate from the County but is so intertwined with the County it is, in substance, the same as the County. The component unit is reported as part of the County and blended into the special revenue funds.

Madison County Covered Bridge Preservation Association, Inc. has been established pursuant to Chapter 504A of the Code of Iowa to promote the repair, maintenance and preservation of Madison County's six covered bridges. Madison County Covered Bridge Preservation Association, Inc. is reported as a Special Revenue Fund.

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

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, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

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.

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

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

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

Capital Assets – Capital assets, which include property, 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, 2007. 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, 2007, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,121,500 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 advances to/from other funds at June 30, 2007 is as follows:

| <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, 2007 is as follows:

| Transfer to | Transfer from | Amount |
|-------------------------------------|------------------------------------|-------------------|
| Special Revenue: Secondary Roads | Special Revenue: Rural Services | \$ 919,519 |
| Debt Service | Capital Projects | 7,758 |
| Total | | <u>\$ 927,277</u> |

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

(5) Capital Assets

Capital assets activity for the year ended June 30, 2007 was as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|---------------------------------------------|---------------------------------|------------------|--------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 607,617 | - | - | 607,617 |
| Construction in progress | 2,717,901 | 3,589,884 | (5,402,039) | 905,746 |
| Total capital assets not being depreciated | <u>3,325,518</u> | <u>3,589,884</u> | <u>(5,402,039)</u> | <u>1,513,363</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 2,574,593 | 41,093 | - | 2,615,686 |
| Improvements other than buildings | 31,147 | - | - | 31,147 |
| Equipment and vehicles | 5,477,009 | 286,664 | (167,074) | 5,596,599 |
| Infrastructure, road network | 2,537,464 | 5,402,039 | - | 7,939,503 |
| Total capital assets being depreciated | <u>10,620,213</u> | <u>5,729,796</u> | <u>(167,074)</u> | <u>16,182,935</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 722,659 | 68,488 | - | 791,147 |
| Improvements other than buildings | 6,230 | 3,114 | - | 9,344 |
| Equipment and vehicles | 3,076,820 | 397,419 | (101,550) | 3,372,689 |
| Infrastructure, road network | 99,528 | 228,317 | - | 327,845 |
| Total accumulated depreciation | <u>3,905,237</u> | <u>697,338</u> | <u>(101,550)</u> | <u>4,501,025</u> |
| Total capital assets being depreciated, net | <u>6,714,976</u> | <u>5,032,458</u> | <u>(65,524)</u> | <u>11,681,910</u> |
| Governmental activities capital assets, net | <u>\$10,040,494</u> | <u>8,622,342</u> | <u>(5,467,563)</u> | <u>13,195,273</u> |

Depreciation expense was charged to the following functions:

| | |
|------------------------------------------------------|-------------------|
| Governmental activities: | |
| Public safety and legal services | \$ 79,877 |
| Physical health and social services | 8,298 |
| County environment and education | 27,513 |
| Roads and transportation | 565,056 |
| Governmental services to residents | 1,522 |
| Administration | 15,072 |
| Total depreciation expense - governmental activities | <u>\$ 697,338</u> |

(6) Due to Other Governments

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

| Fund | Description | Amount |
|----------------------------------|-------------|----------------------|
| General | Services | \$ 45,830 |
| Special Revenue: | | |
| Mental Health | Services | 305,168 |
| Rural Services | Services | 247 |
| Secondary Roads | Services | 2,332 |
| | | <u>307,747</u> |
| Total for governmental funds | | <u>\$ 353,577</u> |
| Agency: | | |
| County Offices | | \$ 16,467 |
| Agricultural Extension Education | | 161,241 |
| County Assessor | Collections | 334,277 |
| Schools | | 8,442,932 |
| Community Colleges | | 326,390 |
| Corporations | | 3,537,176 |
| Townships | | 218,096 |
| County Hospital | | 1,421,538 |
| Special Assessments | | 446,052 |
| Auto License and Use Tax | | 362,732 |
| Other | | 146,015 |
| Total for agency funds | | <u>\$ 15,412,916</u> |

(7) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

| | Capital Lease | | Capital Loan Notes | | | Compensated Absences | Total |
|---------------------------|---------------------|----------|--------------------|---------|---------|----------------------|-----------|
| | Purchase Agreements | | Court-house | FHA | Jail | | |
| | Ambulances | Vehicles | | | | | |
| Balance beginning of year | \$ - | 28,941 | 194,000 | 129,928 | 232,705 | 592,775 | 1,178,349 |
| Increases | 79,788 | - | - | - | - | 264,101 | 343,889 |
| Decreases | 15,112 | 13,890 | 97,000 | 10,087 | 53,857 | 263,392 | 453,338 |
| Balance end of year | \$ 64,676 | 15,051 | 97,000 | 119,841 | 178,848 | 593,484 | 1,068,900 |
| Due within one year | \$ - | - | 97,000 | 10,648 | 57,421 | 272,874 | 437,943 |

