



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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**NEWS RELEASE**

Contact: Andy Nielsen  
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FOR RELEASE

July 31, 2013

Auditor of State Mary Mosiman today released an audit report on Madison County, Iowa.

The County had local tax revenue of \$25,122,330 for the year ended June 30, 2012, which included \$769,759 in tax credits from the state. The County forwarded \$20,083,760 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,038,570 of the local tax revenue to finance County operations, a 4% increase from the prior year. Other revenues included charges for service of \$1,421,677, operating grants, contributions and restricted interest of \$4,219,276, capital grants, contributions and restricted interest of \$2,891,377, local option sales tax of \$657,207, unrestricted investment earnings of \$14,786 and other general revenues of \$282,628.

Expenses for County operations totaled \$13,106,959, a 15% increase from the prior year. Expenses included \$5,629,137 for roads and transportation, \$2,897,987 for public safety and legal services and \$1,680,283 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/1210-0061-B00F.pdf>.

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**MADISON COUNTY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2012**

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		29-42
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		44-45
Budget to GAAP Reconciliation		46
Notes to Required Supplementary Information – Budgetary Reporting		47
Schedule of Funding Progress for the Retiree Health Plan		48
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	50-51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	52-53
Internal Service Funds:		
Combining Schedule of Net Assets	3	54
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	4	55
Combining Schedule of Cash Flows	5	57
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	6	58-59
Combining Schedule of Changes in Fiduciary Assets and Liabilities	7	60-61
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	8	62-63
Schedule of Expenditures of Federal Awards	9	64-65
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>		67-68
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		71-72
Schedule of Findings and Questioned Costs		73-79
Staff		80

**Madison County**

**Officials**

<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**



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Auditor of State

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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, 2012, 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.

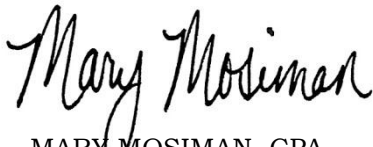
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain 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, 2012, 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 July 5, 2013 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.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 44 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



MARY MOSIMAN, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

July 5, 2013



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

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Madison County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 21.3%, or approximately \$2,549,000, from fiscal year 2011 to fiscal year 2012. Charges for service decreased approximately \$87,000, operating grants, contributions and restricted interest increased approximately \$293,000 and capital grants, contributions and restricted interest increased approximately \$1,996,000.
- Program expenses of the County's governmental activities were 15%, or approximately \$1,747,000, more in fiscal year 2012 than in fiscal year 2011. Roads and transportation expenses increased approximately \$757,000, public safety and legal services expenses increased approximately \$540,000 and mental health expenses increased approximately \$516,000.
- The County's net assets increased 8%, or approximately \$1,419,000, from June 30, 2011 to June 30, 2012.

### **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.

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 governmental fund financial statements follow the governmental 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 combined net assets at the end of fiscal year 2011 totaled approximately \$17.3 million. This compares to fiscal year 2012 at approximately \$18.7 million. The analysis that follows focuses on the changes in the net assets of governmental activities.

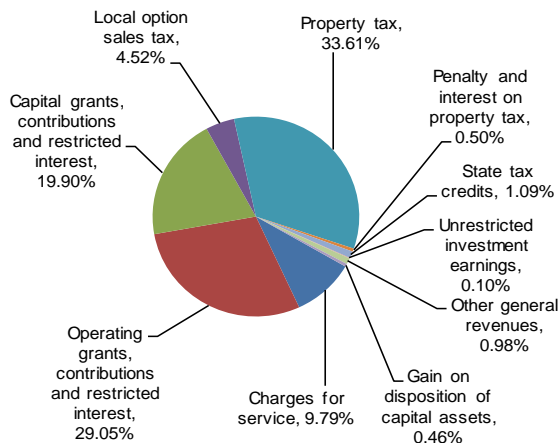
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2012	2011
Current and other assets	\$ 10,655	11,663
Capital assets	16,500	13,436
Total assets	27,155	25,099
Long-term liabilities	2,049	1,900
Other liabilities	6,391	5,903
Total liabilities	8,440	7,803
Net assets:		
Invested in capital assets, net of related debt	15,377	12,223
Restricted	2,250	3,617
Unrestricted	1,088	1,456
Total net assets	\$ 18,715	17,296

