



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

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NEWS RELEASE

FOR RELEASE February 17, 2003

Contact: Andy Nielsen
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The Office of Auditor of State today released an audit report on Madison County, Iowa.

The County had local tax revenue of \$16,290,850 for the year ended June 30, 2002, which included \$926,420 in tax credits from the state. The County forwarded \$12,919,475 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,371,375 of the local tax revenue to finance County operations, an 8 percent increase from the prior year. Other revenues included \$3,388,681 from the state, including indirect federal funding, and \$136,498 in interest on investments.

Expenditures for County operations totaled \$8,122,757, a less than one percent increase from the prior year. Expenditures included \$3,379,254 for roads and transportation, \$1,382,849 for public safety and \$1,083,090 for mental health.

This report contained recommendations to the Board of Supervisors and other County officials. For example, the County Sheriff should deposit forfeiture proceeds and commissary account profits with the County Treasurer and submit expenditures, other than those for commissary resale items, to the Board of Supervisors for approval and inclusion in the County's financial statements and budget. In addition, operating procedures should be reviewed to obtain maximum internal control and certain policies addressing controls over computer systems be reduced to writing. The County's responses are included in the audit report.

A copy of the audit report is available for review in the office of the Auditor of State and the County Auditor's office.

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MADISON COUNTY
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2002

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Madison County

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Cy McDonald	Board of Supervisors	Jan 2003
Loren Myer	Board of Supervisors	Jan 2003
Robert Weeks	Board of Supervisors	Jan 2005
Joan Welch	County Auditor	Jan 2005
Becky McDonald	County Treasurer	Jan 2003
Michelle Utsler	County Recorder	Jan 2003
Paul Welch	County Sheriff	Jan 2005
Martin S. Ramsey	County Attorney	Jan 2003
Catherine Weltha	County Assessor	Jan 2004

Madison County



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Independent Auditor's Report

To the Officials of Madison County:

We have audited the accompanying general purpose financial statements, listed as exhibits in the table of contents of this report, of Madison County, Iowa, as of and for the year ended June 30, 2002. These general purpose financial statements are the responsibility of Madison County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Madison County at June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with U.S. generally accepted accounting principles. Also, the Comparison of Receipts, Disbursements and Changes in Balances - Actual to Budget (Cash Basis) presents fairly, in all material respects, the cash transactions and the legally adopted budget of the governmental fund types and expendable trust fund of Madison County for the year ended June 30, 2002.

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2002 on our consideration of Madison County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the general purpose financial statements for the three years ended June 30, 2001 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 16 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 10, 2002

Madison County

Financial Statements

Madison County
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002

	Governmental Fund		
	General	Special Revenue	Debt Service
Assets and Other Debits			
Cash and pooled investments:			
County Treasurer	\$ 865,724	1,707,175	12,373
Other County officials	-	-	-
Receivables:			
Property tax:			
Delinquent	3,511	1,151	140
Succeeding year	2,097,000	1,339,000	81,000
Interest and penalty on property tax	14,990	-	-
Accounts	119,519	557	-
Accrued interest	11,170	-	-
Special assessments:			
Delinquent	-	-	-
Future years	-	-	-
Notes (note 13)	-	24,780	-
Due from other funds (note 3)	32,492	17,364	-
Due from other governments	29,427	214,589	-
Inventories	-	173,829	-
Property and equipment (note 4)	-	-	-
Advance to Internal Service Fund	60,000	-	-
Amount available in Debt Service Fund	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Total assets and other debits	\$ 3,233,833	3,478,445	93,513

Types	Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
			General Fixed Assets	General Long-Term Debt	
Capital	Internal	Trust and			
Projects	Service	Agency			
-	222,550	651,410	-	-	3,459,232
-	-	31,431	-	-	31,431
-	-	24,983	-	-	29,785
-	-	12,899,000	-	-	16,416,000
-	-	-	-	-	14,990
-	-	939	-	-	121,015
-	-	-	-	-	11,170
-	-	946	-	-	946
-	-	231,000	-	-	231,000
-	-	-	-	-	24,780
-	13,571	535	-	-	63,962
-	3,281	7,674	-	-	254,971
-	9,070	-	-	-	182,899
-	-	-	8,322,273	-	8,322,273
-	-	-	-	-	60,000
-	-	-	-	12,374	12,374
-	-	-	-	1,032,686	1,032,686
-	248,472	13,847,918	8,322,273	1,045,060	30,269,514

Madison County
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2002

	Governmental Fund		
	General	Special Revenue	Debt Service
Liabilities, Fund Equity and Other Credits			
Liabilities:			
Accounts payable	\$ 33,049	54,207	-
Salaries and benefits payable	12,388	24,408	-
Due to other funds (note 3)	2,912	26,447	-
Due to other governments (note 5)	56,350	115,560	-
Trusts payable	-	-	-
Deferred revenue:			
Succeeding year property tax	2,097,000	1,339,000	81,000
Other	119,705	26,368	139
Capital lease purchase agreement (note 7)	-	-	-
Bonds payable (note 8)	-	-	-
Capital loan notes payable (note 9)	-	-	-
Advance from General Fund	-	-	-
Compensated absences	25,551	37,263	-
Total liabilities	2,346,955	1,623,253	81,139
Fund equity and other credits:			
Investment in general fixed assets	-	-	-
Unreserved retained earnings	-	-	-
Fund balances:			
Reserved for:			
Inventories	-	173,829	-
Supplemental levy purposes	111,126	-	-
Debt service	-	-	12,374
Advance to Internal Service Fund	60,000	-	-
Noncurrent notes receivable	-	24,780	-
Unreserved	715,752	1,656,583	-
Total fund equity and other credits	886,878	1,855,192	12,374
Total liabilities, fund equity and other credits	\$ 3,233,833	3,478,445	93,513

See notes to financial statements.

Types	Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
			General Fixed Assets	General Long-Term Debt	
Capital Projects	Internal Service	Trust and Agency			
-	34,701	8,309	-	-	130,266
-	-	-	-	-	36,796
-	-	34,603	-	-	63,962
-	3,506	13,736,779	-	-	13,912,195
-	-	40,702	-	-	40,702
-	-	-	-	-	3,517,000
-	-	-	-	-	146,212
-	-	-	-	4,902	4,902
-	-	-	-	345,000	345,000
-	-	-	-	243,884	243,884
-	60,000	-	-	-	60,000
-	-	27,377	-	451,274	541,465
-	98,207	13,847,770	-	1,045,060	19,042,384
-	-	-	8,322,273	-	8,322,273
-	150,265	-	-	-	150,265
-	-	-	-	-	173,829
-	-	-	-	-	111,126
-	-	-	-	-	12,374
-	-	-	-	-	60,000
-	-	-	-	-	24,780
-	-	148	-	-	2,372,483
-	150,265	148	8,322,273	-	11,227,130
-	248,472	13,847,918	8,322,273	1,045,060	30,269,514

Madison County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - All Governmental Fund Types
and Expendable Trust Fund

Year ended June 30, 2002

	Governmental Fund	
	General	Special Revenue
Revenues:		
Property and other County tax	\$ 1,924,897	1,162,114
Interest and penalty on property tax	62,198	-
Intergovernmental	585,217	3,161,280
Licenses and permits	50	40,069
Charges for service	478,528	63,619
Use of money and property	163,250	6,002
Miscellaneous	6,241	25,198
Total revenues	3,220,381	4,458,282
Expenditures:		
Operating:		
Public safety	1,382,849	-
Court services	50,207	-
Physical health and education	39,264	95,476
Mental health	-	1,083,090
Social services	437,145	-
County environment	332,589	80,344
Roads and transportation	-	3,379,254
State and local government services	367,207	7,338
Interprogram services	644,790	-
Debt service	-	-
Capital projects	-	105,197
Total expenditures	3,254,051	4,750,699
Deficiency of revenues under expenditures	(33,670)	(292,417)

