



**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

**NEWS RELEASE**

FOR RELEASE

March 25, 2009

Contact: Andy Nielsen  
515/281-5834

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

The County had local tax revenue of \$ 20,370,687 for the year ended June 30, 2008, which included \$751,293 in tax credits from the state. The County forwarded \$16,281,303 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,089,384 of the local tax revenue to finance County operations, a 1.2 percent increase over the prior year. Other revenues included charges for service of \$1,008,743, operating grants, contributions and restricted interest of \$4,429,121, capital grants, contributions and restricted interest of \$502,275, local option sales tax of \$590,756, unrestricted investment earnings of \$206,625 and other general revenues of \$200,006.

Expenses for County operations totaled \$10,659,177, a 14.6 percent increase over the prior year. Expenses included \$4,617,264 for roads and transportation, \$2,086,907 for public safety and legal services and \$1,289,301 for mental health. The significant increase in expenses is primarily due to increased expenses in the secondary roads department related to inclement winter weather and spring flooding.

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, 2008**

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**Madison County**

**Officials**

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

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, 2008, 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.

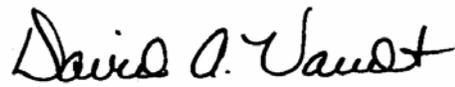
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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.

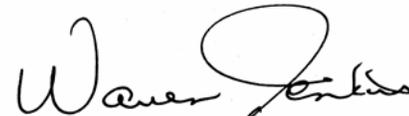
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Madison County at June 30, 2008, and the respective changes in financial 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 March 10, 2009 on our consideration of Madison County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madison County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2007 (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

March 10, 2009

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

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Madison County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities decreased 16.5%, or approximately \$2,185,000, from fiscal 2007 to fiscal 2008. Property tax increased approximately \$55,000, operating grants, contributions and restricted interest increased approximately \$719,000, capital grants, contributions and restricted interest decreased approximately \$2,932,000 and gain on disposition of capital assets increased approximately \$66,000.
- The County's governmental activities program expenses increased 14.6%, or approximately \$1,358,000, from fiscal 2007 to fiscal 2008. The increase is primarily due to roads and transportation expenses which increased approximately \$805,000.
- The County's net assets increased 2.2%, or approximately \$368,000, from June 30, 2007 to June 30, 2008.

### **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, and 3) the Debt Service 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 FY08 totaled approximately \$16.9 million. This compares to FY07 at approximately \$16.5 million. The analysis that follows focuses on the net assets for our governmental activities.

Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2008	2007
Current and other assets	\$ 9,359	9,013
Capital assets	13,607	13,195
Total assets	<u>22,966</u>	<u>22,208</u>
Long-term liabilities	893	1,069
Other liabilities	5,206	4,640
Total liabilities	<u>6,099</u>	<u>5,709</u>
Net assets:		
Invested in capital assets, net of related debt	13,400	12,899
Restricted	1,852	2,071
Unrestricted	1,615	1,529
Total net assets	<u>\$ 16,867</u>	<u>16,499</u>

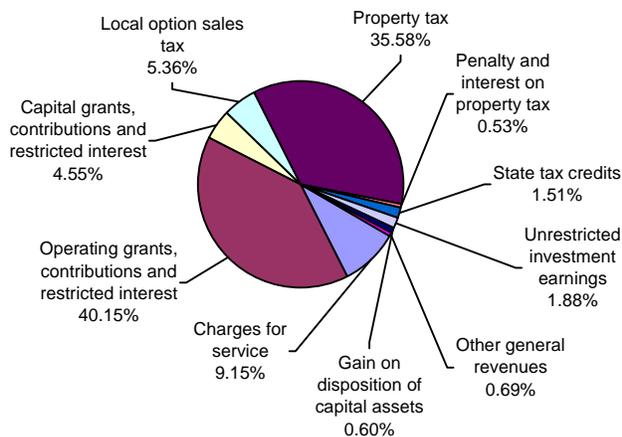
Net assets of Madison County's governmental activities increased approximately \$368,000, or 2.2%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets 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 decreased from approximately \$2,071,000 at June 30, 2007 to approximately \$1,852,000 at the end of this year, a decrease of 10.6%. This decrease was primarily due to increased expenses in roads and transportation which resulted in decreased amounts held for road purposes at year end.

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 \$1,529,000 at June 30, 2007 to approximately \$1,615,000 at the end of this year, an increase of 5.6%.

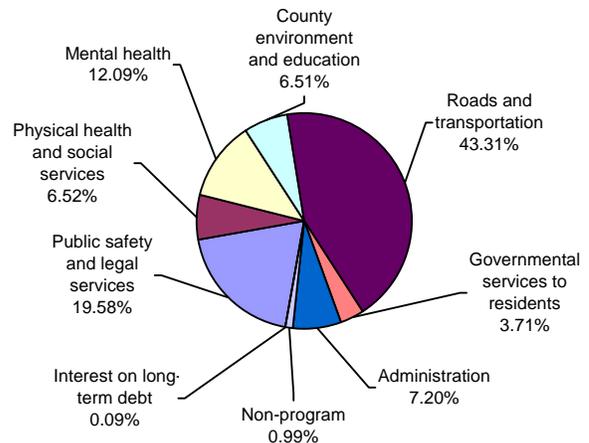
**Changes in Net Assets of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2008	2007
Revenues:		
Program revenues:		
Charges for service	\$ 1,009	1,062
Operating grants, contributions and restricted interest	4,429	3,710
Capital grants, contributions and restricted interest	502	3,434
General revenues:		
Property tax	3,923	3,868
Penalty and interest on property tax	58	57
State tax credits	166	173
Local option sales tax	591	565
Unrestricted investment earnings	207	229
Gain on disposition of capital assets	66	-
Other general revenues	76	114
Total revenues	11,027	13,212
Program expenses:		
Public safety and legal services	2,087	1,902
Physical health and social services	695	525
Mental health	1,289	1,297
County environment and education	694	536
Roads and transportation	4,617	3,812
Governmental services to residents	395	364
Administration	767	759
Non-program	105	83
Interest on long-term debt	10	23
Total expenses	10,659	9,301
Increase in net assets	368	3,911
Net assets beginning of year	16,499	12,588
Net assets end of year	\$ 16,867	16,499

**Revenues by Source**



**Expenses by Program**



The countywide property tax levy rate decreased approximately 1.2%, or \$.575 per \$1,000 of taxable valuation, for fiscal 2008. The rural levy rate decreased \$.206 per \$1,000 of taxable valuation, or 8.3%. Total property tax levied between fiscal 2008 and fiscal 2007 increased \$24,909.