Net assets of Madison County's governmental activities increased 8% (approximately \$18.7 million compared to approximately \$17.3 million). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased from approximately \$1,456,000 at June 30, 2011 to approximately \$1,088,000 at the end of this year, a decrease of 25.3%. This decrease is primarily due to legal fees, an increase in the mental health services provided, Secondary Roads' heavy equipment purchases and the Courthouse dome project.

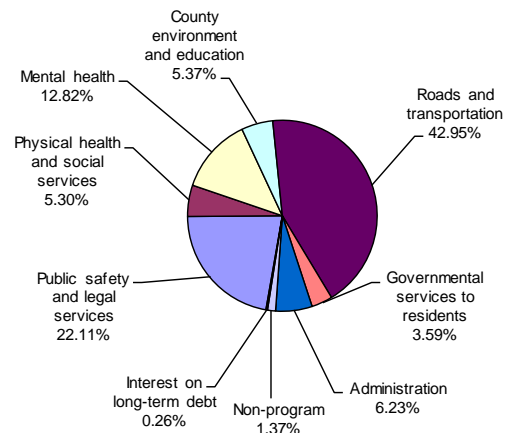
**Changes in Net Assets of Governmental Activities**  
(Expressed in Thousands)

	Year ended June 30,	
	2012	2011
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 1,422	1,509
Operating grants, contributions and restricted interest	4,219	3,926
Capital grants, contributions and restricted interest	2,891	895
<b>General revenues:</b>		
Property tax	4,880	4,691
Penalty and interest on property tax	73	67
State tax credits	158	148
Local option sales tax	657	603
Unrestricted investment earnings	15	22
Gain on disposition of capital assets	67	61
Other general revenues	143	54
<b>Total revenues</b>	<b>14,525</b>	<b>11,976</b>
<b>Program expenses:</b>		
Public safety and legal services	2,898	2,358
Physical health and social services	694	643
Mental health	1,680	1,164
County environment and education	704	639
Roads and transportation	5,629	4,872
Governmental services to residents	470	430
Administration	817	1,089
Non-program	180	123
Interest on long-term debt	34	41
<b>Total expenses</b>	<b>13,106</b>	<b>11,359</b>
<b>Increase in net assets</b>	<b>1,419</b>	<b>617</b>
<b>Net assets beginning of year</b>	<b>17,296</b>	<b>16,679</b>
<b>Net assets end of year</b>	<b>\$ 18,715</b>	<b>17,296</b>

**Revenues by Source**



**Expenses by Program**



Madison County's net assets of governmental activities increased approximately \$1,419,000 during the year. Revenues for governmental activities increased approximately \$2,549,000 over the prior year, with property tax revenue up from the prior year approximately \$189,000, or 4%.

The countywide property tax levy rate decreased 0.44%, or \$.03608 per \$1,000 of taxable valuation, for fiscal year 2012. The rural levy rate per \$1,000 of taxable valuation remained the same as fiscal year 2011. There was also an increase in the overall valuation of approximately \$33 million, or 5%, resulting in an increase in total property tax levied between fiscal year 2011 and fiscal year 2012 of approximately \$209,000.

The cost of all governmental activities this year was approximately \$13.1 million compared to approximately \$11.4 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was only \$4.6 million because some of the cost was paid by those directly benefited from the programs (approximately \$1.4 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$7.1 million). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in fiscal year 2012 from approximately \$6,330,000 to approximately \$8,532,000. The County's overall governmental activities costs increased in fiscal year 2012 from approximately \$11,359,000 to approximately \$13,107,000, or 15%. This increase is primarily due to a combination of legal fees for an ongoing environmental suit, an increase in the mental health services provided, Secondary Roads' heavy equipment purchases and the Courthouse dome project.

#### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Madison County completed the year, its governmental funds reported a combined fund balance of approximately \$3.1 million, a decrease of approximately \$1,500,000 from last year's total of approximately \$4.6 million. The 32% decrease in fund balance is primarily attributable to the following:

- General Fund revenues increased approximately \$377,000, or 8.4%, from the prior year. Expenditures also increased approximately \$366,000, or 8.2%, from the prior year. The ending fund balance increased approximately \$29,000, or 2%, from the prior year, from \$1,282,126 to \$1,310,830.
- The County has continued to look for ways to effectively manage the cost of mental health services. Current year revenues increased approximately \$99,000, or 10.6%, and current year expenditures increased approximately \$516,000, or 44.4%, from the prior year. The Special Revenue, Mental Health Fund balance at year end decreased approximately \$635,000, or 133%, from the prior year, from \$477,700 at June 30, 2011 to a deficit of \$157,706 at June 30, 2012.
- The Special Revenue, Rural Services Fund revenues increased approximately \$67,000, or 3.6%. Expenditures decreased approximately \$73,000 when compared to the prior year while transfers out to the Special Revenue, Secondary Roads Fund increased approximately \$78,000. These changes resulted in the ending fund balance increasing approximately \$82,000, or 29.8%, from the prior year to \$356,927.
- Special Revenue, Secondary Roads Fund revenues decreased approximately \$304,000, or 8.2%, and expenditures increased approximately \$453,000, or 10.3%, from fiscal year 2011 to fiscal year 2012. The ending fund balance decreased 0.6%, or approximately \$9,000, from the prior year to an ending balance of \$1,576,829.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Madison County amended its budget four times. The first amendment was made in September 2011, primarily to increase the capital projects function to recognize additional intergovernmental receipts. The second amendment was made in February 2012, primarily to increase the budget for the public safety and legal services and roads and transportation functions and to recognize additional intergovernmental receipts. The third amendment was made in April 2012, primarily to increase the budget for the public safety and legal services function and to recognize additional receipts from charges for service. The final amendment was made in June 2012, primarily to increase the budget for the public safety and legal services function.

The County's receipts were approximately \$257,000 less than budgeted. The most significant variance resulted from the County receiving fewer than anticipated grants.

Total disbursements were approximately \$798,000 less than the amended budget. This was primarily due to the County spending approximately \$318,000 less than budgeted for capital projects and approximately \$229,000 less than budgeted for physical health and social services.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2012, Madison County had approximately \$16.5 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of approximately \$3.1 million, or 22.8%, over last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2012	2011
Land	\$ 1,578	719
Intangibles	104	104
Construction in progress	1,790	399
Buildings and improvements	2,666	1,556
Equipment and vehicles	2,138	2,097
Infrastructure	8,224	8,561
Total	\$ 16,500	13,436
This year's major additions included (in thousands):		
Courthouse dome renovations	\$ 1,204	
Land	859	
Total	\$ 2,063	

The County had depreciation expense of \$925,982 in fiscal year 2012 and total accumulated depreciation of \$8,159,950 at June 30, 2012.

The County's fiscal year 2012 capital budget was primarily for the interior and exterior Courthouse dome rehabilitation project. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

## Long-Term Debt

At June 30, 2012, Madison County had approximately \$1,261,000 of capital loan notes, general obligation bonds, settlement and capital lease purchase agreement obligations outstanding, compared to approximately \$1,214,000 at June 30, 2011, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2012	2011
Capital lease purchase agreement	\$ 13	5
Capital loan notes	30	74
General obligation bonds	1,080	1,135
Settlement	138	-
Total	\$ 1,261	1,214

The Constitution of the State of Iowa limits the amount of debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Madison County's outstanding debt is significantly below its constitutional debt limit of approximately \$65 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, 2012

