



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

Contact: Andy Nielsen
515/281-5834

FOR RELEASE

April 19, 2012

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

The County had local tax revenue of \$24,974,546 for the year ended June 30, 2011, which included \$755,019 in tax credits from the state. The County forwarded \$20,134,951 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,839,595 of the local tax revenue to finance County operations, a 2.1% increase over the prior year. Other revenues included charges for service of \$1,509,046, operating grants, contributions and restricted interest of \$3,925,709, capital grants, contributions and restricted interest of \$894,725, local option sales tax of \$602,982, unrestricted investment earnings of \$21,580 and other general revenues of \$181,931.

Expenses for County operations totaled \$11,358,257, a 3.7% decrease from the prior year. Expenses included \$4,871,996 for roads and transportation, \$2,357,829 for public safety and legal services and \$1,163,884 for mental health.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1110-0061-B00F.pdf>.

###

MADISON COUNTY

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

JUNE 30, 2011

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	25
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	28
Notes to Financial Statements		29-43
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		46-47
Budget to GAAP Reconciliation		48
Notes to Required Supplementary Information – Budgetary Reporting		49
Schedule of Funding Progress for the Retiree Health Plan		50
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	52-53
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	54-55
Internal Service Funds:		
Combining Schedule of Net Assets	3	56
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	4	57
Combining Schedule of Cash Flows	5	59
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	6	60-61
Combining Schedule of Changes in Fiduciary Assets and Liabilities	7	62-63
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	8	64-65
Schedule of Expenditures of Federal Awards	9	66-67
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		69-70
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		73-74
Schedule of Findings and Questioned Costs		75-82
Staff		83

Madison County

Officials

(Before January 1, 2011)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Joan Acela	Board of Supervisors	Jan 2011
Steve Raymond	Board of Supervisors	Jan 2011
Robert Weeks	Board of Supervisors	Jan 2013
Joan Welch	County Auditor	Jan 2013
G. Joann Collins	County Treasurer	Jan 2011
Lisa Smith	County Recorder	Jan 2011
Craig Busch	County Sheriff	Jan 2013
Julie A. Forsyth	County Attorney	Jan 2011
Jo Ann Walser	County Assessor	Jan 2016

(After January 1, 2011)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Weeks	Board of Supervisors	Jan 2013
Robert Duff	Board of Supervisors	Jan 2015
Kirk Macumber	Board of Supervisors	Jan 2015
Joan Welch	County Auditor	Jan 2013
G. Joann Collins	County Treasurer	Jan 2015
Lisa Smith	County Recorder	Jan 2015
Craig Busch	County Sheriff	Jan 2013
Julie A. Forsyth	County Attorney	Jan 2015
Joni J. Hopkins	County Assessor	Jan 2016

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

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, 2011, 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.

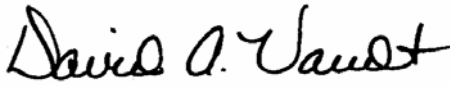
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2011, 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.

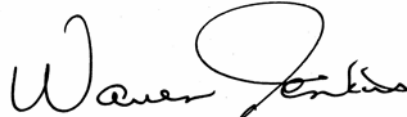
In accordance with Government Auditing Standards, we have also issued our report dated March 7, 2012 on our consideration of Madison County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other 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, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 46 through 50 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 nine years ended June 30, 2010 (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 7, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Madison County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities increased 4.9%, or approximately \$557,000, from fiscal year 2010 to fiscal year 2011. Property tax increased approximately \$108,000, charges for service increased approximately \$435,000, operating grants, contributions and restricted interest decreased approximately \$956,000 and capital grants, contributions and restricted interest increased approximately \$887,000.
- Program expenses of the County's governmental activities were 3.7%, or approximately \$438,000, less in fiscal year 2011 than in fiscal year 2010. Roads and transportation expenses decreased approximately \$410,000 due to completion of FEMA expenditures related to the floods of 2008.
- The County's net assets increased 3.7%, or approximately \$617,000, from June 30, 2010 to June 30, 2011.

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 financial 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

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 federal programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, 3) the Debt Service Fund and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2) Proprietary funds account for the County's Internal Service, Employee Group Health, Unemployment Insurance, Fuel and Supplies Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for auto license and use tax, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Madison County's net assets at the end of fiscal year 2010 totaled approximately \$16.7 million. This compares to fiscal year 2011 at approximately \$17.3 million. The analysis that follows focuses on the net assets of governmental activities.

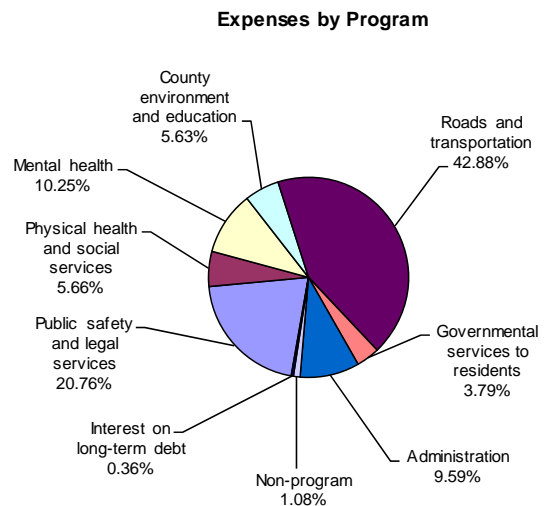
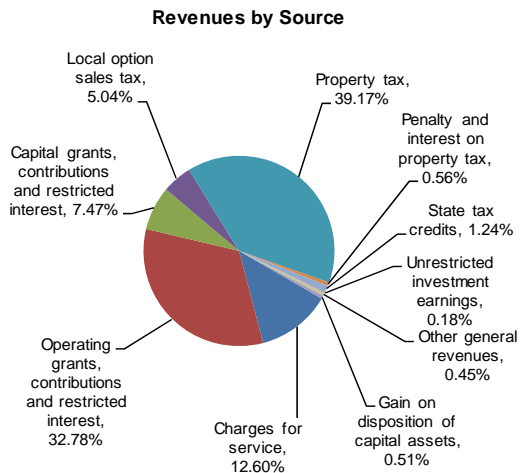
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2011	2010
Current and other assets	\$ 11,663	10,466
Capital assets	13,436	12,681
Total assets	<u>25,099</u>	<u>23,147</u>
Long-term liabilities	1,900	747
Other liabilities	5,903	5,721
Total liabilities	<u>7,803</u>	<u>6,468</u>
Net assets:		
Invested in capital assets, net of related debt	12,223	12,560
Restricted	3,617	2,513
Unrestricted	1,456	1,606
Total net assets	<u>\$ 17,296</u>	<u>16,679</u>

Net assets of Madison County's governmental activities increased approximately \$617,000, or 3.7%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net assets increased from approximately \$2,513,000 at June 30, 2010 to approximately \$3,617,000 at June 30, 2011, an increase of 44%. This increase was primarily due to funds restricted for rural services purposes being reported as restricted at June 30, 2011.

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 - decreased from approximately \$1,606,000 at June 30, 2010 to approximately \$1,456,000 at the end of this year, a decrease of 9.4%. This decrease is primarily due to funds restricted for rural services purposes being reported as restricted at June 30, 2011.