The cost of all governmental activities this year was approximately \$10.7 million compared to approximately \$9.3 million last year. As shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was approximately \$4.7 million because some of the cost was paid by those directly benefited from the programs (\$1,008,743) or by other governments and organizations that subsidized certain programs with grants and contributions (\$4,931,936). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, decreased in 2007 from approximately \$8,206,000 to approximately \$5,940,000, principally due to not receiving farm-to market funding for the reconstruction of roads during fiscal 2008. The County's overall governmental costs increased in 2008 from approximately \$9,301,000 to approximately \$10,659,000, or 14.6%. This increase is primarily due to increased road maintenance costs, the result of inclement weather during the winter of 2007 and spring 2008 floods.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Madison County completed the year, its governmental funds reported a combined fund balance of approximately \$3.3 million, a decrease of approximately \$487,000 from last year's total of approximately \$3.8 million. The 12.8% decrease in fund balance is primarily attributable to the following:

- General Fund revenues increased approximately \$309,000, or 8.1%, over the prior year. The increase in revenues is attributable, in part, to increased ambulance rates and services, as well as an increase in certain intergovernmental revenues received for youth guidance programs. Expenditures increased approximately \$450,000, or 11.9%, over the prior year. This increase is due primarily to the purchase of two patrol cars and a new boiler in the courthouse and increases in expenditures for criminal prosecution, communicable disease prevention and control, youth guidance and environmental restoration. The ending fund balance decreased \$53,022 from the prior year, from \$1,566,891 to \$1,513,869.
- The County has continued to look for ways to effectively manage the cost of mental health services. Current year revenues increased \$410,380, or 36.1%, over the prior year while current year expenditures decreased \$7,535, or less than 1%, from the prior year. The Mental Health Fund balance at year end increased from a deficit of \$(150,067) at June 30, 2007 to \$109,104 at June 30, 2008, a \$259,171 increase. The increase is attributable to an increase in state funding and allowance growth dollars while expenditures remained constant.
- Rural Services Fund revenues and expenditures remained consistent when compared to the prior year. Expenditures and transfers out increased \$104,460, primarily due to an increase in transfers to the Secondary Roads Fund due to inclement winter weather. The ending fund balance decreased \$45,220 from the prior year to \$311,935.
- Secondary Roads Fund revenues decreased \$288,635, or 8.3%, due principally to a decrease in BROS reimbursements. Secondary Roads Fund expenditures increased \$786,370, or 18.6%, over fiscal 2007. The increase was primarily due to increased workload, project costs related to inclement winter weather and spring flooding. Equipment purchases were also a factor in the increased expenditures. The ending fund balance decreased 45.8%, or \$751,227, from the prior year to an ending balance of \$887,129.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Madison County amended its budget four times. The first amendment was made in August of 2007 to increase the physical health and social services budget. The second amendment was made in January of 2008 to increase the physical health and social services budget due to the County acting as DCAT fiscal agent and increase the public safety and legal services budget due to outside legal costs. The third amendment was in April of 2008 and increased the budget due to increased costs for secondary roads, mental health, board of health, public health nurse, elections and capital projects. The fourth budget increase was in May of 2008 and was primarily due to costs associated with the Phoenix lawsuit brought by the County due to illegal dumping.

The County's receipts were \$326,164 less than budgeted. The most significant variance resulted from the County receiving fewer than anticipated grants.

Total disbursements were \$690,559 less than the amended budget. This was primarily due to the County spending approximately \$242,000 less than budgeted for capital projects and approximately \$204,000 less than budgeted for physical health and social services. Disbursements in the county environment and education function exceeded the amount budgeted for the year ended June 30, 2008.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2008, Madison County had approximately \$13.6 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 \$412,000, or 3.1%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2008	2007
Land	\$ 608	608
Construction in progress	522	906
Buildings and improvements	1,774	1,846
Equipment and vehicles	2,359	2,224
Infrastructure	8,344	7,611
Total	<u>\$ 13,607</u>	<u>13,195</u>

This year's major additions included (in thousands):

Bridge replacement and road projects	\$ 617
Purchase of a CAT 2006 dozer	205
Purchase of a CAT 140H motor grader	197
Total	<u>\$ 1,019</u>

The County had depreciation expense of \$820,466 in fiscal 2008 and total accumulated depreciation of \$5,160,362 at June 30, 2008.

The County's fiscal year 2008 capital budget was principally for completion of one resurfacing project 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, 2008, Madison County had approximately \$328,000 in capital loan notes and capital lease purchase agreement obligations outstanding, compared to approximately \$475,000 at June 30, 2007, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2008	2007
Capital loan notes	\$ 230	396
Capital lease purchase agreements	98	79
Total	\$ 328	475

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 \$47.7 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 experienced an extremely severe winter with a combination of heavy snow and ice during the '07-08 budget year. The winter was followed by spring flooding which left the secondary road system in a condition very uncommon to Madison County. Log jams caused damage to bridges, flooding left culverts washed out and many roads were temporarily closed because thousands of tons of rock was washed into ditches. Replacement rock cost nearly \$320,000 more than was spent for rock during the '06-07 budget year. Consequently, the Secondary Roads fund balance decreased approximately \$751,000 (45.8%). The Board will need to address this decrease in the near future.

As always, Madison County continues to look for ways to increase revenues other than by taxation. In fiscal year 2008-2009, the Board of Supervisors again decreased the county wide levy \$.27/\$1,000 and reduced the rural rate \$.17/\$1,000. Madison County has been very fortunate to have good fund balances the last several years. This will hopefully help carry Madison County through the current economic downturn.

**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, 2008

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 3,833,839
Receivables:	
Property tax:	
Delinquent	12,078
Succeeding year	4,127,000
Interest and penalty on property tax	6,286
Accounts (net of \$266,671 allowance for uncollectable ambulance accounts)	326,716
Accrued interest	12,558
Loans	64,780
Due from other governments	748,357
Inventories	227,087
Capital assets (net of accumulated depreciation)	13,607,190
	<u>22,965,891</u>
<b>Total assets</b>	<u>22,965,891</u>
<b>Liabilities</b>	
Accounts payable	639,218
Accrued interest payable	7,090
Salaries and benefits payable	103,288
Due to other governments	329,198
Deferred revenue:	
Succeeding year property tax	4,127,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreements	19,508
Capital loan notes	70,097
Compensated absences	257,734
Portion due or payable after one year:	
Capital lease purchase agreements	78,333
Capital loan notes	159,835
Compensated absences	307,698
	<u>6,098,999</u>
<b>Total liabilities</b>	<u>6,098,999</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	13,400,156
Restricted for:	
Supplemental levy purposes	302,327
Mental health purposes	175,373
Secondary roads purposes	887,855
Debt service	18,011
Other purposes	468,382
Unrestricted	1,614,788
	<u>16,866,892</u>
<b>Total net assets</b>	<u>\$ 16,866,892</u>

See notes to financial statements.