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash, cash equivalents and pooled investments	\$ 4,052,364
Receivables:	
Property tax:	
Delinquent	6,920
Succeeding year	4,881,000
Interest and penalty on property tax	15,166
Accounts	399,739
Accrued interest	1,542
Loans	40,000
Due from other governments	968,501
Inventories	289,374
Capital assets, net of accumulated depreciation	<u>16,500,535</u>
<b>Total assets</b>	<u>27,155,141</u>
<b>Liabilities</b>	
Accounts payable	746,807
Accrued interest payable	3,198
Salaries and benefits payable	66,391
Due to other governments	693,956
Deferred revenue:	
Succeeding year property tax	4,881,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	5,996
Capital loan notes	7,578
General obligation bonds	60,000
Compensated absences	282,382
Portion due or payable after one year:	
Settlement	137,500
Capital lease purchase agreement	7,348
Capital loan notes	22,220
General obligation bonds	1,020,000
Compensated absences	242,083
Net OPEB liability	<u>263,700</u>
<b>Total liabilities</b>	<u>8,440,159</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	15,377,393
Restricted for:	
Supplemental levy purposes	132,436
Rural services purposes	350,650
Secondary roads purposes	1,216,201
Debt service	14,972
Other purposes	535,162
Unrestricted	<u>1,088,168</u>
<b>Total net assets</b>	<u>\$ 18,714,982</u>

See notes to financial statements.

Madison County  
Statement of Activities  
Year ended June 30, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Contributions and Restricted Interest	Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 2,897,987	670,337	44,050	-	(2,183,600)
Physical health and social services	693,717	69,711	183,678	-	(440,328)
Mental health	1,680,283	16,312	484,621	-	(1,179,350)
County environment and education	704,507	102,434	260,261	741,582	399,770
Roads and transportation	5,629,137	72,172	2,995,850	2,149,795	(411,320)
Governmental services to residents	469,873	295,542	98,921	-	(75,410)
Administration	816,668	35,122	151,895	-	(629,651)
Non-program	180,264	160,047	-	-	(20,217)
Interest on long-term debt	34,523	-	-	-	(34,523)
<b>Total</b>	<b>\$ 13,106,959</b>	<b>1,421,677</b>	<b>4,219,276</b>	<b>2,891,377</b>	<b>(4,574,629)</b>
<b>General Revenues:</b>					
Property and other county tax levied for general purposes					4,880,143
Penalty and interest on property tax					73,249
State tax credits					158,427
Local option sales tax					657,207
Unrestricted investment earnings					14,786
Gain on disposition of capital assets					66,600
Miscellaneous					142,779
<b>Total general revenues</b>					<b>5,993,191</b>
Change in net assets					1,418,562
Net assets beginning of year					17,296,420
Net assets end of year					<b>\$ 18,714,982</b>
See notes to financial statements.					

Madison County  
Balance Sheet  
Governmental Funds

June 30, 2012

	Special Revenue		
	General	Mental Health	Rural Services
<b>Assets</b>			
Cash, cash equivalents and pooled investments	\$ 1,253,486	282,081	280,753
Receivables:			
Property tax:			
Delinquent	1,861	1,340	3,719
Succeeding year	3,073,000	510,000	1,298,000
Interest and penalty on property tax	15,166	-	-
Accounts	291,508	61	6,754
Accrued interest	1,542	-	-
Loans	-	40,000	-
Due from other governments	76,982	47,813	86,798
Inventories	-	-	-
Advance to Internal Service Fund	60,000	-	-
<b>Total assets</b>	<b>\$ 4,773,545</b>	<b>881,295</b>	<b>1,676,024</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 101,474	40,957	5,783
Salaries and benefits payable	32,558	-	1,320
Due to other governments	28,031	446,709	-
Deferred revenue:			
Succeeding year property tax	3,073,000	510,000	1,298,000
Other	227,652	41,335	13,994
Total liabilities	3,462,715	1,039,001	1,319,097
Fund balances:			
Non spendable:			
Inventories	-	-	-
Advance to Internal Service Fund	60,000	-	-
Restricted for:			
Supplemental levy purposes	288,344	-	-
Rural services purposes	-	-	356,927
Secondary roads purposes	-	-	-
Debt service	-	-	-
Other purposes	-	-	-
Assigned for conservation land acquisition	198	-	-
Unassigned	962,288	(157,706)	-
Total fund balances	1,310,830	(157,706)	356,927
<b>Total liabilities and fund balances</b>	<b>\$ 4,773,545</b>	<b>881,295</b>	<b>1,676,024</b>

See notes to financial statements.