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

	Year ended June 30,	
	2011	2010
Revenues:		
Program revenues:		
Charges for service	\$ 1,509	1,074
Operating grants, contributions and restricted interest	3,926	4,882
Capital grants, contributions and restricted interest	895	8
General revenues:		
Property tax	4,691	4,583
Penalty and interest on property tax	67	70
State tax credits	148	156
Local option sales tax	603	521
Unrestricted investment earnings	22	40
Gain on disposition of capital assets	61	18
Other general revenues	54	67
Total revenues	11,976	11,419
Program expenses:		
Public safety and legal services	2,358	2,406
Physical health and social services	643	739
Mental health	1,164	1,219
County environment and education	639	625
Roads and transportation	4,872	5,282
Governmental services to residents	430	435
Administration	1,089	882
Non-program	123	202
Interest on long-term debt	41	7
Total expenses	11,359	11,797
Change in net assets	617	(378)
Net assets beginning of year	16,679	17,057
Net assets end of year	\$ 17,296	16,679



The countywide property tax levy rate decreased 1.7%, or \$.09457 per \$1,000 of taxable valuation, for fiscal year 2011. The rural levy rate remained the same as fiscal year 2010 per \$1,000 of taxable valuation. There was also an increase in the overall valuation of approximately \$21 million, or 3.2%, resulting in an increase in total property tax levied between fiscal year 2010 and fiscal year 2011 of approximately \$88,000.

The cost of all governmental activities this year was approximately \$11.4 million compared to approximately \$11.8 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was only \$5 million because some of the cost was paid by those directly benefited from the programs (approximately \$1.5 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$4.8 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in fiscal year 2011 from approximately \$5,964,000 to approximately \$6,330,000. The County's overall governmental activities costs decreased in fiscal year 2011 from approximately \$11,797,000 to approximately \$11,359,000, or 3.7%. This decrease is primarily due to decreased spending on roads and transportation as FEMA repairs from the spring of 2008 floods are completed.

INDIVIDUAL MAJOR FUND ANALYSIS

As Madison County completed the year, its governmental funds reported a combined fund balance of approximately \$4.6 million, an increase of approximately \$1,100,000 above last year's total of approximately \$3.5 million. The 31% increase in fund balance is primarily attributable to the following:

- General Fund revenues decreased approximately \$78,000, or 1.7%, from the prior year. The decrease in revenues is primarily due to a decrease in intergovernmental revenues due to receipt of a conservation grant to purchase land in fiscal year 2010 which was not received in fiscal year 2011. Expenditures decreased approximately \$154,000, or 3.4%, from the prior year, primarily due to decreased capital project costs which were paid from a Capital Projects Fund in fiscal year 2011. The ending fund balance decreased approximately \$68,000, or 5%, from the prior year, from \$1,349,838 to \$1,282,126.
- The County has continued to look for ways to effectively manage the cost of mental health services. Current year revenues decreased approximately \$472,000, or 33.6%, due to a decrease in intergovernmental revenues from the prior year, while current year expenditures decreased approximately \$57,000, or 4.6%, from the prior year. The Special Revenue, Mental Health Fund balance at year end decreased approximately \$231,000, or 32.6%, from the prior year, from \$708,361 at June 30, 2010 to \$477,700 at June 30, 2011.
- The Special Revenue, Rural Services Fund revenues increased approximately \$145,000, or 8.4%. Expenditures increased approximately \$82,000 when compared to the prior year while transfers out to the Special Revenue, Secondary Roads Fund increased approximately \$28,000. These changes resulted in the ending fund balance increasing approximately \$20,000, or 7.8%, from the prior year to \$274,951.
- Special Revenue, Secondary Roads Fund revenues increased approximately \$825,000, or 28.6%, due primarily to FEMA reimbursements for the completion of three large FEMA projects in fiscal year 2011. The Special Revenue, Secondary Roads Fund expenditures decreased approximately \$81,000, or 1.8%, from fiscal year fiscal year 2011. The decrease was primarily due to the completion of three large FEMA projects in 2011. The ending fund balance increased 72.3%, or approximately \$666,000, from the prior year to an ending balance of \$1,585,857.

BUDGETARY HIGHLIGHTS

Over the course of the year, Madison County amended its budget two times. The first amendment was made in July 2010, primarily to increase the capital project function to repair the courthouse dome and to recognize the general obligation local option sales and service tax bond receipts. The second amendment was made in March 2011, primarily to increase the budget for the public safety and legal services and roads and transportation functions.

The County's receipts were approximately \$638,000 less than budgeted. The most significant variance resulted from the County receiving fewer than anticipated grants.

Total disbursements were approximately \$1,494,000 less than the amended budget. This was primarily due to the County spending approximately \$567,000 less than budgeted for capital projects, approximately \$283,000 less than budgeted for roads and transportation and approximately \$252,000 less than budgeted for mental health.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2011, Madison County had approximately \$13.4 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 \$756,000, or 6%, from last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2011	2010
Land	\$ 719	719
Intangibles	104	104
Construction in progress	399	17
Buildings and improvements	1,556	1,628
Equipment and vehicles	2,097	2,155
Infrastructure	8,561	8,058
Total	\$ 13,436	12,681

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

Courthouse dome repairs	\$ 364
Public safety, conservation and secondary roads equipment	382
Total	\$ 746

The County had depreciation expense of \$873,234 in fiscal year 2011 and total accumulated depreciation of \$7,448,619 at June 30, 2011.

The County's fiscal year 2011 capital budget was primarily for infrastructure projects, the courthouse dome project and equipment for the Secondary Roads department. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2011, Madison County had approximately \$1,214,000 in capital loan notes, general obligation bonds and capital lease purchase agreement obligations outstanding, compared to approximately \$121,000 at June 30, 2010, as shown below. The increase in long term debt was due to the county issuing general obligation local option sales and service tax bonds in August 2010 for repair of the courthouse dome.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2011	2010
Capital loan notes	\$ 74	86
General obligation bonds	1,135	-
Capital lease purchase agreements	5	35
Total	\$ 1,214	121

The Constitution of the State of Iowa limits the amount of debt counties can issue to 5% 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 approximately \$62 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Madison County's elected and appointed officials and citizens consider many factors when budgeting each fiscal year. Tax rates and fees for various county services are only part of what has to be considered. The economy is another major factor. Interest rates continue to be low and document recording fees seem to be coming in slightly stronger than in the recent past. More homes are being refinanced as the mortgage market improves and building permits are holding steady. In addition, union wages are set through June 30, 2012.

The number one problem with budgeting over the last several years has been an ongoing legal battle over environmental issues. The cost of litigation, which has exceeded \$552,000 over the last four years, could easily exceed \$700,000 before a conclusion is reached. Another essential part of Madison County's economy is our roads. A shortage of funding for roads the last couple of years has put undue stress on both our road system and the County's budget. In addition, the unknown mandates coming down from the State in the form of reduced grants, proposed reductions and controls to be placed on property tax affect our ability to generate revenue. Levy rates for fiscal year 2012 again decreased \$.04 per \$1,000 of taxable valuation due to reduction of the county-wide debt. Madison County officials are expected to continue to provide essential county services, but continue to struggle to maintain strong fund balances. All of these issues have certainly added to our budgeting challenges.

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, 2011

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 5,586,034
Receivables:	
Property tax:	
Delinquent	10,390
Succeeding year	4,812,000
Interest and penalty on property tax	20,765
Accounts	302,292
Accrued interest	2,383
Loans	40,000
Due from other governments	610,605
Inventories	278,208
Capital assets (net of accumulated depreciation)	13,436,574
Total assets	<u>25,099,251</u>
Liabilities	
Accounts payable	577,720
Accrued interest payable	7,135
Salaries and benefits payable	210,740
Due to other governments	251,376
Deferred revenue:	
Succeeding year property tax	4,812,000
Other	43,746
Long-term liabilities:	
Portion due or payable within one year:	
Capital loan notes	13,229
General obligation bonds	55,000
Compensated absences	268,264
Portion due or payable after one year:	
Capital lease purchase agreements	5,132
Capital loan notes	60,304
General obligation bonds	1,080,000
Compensated absences	247,685
Net OPEB liability	170,500
Total liabilities	<u>7,802,831</u>
Net Assets	
Invested in capital assets, net of related debt	12,222,908
Restricted for:	
Supplemental levy purposes	277,165
Mental health purposes	562,582
Rural services purposes	264,609
Secondary roads purposes	1,479,889
Debt service	21,361
Other purposes	1,012,080
Unrestricted	1,455,826
Total net assets	<u>\$ 17,296,420</u>

See notes to financial statements.