Capital Lease Purchase Agreements

In September 2006, the County entered into a lease purchase agreement with Farmers and Merchants Bank for \$79,788 to purchase two new ambulances. The following is a schedule of the future minimum lease payments, including interest at 5.50% per annum,

and the present value of net minimum lease payments under the agreement in effect at June 30, 2007:

| Year ending June 30, | Ambulances |
|---------------------------------------------|-------------------------|
| 2008 | \$ - |
| 2009 | 18,454 |
| 2010 | 18,454 |
| 2011 | 18,454 |
| 2012 | 18,454 |
| Total minimum lease payments | <u>73,816</u> |
| Less amount representing interest | <u>9,140</u> |
| Present value of net minimum least payments | <u><u>\$ 64,676</u></u> |

The County also has a capital lease purchase agreement for the lease of 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, 2007:

| Year ending June 30, | Vehicles |
|---------------------------------------------|-------------------------|
| 2008 | \$ - |
| 2009 | 7,500 |
| 2010 | 7,500 |
| 2011 | 930 |
| Total minimum lease payments | <u>15,930</u> |
| Less amount representing interest | <u>879</u> |
| Present value of net minimum least payments | <u><u>\$ 15,051</u></u> |

Payments under these capital lease purchase agreements totaled \$29,002 for the year ended June 30, 2007.

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, 2007 capital loan note indebtedness for the courthouse is as follows:

| Year ending June 30, | Interest Rates | Principal | Interest | Total |
|----------------------------|-------------------|-----------|----------|----------------------|
| 2008 | 2.6% | \$ 97,000 | 2,522 | <u><u>99,522</u></u> |

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, 2007 capital loan note indebtedness to FHA is as follows:

| Year ending June 30, | 1995 Issue | | | | 1997 Issue | | | | Total |
|----------------------------|-------------------|-----------|----------|--------|-------------------|-----------|----------|--------|---------|
| | Interest Rates | Principal | Interest | Total | Interest Rates | Principal | Interest | Total | |
| 2008 | 5.625% | \$ 5,615 | 3,087 | 8,702 | 5.50% | \$ 5,033 | 3,583 | 8,616 | 17,318 |
| 2009 | 5.625 | 5,931 | 2,771 | 8,702 | 5.50 | 5,320 | 3,296 | 8,616 | 17,318 |
| 2010 | 5.625 | 6,265 | 2,437 | 8,702 | 5.50 | 5,613 | 3,003 | 8,616 | 17,318 |
| 2011 | 5.625 | 6,611 | 2,091 | 8,702 | 5.50 | 5,921 | 2,695 | 8,616 | 17,318 |
| 2012 | 5.625 | 6,989 | 1,713 | 8,702 | 5.50 | 6,240 | 2,376 | 8,616 | 17,318 |
| 2013-2017 | 5.625 | 23,469 | 2,637 | 26,106 | 5.50 | 36,834 | 6,246 | 43,080 | 69,186 |
| Total | | \$ 54,880 | 14,736 | 69,616 | | \$ 64,961 | 21,199 | 86,160 | 155,776 |

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, 2007 capital loan note indebtedness for the jail is as follows:

| Year ending June 30, | Interest Rates | Principal | Interest | Total |
|----------------------------|-------------------|------------|----------|---------|
| 2008 | 3.65% | \$ 57,421 | 6,540 | 63,961 |
| 2009 | 3.65 | 59,534 | 4,426 | 63,960 |
| 2010 | 3.65 | 61,893 | 2,252 | 64,145 |
| Total | | \$ 178,848 | 13,218 | 192,066 |

(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, 2007, 2006 and 2005 were \$189,213, \$179,365 and \$173,616, 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 First Administrators, Inc. 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 First Administrators, Inc. from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2007 was \$1,062,872.

Amounts payable from the Employee Group Health Fund at June 30, 2007 total \$80,000, 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 \$172,309 at June 30, 2007 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, 2006 | \$ 93,000 |
| Incurred claims (including claims incurred but not reported at June 30, 2007) | 1,008,002 |
| Payments on claims | <u>(1,021,002)</u> |
| Unpaid claims at June 30, 2007 | <u>\$ 80,000</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) Loan to Boone County

Effective July 1, 2007, Madison and Boone Counties entered into a 28E agreement to establish an administrative organization titled County Community Services. The purpose of the organization is to manage mental health and developmental disability services for the counties and provide targeted case management services. The agreement did not establish a legally separate entity. Instead, Boone County is to provide administrative services for the organization. In June 2006, Madison County agreed to loan \$25,000 to Boone County for start up costs. At June 30, 2007, the County has not yet established a formal repayment schedule for the loan.

(13) Litigation

The County is subject to potential lawsuits and is a defendant in lawsuits for which the probability and amount of loss, if any, is undeterminable.