Secondary Roads	Nonmajor	Total
1,278,761	252,439	3,347,520
-	-	6,920
-	-	4,881,000
-	-	15,166
1,047	329	299,699
-	-	1,542
-	-	40,000
555,884	201,024	968,501
255,978	-	255,978
-	-	60,000
2,091,670	453,792	9,876,326
269,379	91	417,684
32,513	-	66,391
2,671	216,545	693,956
-	-	4,881,000
210,278	176,664	669,923
514,841	393,300	6,728,954
255,978	-	255,978
-	-	60,000
-	-	288,344
-	-	356,927
1,320,851	-	1,320,851
-	15,077	15,077
-	204,586	204,586
-	-	198
-	(159,171)	645,411
1,576,829	60,492	3,147,372
2,091,670	453,792	9,876,326

**Madison County**

Madison County

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

June 30, 2012

**Total governmental fund balances (page 19)** \$ 3,147,372

***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 \$24,660,485 and the accumulated depreciation is \$8,159,950. 16,500,535

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds. 669,923

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. 449,157

Long-term liabilities, including settlement payable, capital lease purchase agreement payable, 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. (2,052,005)

**Net assets of governmental activities (page 16)** \$ 18,714,982

See notes to financial statements.

Madison County

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

Year ended June 30, 2012

	Special Revenue		
	General	Mental Health	Rural Services
<b>Revenues:</b>			
Property and other county tax	\$ 3,067,267	512,476	1,309,290
Local option sales tax	-	-	525,764
Interest and penalty on property tax	73,249	-	-
Intergovernmental	497,512	501,150	49,124
Licenses and permits	-	-	37,922
Charges for service	955,804	-	3,469
Use of money and property	63,857	16,312	-
Miscellaneous	186,004	61	7,963
Total revenues	4,843,693	1,029,999	1,933,532
<b>Expenditures:</b>			
Operating:			
Public safety and legal services	2,474,981	-	203,047
Physical health and social services	586,210	-	90,585
Mental health	-	1,678,554	-
County environment and education	457,352	-	221,287
Roads and transportation	-	-	-
Governmental services to residents	457,779	-	-
Administration	781,147	-	-
Debt service	-	-	-
Capital projects	40,000	-	-
Total expenditures	4,797,469	1,678,554	514,919
Excess (deficiency) of revenues over (under) expenditures	46,224	(648,555)	1,418,613
<b>Other financing sources (uses):</b>			
Sale of capital assets	32,703	-	-
Capital lease purchase agreement proceeds	19,367	-	-
Capital loan note proceeds	39,539	-	-
Operating transfers in	-	13,149	-
Operating transfers out	(109,129)	-	(1,336,637)
Total other financing sources (uses)	(17,520)	13,149	(1,336,637)
Change in fund balances	28,704	(635,406)	81,976
Fund balances beginning of year	1,282,126	477,700	274,951
Fund balances end of year	\$ 1,310,830	(157,706)	356,927

See notes to financial statements.



Secondary Roads	Nonmajor	Total
-	-	4,889,033
-	131,443	657,207
-	-	73,249
3,385,959	73,733	4,507,478
9,535		47,457
1,735	3,722	964,730
-	5,139	85,308
12,180	12,854	219,062
3,409,409	226,891	11,443,524
-	3,608	2,681,636
-	-	676,795
-	-	1,678,554
-	5,668	684,307
4,864,203	-	4,864,203
-	336	458,115
-	30,000	811,147
-	93,460	93,460
-	1,013,555	1,053,555
4,864,203	1,146,627	13,001,772
(1,454,794)	(919,736)	(1,558,248)
-	-	32,703
-	-	19,367
-	-	39,539
1,445,766	-	1,458,915
-	(13,149)	(1,458,915)
1,445,766	(13,149)	91,609
(9,028)	(932,885)	(1,466,639)
1,585,857	993,377	4,614,011
1,576,829	60,492	3,147,372