Madison County  
Statement of Activities  
Year ended June 30, 2008

	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	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 2,086,907	409,652	31,929	-	(1,645,326)
Physical health and social services	694,656	54,858	316,201	-	(323,597)
Mental health	1,289,301	1,872	1,012,441	-	(274,988)
County environment and education	693,759	88,165	170,628	-	(434,966)
Roads and transportation	4,617,264	43,191	2,874,675	502,275	(1,197,123)
Governmental services to residents	395,661	287,870	1,448	-	(106,343)
Administration	766,843	16,030	21,799	-	(729,014)
Non-program	104,936	107,105	-	-	2,169
Interest on long-term debt	9,850	-	-	-	(9,850)
<b>Total</b>	<b>\$ 10,659,177</b>	<b>1,008,743</b>	<b>4,429,121</b>	<b>502,275</b>	<b>(4,719,038)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					3,766,644
Debt service					156,719
Penalty and interest on property tax					57,779
State tax credits					166,021
Local option sales tax					590,756
Unrestricted investment earnings					206,625
Gain on disposition of capital assets					66,100
Miscellaneous					76,127
<b>Total general revenues</b>					<b>5,086,771</b>
Change in net assets					367,733
Net assets beginning of year					16,499,159
Net assets end of year					<b>\$ 16,866,892</b>

See notes to financial statements.

Madison County  
Balance Sheet  
Governmental Funds

June 30, 2008

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 1,445,205	400,176	239,038	830,448
Receivables:				
Property tax:				
Delinquent	7,189	1,526	2,915	-
Succeeding year	2,630,000	506,000	930,000	-
Interest and penalty on property tax	6,286	-	-	-
Accounts (net)	242,796	50	6,456	96
Accrued interest	12,558	-	-	-
Loans	-	64,780	-	-
Due from other funds	-	-	-	15,154
Due from other governments	171,622	-	78,151	479,374
Inventories	-	-	-	193,318
Advance to Internal Service Fund	60,000	-	-	-
	<b>\$ 4,575,656</b>	<b>972,532</b>	<b>1,256,560</b>	<b>1,518,390</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 144,517	15,014	1,446	281,792
Salaries and benefits payable	34,447	204	3,504	65,133
Due to other governments	31,758	275,941	-	19,762
Deferred revenue:				
Succeeding year property tax	2,630,000	506,000	930,000	-
Other	221,065	66,269	9,675	264,574
Total liabilities	<b>3,061,787</b>	<b>863,428</b>	<b>944,625</b>	<b>631,261</b>
Fund balances:				
Reserved for:				
Advance to Internal Service Fund	60,000	-	-	-
Supplemental levy purposes	334,127	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	1,119,742	-	-	-
Special revenue funds	-	109,104	311,935	887,129
Total fund balances	<b>1,513,869</b>	<b>109,104</b>	<b>311,935</b>	<b>887,129</b>
	<b>\$ 4,575,656</b>	<b>972,532</b>	<b>1,256,560</b>	<b>1,518,390</b>

See notes to financial statements.

Nonmajor	Total
481,644	3,396,511
448	12,078
61,000	4,127,000
-	6,286
2,224	251,622
-	12,558
-	64,780
-	15,154
16,812	745,959
-	193,318
-	60,000
<u>562,128</u>	<u>8,885,266</u>
7,645	450,414
-	103,288
-	327,461
61,000	4,127,000
437	562,020
<u>69,082</u>	<u>5,570,183</u>
-	60,000
-	334,127
24,664	24,664
-	1,119,742
468,382	1,776,550
<u>493,046</u>	<u>3,315,083</u>
<u>562,128</u>	<u>8,885,266</u>

**Madison County**

Madison County

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

June 30, 2008

**Total governmental fund balances (page 19)** \$ 3,315,083

***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 governmental funds. The cost of assets is \$18,767,552 and the accumulated depreciation is \$5,160,362. 13,607,190

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds. 562,020

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. 282,894

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 governmental funds. (900,295)

**Net assets of governmental activities (page 16)** \$ 16,866,892

See notes to financial statements.

Madison County

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

Year ended June 30, 2008

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 2,409,418	511,526	1,317,855	-
Interest and penalty on property tax	56,820	-	-	-
Intergovernmental	627,887	1,005,118	41,876	3,147,744
Licenses and permits	-	-	53,871	6,805
Charges for service	776,549	29,425	6,950	10,234
Use of money and property	236,825	1,872	-	-
Miscellaneous	37,739	531	11,011	18,631
Total revenues	<u>4,145,238</u>	<u>1,548,472</u>	<u>1,431,563</u>	<u>3,183,414</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	1,937,994	-	193,315	-
Physical health and social services	601,922	-	94,777	-
Mental health	-	1,289,301	-	-
County environment and education	482,978	-	182,676	-
Roads and transportation	-	-	-	4,333,549
Governmental services to residents	397,610	-	-	-
Administration	820,706	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	670,207
Total expenditures	<u>4,241,210</u>	<u>1,289,301</u>	<u>470,768</u>	<u>5,003,756</u>
Excess (deficiency) of revenues over (under) expenditures	(95,972)	259,171	960,795	(1,820,342)
<b>Other financing sources (uses):</b>				
Sale of capital assets	3,000	-	-	63,100
Operating transfers in	-	-	-	1,006,015
Operating transfers out	-	-	(1,006,015)	-
Capital lease purchase agreement	39,950	-	-	-
Total other financing sources (uses)	<u>42,950</u>	<u>-</u>	<u>(1,006,015)</u>	<u>1,069,115</u>
Net change in fund balances	(53,022)	259,171	(45,220)	(751,227)
Fund balances beginning of year	<u>1,566,891</u>	<u>(150,067)</u>	<u>357,155</u>	<u>1,638,356</u>
Fund balances end of year	<u>\$ 1,513,869</u>	<u>109,104</u>	<u>311,935</u>	<u>887,129</u>

See notes to financial statements.