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, 2007

| | Actual | Funds not Required to be Budgeted | Net |
|-----------------------------------------------------------------------------------------------------------------------|--------------|-----------------------------------------|------------|
| Receipts: | | | |
| Property and other county tax | \$ 4,415,692 | - | 4,415,692 |
| Interest and penalty on property tax | 56,806 | - | 56,806 |
| Intergovernmental | 4,513,434 | - | 4,513,434 |
| Licenses and permits | 65,242 | - | 65,242 |
| Charges for service | 728,216 | - | 728,216 |
| Use of money and property | 283,835 | 2,267 | 281,568 |
| Miscellaneous | 160,984 | 63,862 | 97,122 |
| Total receipts | 10,224,209 | 66,129 | 10,158,080 |
| Disbursements: | | | |
| Public safety and legal services | 1,991,475 | - | 1,991,475 |
| Physical health and social services | 489,316 | - | 489,316 |
| Mental health | 1,161,693 | - | 1,161,693 |
| County environment and education | 514,072 | 8,292 | 505,780 |
| Roads and transportation | 3,271,591 | - | 3,271,591 |
| Governmental services to residents | 379,034 | - | 379,034 |
| Administration | 751,222 | - | 751,222 |
| Debt service | 186,885 | - | 186,885 |
| Capital projects | 996,814 | - | 996,814 |
| Total disbursements | 9,742,102 | 8,292 | 9,733,810 |
| Excess (deficiency) of receipts over (under) disbursements | 482,107 | 57,837 | 424,270 |
| Other financing sources, net | 13,730 | - | 13,730 |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 495,837 | 57,837 | 438,000 |
| Balance beginning of year | 3,125,309 | - | 3,125,309 |
| Balance end of year | \$ 3,621,146 | 57,837 | 3,563,309 |

See accompanying independent auditor's report.

| Budgeted Amounts | | Final to |
|------------------|------------|--------------------|
| Original | Final | Actual Variance |
| 4,342,607 | 4,342,607 | 73,085 |
| 54,177 | 54,177 | 2,629 |
| 4,508,691 | 5,095,630 | (582,196) |
| 71,150 | 73,125 | (7,883) |
| 626,710 | 650,545 | 77,671 |
| 164,318 | 164,552 | 117,016 |
| 64,479 | 94,773 | 2,349 |
| 9,832,132 | 10,475,409 | (317,329) |
| 1,835,722 | 2,062,918 | 71,443 |
| 515,737 | 665,737 | 176,421 |
| 1,122,440 | 1,169,515 | 7,822 |
| 518,191 | 521,191 | 15,411 |
| 3,551,316 | 3,593,066 | 321,475 |
| 386,128 | 392,007 | 12,973 |
| 847,386 | 868,612 | 117,390 |
| 190,878 | 190,878 | 3,993 |
| 1,157,077 | 1,706,803 | 709,989 |
| 10,124,875 | 11,170,727 | 1,436,917 |
| (292,743) | (695,318) | 1,119,588 |
| - | - | 13,730 |
| (292,743) | (695,318) | 1,133,318 |
| 2,233,324 | 3,108,178 | 17,131 |
| 1,940,581 | 2,412,860 | 1,150,449 |

Madison County
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2007

| | Governmental Funds | | |
|------------------------------|--------------------|-----------------------------|------------------------------|
| | Cash Basis | Accrual Adjust- ments | Modified Accrual Basis |
| Revenues | \$ 10,224,209 | 76,526 | 10,300,735 |
| Expenditures | 9,742,102 | 269,690 | 10,011,792 |
| Net | 482,107 | (193,164) | 288,943 |
| Other financing sources, net | 13,730 | 79,788 | 93,518 |
| Beginning fund balances | 3,125,309 | 294,387 | 3,419,696 |
| Ending fund balances | \$ 3,621,146 | 181,011 | 3,802,157 |

See accompanying independent auditor's report.

Madison County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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 Funds, Agency Funds and the blended component unit 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 \$1,045,852. 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, 2007, disbursements did not exceed the amounts budgeted.

Madison County

Other Supplementary Information

Madison County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

| | County Recorder's Records Management | Resource Enhancement and Protection | Special Covered Bridge |
|------------------------------------------|-----------------------------------------------|----------------------------------------------|------------------------------|
| Assets | | | |
| Cash and pooled investments | \$ 5,629 | 7,732 | 35,573 |
| Receivables: | | | |
| Property tax: | | | |
| Delinquent | - | - | - |
| Succeeding year | - | - | - |
| Accounts | 399 | - | - |
| Due from other governments | - | 2,921 | - |
| Total assets | \$ 6,028 | 10,653 | 35,573 |
| Liabilities and Fund Equity | | | |
| Liabilities: | | | |
| Accounts payable | - | 358 | - |
| Deferred revenue: | | | |
| Succeeding year property tax | - | - | - |
| Other | - | - | - |
| Total liabilities | - | 358 | - |
| Fund equity: | | | |
| Fund balances: | | | |
| Reserved for debt service | - | - | - |
| Unreserved | 6,028 | 10,295 | 35,573 |
| Total fund equity | 6,028 | 10,295 | 35,573 |
| Total liabilities and fund equity | \$ 6,028 | 10,653 | 35,573 |

See accompanying independent auditor's report.

| Revenue | | | | | |
|-------------------------------------|---------------------------------|------------------|--------------------------------------------------|-----------------|---------|
| Conservation Land Acquisition | Local Option Sales Tax | Sheriff McDee | Covered Bridge Preservation Association | Debt Service | Total |
| 2,060 | 255,459 | 912 | 57,837 | 22,775 | 387,977 |
| - | - | - | - | 453 | 453 |
| - | - | - | - | 156,000 | 156,000 |
| - | - | - | - | 1,444 | 1,843 |
| - | 19,272 | - | - | - | 22,193 |
| 2,060 | 274,731 | 912 | 57,837 | 180,672 | 568,466 |
| - | 21,835 | - | - | - | 22,193 |
| - | - | - | - | 156,000 | 156,000 |
| - | - | - | - | 451 | 451 |
| - | 21,835 | - | - | 156,451 | 178,644 |
| - | - | - | - | 24,221 | 24,221 |
| 2,060 | 252,896 | 912 | 57,837 | - | 365,601 |
| 2,060 | 252,896 | 912 | 57,837 | 24,221 | 389,822 |
| 2,060 | 274,731 | 912 | 57,837 | 180,672 | 568,466 |