Types		Fiduciary Fund Type	Total
Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
78,884	-	-	3,165,895
-	-	-	62,198
5,101	16,265	-	3,767,863
-	-	-	40,119
-	-	-	542,147
17,364	-	-	186,616
-	-	-	31,439
101,349	16,265	-	7,796,277
-	-	-	1,382,849
-	-	-	50,207
-	-	-	134,740
-	-	-	1,083,090
-	-	-	437,145
-	-	-	412,933
-	-	-	3,379,254
-	-	-	374,545
-	-	-	644,790
101,742	-	-	101,742
-	16,265	-	121,462
101,742	16,265	-	8,122,757
(393)	-	-	(326,480)

Madison County

Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - All Governmental Fund Types
and Expendable Trust Fund

Year ended June 30, 2002

	Governmental Fund	
	General	Special Revenue
Other financing sources (uses):		
Sale of general fixed assets	2,475	602
Operating transfers in	57,917	790,050
Operating transfers out	(55,097)	(734,953)
Total other financing sources (uses)	5,295	55,699
Deficiency of revenues and other financing sources under expenditures and other financing uses	(28,375)	(236,718)
Fund balances beginning of year	915,253	2,107,002
Decrease in reserve for inventories	-	(15,092)
Fund balances end of year	\$ 886,878	1,855,192

See notes to financial statements.

Types		Fiduciary Fund Type	Total
Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
-	-	-	3,077
-	-	-	847,967
-	-	-	(790,050)
-	-	-	60,994
(393)	-	-	(265,486)
12,767	-	148	3,035,170
-	-	-	(15,092)
12,374	-	148	2,754,592

Madison County

Comparison of Receipts, Disbursements and
Changes in Balances - Actual to Budget (Cash Basis)
All Governmental Fund Types and Expendable Trust Fund

Year ended June 30, 2002

	Actual	Amended Budget
Receipts:		
Property and other County tax	\$ 3,165,887	3,179,247
Interest and penalty on property tax	62,193	55,433
Intergovernmental	3,867,616	4,413,126
Licenses and permits	40,909	34,700
Charges for service	520,905	450,701
Use of money and property	227,692	241,632
Miscellaneous	94,424	80,373
Total receipts	7,979,626	8,455,212
Disbursements:		
Public safety	1,395,811	1,429,785
Court services	40,181	70,374
Physical health and education	135,372	141,976
Mental health	1,055,870	1,150,400
Social services	420,503	460,221
County environment	409,626	421,853
Roads and transportation	3,457,146	3,754,946
State and local government services	373,496	377,641
Interprogram services	650,184	672,523
Debt service	101,741	101,749
Capital projects	253,284	540,868
Total disbursements	8,293,214	9,122,336
Deficiency of receipts under disbursements	(313,588)	(667,124)
Other financing sources, net	-	500
Deficiency of receipts and other financing sources under disbursements and other financing uses	(313,588)	(666,624)
Balance beginning of year	2,899,008	2,346,714
Balance end of year	\$ 2,585,420	1,680,090

See notes to financial statements.

Variance - Favorable (Unfavorable)	Actual as % of Amended Budget
(13,360)	100%
6,760	112%
(545,510)	88%
6,209	118%
70,204	116%
(13,940)	94%
14,051	117%
<u>(475,586)</u>	<u>94%</u>
33,974	98%
30,193	57%
6,604	95%
94,530	92%
39,718	91%
12,227	97%
297,800	92%
4,145	99%
22,339	97%
8	100%
<u>287,584</u>	<u>47%</u>
<u>829,122</u>	<u>91%</u>

Exhibit D

Madison County

Combined Statement of Revenues, Expenses and Changes in Retained Earnings

Proprietary Fund Type

Year ended June 30, 2002

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds and employees		\$ 310,111
Operating expenses:		
Materials and supplies	\$ 163,019	
Medical claims	106,242	
Administrative fees	8,976	
Miscellaneous	4,786	283,023
Operating income		<u>27,088</u>
Other financing uses:		
Operating transfer out:		
General		<u>(57,917)</u>
Net loss		(30,829)
Retained earnings beginning of year		<u>181,094</u>
Retained earnings end of year		<u><u>\$ 150,265</u></u>

See notes to financial statements.

Madison County
Statement of Cash Flows
Proprietary Fund Type
Year ended June 30, 2002

	Internal Service
Cash flows from operating activities:	
Cash received from operating fund reimbursements and employees	\$ 314,062
Cash payments for insurance claims	(108,909)
Cash payments to suppliers for services	(178,946)
Net cash provided by operating activities	26,207
Cash flows from noncapital financing activities:	
Operating transfers to other funds	(57,917)
Net decrease in cash and cash equivalents	(31,710)
Cash and cash equivalents at beginning of year	254,260
Cash and cash equivalents at end of year	\$ 222,550
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 27,088
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts and other receivables	3,951
Decrease in inventories	9,791
Increase in accounts and other payables	(14,623)
Net cash provided by operating activities	\$ 26,207

See notes to financial statements.

Madison County

Notes to Financial Statements

June 30, 2002

(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.

A. Reporting Entity

For financial reporting purposes, Madison County has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The County also 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 an Agency Fund of the County.

B. Fund Accounting

The accounts of the County are organized on the basis of funds and account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances, revenues and expenditures or expenses. The various funds and account groups and their designated purposes are as follows:

Governmental Funds

General Fund – The General Fund is the general operating fund of the County. All general tax revenues and other receipts that are 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 expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds – The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Funds – The Debt Service Funds are utilized to account for the payment of interest and principal on the County's general long-term debt.

Capital Projects Fund – The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

Proprietary Fund

Internal Service Funds – The 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

Trust Funds – The Trust Fund is used to account for assets held by the County in a trustee capacity. This includes the expendable trust fund which is accounted for in essentially the same manner as Governmental Funds.

Agency Funds – The 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. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

Account Groups

General Fixed Assets – This account group is established to account for the general fixed assets of the County.

General Long-Term Debt – This account group is established to account for long-term debt of the County. Long-term liabilities expected to be financed from Governmental Funds are accounted for in this account group, not in the Governmental Funds.

C. Measurement Focus

Governmental Funds and Expendable Trust Funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental Fund and Expendable Trust Fund operating statements present increases, revenues and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Proprietary Funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and liabilities, whether current or non-current, associated with their activity are included on their balance sheets. Their reported fund equity, net total assets, is reported as retained earnings. Proprietary Fund type operating statements present increases (revenue) and decreases (expenses) in net total assets.

In reporting the financial activity of its Proprietary Funds, the County applies 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.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds and Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, except for unmaturing interest on general long-term debt, which is recognized when due. Disbursements for the purchase of assets providing future benefits are recorded as expenditures at time of purchase.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

All Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

The assets and liabilities of the Agency Funds are accounted for using the modified accrual basis of accounting.

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.

E. Assets, Liabilities and Fund Equity

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

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

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

Property Tax Receivable - Property tax in Governmental Funds are 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 that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes 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 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, 2000 assessed property valuations; is for the tax accrual period July 1, 2001 through June 30, 2002 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2001.

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.

Due from and Due to Other Funds - During the course of its operations, the County has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2002, balances of interfund amounts receivable or payable have been recorded.

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

Inventories - Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

General Fixed Assets - General fixed assets are recorded as expenditures in the Governmental Funds and are capitalized (recorded and accounted for) in the General Fixed Assets Account Group. Assets in this account group are recorded at historical cost or estimated historical cost where historical cost is not available. Assets acquired by gift are accounted for at fair market value at the date of the gift. The General Fixed Assets Account Group excludes public domain or "infrastructure" general fixed assets such as roads, bridges, curbs, gutters, streets, sidewalks and similar assets that are immovable and of value only to the government.