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, 2012

**Change in fund balances - Total governmental funds (page 23)** \$ (1,466,639)

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

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

Expenditures for capital assets	\$ 1,346,063	
Contributed capital assets	2,609,983	
Depreciation expense	(925,982)	
		3,030,064

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. 33,897

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	(9,099)	
Other	162,733	
		153,634

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issuances, as follows:

Issued	(58,906)	
Repaid	149,429	
		90,523

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:

Settlement	(137,500)	
Compensated absences	(8,516)	
Other postemployment benefits	(93,200)	
Interest on long-term debt	3,937	
		(235,279)

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. (187,638)

**Change in net assets of governmental activities (page 17)** \$ 1,418,562

See notes to financial statements.

Madison County  
Statement of Net Assets  
Proprietary Funds  
June 30, 2012

	<u>Internal Service</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 704,844
Accounts receivable	100,040
Inventories	<u>33,396</u>
<b>Total assets</b>	<u>838,280</u>
<b>Liabilities</b>	
Accounts payable	329,123
Advance from General Fund	<u>60,000</u>
<b>Total liabilities</b>	<u>389,123</u>
<b>Net Assets</b>	
Unrestricted	<u>\$ 449,157</u>

See notes to financial statements.

**Exhibit H**

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

Year ended June 30, 2012

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds and employees		\$ 1,699,821
Reimbursements from others		111,960
Total operating revenues		<u>1,811,781</u>
Operating expenses:		
Medical claims	\$ 1,581,316	
Materials and supplies	<u>418,227</u>	<u>1,999,543</u>
Operating loss		(187,762)
Non-operating revenues:		
Interest income		<u>124</u>
Net loss		(187,638)
Net assets beginning of year		<u>636,795</u>
Net assets end of year		<u>\$ 449,157</u>
See notes to financial statements.		

Madison County  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2012

	Internal Service
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,623,958
Cash received from others	128,642
Cash paid to suppliers for goods and services	(1,832,298)
Net cash used by operating activities	(79,698)
Cash flows from investing activities:	
Interest on investments	124
Net decrease in cash and cash equivalents	(79,574)
Cash and cash equivalents beginning of year	784,418
Cash and cash equivalents end of year	\$ 704,844
 <b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (187,762)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Increase in accounts receivable	(64,720)
Decrease in inventories	5,539
Decrease in accounts payable	167,245
Net cash used by operating activities	\$ (79,698)

See notes to financial statements.

Madison County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2012

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 1,217,037
Receivables:	
Property tax:	
Delinquent	44,487
Succeeding year	19,442,000
Accounts	359
Special assessments	344,610
Due from other governments	25,473
<b>Total assets</b>	<u>21,073,966</u>

**Liabilities**

Accounts payable	2,679
Salaries and benefits payable	1,633
Due to other governments	20,946,230
Trusts payable	102,993
Compensated absences	20,431
<b>Total liabilities</b>	<u>21,073,966</u>
<b>Net assets</b>	<u>\$ -</u>

See notes to financial statements.

Madison County

Notes to Financial Statements

June 30, 2012

**(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 are 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, Cash Equivalents and Pooled Investments – 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, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

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, 2012, 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 property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, compensatory and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, 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.

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, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,782,717 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 which may be invested in any one issuer.

**(3) Advances Due From and Due to Other Funds**

The detail of advances to/from other funds at June 30, 2012 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Internal Service: Fuel	<u>\$ 60,000</u>

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, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 109,129
	Special Revenue: Rural Services	<u>1,336,637</u>
		1,445,766
Mental Health	Debt Service	<u>13,149</u>
Total		<u>\$ 1,458,915</u>