Madison County
Statement of Activities
Year ended June 30, 2011

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,357,829	805,144	26,227	-	(1,526,458)
Physical health and social services	642,683	57,766	85,215	-	(499,702)
Mental health	1,163,884	1,872	397,808	-	(764,204)
County environment and education	638,569	109,791	47,752	-	(481,026)
Roads and transportation	4,871,996	51,337	3,308,920	894,725	(617,014)
Governmental services to residents	430,178	293,287	40,617	-	(96,274)
Administration	1,089,347	50,449	1,842	-	(1,037,056)
Non-program	123,130	139,400	-	-	16,270
Interest on long-term debt	40,641	-	17,328	-	(23,313)
Total	\$ 11,358,257	1,509,046	3,925,709	894,725	(5,028,777)
General Revenues:					
Property and other county tax levied for general purposes					4,691,036
Penalty and interest on property tax					67,508
State tax credits					148,559
Local option sales tax					602,982
Unrestricted investment earnings					21,580
Gain on disposition of capital assets					60,878
Miscellaneous					53,545
Total general revenues					5,646,088
Change in net assets					617,311
Net assets beginning of year					16,679,109
Net assets end of year					\$ 17,296,420

See notes to financial statements.

Madison County
Balance Sheet
Governmental Funds

June 30, 2011

	General	Mental Health	Special Rural Services
Assets			
Cash and pooled investments	\$ 1,350,125	693,296	205,418
Receivables:			
Property tax:			
Delinquent	2,609	1,966	5,815
Succeeding year	3,036,000	507,000	1,269,000
Interest and penalty on property tax	20,765	-	-
Accounts	259,922	-	5,170
Accrued interest	2,345	-	-
Loans	-	40,000	-
Due from other governments	81,037	43,529	75,945
Inventories	-	-	-
Advance to Internal Service Fund	60,000	-	-
Total assets	\$ 4,812,803	1,285,791	1,561,348
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 106,192	22,868	966
Salaries and benefits payable	104,167	-	6,266
Due to other governments	36,441	193,341	-
Deferred revenue:			
Succeeding year property tax	3,036,000	507,000	1,269,000
Other	247,877	84,882	10,165
Total liabilities	3,530,677	808,091	1,286,397
Fund balances:			
Non spendable:			
Inventories	-	-	-
Advance to Internal Service Fund	60,000	-	-
Restricted for:			
Supplemental levy purposes	306,426	-	-
Mental health purposes	-	477,700	-
Rural services purposes	-	-	274,951
Secondary roads purposes	-	-	-
Debt service	-	-	-
Other purposes	-	-	-
Assigned for conservation			
land acquisition	5,198	-	-
Unassigned	910,502	-	-
Total fund balances	1,282,126	477,700	274,951
Total liabilities and fund balances	\$ 4,812,803	1,285,791	1,561,348

See notes to financial statements.

Revenue		
Secondary Roads	Nonmajor	Total
1,467,179	1,085,598	4,801,616
-	-	10,390
-	-	4,812,000
-	-	20,765
1,555	325	266,972
-	38	2,383
-	-	40,000
386,680	23,414	610,605
239,273	-	239,273
-	-	60,000
<u>2,094,687</u>	<u>1,109,375</u>	<u>10,864,004</u>
175,051	110,765	415,842
100,307	-	210,740
16,361	5,233	251,376
-	-	4,812,000
217,111	-	560,035
<u>508,830</u>	<u>115,998</u>	<u>6,249,993</u>
239,273	-	239,273
-	-	60,000
-	-	306,426
-	-	477,700
-	-	274,951
1,346,584	-	1,346,584
-	33,078	33,078
-	960,299	960,299
-	-	5,198
-	-	910,502
<u>1,585,857</u>	<u>993,377</u>	<u>4,614,011</u>
<u>2,094,687</u>	<u>1,109,375</u>	<u>10,864,004</u>

Madison County

Madison County

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

June 30, 2011

Total governmental fund balances (page 19) \$ 4,614,011

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 \$20,885,193 and the accumulated depreciation is \$7,448,619. 13,436,574

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 516,289

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. 636,795

Long-term liabilities, including capital lease purchase agreements, capital loan notes payable, general obligation bonds payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (1,907,249)

Net assets of governmental activities (page 16) \$ 17,296,420

See notes to financial statements.

Madison County

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

Year ended June 30, 2011

	General	Special	
		Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 2,925,170	511,884	1,249,418
Local option sales tax	-	-	482,386
Interest and penalty on property tax	67,508	-	-
Intergovernmental	399,384	414,405	48,036
Licenses and permits	-	-	43,431
Charges for service	979,573	-	11,977
Use of money and property	70,625	1,872	-
Miscellaneous	24,915	3,333	30,867
Total revenues	4,467,175	931,494	1,866,115
Expenditures:			
Operating:			
Public safety and legal services	2,138,605	-	275,667
Physical health and social services	544,642	-	93,496
Mental health	-	1,162,155	-
County environment and education	389,001	-	218,776
Roads and transportation	-	-	-
Governmental services to residents	434,514	-	-
Administration	924,796	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	4,431,558	1,162,155	587,939
Excess (deficiency) of revenues over (under) expenditures	35,617	(230,661)	1,278,176
Other financing sources (uses):			
Sale of capital assets	1,500	-	-
Operating transfers in	-	-	-
Operating transfers out	(104,829)	-	(1,258,371)
General obligation bonds issued	-	-	-
Total other financing sources (uses)	(103,329)	-	(1,258,371)
Net change in fund balances	(67,712)	(230,661)	19,805
Fund balances beginning of year, as restated	1,349,838	708,361	255,146
Fund balances end of year	\$ 1,282,126	477,700	274,951

See notes to financial statements.

Revenue		
Secondary Roads	Nonmajor	Total
-	-	4,686,472
-	120,596	602,982
-	-	67,508
3,692,357	33,966	4,588,148
6,840		50,271
2,557	3,618	997,725
-	19,798	92,295
11,677	23,776	94,568
<u>3,713,431</u>	<u>201,754</u>	<u>11,179,969</u>
-	709	2,414,981
-	-	638,138
-	-	1,162,155
-	15,007	622,784
4,324,970	-	4,324,970
-	1,729	436,243
-	37,864	962,660
-	113,432	113,432
86,151	517,468	603,619
<u>4,411,121</u>	<u>686,209</u>	<u>11,278,982</u>
<u>(697,690)</u>	<u>(484,455)</u>	<u>(99,013)</u>
-	-	1,500
1,363,200	-	1,363,200
-	-	(1,363,200)
-	1,200,000	1,200,000
<u>1,363,200</u>	<u>1,200,000</u>	<u>1,201,500</u>
665,510	715,545	1,102,487
920,347	277,832	3,511,524
<u>1,585,857</u>	<u>993,377</u>	<u>4,614,011</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, 2011

Net change in fund balances - Total governmental funds (page 23) \$ 1,102,487

**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	\$ 1,569,898	
Depreciation expense	(873,234)	696,664

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 59,378

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	4,132	
Other	(267,803)	(263,671)

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 issuances exceeded repayments, as follows:

Issued	(1,200,000)	
Repaid	107,115	(1,092,885)

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	25,031	
Other postemployment benefits	(85,700)	
Interest on long-term debt	(4,742)	(65,411)

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. 180,749

Change in net assets of governmental activities (page 17) \$ 617,311

See notes to financial statements.