In accordance with standards set forth by the Governmental Accounting Standards Board, depreciation expense is not recorded on the balance sheet for general fixed assets. At the time an asset is removed from service, the cost is removed from the General Fixed Assets Account Group. Maintenance and repairs are recorded as expenditures in the Governmental Funds as incurred and are not capitalized.

During the year ended June 30, 2002, no interest costs were capitalized since the County's policy is not to capitalize interest costs on assets constructed or acquired with tax-exempt debt paid for from annual debt service tax levies.

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 represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collectible 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, the succeeding year property tax receivable, as well as property tax receivables and other receivable not collected within sixty days after year end.

Compensated Absences - County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. For the Agency Funds, these accumulations are recorded as liabilities in the year earned. In Governmental Funds, the cost of vacation and sick leave payments expected to be liquidated currently are recorded as liabilities of the Governmental Fund. A liability has been recorded in the General Long-Term Debt Account Group representing the County's commitment to fund non-current compensated absences. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2002.

Unreserved Retained Earnings - The unreserved retained earnings of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

F. Budgets and Budgetary Accounting

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

Formal and legal budgetary control is based upon 12 major classes of expenditures known as service areas, not by fund or fund type. These 12 service areas are: public safety, court services, physical health and education, mental health, social services, county environment, roads and transportation, state and local government services, interprogram services, non-program, debt service and capital projects. Service area disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital project funds and expendable trust fund. Although the budget document presents service area disbursements by fund, the legal level of control is at the aggregated service area level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department.

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.

Exhibit C is a comparison of cash basis receipts, disbursements and changes in balances with the cash basis budget, which is legally controlled by service area, not fund type. Operations and ending fund balances on the cash and modified accrual basis have been reconciled as follows:

	Governmental Fund Types					
	General			Special Revenue		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 3,320,852	(100,471)	3,220,381	4,434,858	23,424	4,458,282
Expenditures	3,244,181	9,870	3,254,051	4,799,204	(48,505)	4,750,699
Net	76,671	(110,341)	(33,670)	(364,346)	71,929	(292,417)
Other financing sources (uses)	(55,142)	60,437	5,295	55,142	557	55,699
Beginning fund balances	844,195	71,058	915,253	2,016,379	90,623	2,107,002
Decrease in reserve for inventories	-	-	-	-	(15,092)	(15,092)
Ending fund balances	\$ 865,724	21,154	886,878	1,707,175	148,017	1,855,192

	Governmental Fund Types					
	Debt Service			Capital Projects		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 101,347	2	101,349	122,569	(106,304)	16,265
Expenditures	101,741	1	101,742	148,088	(131,823)	16,265
Net	(394)	1	(393)	(25,519)	25,519	-
Other financing sources (uses)	-	-	-	-	-	-
Beginning fund balances	12,767	-	12,767	25,519	(25,519)	-
Decrease in reserve for inventories	-	-	-	-	-	-
Ending fund balances	\$ 12,373	1	12,374	-	-	-

	Fiduciary Fund Type					
	Expendable Trust			Total		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ -	-	-	7,979,626	(183,349)	7,796,277
Expenditures	-	-	-	8,293,214	(170,457)	8,122,757
Net	-	-	-	(313,588)	(12,892)	(326,480)
Other financing sources (uses)	-	-	-	-	60,994	60,994
Beginning fund balances	148	-	148	2,899,008	136,162	3,035,170
Decrease in reserve for inventories	-	-	-	-	(15,092)	(15,092)
Ending fund balances	\$ 148	-	148	2,585,420	169,172	2,754,592

G. Total (Memorandum Only)

The total column on the combined balance sheet and the combined statement of revenues, expenditures and changes in fund balances is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) **Cash and Pooled Investments**

The County's deposits in banks at June 30, 2002 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 \$451,378 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2002 is as follows:

Receivable Fund	Payable Fund	Amount
General	Trust and Agency:	
	Auto License and Use Tax	\$ 8,437
	County Recorder	10,719
	County Sheriff	13,336
Special Revenue: Secondary Roads	General	906
	Special Revenue:	
	Mental Health	3,903
	Rural Services	10,444
	Trust and Agency:	
	E911 Sign Assessment	1,668
County Recorder's Records Management	Trust and Agency:	
	County Recorder	443
Internal Service: Fuel	General	1,325
	Special Revenue:	
	Rural Services	11
	Secondary Roads	11,596
	Supplies	
Trust and Agency: County Sheriff	General	476
	Special Revenue:	
	Rural Services	157
	Secondary Roads	6
Trust and Agency: County Sheriff	General	205
	Special Revenue:	
	Mental Health	330
Total		\$ 63,962

(4) Property and Equipment

A summary of changes in property and equipment comprising general fixed assets for the year ended June 30, 2002 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Land	\$ 637,596	65,000	-	702,596
Buildings	2,768,154	135,700	8,650	2,895,204
Equipment	4,510,135	555,372	341,034	4,724,473
Total	\$ 7,915,885	756,072	349,684	8,322,273

Equipment includes \$130,230 of assets acquired under capital leases.

(5) 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. The Agency Fund collections also include accruals of property tax for the succeeding year. The 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	\$ 56,350
Special Revenue:		
Mental Health	Services	113,908
Secondary Roads	Services	1,652
		115,560
Internal Service:		
Unemployment Insurance	Fees	3,506
		3,506
Trust and Agency:		
County Assessor	Collections	307,977
Schools		7,850,964
Community Colleges		268,754
Corporations		3,129,742
Townships		194,775
Auto License and Use Tax		218,863
Special Assessment		239,587
County Hospital		1,289,881
Agricultural Extension Education		115,996
All other		120,240
		13,736,779
Total		\$ 13,912,195

(6) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2002 is as follows:

	Capital Lease Purchase Agreements	Bonds	Capital Loan Notes General Obligation	FHA	Compen- sated Absences	Total
Balance beginning of year	\$ 41,791	405,000	101,916	172,945	433,297	1,154,949
Additions	-	-	-	-	17,977	17,977
Reductions	36,889	60,000	23,274	7,703	-	127,866
Balance end of year	\$ 4,902	345,000	78,642	165,242	451,274	1,045,060

(7) Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement to lease a truck. The following is a schedule of the future minimum lease payments, including interest at 5.5% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2002:

Year ending June 30,	Conservation Truck
2003	\$ 3,844
2004	1,408
Total minimum lease payments	5,252
Less amount representing interest	(350)
Present value of net minimum lease payments	\$ 4,902

Payments under this capital lease purchase agreement and others that were paid in full during the year ended June 30, 2002 totaled \$38,960.

(8) Bonds Payable

A summary of the County's June 30, 2002 general obligation bonded indebtedness is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2003	5.90%	\$ 60,000	20,973	80,973
2004	6.00	65,000	17,433	82,433
2005	6.10	70,000	13,533	83,533
2006	6.15	75,000	9,263	84,263
2007	6.20	75,000	4,650	79,650
		\$ 345,000	65,852	410,852

During the year ended June 30, 2002, the County retired \$60,000 of bonds.