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

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2012 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>End</u>
	<u>of Year</u>			<u>of Year</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 719,264	859,121	-	1,578,385
Intangibles, road network	104,029	-	-	104,029
Construction in progress	398,785	2,674,020	(1,282,508)	1,790,297
Total capital assets not being depreciated	<u>1,222,078</u>	<u>3,533,141</u>	<u>(1,282,508)</u>	<u>3,472,711</u>
Capital assets being depreciated:				
Buildings	2,610,687	1,204,404	-	3,815,091
Improvements other than buildings	31,147	-	-	31,147
Equipment and vehicles	6,731,067	456,802	(214,651)	6,973,218
Infrastructure, road network	10,290,214	78,104	-	10,368,318
Total capital assets being depreciated	<u>19,663,115</u>	<u>1,739,310</u>	<u>(214,651)</u>	<u>21,187,774</u>
Less accumulated depreciation for:				
Buildings	1,063,974	92,451	-	1,156,425
Improvements other than buildings	21,803	3,114	-	24,917
Equipment and vehicles	4,633,881	415,540	(214,651)	4,834,770
Infrastructure, road network	1,728,961	414,877	-	2,143,838
Total accumulated depreciation	<u>7,448,619</u>	<u>925,982</u>	<u>(214,651)</u>	<u>8,159,950</u>
Total capital assets being depreciated, net	<u>12,214,496</u>	<u>813,328</u>	<u>-</u>	<u>13,027,824</u>
Governmental activities capital assets, net	<u>\$13,436,574</u>	<u>4,346,469</u>	<u>(1,282,508)</u>	<u>16,500,535</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 97,653
Physical health and social services	9,348
Mental health	1,729
County environment and education	27,207
Roads and transportation	720,866
Administration	69,179
	<u>                    </u>
Total depreciation expense - governmental activities	<u><u>\$ 925,982</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 at June 30, 2012 is as follows:

Fund	Description	Amount
General	Services	\$ 28,031
Special Revenue:		
Mental Health	Services	446,709
Secondary Roads	Services	2,671
Covered Bridge	Services	180,454
Covered Bridge Preservation	Services	36,091
		<u>665,925</u>
Total for governmental funds		<u><u>\$ 693,956</u></u>
Agency:		
County Offices	Collections	\$ 8,900
Agricultural Extension Education		200,408
County Assessor		550,208
Schools		12,523,358
Community Colleges		409,017
Corporations		4,191,070
Townships		283,124
County Hospital		1,815,087
Special Assessments		361,261
Auto License and Use Tax		355,253
Other		248,544
		<u>20,946,230</u>
Total for agency funds		<u><u>\$ 20,946,230</u></u>

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Capital Lease Purchase Agreements	Capital Loan Notes	General Obligation Bonds	Settlement	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 5,132	73,533	1,135,000	-	515,949	170,500	1,900,114
Increases	19,367	39,539	-	137,500	459,869	95,700	751,975
Decreases	11,155	83,274	55,000	-	451,353	2,500	603,282
Balance end of year	\$ 13,344	29,798	1,080,000	137,500	524,465	263,700	2,048,807
Due within one year	\$ 5,996	7,578	60,000	-	282,382	-	355,956

Capital Lease Purchase Agreements

The County entered into a lease purchase agreement to purchase an ambulance defibrillator. The following is a schedule of the future minimum lease payments, including interest at 7.27% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2012:

Year Ending June 30,	Amount
2013	\$ 6,928
2014	6,928
2015	1,155
Total minimum lease payments	15,011
Less amount representing interest	1,667
Present value of net minimum lease payments	\$ 13,344

The County made the final payment on a lease purchase agreement for vehicles and equipment for the Conservation Department during the year.

Capital Loan Notes

During the year ended June 30, 2012, the County issued \$39,539 of capital loan notes to F & M State Bank of Winterset, Iowa to aid in the acquisition of 400 acres of land to be used for conservation purposes. A summary of the County's June 30, 2012 capital loan note indebtedness to F & M State Bank is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	3.95%	\$ 7,578	1,177	8,755
2014	3.95	7,877	878	8,755
2015	3.95	8,188	567	8,755
2016	3.95	6,155	243	6,398
Total		\$ 29,798	2,865	32,663

Capital loan notes issued to construct group homes/residential care facilities were retired during the year.