Nonmajor	Total
274,884	4,513,683
-	56,820
20,840	4,843,465
-	60,676
3,934	827,092
21,613	260,310
22,191	90,103
<u>343,462</u>	<u>10,652,149</u>
4,000	2,135,309
-	696,699
-	1,289,301
9,064	674,718
-	4,333,549
617	398,227
43,027	863,733
180,158	180,158
3,372	673,579
<u>240,238</u>	<u>11,245,273</u>
<u>103,224</u>	<u>(593,124)</u>
-	66,100
-	1,006,015
-	(1,006,015)
-	39,950
<u>-</u>	<u>106,050</u>
103,224	(487,074)
<u>389,822</u>	<u>3,802,157</u>
<u>493,046</u>	<u>3,315,083</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, 2008

**Net change in fund balances - Total governmental funds (page 23)** \$ (487,074)

**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 exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 1,232,383	
Depreciation expense	(820,466)	411,917

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	435	
Other	186,377	186,812

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	(39,950)	
Repaid	187,593	147,643

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	28,052	
Interest on long-term debt	4,551	32,603

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.

75,832

**Change in net assets of governmental activities (page 17)** \$ 367,733

See notes to financial statements.

Madison County  
 Statement of Net Assets  
 Proprietary Funds  
 June 30, 2008

	Internal Service
<b>Assets</b>	
Cash and cash equivalents	\$ 437,328
Accounts receivable	75,094
Due from other governments	2,398
Inventories	33,769
<b>Total assets</b>	<b>548,589</b>
<b>Liabilities</b>	
Accounts payable	188,804
Due to other funds	15,154
Due to other governments	1,737
Advance from General Fund	60,000
<b>Total liabilities</b>	<b>265,695</b>
<b>Net Assets</b>	
Unrestricted	<b>\$ 282,894</b>

See notes to financial statements.

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

Year ended June 30, 2008

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds and employees		\$ 1,502,911
Reimbursements from others		72,505
Insurance reimbursements		34,599
Total operating revenues		<u>1,610,015</u>
Operating expenses:		
Medical claims	\$ 1,116,119	
Materials and supplies	431,071	
Unemployment compensation	<u>1,737</u>	<u>1,548,927</u>
Operating income		61,088
Non-operating revenues:		
Interest income		<u>14,744</u>
Net income		<u>75,832</u>
Net assets beginning of year		<u>207,062</u>
Net assets end of year		<u><u>\$ 282,894</u></u>

See notes to financial statements.

Madison County  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2008

	Internal Service
Cash flows from operating activities:	
Cash received from operating funds	\$ 1,447,213
Cash received from others	111,086
Cash paid to suppliers for goods and services	(1,455,450)
Net cash provided by operating activities	102,849
Cash flows from non-capital financing activities:	
Deficit cash implicitly financed	15,154
Cash flows from investing activities:	
Interest on investments	14,744
Net increase in cash and cash equivalents	132,747
Cash and cash equivalents beginning of year	304,581
Cash and cash equivalents end of year	\$ 437,328
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 61,088
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Decrease) in accounts receivable	(51,716)
Decrease in inventories	169
Increase in accounts payable	93,308
Net cash provided by operating activities	\$ 102,849

See notes to financial statements.

Madison County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2008

**Assets**

Cash and pooled investments:

County Treasurer \$ 985,364

Receivables:

Property tax:

Delinquent 35,266

Succeeding year 15,703,000

Accounts 425

Special assessments 449,421

**Total assets** 17,173,476**Liabilities**

Accounts payable 31,156

Salaries and benefits payable 1,678

Due to other governments 17,096,004

Trusts payable 18,642

Compensated absences 25,996

**Total liabilities** 17,173,476**Net assets** \$ -

See notes to financial statements.

Madison County

Notes to Financial Statements

June 30, 2008

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

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Madison County Assessor's Conference Board, Madison County Emergency Management Commission, South Central Iowa Regional 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, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2007.

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2008, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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.

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, 2008. 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 Internal Service, 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. Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the county environment and education and capital projects functions prior to amendment of the budget. Disbursements for the year ended June 30, 2008 exceeded the amount budgeted in the county environment and education function. In addition, disbursements in two departments exceeded the amounts appropriated prior to the budget amendment.

**(2) Cash and Pooled Investments**

The County’s deposits in banks at June 30, 2008 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 \$1,324,757 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, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
General	Internal Service: Fuel	\$ 60,000

This balance resulted from a loan between funds which has not been repaid.

The detail of interfund receivables and payables at June 30, 2008 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Secondary Roads	Internal Service: Fuel	\$ 15,154

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

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 1,006,015

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, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 607,617	-	-	607,617
Construction in progress, road network	905,746	616,493	(1,064,485)	457,754
Construction in progress	-	63,505	-	63,505
Total capital assets not being depreciated	1,513,363	679,998	(1,064,485)	1,128,876
Capital assets being depreciated:				
Buildings	2,615,686	-	-	2,615,686
Improvements other than buildings	31,147	-	-	31,147
Equipment and vehicles	5,596,599	552,385	(161,129)	5,987,855
Infrastructure, road network	7,939,503	1,064,485	-	9,003,988
Total capital assets being depreciated	16,182,935	1,616,870	(161,129)	17,638,676
Less accumulated depreciation for:				
Buildings	791,147	68,488	-	859,635
Improvements other than buildings	9,344	3,115	-	12,459
Equipment and vehicles	3,372,689	416,942	(161,129)	3,628,502
Infrastructure, road network	327,845	331,921	-	659,766
Total accumulated depreciation	4,501,025	820,466	(161,129)	5,160,362
Total capital assets being depreciated, net	11,681,910	796,404	-	12,478,314
Governmental activities capital assets, net	\$ 13,195,273	1,476,402	(1,064,485)	13,607,190

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 78,714
Physical health and social services		9,348
County environment and education		26,497
Roads and transportation		680,785
Administration		<u>25,122</u>
Total depreciation expense - governmental activities		<u>\$ 820,466</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	<u>\$ 31,758</u>
Special Revenue:		
Mental Health	Services	275,941
Secondary Roads	Services	<u>19,762</u>
		<u>295,703</u>
Total for governmental funds		<u>\$ 327,461</u>
Agency:		
County Offices		\$ 11,702
Agricultural Extension Education		177,671
County Assessor	Collections	358,380
Schools		9,597,288
Community Colleges		338,403
Corporations		3,761,255
Townships		238,731
County Hospital		1,566,306
Special Assessments		487,220
Auto License and Use Tax		377,387
Empowerment		72,016
Other		<u>109,645</u>
Total for agency funds		<u>\$ 17,096,004</u>

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Capital Lease			Capital Loan Notes			Compensated Absences	Total
	Purchase Agreements			Court-house	FHA	Jail		
	Ambulances	Vehicles	Computer					
Balance beginning of year	\$ 64,676	15,051	-	97,000	119,841	178,848	593,484	1,068,900
Increases	-	-	39,950	-	-	-	351,947	391,897
Decreases	14,887	6,949	-	97,000	10,648	58,109	379,999	567,592
Balance end of year	<u>\$ 49,789</u>	<u>8,102</u>	<u>39,950</u>	<u>-</u>	<u>109,193</u>	<u>120,739</u>	<u>565,432</u>	<u>893,205</u>
Due within one year	<u>\$ -</u>	<u>-</u>	<u>19,508</u>	<u>-</u>	<u>11,251</u>	<u>58,846</u>	<u>257,734</u>	<u>347,339</u>