(9) Capital Loan Notes Payable

During the year ended June 30, 1995, the County issued \$200,000 in general obligation capital loan notes to acquire and renovate a building for use by the Iowa Department of Human Services and the County. Currently, the building is rented out by the County and the notes are being paid from the rent proceeds. A summary of the County's June 30, 2002 capital loan notes indebtedness is as follows:

General Obligation Capital Loan Notes

Year ending June 30	Interest Rates	Principal	Interest	Total
2003	6.00%	24,687	4,719	29,406
2004	6.00	26,169	3,237	29,406
2005	6.00	27,786	1,667	29,453
		<u>\$ 78,642</u>	<u>9,623</u>	<u>88,265</u>

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, 2002 capital loan note indebtedness is as follows:

FHA Loans

Year ending June 30,	1995 Issue				1997 Issue			
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
2003	5.625%	\$ 4,260	4,442	8,702	5.50%	\$ 3,859	4,757	8,616
2004	5.625%	4,512	4,190	8,702	5.50	4,059	4,557	8,616
2005	5.625%	4,765	3,937	8,702	5.50	4,295	4,321	8,616
2006	5.625%	5,033	3,669	8,702	5.50	4,531	4,085	8,616
2007	5.625%	5,307	3,395	8,702	5.50	4,780	3,836	8,616
2008	5.625%	5,615	3,087	8,702	5.50	5,033	3,583	8,616
2009	5.625%	5,931	2,771	8,702	5.50	5,320	3,296	8,616
2010	5.625%	6,265	2,437	8,702	5.50	5,613	3,003	8,616
2011	5.625%	6,611	2,091	8,702	5.50	5,921	2,695	8,616
2012	5.625%	6,989	1,713	8,702	5.50	6,240	2,376	8,616
2013	5.625%	7,382	1,320	8,702	5.50	6,590	2,026	8,616
2014	5.625%	7,797	905	8,702	5.50	6,953	1,663	8,616
2015	5.625%	8,290	412	8,702	5.50	7,335	1,281	8,616
2016		-	-	-	5.50	7,736	880	8,616
2017		-	-	-	5.50	8,220	396	8,616
Total		<u>\$ 78,757</u>	<u>34,369</u>	<u>113,126</u>		<u>\$ 86,485</u>	<u>42,755</u>	<u>129,240</u>

During the year ended June 30, 2002, the County retired \$30,977 of capital loan notes.

(10) 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.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$153,336, \$147,666, \$145,931, respectively, equal to the required contributions for each year.

(11) 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.

(12) Employee Group Health Plan

The Madison County 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 insured through commercial insurers. However, the County provides partial reimbursement of employee deductibles. The plan includes a \$100/\$200, single/family deductible and insurance covers claims in excess of \$1,500/\$3,000 single/family. The \$100/\$200 deductible is waived for in hospital benefits. The County pays benefits in excess of \$500/\$600 single/family. Thus, the County self-insures the corridor between \$500/\$600 and \$1,500/\$3,000 single/family. The plan also includes dental benefits.

Monthly payments of service fees and plan contributions to the Madison County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative service agreement, monthly payments of service fees and claims processed are paid to Wellmark from the Madison County Employee Group Health Fund. The County records the plan assets and related liabilities of the Madison County Employee Group Health Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2002 was \$151,918.

Amounts payable from the Employee Group Health Fund at June 30, 2002 total \$34,300 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 the employee deductible payments. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements had not exceeded the stop-loss coverage in any of the past three years. Information on a reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2001	\$ 36,400
Incurred claims (including claims incurred but not reported at June 30, 2002)	104,242
Payment of claims	<u>(106,242)</u>
Unpaid claims at June 30, 2002	<u>\$ 34,400</u>

(13) 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.

Madison County

Supplemental Information

Madison County

General Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2002

Revenues:

Property and other County tax:

Property tax	\$ 1,805,113	
Utility tax replacement excise tax	117,095	
Other	<u>2,689</u>	\$ 1,924,897

Interest and penalty on property tax

62,198

Intergovernmental:

State shared revenues:

Franchise tax	7,624	
Other	<u>618</u>	
	<u>8,242</u>	

State grants and reimbursements including
indirect federal funding:

Home care aide grant	45,631	
Human services administration reimbursement	29,353	
Juvenile justice county base reimbursement	280	
Well testing and abandonment	5,362	
Outdoor recreation acquisition, development and planning	72,061	
Core public health functions	11,226	
Rural health outreach	8,652	
Public health nurse grant	17,609	
Other	<u>23,676</u>	
	<u>213,850</u>	

State tax replacements:

State tax credits	129,274	
State allocation	<u>98,502</u>	
	<u>227,776</u>	

Contributions and reimbursements from
other governmental units:

Contract law enforcement	34,225	
Prisoner care	68,190	
Other	<u>32,934</u>	
	<u>135,349</u>	585,217

Licenses and permits

50

Schedule 1

Madison County

General Fund

Statement of Revenues, Expenditures and
Changes in Fund Balance

Year ended June 30, 2002

Revenues (continued):		
Charges for service:		
Office fees and collections	161,155	
Auto registration, use tax, drivers license and mailing	118,164	
Ambulance services	177,024	
Other	<u>22,185</u>	478,528
Use of money and property:		
Interest on investments	135,332	
Other	<u>27,918</u>	163,250
Miscellaneous		<u>6,241</u>
Total revenues		<u>3,220,381</u>
Expenditures:		
Operating:		
Public safety		1,382,849
Court services		50,207
Physical health and education		39,264
Social services		437,145
County environment		332,589
State and local government services		367,207
Interprogram services		<u>644,790</u>
Total expenditures		<u>3,254,051</u>
Deficiency of revenues under expenditures		<u>(33,670)</u>
Other financing sources (uses):		
Sale of general fixed assets		2,475
Operating transfers in (out):		
Special Revenue:		
Secondary Roads		(55,097)
Internal Service:		
Employee Group Health		<u>57,917</u>
Total other financing sources (uses)		<u>5,295</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses		(28,375)
Fund balance beginning of year		<u>915,253</u>
Fund balance end of year		<u>\$ 886,878</u>

See accompanying independent auditor's report.

Madison County
 General Fund
 Statement of Expenditures
 Year ended June 30, 2002

Public Safety Service Area:

Law enforcement:

Uniformed patrol services	\$ 306,404	
Law enforcement communication	211,759	
Adult correctional services	211,741	
Administration	114,835	
	<u>844,739</u>	

Legal services:

Criminal prosecution	128,330	
Medical examinations	28,864	
	<u>157,194</u>	

Emergency services:

Ambulance services	356,056	
Emergency management	24,860	
	<u>380,916</u>	\$ 1,382,849

Court Services Service Area:

Court proceedings:

Court costs	4,192	
	<u>4,192</u>	

Juvenile justice administration:

Juvenile representation services	12,897	
Court-appointed attorneys and court costs for juveniles	33,118	
	<u>46,015</u>	50,207

Physical Health and Education Service Area:

Physical health services:

Health administration	16,264	
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Educational services:

Fair and 4-H Clubs	23,000	39,264
	<u>23,000</u>	

Schedule 2

Madison County

General Fund

Statement of Expenditures

Year ended June 30, 2002

Social Services Service Area:

Services to the poor:

Administration	108,737	
General welfare services	24,407	
	<u>133,144</u>	

Services to military veterans:

Administration	25,744	
General services to veterans	7,566	
	<u>33,310</u>	

Services to other adults:

Services to the elderly	249,288	
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Chemical dependency:

Treatment services	21,403	437,145
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County Environment Service Area:

Environmental quality:

Environmental restoration	11,339	
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Conservation and recreation services:

Administration	70,497	
Maintenance and operations	234,827	
	<u>305,324</u>	

County development:

Land use and building controls	15,426	
Economic development	500	
	<u>15,926</u>	

332,589

State and Local Government Services Service Area:

Representation services:

Elections administration	46,896	
Local elections	24,875	
Township officials	2,681	
	<u>74,452</u>	

Madison County

General Fund

Statement of Expenditures

Year ended June 30, 2002

State and Local Government Services Service Area (continued):

State administrative services:

Motor vehicle registrations and licensing	153,918	
Recording of public documents	138,837	
	<u>292,755</u>	367,207

Interprogram Services Service Area:

Policy and administration:

General County management	151,673	
Administration management services	95,315	
Treasury management services	115,201	
Other policy and administration	19,850	
	<u>382,039</u>	

Central services:

General services	161,114	
Data processing services	41,809	
	<u>202,923</u>	

Risk management services:

Tort liability	30,090	
Safety of the workplace	28,834	
Fidelity of public officials	904	
	<u>59,828</u>	644,790

Total		<u>\$ 3,254,051</u>
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See accompanying independent auditor's report.