Madison County

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

Year ended June 30, 2007

| | County Recorder's Records Management | County Recorder's Electronic Transaction Fee | Resource Enhancement and Protection | Special Covered Bridge |
|-------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|-------------------------------------------------------|----------------------------------------------|------------------------------|
| Revenues: | | | | |
| Property and other county tax | \$ - | - | - | - |
| Intergovernmental | - | - | 10,227 | - |
| Charges for service | 4,724 | - | - | - |
| Use of money and property | 237 | - | 784 | - |
| Miscellaneous | - | - | - | - |
| Total revenues | 4,961 | - | 11,011 | - |
| Expenditures: | | | | |
| Operating: | | | | |
| Public safety and legal services | - | - | - | - |
| County environment and education | - | - | - | - |
| Governmental services to residents | 2,634 | 107 | - | - |
| Administration | - | - | - | - |
| Debt service | - | - | - | - |
| Capital projects | - | - | 27,696 | - |
| Total expenditures | 2,634 | 107 | 27,696 | - |
| Excess (deficiency) of revenues over (under) expenditures | 2,327 | (107) | (16,685) | - |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | - | - | - |
| Operating transfers out | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses | 2,327 | (107) | (16,685) | - |
| Fund balances beginning of year | 3,701 | 107 | 26,980 | 35,573 |
| Fund balances end of year | \$ 6,028 | - | 10,295 | 35,573 |

See accompanying independent auditor's report.

| Revenue | | | | | | |
|-------------------------------------|---------------------------------|------------------|--------------------------------------------------|-----------------|---------------------|---------|
| Conservation Land Acquisition | Local Option Sales Tax | Sheriff McDee | Covered Bridge Preservation Association | Debt Service | Capital Projects | Total |
| - | 113,036 | - | - | 166,452 | - | 279,488 |
| - | - | - | - | 7,340 | - | 17,567 |
| - | - | - | - | - | - | 4,724 |
| - | - | - | 2,267 | 18,772 | - | 22,060 |
| - | - | 716 | 63,862 | - | - | 64,578 |
| - | 113,036 | 716 | 66,129 | 192,564 | - | 388,417 |
| - | - | 3,499 | - | - | - | 3,499 |
| - | - | - | 8,292 | - | - | 8,292 |
| - | - | - | - | - | - | 2,741 |
| - | 24,533 | - | - | - | - | 24,533 |
| - | - | - | - | 186,885 | - | 186,885 |
| - | - | - | - | - | - | 27,696 |
| - | 24,533 | 3,499 | 8,292 | 186,885 | - | 253,646 |
| - | 88,503 | (2,783) | 57,837 | 5,679 | - | 134,771 |
| - | - | - | - | 7,758 | - | 7,758 |
| - | - | - | - | - | (7,758) | (7,758) |
| - | - | - | - | 7,758 | (7,758) | - |
| - | 88,503 | (2,783) | 57,837 | 13,437 | (7,758) | 134,771 |
| 2,060 | 164,393 | 3,695 | - | 10,784 | 7,758 | 255,051 |
| 2,060 | 252,896 | 912 | 57,837 | 24,221 | - | 389,822 |

Schedule 3

Madison County
Combining Schedule of Net Assets
Internal Service Funds

June 30, 2007

| | Fuel | Supplies | Employee Group Health | Unemploy- ment Insurance | Total |
|----------------------------|---------------|------------|-----------------------------|--------------------------------|----------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 33,556 | 718 | 250,767 | 19,540 | 304,581 |
| Accounts receivable | 19,322 | - | 1,542 | - | 20,864 |
| Due from other governments | 4,912 | - | - | - | 4,912 |
| Inventories | 33,938 | - | - | - | 33,938 |
| Total assets | 91,728 | 718 | 252,309 | 19,540 | 364,295 |
| Liabilities | | | | | |
| Accounts payable | 17,233 | - | 80,000 | - | 97,233 |
| Advance from General Fund | 60,000 | - | - | - | 60,000 |
| Total liabilities | 77,233 | - | 80,000 | - | 157,233 |
| Net Assets | | | | | |
| Unrestricted | \$ 14,495 | 718 | 172,309 | 19,540 | 207,062 |

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, 2007

| | Fuel | Supplies | Employee Group Health | Unemploy- ment Insurance | Total |
|---------------------------------------------------|------------|----------|-----------------------------|--------------------------------|-----------|
| Operating revenues: | | | | | |
| Reimbursements from operating funds and employees | \$ 268,877 | 647 | 1,062,872 | - | 1,332,396 |
| Reimbursements from others | 19,689 | - | 34,338 | - | 54,027 |
| Insurance reimbursements | - | - | 35,308 | - | 35,308 |
| Total operating revenues | 288,566 | 647 | 1,132,518 | - | 1,421,731 |
| Operating expenses: | | | | | |
| Medical claims | - | - | 1,008,002 | - | 1,008,002 |
| Materials and supplies | 311,732 | 908 | - | - | 312,640 |
| Total operating expenses | 311,732 | 908 | 1,008,002 | - | 1,320,642 |
| Operating income (loss) | (23,166) | (261) | 124,516 | - | 101,089 |
| Non-operating revenues: | | | | | |
| Interest income | - | - | 9,675 | - | 9,675 |
| Net income (loss) | (23,166) | (261) | 134,191 | - | 110,764 |
| Net assets beginning of year | 37,661 | 979 | 38,118 | 19,540 | 96,298 |
| Net assets end of year | \$ 14,495 | 718 | 172,309 | 19,540 | 207,062 |

See accompanying independent auditor's report.