Madison County
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Internal Service
Assets	
Cash and cash equivalents	\$ 784,418
Accounts receivable	35,320
Inventories	38,935
Total assets	858,673
Liabilities	
Accounts payable	161,878
Advance from General Fund	60,000
Total liabilities	221,878
Net Assets	
Unrestricted	\$ 636,795

See notes to financial statements.

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

Year ended June 30, 2011

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds and employees		\$ 1,620,462
Reimbursements from others		<u>137,954</u>
Total operating revenues		<u>1,758,416</u>
Operating expenses:		
Medical claims	\$ 1,198,572	
Materials and supplies	<u>380,165</u>	<u>1,578,737</u>
Operating income		179,679
Non-operating revenues:		
Interest income		<u>1,070</u>
Net income		<u>180,749</u>
Net assets beginning of year		<u>456,046</u>
Net assets end of year		<u><u>\$ 636,795</u></u>

See notes to financial statements.

Madison County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2011

	Internal Service
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,620,466
Cash received from others	123,260
Cash paid to suppliers for goods and services	(1,616,405)
Net cash provided by operating activities	127,321
Cash flows from investing activities:	
Interest on investments	1,070
Net increase in cash and cash equivalents	128,391
Cash and cash equivalents beginning of year	656,027
Cash and cash equivalents end of year	\$ 784,418
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 179,679
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accounts receivable	(15,791)
Decrease in due from other governments	1,101
Increase in inventories	(24,545)
Decrease in accounts payable	(13,123)
Net cash provided by operating activities	\$ 127,321

See notes to financial statements.

Madison County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

Assets

Cash and pooled investments:	
County Treasurer	\$ 1,143,997
Receivables:	
Property tax:	
Delinquent	61,156
Succeeding year	19,537,035
Accounts	303
Special assessments	374,343
Due from other governments	20,662
Total assets	<u>21,137,496</u>

Liabilities

Accounts payable	4,886
Salaries and benefits payable	2,181
Due to other governments	21,007,227
Trusts payable	107,316
Compensated absences	15,886
Total liabilities	<u>21,137,496</u>
Net assets	<u>\$ -</u>

See notes to financial statements.

Madison County

Notes to Financial Statements

June 30, 2011

(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 and its component units. 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 the following 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 and proprietary funds are aggregated and reported as nonmajor governmental and proprietary 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 the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used 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 year or soon enough thereafter to pay liabilities of the current year. 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.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less restrictive classifications – committed, assigned and then unassigned fund balances.

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, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2010.

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 represents 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 represents 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, 2011, 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 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, intangibles and infrastructure assets acquired after July 1, 1980 (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.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Intangibles	50,000
Land, buildings and improvements	5,000
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	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Intangibles	5 - 20
Equipment	2 - 20
Vehicles	3 - 10

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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. 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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, compensatory and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. 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, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

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.

(2) Cash and Pooled Investments

The County's deposits in banks at June 30, 2011 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 \$3,557,085 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Public Agency Investment Trust is unrated.

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.

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

(3) Due From and due to Other Funds

The detail of advances to/from other funds at June 30, 2011 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.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	General	\$ 104,829
	Special Revenue: Rural Services	1,258,371
Total		\$ 1,363,200

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, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 719,264	-	-	719,264
Intangibles, road network	104,029	-	-	104,029
Construction in progress	16,727	1,245,966	(863,908)	398,785
Total capital assets not being depreciated	840,020	1,245,966	(863,908)	1,222,078
Capital assets being depreciated:				
Buildings	2,610,687	-	-	2,610,687
Improvements other than buildings	31,147	-	-	31,147
Equipment and vehicles	6,504,867	387,432	(161,232)	6,731,067
Infrastructure, road network	9,426,306	863,908	-	10,290,214
Total capital assets being depreciated	18,573,007	1,251,340	(161,232)	19,663,115
Less accumulated depreciation for:				
Buildings	995,611	68,363	-	1,063,974
Improvements other than buildings	18,688	3,115	-	21,803
Equipment and vehicles	4,350,270	440,721	(157,110)	4,633,881
Infrastructure, road network	1,367,926	361,035	-	1,728,961
Total accumulated depreciation	6,732,495	873,234	(157,110)	7,448,619
Total capital assets being depreciated, net	11,840,512	378,106	(4,122)	12,214,496
Governmental activities capital assets, net	\$ 12,680,532	1,624,072	(868,030)	13,436,574

Depreciation expense was charged to the following functions:

Governmental activities:		
Public safety and legal services		\$ 97,135
Physical health and social services		9,348
Mental health		1,729
County environment and education		24,785
Roads and transportation		695,146
Administration		45,091
Total depreciation expense - governmental activities		<u><u>\$ 873,234</u></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>\$ 36,441</u>
Special Revenue:		
Mental Health	Services	193,341
Secondary Roads	Services	16,361
Covered Bridge	Services	5,233
		<u>214,935</u>
Total for governmental funds		<u><u>\$ 251,376</u></u>
Agency:		
County Offices	Collections	\$ 17,000
Agricultural Extension Education		196,564
County Assessor		510,572
Schools		12,593,569
Community Colleges		405,864
Corporations		4,213,697
Townships		278,357
County Hospital		1,790,905
Special Assessments		387,692
Auto License and Use Tax		453,220
Other		159,787
Total for agency funds		<u><u>\$ 21,007,227</u></u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Capital Lease Purchase Agreements		Capital Loan Notes	General Obligation Bonds	Compensated Absences	Net OPEB Liability	Total
	Ambulances	Conservation Vehicles and Equipment	FHA	Local Option Sales and Services Tax			
Balance beginning of year	\$ 17,493	17,222	86,065	-	540,980	84,800	746,560
Increases	-	-	-	1,200,000	422,133	87,500	1,709,633
Decreases	17,493	12,090	12,532	65,000	447,164	1,800	556,079
Balance end of year	\$ -	5,132	73,533	1,135,000	515,949	170,500	1,900,114
Due within one year	\$ -	- *	13,229	55,000	268,264	-	336,493

* County made payments due July 1, 2011 in June 2011

Capital Lease Purchase Agreements

In October 2009, the County entered into a lease purchase agreement for \$18,000 to purchase vehicles and equipment for the Conservation Department. The following is a schedule of the future minimum lease payments, including interest at 4.00% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2011:

Year Ending June 30,	Amount
2012	\$ - *
2013	- *
2014	5,747
Total minimum lease payments	5,747
Less amount representing interest	(615)
Present value of net minimum lease payments	\$ 5,132

*Payments due July 1, 2011 and July 1, 2012 were made before July 1, 2011.

General Obligation Local Option Sales and Services Tax Bonds

The County issued \$1,200,000 of general obligation local option sales and services tax bonds in August 2010. The bonds were issued for the purpose of capital improvements to the Courthouse, including roof, dome and structural repairs. Pursuant to Chapter 423B of the Code of Iowa, the County is currently entitled to receive proceeds of a local option sales and services tax. Revenues derived from the local option tax are to be allocated 80% for property tax relief and 20% for any other lawful purpose, including, but not limited to, renovations, equipping and repairs of the Madison County Courthouse (the "Designated Project Portion"). The bonds are payable solely from the designated project portion and the Debt Service Fund. The resolution providing for the issuance of the general obligation local option sales and services tax bonds includes the following provisions:

- (a) A sinking account shall be established as a separate and special account to pay principal and interest on the Bonds and any other bonds or notes issued under Chapter 423B of the Code of Iowa. All amounts of the Designated Project Portion collected as part of the local option tax receipts shall be deposited into the sinking account until the amount on deposit therein shall be equal to the total principal and interest falling due in said year on the bonds and any other bonds or notes payable from the local option tax receipts. Money in the sinking account shall be used solely for the purpose of paying principal of and interest on said bonds.
- (b) The local option tax receipts shall be collected and deposited into the sinking account which is pledged for and shall be used only for the payment of the principal of and interest on the bonds.
- (c) Proceeds of the bonds, other than accrued interest, shall be credited to the project account and expended therefrom for the purpose of the project. Any amounts on hand in the project account shall be available for the payment of the principal of or interest on the bonds at any time that other funds shall be insufficient for that purpose, in which event such funds shall be repaid to the project account at the earliest opportunity.
- (d) The property tax relief portion of the local option tax receipts shall be deposited into a separate account for the purpose thereof.
- (e) All local option tax receipts thereafter may be used for any other project costs, as determined by the Board of Supervisors.