Madison County
Special Revenue Funds
Combining Balance Sheet
June 30, 2002

	Rural Services	Secondary Roads
Assets		
Cash and pooled investments	\$ 60,790	1,336,594
Receivables:		
Property tax:		
Delinquent	517	-
Succeeding year	908,000	-
Accounts	150	407
Notes	-	-
Due from other funds	-	16,921
Due from other governments	2,221	212,368
Inventories	-	173,829
	\$ 971,678	1,740,119
Liabilities and Fund Equity		
Liabilities:		
Accounts payable	\$ 1,053	20,420
Salaries and benefits payable	-	24,408
Due to other funds	10,612	11,602
Due to other governments	-	1,652
Deferred revenue:		
Succeeding year property tax	908,000	-
Other	517	440
Compensated absences	2,843	34,326
Total liabilities	923,025	92,848
Fund equity:		
Fund balance:		
Reserved for:		
Inventories	-	173,829
Noncurrent note receivable	-	-
Unreserved	48,653	1,473,442
Total fund equity	48,653	1,647,271
	\$ 971,678	1,740,119

See accompanying independent auditor's report.

Resource Enhancement and Protection	County Recorder's Records Management	Mental Health	Total
7,444	6,589	295,758	1,707,175
-	-	634	1,151
-	-	431,000	1,339,000
-	-	-	557
-	-	24,780	24,780
-	443	-	17,364
-	-	-	214,589
-	-	-	173,829
7,444	7,032	752,172	3,478,445
-	-	32,734	54,207
-	-	-	24,408
-	-	4,233	26,447
-	-	113,908	115,560
-	-	431,000	1,339,000
-	-	25,411	26,368
-	-	94	37,263
-	-	607,380	1,623,253
-	-	-	173,829
-	-	24,780	24,780
7,444	7,032	120,012	1,656,583
7,444	7,032	144,792	1,855,192
7,444	7,032	752,172	3,478,445

Madison County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads
Revenues:		
Property and other County tax:		
Property tax	\$ 752,334	-
Utility tax replacement excise tax	61,927	-
Other	558	-
	<u>814,819</u>	<u>-</u>
Intergovernmental:		
State shared revenues:		
Road use tax	-	2,524,741
State grants and reimbursements including indirect federal funding:		
Social services block grant	-	-
MH/DD community services fund allocation	-	-
Other	2,221	1,873
	<u>2,221</u>	<u>1,873</u>
State tax replacements:		
State tax credits	47,778	-
Mental health property tax relief	-	-
	<u>47,778</u>	<u>-</u>
Contributions and reimbursements from other governmental units	14,775	22,694
	<u>64,774</u>	<u>2,549,308</u>
Licenses and permits	<u>38,006</u>	<u>2,063</u>
Charges for service	<u>7,745</u>	<u>30,476</u>
Use of money and property:		
Interest on investments	-	-
Building rent	-	-
	<u>-</u>	<u>-</u>

Resource Enhancement and Protection	County Recorder's Records Management	Mental Health	Total
-	-	325,717	1,078,051
-	-	21,129	83,056
-	-	449	1,007
-	-	347,295	1,162,114
-	-	-	2,524,741
-	-	50,836	50,836
-	-	37,884	37,884
9,721	-	-	13,815
9,721	-	88,720	102,535
-	-	23,327	71,105
-	-	424,546	424,546
-	-	447,873	495,651
-	-	884	38,353
9,721	-	537,477	3,161,280
-	-	-	40,069
-	5,420	19,978	63,619
893	273	-	1,166
-	-	4,836	4,836
893	273	4,836	6,002

Madison County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	<u>Rural Services</u>	<u>Secondary Roads</u>
Revenues (continued):		
Miscellaneous:		
Sale of materials	-	14,879
Miscellaneous	4,363	3,227
	<u>4,363</u>	<u>18,106</u>
Total revenues	<u>929,707</u>	<u>2,599,953</u>
Expenditures:		
Operating:		
Physical Health and Education Service Area:		
Physical Health Services:		
Health Administration	45,580	-
Educational services:		
Libraries	49,896	-
	<u>95,476</u>	<u>-</u>
Mental Health Service Area:		
Persons with mental health problems - mental illness:		
General administration	-	-
Personal and environmental support	-	-
Treatment services	-	-
Licensed or certified living arrangements		
Institutional, hospital, and commitment services	-	-
	<u>-</u>	<u>-</u>
Persons with chronic mental illness:		
Coordination services	-	-
Personal and environmental support	-	-
Treatment services	-	-
Vocational and day services	-	-
Licensed or certified living arrangements	-	-
Institutional, hospital, and commitment services	-	-
	<u>-</u>	<u>-</u>

Resource Enhancement and Protection	County Recorder's Records Management	Mental Health	Total
-	-	-	14,879
-	-	2,729	10,319
-	-	2,729	25,198
10,614	5,693	912,315	4,458,282
-	-	-	45,580
-	-	-	49,896
-	-	-	95,476
-	-	82,337	82,337
-	-	26,215	26,215
-	-	1,895	1,895
-	-	30,034	30,034
-	-	140,481	140,481
-	-	3,006	3,006
-	-	41,793	41,793
-	-	64,386	64,386
-	-	5,098	5,098
-	-	101,494	101,494
-	-	30,758	30,758
-	-	246,535	246,535

Madison County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	Rural Services	Secondary Roads
Expenditures (continued):		
Operating:		
Mental Health Service Area:		
Persons with mental retardation:		
Coordination services	-	-
Personal and environmental support	-	-
Vocational and day services	-	-
Licensed or certified living arrangements	-	-
Institutional, hospital, and commitment services	-	-
	-	-
Persons with other developmental disabilities:		
Personal and environmental support	-	-
Licensed or certified living arrangements	-	-
	-	-
County Environment Service Area:		
Environmental quality:		
Weed eradication	13,881	-
Maintenance and operations	-	-
	13,881	-
County development:		
Land use and building controls	64,248	-
	78,129	-
Roads and Transportation Service Area:		
Secondary roads administration and engineering:		
Administration	-	146,516
Engineering	-	264,945
	-	411,461

Resource Enhancement and Protection	County Recorder's Records Management	Mental Health	Total
-	-	6,581	6,581
-	-	596	596
-	-	166,766	166,766
-	-	270,972	270,972
-	-	215,807	215,807
-	-	660,722	660,722
-	-	29,632	29,632
-	-	5,720	5,720
-	-	35,352	35,352
-	-	1,083,090	1,083,090
-	-	-	13,881
2,215	-	-	2,215
2,215	-	-	16,096
-	-	-	64,248
2,215	-	-	80,344
-	-	-	146,516
-	-	-	264,945
-	-	-	411,461

Madison County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	<u>Rural</u> <u>Services</u>	<u>Secondary</u> <u>Roads</u>
Expenditures (continued):		
Operating:		
Roads and Transportation Service Area:		
Roadway maintenance:		
Bridges and culvert	-	77,352
Roads	-	1,289,916
Snow and ice control	-	96,182
Traffic controls	-	50,995
Road clearing	4,362	115,893
	<u>4,362</u>	<u>1,630,338</u>
General roadway expenditures:		
Equipment	-	427,957
Equipment operation	-	630,850
Tools, materials, and supplies	-	68,011
Real estate and buildings	-	206,275
	<u>-</u>	<u>1,333,093</u>
	<u>4,362</u>	<u>3,374,892</u>
State and Local Government Services Service Area:		
State administrative services:		
Recording of public documents	-	-
Capital Projects Service Area:		
Roadway construction	-	52,697
County conservation land aquisition	-	-
	<u>-</u>	<u>52,697</u>
Total expenditures	<u>177,967</u>	<u>3,427,589</u>
Excess (deficiency) of revenues over (under) expenditures	<u>751,740</u>	<u>(827,636)</u>