### Capital Lease Purchase Agreements

In April 2006, the County entered into 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, 2008:

<u>Year ending June 30,</u>	<u>Vehicles</u>
2009	\$ -
2010	7,500
2011	930
Total minimum lease payments	<u>8,430</u>
Less amount representing interest	<u>328</u>
Present value of net minimum lease payments	<u>\$ 8,102</u>

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, 2008:

<u>Year ending June 30,</u>	<u>Ambulances</u>
2009	\$ -
2010	18,454
2011	18,454
2012	18,454
Total minimum lease payments	<u>55,362</u>
Less amount representing interest	<u>5,573</u>
Present value of net minimum lease payments	<u>\$ 49,789</u>

In June 2008, the County entered into a lease purchase agreement with IBM Credit LLC for \$39,950 to purchase computer equipment, software and maintenance. The following is a schedule of future minimum lease payments, including interest at 4.91% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2008.

<u>Year ending June 30,</u>	<u>Computer</u>
2009	\$ 21,419
2010	<u>21,419</u>
Total minimum lease payments	<u>42,838</u>
Less amount representing interest	<u>2,888</u>
Present value of net minimum lease payments	<u>\$ 39,950</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, 2008 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	
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	5.625	7,382	1,320	8,702	5.50	6,590	2,026	8,616	17,318
2014-2017	5.625	16,087	1,317	17,404	5.50	30,244	4,220	34,464	51,868
Total		\$ 49,265	11,649	60,914		\$ 59,928	17,616	77,544	138,458

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, 2008 capital loan note indebtedness for the jail is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2009	3.65%	\$ 58,846	4,426	63,272
2010	3.65	61,893	2,252	64,145
Total		\$ 120,739	6,678	127,417

**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 3.90% of their annual covered salary and the County is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$211,126, \$189,213 and \$179,365, respectively, equal to the required contributions for each year.

**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, 2008 was \$1,111,600.

Amounts payable from the Employee Group Health Fund at June 30, 2008 total \$160,001, 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 \$257,700 at June 30, 2008 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, 2007	\$	80,000
Incurred claims (including claims incurred but not reported at June 30, 2008)		1,116,119
Payments on claims		<u>(1,036,118)</u>
Unpaid claims at June 30, 2008	\$	<u>160,001</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. In January 2008, County Community Services prepared and its Board approved a document stating the \$25,000 and another \$15,000 contributed by Madison County in October 2006 were loaned to Boone County for the benefit of County Community Services. The agreement states the loan will be repaid to Madison County if County Community Services ceases to exist.

**(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.

**(14) Subsequent Event**

On November 25, 2008, the Board approved forgiving the \$24,780 loan to Genesis Development discussed in Note 11.

**Madison County**

**Required Supplementary Information**

Madison County

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

Required Supplementary Information

Year ended June 30, 2008

	Actual	Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 4,525,760	-	4,525,760
Interest and penalty on property tax	56,664	-	56,664
Intergovernmental	4,817,576	-	4,817,576
Licenses and permits	72,467	-	72,467
Charges for service	827,547	-	827,547
Use of money and property	291,752	3,171	288,581
Miscellaneous	63,116	16,732	46,384
Total receipts	<u>10,654,882</u>	<u>19,903</u>	<u>10,634,979</u>
<b>Disbursements:</b>			
Public safety and legal services	2,123,523	-	2,123,523
Physical health and social services	653,701	-	653,701
Mental health	1,340,159	-	1,340,159
County environment and education	666,338	9,054	657,284
Roads and transportation	4,063,555	-	4,063,555
Governmental services to residents	393,357	-	393,357
Administration	838,028	-	838,028
Debt service	180,158	-	180,158
Capital projects	686,798	-	686,798
Total disbursements	<u>10,945,617</u>	<u>9,054</u>	<u>10,936,563</u>
Excess (deficiency) of receipts over (under) disbursements	(290,735)	10,849	(301,584)
Other financing sources, net	66,100	-	66,100
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(224,635)	10,849	(235,484)
Balance beginning of year	<u>3,621,146</u>	<u>57,837</u>	<u>3,563,309</u>
Balance end of year	<u>\$ 3,396,511</u>	<u>68,686</u>	<u>3,327,825</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
4,456,420	4,516,468	9,292
59,125	59,125	(2,461)
3,893,670	5,141,162	(323,586)
72,600	72,600	(133)
639,620	799,124	28,423
211,618	287,618	963
75,854	85,046	(38,662)
9,408,907	10,961,143	(326,164)
1,955,928	2,210,205	86,682
533,503	857,341	203,640
1,233,280	1,471,300	131,141
562,011	567,011	(90,273)
3,743,425	4,098,425	34,870
404,366	414,835	21,478
902,925	898,034	60,006
180,806	180,806	648
78,835	929,165	242,367
9,595,079	11,627,122	690,559
(186,172)	(665,979)	364,395
-	-	66,100
(186,172)	(665,979)	430,495
1,940,581	2,412,860	1,150,449
1,754,409	1,746,881	1,580,944

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Madison County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,654,882	(2,733)	10,652,149
Expenditures	10,945,617	299,656	11,245,273
Net	(290,735)	(302,389)	(593,124)
Other financing sources, net	66,100	39,950	106,050
Beginning fund balances	3,621,146	181,011	3,802,157
Ending fund balances	\$ 3,396,511	(81,428)	3,315,083

See accompanying independent auditor's report.

Madison County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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 ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service 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, four budget amendments increased budgeted disbursements by \$2,032,043. 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.

Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the county environment and education and capital projects functions prior to amendment of the budget. Disbursements for the year ended June 30, 2008 exceeded the amount budgeted in the county environment and education function. In addition, disbursements in two departments exceeded the amounts appropriated prior to the budget amendment.