A summary of the County's June 30, 2011 general obligation local option sales and services tax bond indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	1.40%	\$ 55,000	37,885	92,885
2013	1.40	60,000	37,115	97,115
2014	2.35	60,000	36,275	96,275
2015	2.35	60,000	34,865	94,865
2016	2.90	60,000	33,455	93,455
2017-2021	2.90 - 3.70	340,000	137,555	477,555
2022-2026	4.00 - 4.10	410,000	69,790	479,790
2027	4.10	90,000	3,690	93,690
Total		\$ 1,135,000	390,630	1,525,630

Capital Loan Notes

During each of the years ended June 30, 1995 and June 30, 1997, the County issued \$100,000 of 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 (FHA). A summary of the County's June 30, 2011 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	Principal	Interest	Total
2012	5.625%	\$ 6,989	1,713	8,702	5.50%	\$ 6,240	2,376	8,616	13,229	4,089	17,318
2013	5.625	7,382	1,320	8,702	5.50	6,590	2,026	8,616	13,972	3,346	17,318
2014	5.625	7,797	905	8,702	5.50	6,953	1,663	8,616	14,750	2,568	17,318
2015	5.625	8,347	468	8,815	5.50	7,335	1,281	8,616	15,682	1,749	17,431
2016	5.625	-	-	-	5.50	7,736	880	8,616	7,736	880	8,616
2017	5.625	-	-	-	5.50	8,164	452	8,616	8,164	452	8,616
Total		\$ 30,515	4,406	34,921		\$ 43,018	8,678	51,696	73,533	13,084	86,617

-(8) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the County is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$296,621, \$264,059 and \$246,279, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 79 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by First Administrators. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 93,800
Interest on net OPEB obligation	2,100
Adjustment to annual required contribution	(8,400)
Annual OPEB cost	<u>87,500</u>
Contributions made	(1,800)
Increase in net OPEB obligation	<u>85,700</u>
Net OPEB obligation beginning of year	<u>84,800</u>
Net OPEB obligation end of year	<u><u>\$ 170,500</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the County contributed \$1,800 to the medical plan. Plan members eligible for benefits contributed \$25,000, or 93.3% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 86,000	1.4%	\$ 84,800
2011	87,500	2.1	170,500

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2011, the actuarial accrued liability was approximately \$616,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$616,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,698,000 and the ratio of the UAAL to covered payroll was 17%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table 2000, applied on a gender-specific basis. Modest employee turnover and retirement rates were assumed for active employees.

Projected claim costs of the medical plan are \$636 per month for retirees less than age 65. The UAAL is being amortized as a level dollar cost on a closed basis over 30 years.

(10) Risk Management

The 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.

(11) 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, 2011 was \$1,252,160.

Amounts payable from the Employee Group Health Fund at June 30, 2011 total \$135,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$590,387 at June 30, 2011 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, 2010	\$ 175,001
Incurred claims (including claims incurred but not reported at June 30, 2011)	781,810
Payments on claims	<u>(821,811)</u>
Unpaid claims at June 30, 2011	<u>\$ 135,000</u>

(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 a defendant in a lawsuit for which the probability and amount of loss, if any, is undeterminable.

In addition, the County is asking the Court to rule whether certain activities by a private company constitute pollution. The outcome of the case and the resulting impact on the County, if any, are indeterminable at this time.

(14) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Special Revenue</u>	
		<u>Conservation</u>
		Land
	<u>General</u>	<u>Acquisition</u>
Balances June 30, 2010, as previously reported	\$ 1,312,450	37,388
Change in fund type classification per implementation of GASB Statement No. 54	37,388	(37,388)
Balances July 1, 2010, as restated	<u>\$ 1,349,838</u>	<u>-</u>

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, 2011

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 5,287,442	-	5,287,442
Interest and penalty on property tax	67,861	-	67,861
Intergovernmental	4,505,496	-	4,505,496
Licenses and permits	49,048	-	49,048
Charges for service	946,642	-	946,642
Use of money and property	95,094	829	94,265
Miscellaneous	71,808	12,836	58,972
Total receipts	11,023,391	13,665	11,009,726
Disbursements:			
Public safety and legal services	2,387,764	-	2,387,764
Physical health and social services	687,718	-	687,718
Mental health	1,256,811	-	1,256,811
County environment and education	637,691	-	637,691
Roads and transportation	4,267,312	4,493	4,262,819
Governmental services to residents	438,056	-	438,056
Administration	904,793	-	904,793
Debt service	113,182	-	113,182
Capital projects	503,962	-	503,962
Total disbursements	11,197,289	4,493	11,192,796
Excess (deficiency) of receipts over (under) disbursements	(173,898)	9,172	(183,070)
Other financing sources, net	1,182,679	-	1,182,679
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,008,781	9,172	999,609
Balance beginning of year	3,792,835	78,102	3,714,733
Balance end of year	\$ 4,801,616	87,274	4,714,342

See accompanying independent auditor's report.

-

Budgeted Amounts		Final to Net Variance
Original	Final	
5,304,457	5,233,668	53,774
67,933	67,933	(72)
5,188,062	5,219,878	(714,382)
44,100	44,100	4,948
782,809	896,070	50,572
136,068	123,068	(28,803)
45,379	63,282	(4,310)
<u>11,568,808</u>	<u>11,647,999</u>	<u>(638,273)</u>
2,270,229	2,543,079	155,315
885,604	808,136	120,418
1,509,050	1,509,050	252,239
617,367	663,816	26,125
4,432,864	4,546,312	283,493
451,240	454,580	16,524
1,058,718	973,918	69,125
85,673	117,319	4,137
689,030	1,070,541	566,579
<u>11,999,775</u>	<u>12,686,751</u>	<u>1,493,955</u>
(430,967)	(1,038,752)	855,682
-	1,200,000	(17,321)
(430,967)	161,248	838,361
<u>3,708,597</u>	<u>3,708,597</u>	<u>6,136</u>
<u>3,277,630</u>	<u>3,869,845</u>	<u>844,497</u>

Madison County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 11,023,391	156,578	11,179,969
Expenditures	11,197,295	81,687	11,278,982
Net	(173,904)	74,891	(99,013)
Other financing sources, net	1,182,685	18,815	1,201,500
Beginning fund balances	3,792,835	(281,311)	3,511,524
Ending fund balances	\$ 4,801,616	(187,605)	4,614,011

See accompanying independent auditor's report.

Madison County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

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

Formal and legal budgetary control is based upon 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, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$686,976. 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, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

Disbursements for the year ended June 30, 2011 did not exceed the amounts budgeted by function.

Madison County

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 667	667	0.00%	\$ 3,174	21%
2011	Jul 1, 2009	-	616	616	0.00	3,698	17

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Other Supplementary Information

Madison County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Covered Bridge	Local Option Sales Tax
Assets				
Cash and pooled investments	\$ 14,783	52,779	1,049	84,288
Receivables:				
Accounts	323	2	-	-
Accrued interest	1	-	-	-
Due from other governments	-	-	5,414	18,000
Total assets	\$ 15,107	52,781	6,463	102,288
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	319	-	250
Due to other governments	-	-	5,233	-
Total liabilities	-	319	5,233	250
Fund balances:				
Restricted for:				
Debt service	-	-	-	7,740
Other purposes	15,107	52,462	1,230	94,298
Total fund balances	15,107	52,462	1,230	102,038
Total liabilities and fund balances	\$ 15,107	52,781	6,463	102,288

See accompanying independent auditor's report.