Resource Enhancement and Protection	County Recorder's Records Management	Mental Health	Total
-	-	-	77,352
-	-	-	1,289,916
-	-	-	96,182
-	-	-	50,995
-	-	-	120,255
-	-	-	1,634,700
-	-	-	427,957
-	-	-	630,850
-	-	-	68,011
-	-	-	206,275
-	-	-	1,333,093
-	-	-	3,379,254
-	7,338	-	7,338
-	-	-	52,697
52,500	-	-	52,500
52,500	-	-	105,197
54,715	7,338	1,083,090	4,750,699
(44,101)	(1,645)	(170,775)	(292,417)

Madison County

Special Revenue Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year ended June 30, 2002

	<u>Rural Services</u>	<u>Secondary Roads</u>
Other financing sources (uses):		
Sale of general fixed assets	-	602
Operating transfers in (out):		
General	-	55,097
Special Revenue:		
Rural Services	-	734,953
Secondary Roads	(734,953)	-
Total other financing sources (uses)	<u>(734,953)</u>	<u>790,652</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	16,787	(36,984)
Fund balances beginning of year	31,866	1,699,347
Decrease in reserve for inventories	-	(15,092)
Fund balances end of year	<u>\$ 48,653</u>	<u>1,647,271</u>

See accompanying independent auditor's report.

Resource Enhancement and Protection	County Recorder's Records Management	Mental Health	Total
-	-	-	602
-	-	-	55,097
-	-	-	734,953
-	-	-	(734,953)
-	-	-	55,699
(44,101)	(1,645)	(170,775)	(236,718)
51,545	8,677	315,567	2,107,002
-	-	-	(15,092)
7,444	7,032	144,792	1,855,192

Schedule 5

Madison County
Debt Service Funds
Combining Balance Sheet
June 30, 2002

	General Obligation Bonds	FHA Group Home Loans	Total
Assets			
Cash and pooled investments:			
County Treasurer	\$ 2,208	10,165	12,373
Receivables:			
Property tax:			
Delinquent	140	-	140
Succeeding year	81,000	-	81,000
	<hr/>		
Total assets	\$ 83,348	10,165	93,513
	<hr/> <hr/>		
Liabilities and Fund Equity			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 81,000	-	81,000
Other	139	-	139
	<hr/>		
Total liabilities	81,139	-	81,139
Fund equity:			
Reserved for debt service	2,209	10,165	12,374
	<hr/>		
Total liabilities and fund equity	\$ 83,348	10,165	93,513
	<hr/> <hr/>		

See accompanying independent auditor's report.

Madison County

Debt Service Funds

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year Ended June 30, 2002

	General Obligation Bonds	FHA Group Home Loans	Total
Revenues:			
Property and other County tax:			
Property tax	\$ 74,223	-	74,223
Utility tax replacement excise tax	4,563	-	4,563
Other	98	-	98
	<u>78,884</u>	<u>-</u>	<u>78,884</u>
Intergovernmental:			
State tax replacements:			
State tax credits	5,101	-	5,101
Use of money and property:			
Building and equipment rent	-	17,364	17,364
Total revenues	<u>83,985</u>	<u>17,364</u>	<u>101,349</u>
Expenditures:			
Debt Service Service Area:			
Principal	60,000	7,703	67,703
Interest paid	24,424	9,615	34,039
Total expenditures	<u>84,424</u>	<u>17,318</u>	<u>101,742</u>
Excess (deficiency) of revenues over (under) expenditures	(439)	46	(393)
Fund balances beginning of year	<u>2,648</u>	<u>10,119</u>	<u>12,767</u>
Fund balances end of year	<u>\$ 2,209</u>	<u>10,165</u>	<u>12,374</u>

See accompanying independent auditor's report.

Schedule 7

Madison County

Capital Projects Funds

Statement of Revenues, Expenditures and Changes in Fund Balance

Year ended June 30, 2002

Revenues:

Intergovernmental:

Community development block grant \$ 16,265

Expenditures:

Capital Projects Service Area:

Water main project 16,265

Excess of revenues over expenditures -

Fund balance beginning of year -

Fund balance end of year \$ -

See accompanying independent auditor's report.

Madison County
Internal Service Funds
Combining Balance Sheet
June 30, 2002

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Assets					
Cash and pooled investments	\$ 34,838	101	144,478	43,133	222,550
Due from other funds	12,932	639	-	-	13,571
Due from other governments	3,281	-	-	-	3,281
Inventories	9,070	-	-	-	9,070
Total assets	\$ 60,121	740	144,478	43,133	248,472
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	301	34,400	-	34,701
Due to other governments	-	-	-	3,506	3,506
Advance from General Fund	60,000	-	-	-	60,000
Total liabilities	60,000	301	34,400	3,506	98,207
Fund equity:					
Retained earnings	121	439	110,078	39,627	150,265
Total liabilities and fund equity	\$ 60,121	740	144,478	43,133	248,472

See accompanying independent auditor's report.

Schedule 9

Madison County
Internal Service Funds

Combining Statement of Revenues, Expenditures and Changes in Retained Earnings

Year ended June 30, 2002

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Operating revenues:					
Reimbursements from operating funds and employees	\$ 156,059	2,134	151,918	-	310,111
Operating expenses:					
Materials and supplies	160,418	2,601	-	-	163,019
Medical claims	-	-	106,242	-	106,242
Administrative fees	-	-	8,976	-	8,976
Miscellaneous	-	-	613	4,173	4,786
Total operating expenses	160,418	2,601	115,831	4,173	283,023
Operating income (loss)	(4,359)	(467)	36,087	(4,173)	27,088
Other financing uses:					
Operating transfers out:					
General	-	-	(57,917)	-	(57,917)
Net loss	(4,359)	(467)	(21,830)	(4,173)	(30,829)
Retained earnings beginning of year	4,480	906	131,908	43,800	181,094
Retained earnings end of year	\$ 121	439	110,078	39,627	150,265

See accompanying independent auditor's report.

Madison County

Madison County
 Internal Service Funds
 Combining Statement of Cash Flows
 Year ended June 30, 2002

	Fuel	Supplies
Cash flows from operating activities:		
Cash received from operating fund reimbursements	\$ 160,549	1,531
Cash payments for insurance claims	-	-
Cash payments to suppliers for services	(167,036)	(2,321)
Net cash provided (used) by operating activities	(6,487)	(790)
Cash flows from noncapital financing activities:		
Operating transfers to other funds	-	-
Net decrease in cash and cash equivalents	(6,487)	(790)
Cash and cash equivalents at beginning of year	41,325	891
Cash and cash equivalents at end of year	\$ 34,838	101
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (4,359)	(467)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in accounts and other receivables	4,490	(603)
Decrease in inventories	9,791	-
Increase (decrease) in accounts and other payables	(16,409)	280
Net cash provided (used) by operating activities	\$ (6,487)	(790)

See accompanying independent auditor's report.