**Madison County**

**Other Supplementary Information**

Madison County  
Combining Balance Sheet  
Nonmajor Governmental Funds

June 30, 2008

		County Recorder's Records Management	Resource Enhancement and Protection	Special Covered Bridge
<b>Assets</b>				
Cash and pooled investments	\$	9,357	22,176	35,573
Receivables:				
Property tax:				
Delinquent		-	-	-
Succeeding year		-	-	-
Accounts		340	-	-
Due from other governments		-	-	-
<b>Total assets</b>	<b>\$</b>	<b>9,697</b>	<b>22,176</b>	<b>35,573</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$	-	201	-
Deferred revenue:				
Succeeding year property tax		-	-	-
Other		-	-	-
Total liabilities		-	201	-
Fund equity:				
Fund balances:				
Reserved for debt service		-	-	-
Unreserved		9,697	21,975	35,573
Total fund equity		9,697	21,975	35,573
<b>Total liabilities and fund equity</b>	<b>\$</b>	<b>9,697</b>	<b>22,176</b>	<b>35,573</b>

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	318,652	487	68,686	24,653	481,644
-	-	-	-	448	448
-	-	-	-	61,000	61,000
-	-	1,884	-	-	2,224
-	16,812	-	-	-	16,812
2,060	335,464	2,371	68,686	86,101	562,128
-	7,444	-	-	-	7,645
-	-	-	-	61,000	61,000
-	-	-	-	437	437
-	7,444	-	-	61,437	69,082
-	-	-	-	24,664	24,664
2,060	328,020	2,371	68,686	-	468,382
2,060	328,020	2,371	68,686	24,664	493,046
2,060	335,464	2,371	68,686	86,101	562,128

Madison County

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

Year ended June 30, 2008

	County Recorder's Records Management	Resource Enhancement and Protection	Special Covered Bridge
Revenues:			
Property and other county tax	\$ -	-	-
Intergovernmental	-	14,300	-
Charges for service	3,934	-	-
Use of money and property	352	762	-
Miscellaneous	-	-	-
Total revenues	4,286	15,062	-
Expenditures:			
Operating:			
Public safety and legal services	-	-	-
County environment and education	-	10	-
Governmental services to residents	617	-	-
Administration	-	-	-
Debt service	-	-	-
Capital projects	-	3,372	-
Total expenditures	617	3,382	-
Excess of revenues over expenditures	3,669	11,680	-
Fund balances beginning of year	6,028	10,295	35,573
Fund balances end of year	\$ 9,697	21,975	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
-	118,151	-	-	156,733	274,884
-	-	-	-	6,540	20,840
-	-	-	-	-	3,934
-	-	-	3,171	17,328	21,613
-	-	5,459	16,732	-	22,191
-	118,151	5,459	19,903	180,601	343,462
-	-	4,000	-	-	4,000
-	-	-	9,054	-	9,064
-	-	-	-	-	617
-	43,027	-	-	-	43,027
-	-	-	-	180,158	180,158
-	-	-	-	-	3,372
-	43,027	4,000	9,054	180,158	240,238
-	75,124	1,459	10,849	443	103,224
2,060	252,896	912	57,837	24,221	389,822
2,060	328,020	2,371	68,686	24,664	493,046

**Schedule 3**

## Madison County

Combining Schedule of Net Assets  
Internal Service Funds

June 30, 2008

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
<b>Assets</b>					
Cash and cash equivalents	\$ -	161	417,627	19,540	437,328
Accounts receivable	74,909	111	74	-	75,094
Due from other governments	2,398	-	-	-	2,398
Inventories	33,769	-	-	-	33,769
<b>Total assets</b>	111,076	272	417,701	19,540	548,589
<b>Liabilities</b>					
Accounts payable	28,654	149	160,001	-	188,804
Due to other funds	15,154	-	-	-	15,154
Due to other governments	-	-	-	1,737	1,737
Advance from General Fund	60,000	-	-	-	60,000
<b>Total liabilities</b>	103,808	149	160,001	1,737	265,695
<b>Net Assets</b>					
Unrestricted	\$ 7,268	123	257,700	17,803	282,894

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, 2008

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Operating revenues:					
Reimbursements from operating funds and employees	\$ 390,716	595	1,111,600	-	1,502,911
Reimbursements from others	31,913	25	40,567	-	72,505
Insurance reimbursements	-	-	34,599	-	34,599
Total operating revenues	422,629	620	1,186,766	-	1,610,015
Operating expenses:					
Medical claims	-	-	1,116,119	-	1,116,119
Materials and supplies	429,856	1,215	-	-	431,071
Unemployment compensation	-	-	-	1,737	1,737
Total operating expenses	429,856	1,215	1,116,119	1,737	1,548,927
Operating income (loss)	(7,227)	(595)	70,647	(1,737)	61,088
Non-operating revenues:					
Interest income	-	-	14,744	-	14,744
Net income (loss)	(7,227)	(595)	85,391	(1,737)	75,832
Net assets beginning of year	14,495	718	172,309	19,540	207,062
Net assets end of year	\$ 7,268	123	257,700	17,803	282,894

See accompanying independent auditor's report.

**Madison County**

Madison County  
Combining Schedule of Cash Flows  
Internal Service Funds

Year ended June 30, 2008

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
<b>Cash flows from operating activities:</b>					
Cash received from operating funds	\$ 335,129	484	1,111,600	-	1,447,213
Cash received from others	34,427	25	76,634	-	111,086
Cash paid to suppliers for goods and services	(418,266)	(1,066)	(1,036,118)	-	(1,455,450)
Net cash provided (used) by operating activities	(48,710)	(557)	152,116	-	102,849
<b>Cash flows from non-capital financing activities:</b>					
Deficit cash implicitly financed	15,154	-	-	-	15,154
<b>Cash flows from investing activities:</b>					
Interest on investments	-	-	14,744	-	14,744
Net increase (decrease) in cash and cash equivalents	(33,556)	(557)	166,860	-	132,747
Cash and cash equivalents beginning of year	33,556	718	250,767	19,540	304,581
Cash and cash equivalents end of year	\$ -	161	417,627	19,540	437,328
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (7,227)	(595)	70,647	(1,737)	61,088
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
(Increase) decrease in accounts receivable	(55,587)	(111)	1,468	-	(54,230)
Decrease in due from other governments	2,514	-	-	-	2,514
Decrease in inventories	169	-	-	-	169
Increase in accounts payable	11,421	149	80,001	1,737	93,308
Net cash provided (used) by operating activities	\$ (48,710)	(557)	152,116	-	102,849

See accompanying independent auditor's report.

Madison County  
 Combining Schedule of Fiduciary Assets and Liabilities  
 Agency Funds

June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ 14,366	3,194	108,901	165,722	6,444
Receivables:					
Property tax:					
Delinquent	-	477	794	24,566	959
Succeeding year	-	174,000	294,000	9,407,000	331,000
Accounts	196	-	229	-	-
Special assessments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 14,562</b>	<b>177,671</b>	<b>403,924</b>	<b>9,597,288</b>	<b>338,403</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	19,548	-	-
Salaries and benefits payable	-	-	-	-	-
Due to other governments	11,702	177,671	358,380	9,597,288	338,403
Trusts payable	2,860	-	-	-	-
Compensated absences	-	-	25,996	-	-
<b>Total liabilities</b>	<b>\$ 14,562</b>	<b>177,671</b>	<b>403,924</b>	<b>9,597,288</b>	<b>338,403</b>

See accompanying independent auditor's report.