Sheriff McDee	County Attorney Forfeiture	Covered Bridge Preservation Association	Debt Service	Capital Projects	Total
16,714	585	87,274	25,338	802,788	1,085,598
-	-	-	-	-	325
-	-	-	-	37	38
-	-	-	-	-	23,414
16,714	585	87,274	25,338	802,825	1,109,375
100	-	-	-	110,096	110,765
-	-	-	-	-	5,233
100	-	-	-	110,096	115,998
-	-	-	25,338	-	33,078
16,614	585	87,274	-	692,729	960,299
16,614	585	87,274	25,338	692,729	993,377
16,714	585	87,274	25,338	802,825	1,109,375

Madison County

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

Year ended June 30, 2011

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Covered Bridge	Local Option Sales Tax
Revenues:				
Local option sales tax	\$ -	-	-	120,596
Intergovernmental	-	13,689	19,939	-
Charges for service	3,618	-	-	-
Use of money and property	23	84	-	1,070
Miscellaneous	-	-	-	-
Total revenues	3,641	13,773	19,939	121,666
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	10,514	-	-
Governmental services to residents	1,729	-	-	-
Administration	-	-	-	30,500
Debt service	-	-	-	96,114
Capital projects	-	-	21,000	-
Total expenditures	1,729	10,514	21,000	126,614
Excess (deficiency) of revenues over (under) expenditures	1,912	3,259	(1,061)	(4,948)
Other financing sources:				
General obligation bonds issued	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	1,912	3,259	(1,061)	(4,948)
Fund balances beginning of year	13,195	49,203	2,291	106,986
Fund balances end of year	\$ 15,107	52,462	1,230	102,038

See accompanying independent auditor's report.

Sheriff McDee	County Attorney Forfeiture	Covered Bridge Preservation Association	Debt Service	Capital Projects	Total
-	-	-	-	-	120,596
338	-	-	-	-	33,966
-	-	-	-	-	3,618
-	-	829	17,320	472	19,798
10,309	631	12,836	-	-	23,776
10,647	631	13,665	17,320	472	201,754
-	709	-	-	-	709
-	-	4,493	-	-	15,007
-	-	-	-	-	1,729
7,364	-	-	-	-	37,864
-	-	-	17,318	-	113,432
-	-	-	-	496,468	517,468
7,364	709	4,493	17,318	496,468	686,209
3,283	(78)	9,172	2	(495,996)	(484,455)
-	-	-	-	1,200,000	1,200,000
3,283	(78)	9,172	2	704,004	715,545
13,331	663	78,102	25,336	(11,275)	277,832
16,614	585	87,274	25,338	692,729	993,377

Schedule 3

Madison County

Combining Schedule of Net Assets
Internal Service Funds

June 30, 2011

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Assets					
Cash and cash equivalents	\$ 48,167	214	720,164	15,873	784,418
Accounts receivable	30,097	-	5,223	-	35,320
Inventories	38,935	-	-	-	38,935
Total assets	117,199	214	725,387	15,873	858,673
Liabilities					
Accounts payable	26,826	52	135,000	-	161,878
Advance from General Fund	60,000	-	-	-	60,000
Total liabilities	86,826	52	135,000	-	221,878
Net Assets					
Unrestricted	\$ 30,373	162	590,387	15,873	636,795

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, 2011

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Operating revenues:					
Reimbursements from operating funds and employees	\$ 368,104	198	1,252,160	-	1,620,462
Reimbursements from others	12,705	57	125,192	-	137,954
Total operating revenues	<u>380,809</u>	<u>255</u>	<u>1,377,352</u>	<u>-</u>	<u>1,758,416</u>
Operating expenses:					
Medical claims	-	-	1,198,572	-	1,198,572
Materials and supplies	379,843	322	-	-	380,165
Total operating expenses	<u>379,843</u>	<u>322</u>	<u>1,198,572</u>	<u>-</u>	<u>1,578,737</u>
Operating income (loss)	966	(67)	178,780	-	179,679
Non-operating revenues:					
Interest income	-	-	1,070	-	1,070
Net income (loss)	<u>966</u>	<u>(67)</u>	<u>179,850</u>	<u>-</u>	<u>180,749</u>
Net assets beginning of year	29,407	229	410,537	15,873	456,046
Net assets end of year	<u>\$ 30,373</u>	<u>162</u>	<u>590,387</u>	<u>15,873</u>	<u>636,795</u>

See accompanying independent auditor's report.

Madison County

Madison County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2011

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Cash flows from operating activities:					
Cash received from operating fund reimbursements	\$ 368,104	202	1,252,160	-	1,620,466
Cash received from others	3,234	57	119,969	-	123,260
Cash paid to suppliers for goods and services	(377,562)	(270)	(1,238,573)	-	(1,616,405)
Net cash provided (used) by operating activities	(6,224)	(11)	133,556	-	127,321
Cash flows from investing activities:					
Interest on investments	-	-	1,070	-	1,070
Net increase (decrease) in cash and cash equivalents	(6,224)	(11)	134,626	-	128,391
Cash and cash equivalents beginning of year	54,391	225	585,538	15,873	656,027
Cash and cash equivalents end of year	\$ 48,167	214	720,164	15,873	784,418
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 966	(67)	178,780	-	179,679
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
(Increase) decrease in accounts receivable	(10,572)	4	(5,223)	-	(15,791)
Decrease in due from other governments	1,101	-	-	-	1,101
Increase in inventories	(24,545)	-	-	-	(24,545)
Increase (decrease) in accounts payable	26,826	52	(40,001)	-	(13,123)
Net cash provided (used) by operating activities	\$ (6,224)	(11)	133,556	-	127,321

See accompanying independent auditor's report.

Madison County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash and pooled investments:					
County Treasurer	\$ 26,081	2,837	196,628	181,657	5,483
Receivables:					
Property tax:					
Delinquent	-	727	1,248	45,912	1,381
Succeeding year	-	193,000	330,000	12,366,000	399,000
Accounts	197	-	106	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 26,278	196,564	527,982	12,593,569	405,864
Liabilities					
Accounts payable	\$ -	-	3,715	-	-
Salaries and benefits payable	-	-	2,181	-	-
Due to other governments	17,000	196,564	510,572	12,593,569	405,864
Trusts payable	9,278	-	-	-	-
Compensated absences	-	-	11,514	-	-
Total liabilities	\$ 26,278	196,564	527,982	12,593,569	405,864

See accompanying independent auditor's report.

Corporations	Townships	County Hospital	Special Assessments	Auto License and Use Tax	Empowerment	Other	Total
49,627	4,133	25,397	13,349	453,744	21,018	164,043	1,143,997
4,070	1,224	6,508	-	-	-	86	61,156
4,160,000	273,000	1,759,000	-	-	-	57,035	19,537,035
-	-	-	-	-	-	-	303
-	-	-	374,343	-	-	-	374,343
-	-	-	-	-	-	20,662	20,662
4,213,697	278,357	1,790,905	387,692	453,744	21,018	241,826	21,137,496
-	-	-	-	524	-	647	4,886
-	-	-	-	-	-	-	2,181
4,213,697	278,357	1,790,905	387,692	453,220	-	159,787	21,007,227
-	-	-	-	-	21,018	77,020	107,316
-	-	-	-	-	-	4,372	15,886
4,213,697	278,357	1,790,905	387,692	453,744	21,018	241,826	21,137,496

Madison County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2011

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 19,542	190,503	479,123	12,333,381	366,809
Additions:					
Property and other county tax	-	195,361	333,216	12,449,696	403,056
State tax credits	-	6,233	10,706	399,246	12,016
Office fees and collections	489,732	-	-	-	-
Electronic transaction fees	16,486	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Trusts	208,285	-	-	-	-
Miscellaneous	-	-	230	-	-
Total additions	714,503	201,594	344,152	12,848,942	415,072
Deductions:					
Agency remittances:					
To other funds	359,441	-	-	-	-
To other governments	139,122	195,533	295,293	12,588,754	376,017
Trusts paid out	209,204	-	-	-	-
Total deductions	707,767	195,533	295,293	12,588,754	376,017
Balances end of year	\$ 26,278	196,564	527,982	12,593,569	405,864

See accompanying independent auditor's report.