Employee Group Health	Unemployment Insurance	Total
151,982	-	314,062
(108,242)	(667)	(108,909)
(9,589)	-	(178,946)
34,151	(667)	26,207
(57,917)	-	(57,917)
(23,766)	(667)	(31,710)
168,244	43,800	254,260
144,478	43,133	222,550
36,087	(4,173)	27,088
64	-	3,951
-	-	9,791
(2,000)	3,506	(14,623)
34,151	(667)	26,207

Schedule 11

Madison County
Trust and Agency Funds
Combining Balance Sheet
June 30, 2002

	Expendable		
	Trust	Agency	Total
Assets			
Cash and pooled investments:			
County Treasurer	\$ 148	651,262	651,410
Other County officials	-	31,431	31,431
Receivables:			
Property tax:			
Delinquent	-	24,983	24,983
Succeeding year	-	12,899,000	12,899,000
Accounts	-	939	939
Special Assessments:			
Delinquent	-	946	946
Future years	-	231,000	231,000
Due from other funds	-	535	535
Due from other governments	-	7,674	7,674
Total assets	\$ 148	13,847,770	13,847,918
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ -	8,309	8,309
Due to other funds	-	34,603	34,603
Due to other governments	-	13,736,779	13,736,779
Trusts payable	-	40,702	40,702
Compensated absences	-	27,377	27,377
Total liabilities	-	13,847,770	13,847,770
Fund equity:			
Unreserved fund balance	148	-	148
Total liabilities and fund equity	\$ 148	13,847,770	13,847,918

See accompanying independent auditor's report.

Madison County
Expendable Trust Fund
Balance Sheet
June 30, 2002

	Conservation Land Acquisition Trust
Assets	
Cash and pooled investments	\$ 148
Liabilities and Fund Equity	
Liabilities:	
None	\$ -
Fund equity:	
Unreserved fund balance	148
Total liabilities and fund equity	\$ 148

Schedule 13

Madison County
Expendable Trust Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance
Year ended June 30, 2002

	<u>Conservation Land Acquisition Trust</u>
Revenues:	
None	\$ -
Expenditures:	
None	-
Excess of revenues over expenditures	-
Fund balance beginning of year	<u>148</u>
Fund balance end of year	<u><u>\$ 148</u></u>

See accompanying independent auditor's report.

Madison County

Madison County
 Agency Funds
 Combining Balance Sheet
 June 30, 2002

	County Offices		Agricultural
	County Recorder	County Sheriff	Extension Education
Assets			
Cash and pooled investments:			
County Treasurer	\$ -	-	1,812
Other County officials	20,119	11,312	-
Receivables:			
Property tax:			
Delinquent	-	-	184
Succeeding year	-	-	114,000
Accounts	165	774	-
Special Assessments:			
Delinquent	-	-	-
Future years	-	-	-
Due from other funds	-	535	-
Due from other governments	-	4,482	-
Total assets	\$ 20,284	17,103	115,996
Liabilities			
Liabilities:			
Accounts payable	\$ -	-	-
Due to other funds	11,162	13,336	-
Due to other governments	9,122	-	115,996
Trusts payable	-	3,767	-
Compensated absences	-	-	-
Total liabilities	\$ 20,284	17,103	115,996

County Assessor	Schools	Community Colleges	Corporations	Townships	Auto License and Use Tax	Brucellosis and Tuberculosis Eradication
40,963	121,482	4,319	80,483	2,676	227,300	429
-	-	-	-	-	-	-
391	12,482	435	9,259	99	-	4
294,000	7,717,000	264,000	3,040,000	192,000	-	2,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
335,354	7,850,964	268,754	3,129,742	194,775	227,300	2,433
-	-	-	-	-	-	-
-	-	-	-	-	8,437	-
307,977	7,850,964	268,754	3,129,742	194,775	218,863	2,433
-	-	-	-	-	-	-
27,377	-	-	-	-	-	-
335,354	7,850,964	268,754	3,129,742	194,775	227,300	2,433

Madison County
 Agency Funds
 Combining Balance Sheet
 June 30, 2002

	Tax Sale Redemption	Special Assessment	Emergency Management Services
Assets			
Cash and pooled investments:			
County Treasurer	24,842	7,641	7,458
Other County officials	-	-	-
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	-	-	-
Special Assessments:			
Delinquent	-	946	-
Future years	-	231,000	-
Due from other funds	-	-	-
Due from other governments	-	-	3,162
Total assets	24,842	239,587	10,620
Liabilities			
Liabilities:			
Accounts payable	-	-	-
Due to other funds	-	-	-
Due to other governments	-	239,587	10,620
Trusts payable	24,842	-	-
Compensated absences	-	-	-
Total liabilities	24,842	239,587	10,620

See accompanying independent auditor's report.

County Hospital	Badger Creek oil and Water Districts	Advance Tax	Abandoned Property	Anatomical Gift Public Awareness and Transportation	Empowerment Board	E911 Sign Assessment	Total
20,775	52,336	6,990	5,103	103	44,882	1,668	651,262
-	-	-	-	-	-	-	31,431
2,106	23	-	-	-	-	-	24,983
1,267,000	9,000	-	-	-	-	-	12,899,000
-	-	-	-	-	-	-	939
-	-	-	-	-	-	-	946
-	-	-	-	-	-	-	231,000
-	-	-	-	-	-	-	535
-	30	-	-	-	-	-	7,674
1,289,881	61,389	6,990	5,103	103	44,882	1,668	13,847,770
-	-	-	-	-	8,309	-	8,309
-	-	-	-	-	-	1,668	34,603
1,289,881	61,389	-	-	103	36,573	-	13,736,779
-	-	6,990	5,103	-	-	-	40,702
-	-	-	-	-	-	-	27,377
1,289,881	61,389	6,990	5,103	103	44,882	1,668	13,847,770

Madison County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year Ended June 30, 2002

	County Offices		Agricultural	County Assessor
	County Recorder	County Sheriff	Extension Education	
Assets and Liabilities				
Balances beginning of year	\$ 18,887	13,961	108,495	272,420
Additions:				
Property and other County tax	-	-	107,760	281,595
State tax credits	-	-	6,762	14,410
State allocation	-	-	-	1,092
Office fees and collections	239,062	411,337	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	-	16,230	-	-
Miscellaneous	-	-	52	2,948
Total additions	239,062	427,567	114,574	300,045
Deductions:				
Agency Remittances:				
To other funds	135,640	408,195	-	-
To other governments	102,025	-	107,073	237,111
Trusts paid out	-	16,230	-	-
Total deductions	237,665	424,425	107,073	237,111
Balances end of year	\$ 20,284	17,103	115,996	335,354

Schools	Community Colleges	Corporations	Townships	Auto License, Use Tax and Postage	Brucellosis and Tuberculosis Eradication	Tax Sale Redemption
7,054,623	258,829	2,913,913	185,060	282,969	2,435	29,182
7,326,081	250,493	2,838,132	185,991	-	2,184	-
433,636	16,146	160,855	10,360	-	148	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	3,219,913	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	186,998
3,501	122	3,392	-	-	-	-
7,763,218	266,761	3,002,379	196,351	3,219,913	2,332	186,998
-	-	-	-	97,996	-	-
6,966,877	256,836	2,786,550	186,636	3,177,586	2,334	-
-	-	-	-	-	-	191,338
6,966,877	256,836	2,786,550	186,636	3,275,582	2,334	191,338
7,850,964	268,754	3,129,742	194,775	227,300	2,433	24,842

Madison County

Agency Funds

Combining Statement of Changes in Assets and Liabilities

Year Ended June 30, 2002

	Special Assessment	Emergency Management Services	County Hospital	Badger Creek Soil and Water Districts
Assets and Liabilities				
Balances beginning of year	199,516	4,132	1,246,197	68,386
Additions:				
Property and other County tax	-	-	1,198,963	7,336
State tax credits	-	-	77,551	1,072
State allocation	-	-	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	232,160	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	41,214	590	5,567
Total additions	232,160	41,214	1,277,104	13,975
Deductions:				
Agency Remittances:				
To other funds	-	-	-	-
To other governments	192,089	34,726	1,233,420	20,972
Trusts paid out	-	-	-	-
Total deductions	192,089	34,726	1,233,420	20,972
Balances end of year	239,587	10,620	1,289,881	61,389

See accompanying independent auditor's report.