Corporations	Townships	County Hospital	Special Assessments	Auto License and Use Tax	Empowerment	Other	Total
63,685	4,044	28,114	37,799	377,387	83,358	92,350	985,364
3,570	687	4,192	-	-	-	21	35,266
3,694,000	234,000	1,534,000	-	-	-	35,000	15,703,000
-	-	-	-	-	-	-	425
-	-	-	449,421	-	-	-	449,421
<b>3,761,255</b>	<b>238,731</b>	<b>1,566,306</b>	<b>487,220</b>	<b>377,387</b>	<b>83,358</b>	<b>127,371</b>	<b>17,173,476</b>
-	-	-	-	-	11,342	266	31,156
-	-	-	-	-	-	1,678	1,678
3,761,255	238,731	1,566,306	487,220	377,387	72,016	109,645	17,096,004
-	-	-	-	-	-	15,782	18,642
-	-	-	-	-	-	-	25,996
<b>3,761,255</b>	<b>238,731</b>	<b>1,566,306</b>	<b>487,220</b>	<b>377,387</b>	<b>83,358</b>	<b>127,371</b>	<b>17,173,476</b>

Madison County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2008

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 25,742	161,241	364,356	8,442,932	326,390
Additions:					
Property and other county tax	-	175,635	297,814	9,487,425	333,824
State tax credits	-	6,897	11,173	358,957	13,916
Office fees and collections	412,901	-	-	-	-
Electronic transaction fees	3,934	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	521,227	-	-	-	-
Miscellaneous	-	-	-	-	-
Total additions	938,062	182,532	308,987	9,846,382	347,740
Deductions:					
Agency remittances:					
To other funds	274,242	-	-	-	-
To other governments	147,437	166,102	269,419	8,692,026	335,727
Trusts paid out	527,563	-	-	-	-
Total deductions	949,242	166,102	269,419	8,692,026	335,727
Balances end of year	\$ 14,562	177,671	403,924	9,597,288	338,403

See accompanying independent auditor's report.

Corpora- tions	Townships	County Hospital	Special Assess- ments	Auto License and Use Tax	Empower- ment	Other	Total
3,537,176	218,096	1,421,538	446,052	362,732	90,764	122,638	15,519,657
3,565,619	240,057	1,546,134	-	-	-	49,523	15,696,031
123,580	9,134	60,698	-	-	-	917	585,272
-	-	-	-	-	540	-	413,441
-	-	-	-	-	-	3,594	7,528
-	-	-	-	3,842,386	-	-	3,842,386
-	-	-	336,491	-	-	-	336,491
-	-	-	-	-	-	296,962	818,189
-	-	-	-	-	273,470	73,042	346,512
3,689,199	249,191	1,606,832	336,491	3,842,386	274,010	424,038	22,045,850
-	-	-	-	68,986	-	-	343,228
3,465,120	228,556	1,462,064	295,323	3,758,745	281,416	93,845	19,195,780
-	-	-	-	-	-	325,460	853,023
3,465,120	228,556	1,462,064	295,323	3,827,731	281,416	419,305	20,392,031
3,761,255	238,731	1,566,306	487,220	377,387	83,358	127,371	17,173,476

Madison County

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

For the Last Eight Years

	Modified		
	2008	2007	2006
<b>Revenues:</b>			
Property and other county tax	\$ 3,922,927	3,867,637	3,590,801
Local option sales tax	590,756	565,184	555,435
Interest and penalty on property tax	56,820	55,586	59,215
Intergovernmental	4,843,465	4,597,043	4,189,078
Licenses and permits	60,676	78,218	96,303
Charges for service	827,092	695,027	720,040
Use of money and property	260,310	296,128	229,810
Miscellaneous	90,103	145,912	205,838
<b>Total</b>	<b>\$ 10,652,149</b>	<b>10,300,735</b>	<b>9,646,520</b>
<b>Expenditures:</b>			
<b>Operating:</b>			
Public safety and legal services	\$ 2,135,309	2,095,972	1,619,411
Physical health and social services	696,699	521,118	503,749
Mental health	1,289,301	1,296,836	1,103,099
County environment and education	674,718	515,099	531,247
Roads and transportation	4,333,549	3,203,353	3,703,088
Governmental services to residents	398,227	376,671	481,599
Administration	863,733	771,529	683,606
Debt service	180,158	186,885	139,211
Capital projects	673,579	1,044,329	644,007
<b>Total</b>	<b>\$ 11,245,273</b>	<b>10,011,792</b>	<b>9,409,017</b>

See accompanying independent auditor's report.

Accrual Basis				
2005	2004	2003	2002	2001
3,384,031	3,489,036	3,351,970	3,165,895	2,923,224
398,484	-	-	-	-
63,583	55,809	62,939	62,198	58,181
3,796,249	3,971,314	3,890,226	3,767,863	4,343,475
93,608	66,124	63,997	40,119	25,885
662,292	614,945	570,211	542,147	491,318
152,709	95,810	119,058	186,616	291,658
125,017	55,565	384,932	31,439	31,467
<u>8,675,973</u>	<u>8,348,603</u>	<u>8,443,333</u>	<u>7,796,277</u>	<u>8,165,208</u>
1,558,488	1,594,735	1,597,835	1,433,056	1,362,699
477,518	517,376	474,540	498,989	506,316
1,012,500	951,864	953,994	1,083,090	1,094,889
454,545	436,614	396,095	485,829	349,256
3,756,935	3,699,220	3,241,644	3,379,254	3,111,854
372,840	367,811	340,132	374,545	330,420
685,801	679,426	653,627	644,790	584,326
122,661	124,018	384,099	101,742	99,848
320,773	549,182	526,486	121,462	636,371
<u>8,762,061</u>	<u>8,920,246</u>	<u>8,568,452</u>	<u>8,122,757</u>	<u>8,075,979</u>

**Schedule 9**

Madison County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2008

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 the Supplemental Nutrition Assistance Program	10.561		\$ 7,052
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO61(58)-8J-61	137,014
Highway Planning and Construction	20.205	BROS-CO61(65)-8J-61	366,203
Highway Planning and Construction	20.205	IBRC-CO61(76)-8E-61	19,280
			<u>522,497</u>
Iowa Department of Public Safety:			
Safety Belt Performance Grants	20.609	07-157, Task 109	3,578
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Ringgold County Public Health:			
Immunization Grants	93.268	5887I443	1,390
Immunization Grants	93.268	5887I452	1,137
			<u>2,527</u>
Visiting Nurse Association of Pottawattamie County:			
Centers for Disease Control and Prevention-Investigations and Technical Assistance	93.283	5888BT04-10	35,144
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		7,567
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,864
Foster Care - Title IV-E	93.658		4,505
Adoption Assistance	93.659		1,076
State Children's Insurance Program	93.767		63
Medical Assistance Program	93.778		9,659
Social Services Block Grant	93.667		4,964
Social Services Block Grant	93.667		44,433
			<u>49,397</u>