Madison County

Madison County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2007

| | Fuel | Supplies | Employee Group Health | Unemploy- ment Insurance | Total |
|-------------------------------------------------------------------------------------------------------|-------------|----------|-----------------------------|--------------------------------|-------------|
| Cash flows from operating activities: | | | | | |
| Cash received from operating funds | \$ 268,337 | 735 | 1,062,872 | - | 1,331,944 |
| Cash received from others | 19,241 | 79 | 78,283 | - | 97,603 |
| Cash paid to suppliers for goods and services | (300,587) | (908) | (1,021,002) | - | (1,322,497) |
| Net cash provided (used) by operating activities | (13,009) | (94) | 120,153 | - | 107,050 |
| Cash flows from investing activities: | | | | | |
| Interest on investments | - | - | 9,675 | - | 9,675 |
| Net increase (decrease) in cash and cash equivalents | (13,009) | (94) | 129,828 | - | 116,725 |
| Cash and cash equivalents beginning of year | 46,565 | 812 | 120,939 | 19,540 | 187,856 |
| Cash and cash equivalents end of year | \$ 33,556 | 718 | 250,767 | 19,540 | 304,581 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Operating income (loss) | \$ (23,166) | (261) | 124,516 | - | 101,089 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| (Increase) decrease in accounts receivable | (988) | 167 | 8,637 | - | 7,816 |
| Decrease in inventories | 10,939 | - | - | - | 10,939 |
| Increase (decrease) in accounts payable | 206 | - | (13,000) | - | (12,794) |
| Net cash provided (used) by operating activities | \$ (13,009) | (94) | 120,153 | - | 107,050 |

See accompanying independent auditor's report.

Madison County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2007

| | County Offices | Agricultural Extension Education | County Assessor | Schools | Community Colleges |
|------------------------------|-------------------|----------------------------------------|--------------------|------------------|-----------------------|
| Assets | | | | | |
| Cash and pooled investments: | | | | | |
| County Treasurer | \$ - | 2,807 | 99,630 | 152,652 | 6,394 |
| Other County officials | 25,714 | - | - | - | - |
| Receivables: | | | | | |
| Property tax: | | | | | |
| Delinquent | - | 434 | 726 | 23,280 | 996 |
| Succeeding year | - | 158,000 | 264,000 | 8,267,000 | 319,000 |
| Accounts | 28 | - | - | - | - |
| Special assessments: | | | | | |
| Delinquent | - | - | - | - | - |
| Succeeding year | - | - | - | - | - |
| Total assets | \$ 25,742 | 161,241 | 364,356 | 8,442,932 | 326,390 |
| Liabilities | | | | | |
| Accounts payable | \$ - | - | 5,535 | - | - |
| Due to other governments | 16,467 | 161,241 | 334,277 | 8,442,932 | 326,390 |
| Trusts payable | 9,275 | - | - | - | - |
| Compensated absences | - | - | 24,544 | - | - |
| Total liabilities | \$ 25,742 | 161,241 | 364,356 | 8,442,932 | 326,390 |

See accompanying independent auditor's report.

| Corporations | Townships | County Hospital | Special Assessments | Auto License and Use Tax | Other | Total |
|------------------|----------------|------------------|---------------------|--------------------------|----------------|-------------------|
| 73,354 | 3,480 | 24,711 | 13,476 | 362,732 | 195,994 | 935,230 |
| - | - | - | - | - | - | 25,714 |
| 2,822 | 616 | 3,827 | - | - | 9 | 32,710 |
| 3,461,000 | 214,000 | 1,393,000 | - | - | 17,000 | 14,093,000 |
| - | - | - | - | - | 399 | 427 |
| - | - | - | 3,290 | - | - | 3,290 |
| - | - | - | 429,286 | - | - | 429,286 |
| <u>3,537,176</u> | <u>218,096</u> | <u>1,421,538</u> | <u>446,052</u> | <u>362,732</u> | <u>213,402</u> | <u>15,519,657</u> |
| - | - | - | - | - | 10,580 | 16,115 |
| 3,537,176 | 218,096 | 1,421,538 | 446,052 | 362,732 | 146,015 | 15,412,916 |
| - | - | - | - | - | 56,807 | 66,082 |
| - | - | - | - | - | - | 24,544 |
| <u>3,537,176</u> | <u>218,096</u> | <u>1,421,538</u> | <u>446,052</u> | <u>362,732</u> | <u>213,402</u> | <u>15,519,657</u> |