Advance Tax	Abandoned Property	Refunds	Anatomical Gift Public Awareness and Transportation	Empowerment Board	E911 Sign Assessment	Total
10,765	5,103	-	34	50,323	-	12,725,230
-	-	-	-	-	-	12,198,535
-	-	-	-	-	-	720,940
-	-	-	-	-	-	1,092
-	-	-	-	-	-	650,399
-	-	-	-	-	-	3,219,913
-	-	-	-	-	15,439	247,599
-	-	-	-	-	-	203,228
6,860	-	31,239	434	103,231	-	199,150
6,860	-	31,239	434	103,231	15,439	17,440,856
-	-	-	-	-	13,771	655,602
-	-	-	365	108,672	-	15,413,272
10,635	-	31,239	-	-	-	249,442
10,635	-	31,239	365	108,672	13,771	16,318,316
6,990	5,103	-	103	44,882	1,668	13,847,770

Schedule 16

Madison County

Comparison of Taxes and Intergovernmental Revenues

	Year ended June 30,			
	2002	2001	2000	1999
Taxes:				
Property and other County tax	\$ 2,957,387	2,718,376	2,761,812	2,645,371
Utility tax replacement excise tax	204,714	201,233	-	-
Other	3,794	2,615	-	-
	<u>3,165,895</u>	<u>2,922,224</u>	<u>2,761,812</u>	<u>2,645,371</u>
Intergovernmental:				
State shared revenues:				
Road use tax	2,524,741	2,421,103	2,456,311	2,385,988
Other	8,242	16,256	15,137	13,542
State grants and reimbursements including indirect federal funding:				
Community development block grant	16,265	583,735	-	-
Social services block grant	50,836	53,739	54,749	55,242
Highway planning and construction	-	-	-	266,276
Bridge replacement	-	-	350,937	-
Home care aide grant	45,631	40,421	46,706	44,203
Human services administrative reimbursement	29,353	49,620	32,334	21,427
Juvenile justice county base reimbursement	280	1,530	3,911	38,237
Well testing and abandonment	5,362	8,804	14,609	19,561
Public health nurse grant	17,609	18,329	22,279	17,355
MH/DD community services fund allocation	37,884	87,557	87,557	80,598
Outdoor recreation acquisition, development and planning	72,061	-	-	-
Core public health functions	11,226	-	-	-
Rural health outreach	8,652	-	-	-
Other	37,491	79,914	59,446	100,209
State tax replacements:				
State tax credits	205,480	209,490	192,693	186,008
State allocation	98,502	98,934	99,220	99,102
Mental health property tax replacement	424,546	407,205	407,205	407,205
Mental health allowed growth factor	-	68,963	64,822	53,800
Other	-	-	-	-
Direct federal grants and entitlements:				
Public safety partnership and community policing grant	-	4,059	10,665	29,722
Contributions and reimbursements from other governmental units	173,702	193,816	203,629	233,659
Payments in lieu of taxes	-	-	1,044	1,070
	<u>3,767,863</u>	<u>4,343,475</u>	<u>4,123,254</u>	<u>4,053,204</u>
Total	\$ 6,933,758	7,265,699	6,885,066	6,698,575

See accompanying independent auditor's report.



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

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**Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting**

To the Officials of Madison County:

We have audited the general purpose financial statements of Madison County, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated December 10 2002. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Madison County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose 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. Prior year statutory comments have all been resolved except for items 10, 12 and 13.

Internal Control Over Financial Reporting

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

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

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

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

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 10, 2002

Madison County

Madison County
Schedule of Findings
Year ended June 30, 2002

Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

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

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. Later, the same listing should be compared to the cash receipt records.	Sheriff, Ambulance
(2) Bank accounts should be reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations should be reviewed periodically by an independent person for propriety.	Recorder, Sheriff
(3) The person who signs checks should be independent of the person preparing checks, approving disbursements, and recording cash disbursements.	Recorder, Sheriff

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

Madison County
Schedule of Findings
Year ended June 30, 2002

Responses -

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

Recorder - We have been trying whenever possible to comply with 2 & 3 above by having a broader division of duties.

Ambulance - The ambulance will comply as workforce permits.

Conclusion - Response acknowledged.

- (B) Electronic Data Processing Systems - The following weaknesses in the County's computer based systems were noted:

The County does not have written policies for:

- usage of the internet.
- obtaining monthly virus updates from software vendors.

Recommendation - The County should develop written policies addressing the above items in order to improve the County's control over computer based systems.

Response - We will check into what other counties are doing and get a policy in place.

Conclusion - Response accepted.

Madison County
Schedule of Findings
Year ended June 30, 2002

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories - A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year.
- (2) Certified Budget - Disbursements during the year ended June 30, 2002 did not exceed the amounts budgeted.
- (3) Questionable Expenditures - No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- (4) Travel Expense - No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions - Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Clayton Allen, Deputy Sheriff, Allen Lawn Care,	Mowing services	\$ 425
Tim Beeler, Brother of Conservation employee, Beeler Trucking	Roadstone, sand, topsoil, per bid	11,551
Larry Utsler, Recorder's spouse, owner of C & L Construction	Repairs	2,100
Brandon Kuhns, Board member's stepson	Repairs	1,150

In accordance with Chapter 331.342(10) of the Code of Iowa, the transactions with the Deputy Sheriff and Board member's stepson do not appear to represent a conflict of interest since the transaction totals were less than \$1,500 during the fiscal year.

The transaction in the amount of \$11,551 with Beeler Trucking does not appear to represent a conflict of interest since the transaction was competitively bid in accordance with Chapter 331.342(4) of the Code of Iowa.

In accordance with Chapter 331.342(10) of the Code of Iowa, transactions with C & L Construction may represent a conflict of interest since the cumulative transactions exceeded \$1,500 during the year.

Madison County

Schedule of Findings

Year ended June 30, 2002

Recommendation - The County should consult legal counsel to determine the disposition of this matter.

Response - C & L Construction employees and equipment were working on private property at the location where the tile line was to be installed. Therefore, it was more economical to have C & L Construction perform the work while already on site.

Conclusion - Response acknowledged. The County should consult with legal counsel to determine the disposition of this matter.

- (6) Bond Coverage - Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- (7) Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- (9) Resource Enhancement and Protection Certification - The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (10) County Ordinances - The County Board of Supervisors has not completed a compilation of County ordinances.

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

Response - We are in the middle of redoing the zoning ordinance. We will try to codify on completion.

Conclusion - Response acknowledged.

- (11) County Extension Office - The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

The County Extension Office disbursements during the year ended June 30, 2002 exceeded the amount budgeted.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Madison County

Schedule of Findings

Year ended June 30, 2002

Response - We realize that the issue explained above was not proper procedure. We have put new security measures in place and changed monthly procedures to include a better check of transactions to assure that this should not re-occur.

Conclusion - Response accepted.

- (12) Forfeiture and Commissary Account - The County Sheriff maintains a bank account for forfeiture funds and a petty cash fund for the commissary account. The financial activity of these accounts was not reflected in the County's financial statements and has not been included in the County's annual budget.

Recommendation - The forfeiture and commissary fund profits should be remitted to the County Treasurer and credited to special revenue funds in order to reflect this activity in the County's annual budget and financial statements.

Response - Forfeiture and commissary accounts are both now handled by separate checking accounts. Expenditures for M.C.D.E.E. funds are pre-approved by the Madison County Supervisors. Expenditures for the Commissary funds other than the routine items for the inmates are pre-approved by the Madison County Supervisors.

Conclusion - Response acknowledged. The forfeiture funds and profits from the commissary fund should be remitted to the County Treasurer and the activity reflected in the County's annual budget and financial statements.

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

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

Response - We are in the process of reevaluating our health insurance and the interest earned will be used as a reserve.

Conclusion - Response accepted.

Madison County

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Denise A. Walter, CPA, Senior Auditor II
Jason R. Matter, Staff Auditor
Nicole Tenges, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State