Madison County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2008

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:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA1737 DR IA	133,623
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA1763 DR IA	65,728
			<u>199,351</u>
Iowa Region 4 Homeland Security Board:			
State Domestic Preparedness Equipment Support Program	97.004		20,375
Emergency Management Performance Grants	97.042		9,273
			<u>29,648</u>
Total Indirect			<u>\$ 873,928</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

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

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

To the Officials of Madison County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Madison County, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 10, 2009. 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-08, II-B-08 and II-C-08 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, 2008 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

March 10, 2009

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

**Madison County**



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

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

To the Officials of Madison County:

Compliance

We have audited the compliance of Madison County, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2008. 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, 2008.

Internal Control Over Compliance

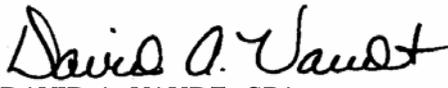
The management of Madison County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Madison County's internal 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.

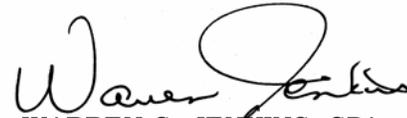
A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal 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

March 10, 2009

Madison County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2008

**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, 2008

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

**SIGNIFICANT DEFICIENCIES:**

II-A-08 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:

	Applicable Offices
(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.	Ambulance, Engineer, Conservation Board, Public Health Nurse, Environmental Health and Zoning 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

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

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

Responses –

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

Ambulance – We are doing what we can with the number of employees we have.

Engineer – The engineers office now has a person independent of the accounting function who reviews the receipts at the end of each month. We will continue to look for ways to segregate duties as much as we can with existing personnel.

Public Health Nurse – Currently, we are training a third person for these financial duties.

Environmental Health and Zoning – Our office will institute a system where-by receipts will be reconciled with permits issued to ensure accuracy. This will occur on a monthly basis and the Administrator will review and note that the amounts balance.

Conservation Board – By requiring electronic credit card collections for the vast majority of our transactions, requiring contracts be handled by full time personnel and requiring co-initialed deposit receipts, we feel this provides as much independent accounting as feasible in our situation.

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

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

II-B-08 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.

II-C-08 Financial Reporting – During the audit, we identified material receivables incorrectly recorded or not recorded in the County's financial statements. We also identified a material warrant issued to the County that was endorsed over to a third party and was not recorded in the County's records. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

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

Response – The Board of Supervisor’s will discuss this issue with department heads so they understand that if a check is payable to the County, the check must be processed through the County’s budget. Checks must never be simply endorsed over to a third party.

Conclusion – Response acknowledged. The County should also implement procedures to ensure all receivables are properly recorded.

II-D-08 Timely Deposits – Certain State warrants collected by the Offices of Secondary Roads, Board of Health, Sheriff, Board of Supervisors, County Auditor and County Treasurer were not deposited timely.

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

Response – The Board of Supervisors will establish procedures to ensure timely deposits and discuss at next department head meeting.

Conclusion – Response accepted.

II-E-08 County Sheriff’s Commissary Account – Certain expenditures were paid from the County Sheriff’s commissary account but were not 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 be 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.

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.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

II-F-08 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 submitted a new resolution to the Board of Supervisors on December 11, 2007 which was adopted.

Conclusion – Response accepted.

II-G-08 Ambulance Collection Policy – The County does not have written policies or procedures for collecting and/or writing off delinquent accounts.

Recommendation – The County should establish written policies and procedures for collecting and writing off past due ambulance accounts.

Response – The Board will review this with the ambulance director and establish a policy.

Conclusion – Response accepted.

II-H-08 Employee contracts – The County Sheriff and ambulance employee contracts limit employee personal leave to 240 hours for the Sheriff's department and 540 hours for ambulance employees. Employees in these departments have been allowed to accrue personal leave in excess of the established limits.

Recommendation – The County should comply with employee contract provisions limiting personal leave accruals to the stated maximums.

Response – The Madison County supervisors will set a policy to ensure all departments enforce the accumulated sick leave policy.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Madison County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2008

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

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

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

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

IV-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the county environment and education and capital projects functions prior to amendment of the budget. Disbursements for the year ended June 30, 2008 exceeded the amount budgeted in the county environment and education function. In addition, disbursements in two departments exceeded the amounts appropriated prior to the budget amendment.

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

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

Response – We will try to watch this closer.

Conclusion – Response accepted.

IV-B-08 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-08 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-08 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>
Tom Johnston, ambulance employee, brother owns Johnston Lawn Care	Lawn service	\$ 12,895

In accordance with Chapter 331.342(4) of the Code of Iowa, the transactions with Johnston Lawn Care do not appear to represent a conflict of interest since Tom Johnston’s remuneration of employment is not directly affected as a result of the contract and his duties of employment do not directly involve the procurement or preparation of any part of the contract.

IV-E-08 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.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

IV-F-08 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. However, although claims were published, the purpose of the claim was not published as required by Chapter 349.18 of the Code of Iowa and an Attorney General's opinion dated December 31, 1986.

Recommendation – The purpose of claims should be published as required.

Response – We will comply.

Conclusion – Response accepted.

IV-G-08 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-08 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

IV-I-08 Taxable Fringe Benefits – The County currently allows certain on call employees to commute with County owned vehicles and provides a clothing reimbursement to Secondary Road employees. In accordance with Internal Revenue Service (IRS) regulations, this type of vehicle usage and clothing allowances are fringe benefits which should be reported as income on employee W-2 forms. The County does not report these fringe benefits as income as required.

Recommendation – The County should contact the IRS to determine the disposition of this matter.

Response – The Board will review IRS guidelines in order to best address taxable benefits. They will also get with other counties to see what policies they have in place.

Conclusion – Response accepted.

IV-J-08 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, 2008 for the County Extension Office did not exceed the amount budgeted.

Madison County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Selina V. Johnson, CPA, Senior Auditor II  
Karen J. Kibbe, Senior Auditor  
Tracey L. Gerrish, Staff Auditor  
Joshua B. Ludwig, Staff Auditor  
Gelu Sherpa, Staff Auditor  
Reza Sepehri, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State