Corpora- tions	Townships	County Hospital	Special Assess- ments	Auto License and Use Tax	Empower- ment	Other	Total
4,210,690	265,691	1,709,324	409,833	348,732	38,026	266,259	20,637,913
4,013,377	280,349	1,776,268	-	-	-	77,168	19,528,491
112,707	8,386	55,804	-	-	-	1,362	606,460
-	-	-	200,810	-	576	-	691,118
-	-	-	-	-	-	9,703	26,189
-	-	-	-	4,702,327	-	-	4,702,327
-	-	-	-	-	-	337,301	545,586
-	-	-	-	-	185,516	151,422	337,168
4,126,084	288,735	1,832,072	200,810	4,702,327	186,092	576,956	26,437,339
-	-	-	-	49,938	-	-	409,379
4,123,077	276,069	1,750,491	222,951	4,547,377	203,100	189,919	24,907,703
-	-	-	-	-	-	411,470	620,674
4,123,077	276,069	1,750,491	222,951	4,597,315	203,100	601,389	25,937,756
4,213,697	278,357	1,790,905	387,692	453,744	21,018	241,826	21,137,496

Madison County

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

For the Last Ten Years

	2011	2010	2009	2008
Revenues:				
Property and other county tax	\$ 4,686,472	4,577,982	4,188,008	3,922,927
Local option sales tax	602,982	520,628	550,144	590,756
Interest and penalty on property tax	67,508	69,986	67,857	56,820
Intergovernmental	4,588,148	4,564,032	5,039,690	4,843,465
Licenses and permits	50,271	43,816	53,116	60,676
Charges for service	997,725	853,295	843,810	827,092
Use of money and property	92,295	116,991	148,741	260,310
Miscellaneous	94,568	149,770	95,833	90,103
Total	\$ 11,179,969	10,896,500	10,987,199	10,652,149
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,414,981	2,407,600	2,253,877	2,135,309
Physical health and social services	638,138	730,227	667,658	696,699
Mental health	1,162,155	1,218,829	1,138,136	1,289,301
County environment and education	622,784	613,421	662,155	674,718
Roads and transportation	4,324,970	3,875,440	4,088,516	4,333,549
Governmental services to residents	436,243	427,940	415,448	398,227
Administration	962,660	838,801	1,250,962	863,733
Debt service	113,432	80,362	81,278	180,158
Capital projects	603,619	832,758	152,549	673,579
Total	\$ 11,278,982	11,025,378	10,710,579	11,245,273

See accompanying independent auditor's report.

Modified Accrual Basis					
2007	2006	2005	2004	2003	2002
3,867,637	3,590,801	3,384,031	3,489,036	3,351,970	3,165,895
565,184	555,435	398,484	-	-	-
55,586	59,215	63,583	55,809	62,939	62,198
4,597,043	4,189,078	3,796,249	3,971,314	3,890,226	3,767,863
78,218	96,303	93,608	66,124	63,997	40,119
695,027	720,040	662,292	614,945	570,211	542,147
296,128	229,810	152,709	95,810	119,058	186,616
145,912	205,838	125,017	55,565	384,932	31,439
10,300,735	9,646,520	8,675,973	8,348,603	8,443,333	7,796,277
2,095,972	1,619,411	1,558,488	1,594,735	1,597,835	1,433,056
521,118	503,749	477,518	517,376	474,540	498,989
1,296,836	1,103,099	1,012,500	951,864	953,994	1,083,090
515,099	531,247	454,545	436,614	396,095	485,829
3,203,353	3,703,088	3,756,935	3,699,220	3,241,644	3,379,254
376,671	481,599	372,840	367,811	340,132	374,545
771,529	683,606	685,801	679,426	653,627	644,790
186,885	139,211	122,661	124,018	384,099	101,742
1,044,329	644,007	320,773	549,182	526,486	121,462
10,011,792	9,409,017	8,762,061	8,920,246	8,568,452	8,122,757

Schedule 9

Madison County

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Justice:			
Bulletproof Vest Protection Program	10.607		<u>\$ 1,023</u>
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		<u>5,873</u>
U.S. Department of Justice:			
Iowa Department of Justice:			
Crime Victim Assistance	16.575		<u>1,568</u>
ARRA-Violence Against Women Formula Grants	16.588		<u>13,292</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO61(82)-8J-61	4,602
Highway Planning and Construction	20.205	HCBP-CO61(81)-82-61	<u>16,800</u>
			<u>21,402</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5881BT361	19,667
Public Health Emergency Preparedness	93.069	5881BT61	26,622
Public Health Emergency Preparedness	93.069	5880BT61	<u>12,712</u>
			<u>59,001</u>
Immunization Grants	93.268		<u>4,957</u>
ARRA - Immunization Grants	93.712		<u>2,500</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance-State Administered Program	93.566		<u>1,438</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		<u>4</u>
Foster Care _ Title IV-E	93.658		<u>2,328</u>
Adoption Assistance	93.659		<u>564</u>
State Children's Insurance Program	93.767		<u>27</u>

Madison County
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Medical Assistance Program	93.778		5,635
Social Services Block Grant	93.667		2,009
Social Services Block Grant	93.667		42,919
			<u>44,928</u>
U.S. Department of Homeland Security:			
Iowa Region 4 Homeland Security Board:			
State Domestic Preparedness Equipment Support Programs	97.004		31,010
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants _ Public Assistance	97.036	FEMA1737 DR IA	153,563
(Presidentially Declared Disasters)	97.036	FEMA1930 DR IA	148,250
			<u>301,813</u>
Emergency Management Performance Grants	97.042		29,911
Total indirect			<u>526,251</u>
Total			<u>\$ 527,274</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 in 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, 2011, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 7, 2012. 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

Management of Madison County is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 through II-D-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-E-11 and II-F-11 to be significant deficiencies.

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 noncompliance or other matters which 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, 2011 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.

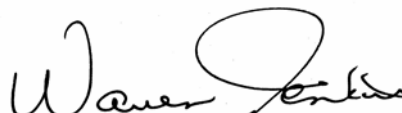
Madison County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Madison County's responses and, accordingly, we express no opinion on them.

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, and 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 7, 2012

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133**

Madison County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on 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 Madison County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2011. 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 could have a direct and material effect on its major federal program for the year ended June 30, 2011.

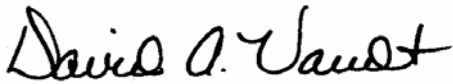
Internal Control Over Compliance

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

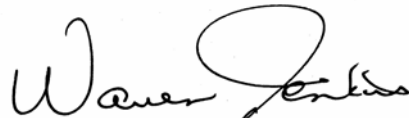
A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance we consider to be a significant deficiency or a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Madison County and other parties to whom Madison County may report, including federal awarding agencies and pass-through entities, and 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 7, 2012

Madison County
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies or 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 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters).
- (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, 2011

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-11 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 have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) The listing of cash and receipts is reconciled by the same individual who enters receipts into the system and prepares the deposits.	Sheriff
(2) One individual has control over opening and listing mail receipts, collecting, depositing and posting and daily reconciling of receipts.	Ambulance, Conservation Board, Public Health Nurse and Madison County Covered Bridge Preservation Association
(3) Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety.	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
(5) Investments were not periodically inspected by a person who is not responsible for the custody or recordkeeping of investments.	Treasurer

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

Responses –

Sheriff – (1) Currently, the listing of cash and check receipts collected by the office is logged by the Chief Deputy who turns them over to the Office Clerk who logs them again prior to deposit. Henceforth, a monthly

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

comparison of the two logs will be done by another Deputy by selecting 10 random entries. A signed paper copy of these comparisons will be kept by the Deputy performing the review.