Madison County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2007

| | County Offices | Agricultural Extension Education | County Assessor | Schools | Community Colleges |
|------------------------------------|-------------------|----------------------------------------|--------------------|-----------|-----------------------|
| Assets and Liabilities | | | | | |
| Balances beginning of year | \$ 19,931 | 154,941 | 355,994 | 8,475,650 | 354,688 |
| Additions: | | | | | |
| Property and other county tax | - | 159,236 | 265,656 | 8,314,022 | 320,815 |
| State tax credits | - | 6,993 | 11,721 | 379,177 | 15,954 |
| Office fees and collections | 491,091 | - | - | - | - |
| Electronic transaction fees | 4,723 | - | - | - | - |
| Auto licenses, use tax and postage | - | - | - | - | - |
| Assessments | - | - | - | - | - |
| Trusts | 111,696 | - | - | - | - |
| Miscellaneous | - | - | 335 | - | - |
| Total additions | 607,510 | 166,229 | 277,712 | 8,693,199 | 336,769 |
| Deductions: | | | | | |
| Agency remittances: | | | | | |
| To other funds | 319,046 | - | - | - | - |
| To other governments | 175,464 | 159,929 | 269,350 | 8,725,917 | 365,067 |
| Trusts paid out | 107,189 | - | - | - | - |
| Total deductions | 601,699 | 159,929 | 269,350 | 8,725,917 | 365,067 |
| Balances end of year | \$ 25,742 | 161,241 | 364,356 | 8,442,932 | 326,390 |

See accompanying independent auditor's report.

| Corpora- tions | Townships | County Hospital | Special Assess- ments | Auto License and Use Tax | Other | Total |
|-------------------|-----------|--------------------|-----------------------------|-----------------------------------|---------|------------|
| 3,314,071 | 206,538 | 1,365,892 | 398,430 | 336,398 | 161,669 | 15,144,202 |
| 3,387,927 | 218,354 | 1,401,818 | - | - | 28,616 | 14,096,444 |
| 124,806 | 9,073 | 61,554 | - | - | 337 | 609,615 |
| - | - | - | - | - | - | 491,091 |
| - | - | - | - | - | 4,723 | 9,446 |
| - | - | - | - | 3,863,076 | - | 3,863,076 |
| - | - | - | 254,941 | - | - | 254,941 |
| - | - | - | - | - | 253,750 | 365,446 |
| - | - | - | - | - | 282,870 | 283,205 |
| 3,512,733 | 227,427 | 1,463,372 | 254,941 | 3,863,076 | 570,296 | 19,973,264 |
| - | - | - | - | 150,019 | - | 469,065 |
| 3,289,628 | 215,869 | 1,407,726 | 207,319 | 3,686,723 | 271,417 | 18,774,409 |
| - | - | - | - | - | 247,146 | 354,335 |
| 3,289,628 | 215,869 | 1,407,726 | 207,319 | 3,836,742 | 518,563 | 19,597,809 |
| 3,537,176 | 218,096 | 1,421,538 | 446,052 | 362,732 | 213,402 | 15,519,657 |

Madison County

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

For the Last Seven Years

| | 2007 | 2006 | Modified 2005 |
|--------------------------------------|----------------------|------------------|------------------|
| Revenues: | | | |
| Property and other county tax | \$ 3,867,637 | 3,590,801 | 3,384,031 |
| Local option sales tax | 565,184 | 555,435 | 398,484 |
| Interest and penalty on property tax | 55,586 | 59,215 | 63,583 |
| Intergovernmental | 4,597,043 | 4,189,078 | 3,796,249 |
| Licenses and permits | 78,218 | 96,303 | 93,608 |
| Charges for service | 695,027 | 720,040 | 662,292 |
| Use of money and property | 296,128 | 229,810 | 152,709 |
| Miscellaneous | 145,912 | 205,838 | 125,017 |
| Total | \$ 10,300,735 | 9,646,520 | 8,675,973 |
| Expenditures: | | | |
| Operating: | | | |
| Public safety and legal services | \$ 2,095,972 | 1,619,411 | 1,558,488 |
| Physical health and social services | 521,118 | 503,749 | 477,518 |
| Mental health | 1,296,836 | 1,103,099 | 1,012,500 |
| County environment and education | 515,099 | 531,247 | 454,545 |
| Roads and transportation | 3,203,353 | 3,703,088 | 3,756,935 |
| Governmental services to residents | 376,671 | 481,599 | 372,840 |
| Administration | 771,529 | 683,606 | 685,801 |
| Debt service | 186,885 | 139,211 | 122,661 |
| Capital projects | 1,044,329 | 644,007 | 320,773 |
| Total | \$ 10,011,792 | 9,409,017 | 8,762,061 |

See accompanying independent auditor's report.