- (4) As our department grows in manpower, the Sheriff will consider the division of duties in this area.

Ambulance – Every attempt will be made to separate duties with the limited number of personnel.

Treasurer – The First Deputy has been trained to assist in investing CDs. The Board of Supervisors have also been asked to assist in examining the CDs. In addition, another staff member not named on the participation resolution could assist with this duty.

Conservation Board – The Madison County Conservation Board attempts to segregate the responsibility of collections in the most feasible manner possible given the size of our staff.

Camping Fees: The 3 person full-time staff currently rotates weekend camping responsibilities on a weekly schedule. A second staff person re-counts camping revenue on Monday mornings and we provide two sets of initialing on camping receipts deposited with the Madison County Treasurer. Beginning this past camping season, we implemented a weekend campground host program at Pammel Park campground. The campground host collects the camping fees on a daily basis and the County Conservation Board staff-person “on-duty” for each respective weekend collects the camping receipt envelopes and fees from the host on Saturday and Sunday mornings. These fees are then handled in the same manner listed above in preparing for deposit with the County Treasurer’s Office.

Shelter, Cabin and Equipment Fees: Almost 100% of these transactions are conducted by phone utilizing credit card payments. All staff personnel participate in taking such reservations and conducting the credit card transactions (depending on who is in the office or which staff person takes the phone call). Utilizing credit card transactions as the primary payment method (we discourage cash or checks for such rentals) provides an additional paper-trail from our credit card provider and associated local bank depository. A second staff person re-counts weekly revenue from these sources on Monday mornings and we provide two sets of initialing on receipts deposited with the Madison County Treasurer.

Environmental Education Program Fees: For most environmental education programs requiring a fee, registrants usually mail their registration form and fee to our P.O. Box. These registrations and fees are usually addressed in a manner that identify them to be directed to the Naturalist, who in turn is responsible for documenting and depositing the fees utilizing the same duplication of initialing as mentioned above for other types of fee collections.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

The only time we would depart from these procedures is if there is a staffing shortage in which only one staff person is present in the office for an extended period of time due to vacations, sickness or other causes requiring the absence of other staff personnel to provide duplicate initialing of deposits.

Public Health Nurse – Due to staffing levels we have been unable to do this, but will have other staff trained.

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

Conclusions – Responses accepted.

- II-B-11 Financial Reporting – During the audit, we identified accounts receivable for the Ambulance were understated in the financial statements. In addition, state and federal reimbursements due to the County were misstated for the Public Health Nurse and Secondary Roads. Also, retainage payable for the Courthouse dome project was not recorded in the financial statements, salaries and benefits payable were calculated incorrectly and construction in progress for capital assets was understated. Adjustments were subsequently made by the County to properly reflect these corrections.

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

Response – We will work on our procedures and stress to our departments the importance of accuracy.

Conclusion – Response accepted.

- II-C-11 Public Health Nurse Reimbursements and Receivables Reconciliation – Applications for reimbursements were not submitted timely and a reconciliation of billings, collections and receivables was not prepared correctly at year-end.

Recommendation – Applications for reimbursements should be prepared and submitted monthly. In addition, a reconciliation of billings, collections and receivables should be prepared and reviewed monthly to ensure the proper calculation of receivables.

Response – New changes in job duties will allow reimbursements to be processed monthly and reconciliations will be prepared and reviewed.

Conclusion – Response accepted.

- II-D-11 Prepaid Expenditures and Holding Warrants – In June 2011, the County entered into an agreement for the purchase of a tandem axle truck and truck equipment. Two checks were issued for \$140,075. As of June 30, 2011, the County had not received the goods and the checks were held by the County in anticipation of the delivery of the equipment. The County did not receive the truck or equipment and voided the checks in October 2011.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Recommendation – Payment for goods should only be prepared after the goods are delivered. In addition, the County should not hold warrants once they are prepared.

Response – The truck was ordered in January 2011 to be delivered by June 30, 2011. However, the original motor had a hairline crack and it had to be replaced. The delay took much longer than was originally expected. In the future, we will not request warrants until the goods are delivered.

Conclusion – Response accepted.

- II-E-11 Timely Deposits – A state warrant issued June 2, 2011 to be deposited by the Community Service/Mental Health Department was not deposited as of November 18, 2011.

Recommendation – The Department and the County should implement procedures to ensure all receipts are deposited timely.

Response – The check was not received in the CCS mailbox until November. CCS then deposited the check by the end of November.

Conclusion – Response acknowledged.

- II-F-11 Employment Contracts - The Board of Supervisors approved a resolution to add a part-time employee to the Public Health Nurse based on a recommendation from the Board of Health. The resolution states the employee shall work up to 29 hours per week. For 10 of 14 pay periods between December 2010 and mid-2011, the part-time employee worked and was paid for more than the authorized hours. During that time, the employee averaged over 31 hours per week.

Recommendation – The Board of Health and Board of Supervisors should establish policies and procedures to ensure employees do not exceed their authorized work hours.

Response - Each employee will be receiving a copy of a letter explaining the County's policy. Signed copies will be kept in the employees' files.

The County Auditor and Board of Supervisors also discussed having a resolution before a staff member can be overscheduled in any preplanned scheduling situation, such as vacation coverage. The Board has allowed several "as needed" positions to be filled to help with scheduling issues.

The staff members who exceeded authorized hours have been replaced. All staff members will be given a copy of this letter and provided information about why this is necessary, including a reference to the County's policy handbook. Staff education will occur on February 8, 2012 at the Public Health Nurse during the scheduled staff meeting.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Madison County
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL 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, 2011

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 did not exceed the amounts budgeted.
- IV-B-11 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-11 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-11 Business Transactions – No business transactions between the County and County officials or employees were noted.
- IV-E-11 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-11 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-11 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-11 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-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.

Disbursements during the year ended June 30, 2011 for the County Extension Office exceeded the amount budgeted.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 24 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Procedures are now in place to ensure this does not happen again.

Conclusion – Response accepted.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

IV-J-11 Gun Safety Account – The County Sheriff maintains a bank account for the gun safety account. The financial activity of this account is not reflected in the County’s financial statements and has not been included in the County’s annual budget.

Recommendation – Gun safety class receipts should be remitted to the County Treasurer and credited to a Special Revenue Fund in order to reflect this activity in the County’s annual budget and financial statements.

Response – Due to the fact Iowa gun permits have now become 5-year permits, the monies generated by giving the class have been deposited in this account. Quarterly, monies are remitted to the General Fund of the County to cover any departmental time spent in giving the classes. The balance is used, by resolution of the Board of Supervisors, for the purchase of departmental ammunition, targets and other supplies used to help with giving this class.

Conclusion – Response acknowledged. However, all gun safety class receipts should be remitted to the County Treasurer.

Madison County

Staff

This audit was performed by:

Jennifer Campbell, CPA, Manager
Karen J. Kibbe, Senior Auditor II
Alison P. Herold, CPA, Staff Auditor
Chad M. Baker, Assistant Auditor
Gwendolyn R. Kingsbury, Assistant Auditor
Matthew S. Nye, Assistant Auditor
Todd E. Pudenz, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State