| Accrual Basis | | | |
|---------------|-----------|-----------|-----------|
| 2004 | 2003 | 2002 | 2001 |
| 3,489,036 | 3,351,970 | 3,165,895 | 2,923,224 |
| - | - | - | - |
| 55,809 | 62,939 | 62,198 | 58,181 |
| 3,971,314 | 3,890,226 | 3,767,863 | 4,343,475 |
| 66,124 | 63,997 | 40,119 | 25,885 |
| 614,945 | 570,211 | 542,147 | 491,318 |
| 95,810 | 119,058 | 186,616 | 291,658 |
| 55,565 | 384,932 | 31,439 | 31,467 |
| 8,348,603 | 8,443,333 | 7,796,277 | 8,165,208 |
| 1,594,735 | 1,597,835 | 1,433,056 | 1,362,699 |
| 517,376 | 474,540 | 498,989 | 506,316 |
| 951,864 | 953,994 | 1,083,090 | 1,094,889 |
| 436,614 | 396,095 | 485,829 | 349,256 |
| 3,699,220 | 3,241,644 | 3,379,254 | 3,111,854 |
| 367,811 | 340,132 | 374,545 | 330,420 |
| 679,426 | 653,627 | 644,790 | 584,326 |
| 124,018 | 384,099 | 101,742 | 99,848 |
| 549,182 | 526,486 | 121,462 | 636,371 |
| 8,920,246 | 8,568,452 | 8,122,757 | 8,075,979 |

Schedule 9

Madison County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2007

| Grantor/Program | CFDA Number | Agency or Pass-through Number | Program Expenditures |
|---------------------------------------------------------------------------------------|----------------|-------------------------------------|-------------------------|
| Indirect: | | | |
| U.S. Department of Agriculture: | | | |
| Iowa Department of Human Services: | | | |
| Human Services Administrative Reimbursements: | | | |
| State Administrative Matching Grants for Food Stamp Program | 10.561 | | \$ 6,222 |
| U.S. Department of Transportation: | | | |
| Iowa Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | BROS-CO61(58)-8J-61 | 577,701 |
| Highway Planning and Construction | 20.205 | BROS-CO61(65)-8J-61 | 9,638 |
| Highway Planning and Construction | 20.205 | IBRC-CO61(76)-8E-61 | 191,762 |
| | | | <u>779,101</u> |
| Iowa Department of Public Safety: | | | |
| Safety Belt Performance Grants | 20.609 | 07-157, Task 109 | 500 |
| U.S. Elections Assistance Commission: | | | |
| Iowa Secretary of State: | | | |
| Help America Vote Act Requirements Payments | 90.401 | | 790 |
| U.S. Department of Health and Human Services: | | | |
| Iowa Department of Public Health: | | | |
| Ringgold County Public Health: | | | |
| Immunization Grant | 93.268 | | 2,668 |
| Visiting Nurse Association of Pottawattamie County: | | | |
| Centers for Disease Control and Prevention-Investigations and Technical Assistance | 93.283 | 5887BT04-10 | 22,306 |
| Iowa Department of Human Services: | | | |
| Human Services Administrative Reimbursements: | | | |
| Temporary Assistance for Needy Families | 93.558 | | 8,458 |
| Refugee and Entrant Assistance-State Administered Program | 93.566 | | 15 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | | 1,898 |
| Foster Care - Title IV-E | 93.658 | | 4,547 |
| Adoption Assistance | 93.659 | | 940 |
| State Children's Insurance Program | 93.767 | | 49 |
| Medical Assistance Program | 93.778 | | 10,936 |
| Social Services Block Grant | 93.667 | | 5,560 |
| Social Services Block Grant | 93.667 | | 46,724 |
| | | | <u>52,284</u> |

Madison County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2007

| 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: | | | |
| Iowa Region 4 Homeland Security Board: | | | |
| State Domestic Preparedness Equipment Support Program | 97.004 | FY05 SHSGP | 1,687 |
| Emergency Management Performance Grants | 97.042 | | 5,419 |
| | | | <u>8,106</u> |
| Total Indirect | | | <u>\$ 897,820</u> |

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

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

To the Officials of Madison County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Madison County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated February 6, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Madison County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Madison County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Madison County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Madison County's financial statements that is more than inconsequential will not be prevented or detected by Madison County's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Madison County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-07, II-B-07, II-C-07 and II-D-07 are material weaknesses.

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, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Madison County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Madison County's responses and, accordingly, we express no opinion on them.

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

February 6, 2008

**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

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 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 program for the year ended June 30, 2007. Madison County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program 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.

In our opinion, Madison County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

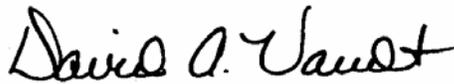
The management of Madison County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Madison County's internal 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Madison County's internal control over compliance.

A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

February 6, 2008

Madison County
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

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

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

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-07 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, Conservation Board, Public Health Nurse, and Madison County Covered Bridge Preservation Association |
| (3) 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 and Madison County Covered Bridge Preservation Association |
| (4) The person who signs checks was not independent of the person preparing checks, approving disbursements and recording cash disbursements. | Sheriff |

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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

Responses –

Sheriff – Every attempt will be made to separate duties with the number of personnel that are available.

Ag Extension – The mail will be opened by a separate staff member other than the Office Assistant. This staff member will document all checks and other funds that come in via the mail. A daily ledger will be kept related to this and checked prior to the weekly deposit. The County Extension Education Director will review and sign off on all deposits.

Ambulance – Effective February 28, 2007, one of the staff opens the mail, prepares a list of checks and delivers the checks and list to the director for review.

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

Public Health Nurse – Currently, we are a two person office and try to segregate duties as much as possible.

Conservation Board – We will attempt to have two people review and initial weekly deposits for miscellaneous revenues. We will also attempt to at all times to conduct monthly reconciliations between cabin and shelter rental contracts and monthly deposit spreadsheets.

Madison County Covered Bridge Preservation Association – We will look into ways to segregate duties.

Conclusion –

Ag Extension, Ambulance, Conservation Board and Madison County Covered Bridge Preservation Association responses accepted. Sheriff, Engineer and Public Health Nurse response acknowledged. These offices should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports.

II-B-07 Ambulance Billing Reconciliation – Ambulance billings, collections and delinquencies were not reconciled monthly.

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

Response – The Department will start this process on July 1, 2008.

Conclusion – Response accepted.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

II-C-07 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 – We are working on adapting our current system to capture the information needed to automatically run this report.

Conclusion – Response accepted.

II-D-07 Financial Reporting – During the audit, we identified material amounts of receivables and payables not recorded in the County’s financial statements. We also identified a material revenue misclassified. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receipts, receivables and payables are identified and included in the County’s financial statements.

Response – Due to new employees, we received some reports that were not accurate. However, the audit has shown them where they were off and how to run them correctly. They also now realize the importance of these reports and we should do better next year.

Conclusion – Response accepted.

II-E-07 Timely Deposits – Certain State warrants collected in the Secondary Roads Department, Empowerment, Board of Health and Human Services offices were not deposited timely.

Recommendation – The County should develop policies to ensure all receipts are deposited timely.

Response – The Board of Supervisors will prepare a policy review to see what changes are needed to ensure money is deposited timely.

Conclusion – Response accepted.

II-F-07 County Sheriff’s Commissary Account – Certain expenditures were paid from the County Sheriff’s commissary account but have not been included in the County’s budget or annual financial reports.

Recommendation – Commissary profits in excess of those needed to purchase resale items for the Commissary should be remitted to the County Treasurer and included in the County’s annual budget and financial statements. All expenditures for the County Sheriff’s Office should be paid by claims approved by the Board of Supervisors and reflected in the County’s accounting system, County budget and annual financial statements.

Response – The Commissary account is for the sale of inmate items. Monies raised with these purchases pay for the products to be sold. Any purchase outside items for resale are pre-approved by the Madison County Board of Supervisors. It has been suggested that monies should be handled by the County Treasurer, however it is not illegal to operate as we are.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Conclusion – Response acknowledged. Chapter 331.902(1) of the Code of Iowa States “Unless otherwise specifically provided by statute, the fees and other charges collected by the auditor, treasurer, recorder and sheriff, and their deputies and employees, belong to the County.” Chapter 331.902(3) states in part “The officer shall pay at least quarterly to the County Treasury the fees and charges collected...”

Commissary profits should be remitted to the County Treasurer and expenditures of these funds should be properly approved by the Board of Supervisors and reflected in the County’s accounting and budgeting system.

II-G-07 Ambulance Billings – The Ambulance rates charged for a portion of the fiscal year were not the rates approved by the Board of Supervisors.

Recommendation – The Ambulance billings should include charges at rates approved by the Board of Supervisors.

Response – We have submitted a new resolution to the Board of Supervisors on December 11, 2007 to correct this problem.

Conclusion – Response accepted

II-H-07 Payroll – The County issues biweekly payroll checks throughout the fiscal year. In June, however, the County writes an extra check to all salaried employees, bringing their salary up to the total authorized amount for the fiscal year. These checks are posted as expenditures in June, but are not distributed to employees until the authorized biweekly pay date in July.

Recommendation – The County should implement procedures to ensure warrants are not written and held at year end.

Response – We will review our procedure to see if we need to make changes.

Conclusion – Response acknowledged. The County should not write and hold warrants at year end.

II-I-07 County Loan – In fiscal 2006, Boone and Madison counties entered into a 28E Agreement to provide County Community Services. Pursuant to the agreement, Madison County loaned Boone County \$25,000 for start up costs. The County has not established a formal repayment schedule for this loan.

Recommendation – Madison County should establish a formal repayment schedule for the loan to Boone County.

Response – John Grush, Madison County’s CPC, will immediately modify our 28E to reflect our concerns.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Madison County
Schedule of Findings and Questioned Costs
Year ended June 30, 2007

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No significant deficiencies in internal control over the major program were noted.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.

IV-B-07 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-07 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-07 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

| <u>Name, Title and Business Connection</u> | <u>Transaction Description</u> | <u>Amount</u> |
|---------------------------------------------------|------------------------------------|---------------|
| Clayton Allen, Deputy Sheriff, Allen Lawn Care | Mowing services, per bid | \$ 210 |

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-07 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-07 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes, but were not.

IV-G-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County’s investment policy were noted.

IV-H-07 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-J-07 Financial Condition – The Special Revenue, Mental Health Fund had a deficit unreserved fund balance of \$150,067 at June 30, 2007.

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

Response – Madison County has levied the maximum tax asking for the Mental Health Fund. Our CPC is estimating a large increase in state revenue because of our low fund balance and now being at maximum tax asking. The Board will review progress during the budget process.

Conclusion – Response accepted.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

IV-K-07 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

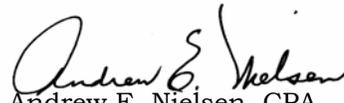
Disbursements during the year ended June 30, 2007 for the County Extension Office did not exceed the amount budgeted.

Madison County

Staff

This audit was performed by:

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