General Obligation Bonds

A summary of the County's June 30, 2012 general obligation local option sales and services tax bond indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
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	2.90	65,000	31,712	96,712
2018-2022	3.25 - 4.00	350,000	126,105	476,105
2023-2027	4.00 - 4.10	425,000	53,218	478,218
Total		\$ 1,080,000	352,745	1,432,745

**(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 5.38% of their annual covered salary and the County is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$341,149, \$296,621 and \$264,059, respectively, equal to the required contributions for each year.

**(9) Other Postemployment Benefits (OPEB)**

Plan Description - The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 84 active and 3 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 benefit 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, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 101,300
Interest on net OPEB obligation	4,300
Adjustment to annual required contribution	<u>(9,900)</u>
Annual OPEB cost	95,700
Contributions made	<u>(2,500)</u>
Increase in net OPEB obligation	93,200
Net OPEB obligation beginning of year	<u>170,500</u>
Net OPEB obligation end of year	<u>\$ 263,700</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, 2012.

For the year ended June 30, 2012, the County contributed \$2,500 to the medical plan. Plan members eligible for benefits contributed \$28,000, or 92% 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
2012	95,700	2.6	263,700

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, 2012, the actuarial accrued liability was \$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 \$3,978,000 and the ratio of the UAAL to covered payroll was 15.5%. As of June 30, 2012, 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 unit credit 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 salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open 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, 2012 was \$1,281,494.

Amounts payable from the Employee Group Health Fund at June 30, 2012 total \$308,095, 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 \$387,064 at June 30, 2012 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 beginning of year	\$ 135,000
Incurred claims (including claims incurred but not reported at June 30, 2012)	1,581,316
Payments on claims during the fiscal year	<u>1,408,221</u>
Unpaid claims end of year	<u><u>\$ 308,095</u></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 and Subsequent Event**

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.

In June 2013, the County reached a settlement under which the County will pay \$137,500 to resolve an ongoing legal matter. The County's insurance company will pay the total settlement of \$685,000 and the County will reimburse the insurance company \$137,500.

**(14) Deficit Fund Balance**

The Special Revenue, Mental Health Fund had a deficit fund balance of \$157,706 at June 30, 2012. The deficit balance will be eliminated through the receipt of transition funds in fiscal year 2013.

**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, 2012

	Actual	Less Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 5,525,231	-	5,525,231
Interest and penalty on property tax	81,379	-	81,379
Intergovernmental	4,250,917	-	4,250,917
Licenses and permits	47,950	-	47,950
Charges for service	961,801	-	961,801
Use of money and property	85,972	2,192	83,780
Miscellaneous	219,515	7,102	212,413
<b>Total receipts</b>	<b>11,172,765</b>	<b>9,294</b>	<b>11,163,471</b>
<b>Disbursements:</b>			
Public safety and legal services	2,745,416	-	2,745,416
Physical health and social services	643,877	-	643,877
Mental health	1,407,098	-	1,407,098
County environment and education	641,998	4,336	637,662
Roads and transportation	4,569,009	-	4,569,009
Governmental services to residents	456,092	-	456,092
Administration	860,972	-	860,972
Debt service	93,710	-	93,710
Capital projects	1,241,392	-	1,241,392
<b>Total disbursements</b>	<b>12,659,564</b>	<b>4,336</b>	<b>12,655,228</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>(1,486,799)</b>	<b>4,958</b>	<b>(1,491,757)</b>
<b>Other financing sources, net</b>	<b>32,703</b>	<b>-</b>	<b>32,703</b>
<b>Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses</b>	<b>(1,454,096)</b>	<b>4,958</b>	<b>(1,459,054)</b>
<b>Balance beginning of year</b>	<b>4,801,616</b>	<b>87,274</b>	<b>4,714,342</b>
<b>Balance end of year</b>	<b>\$ 3,347,520</b>	<b>92,232</b>	<b>3,255,288</b>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
5,472,653	5,472,653	52,578
69,722	69,722	11,657
4,250,330	4,737,014	(486,097)
44,100	49,100	(1,150)
892,470	935,710	26,091
112,352	108,452	(24,672)
54,229	47,541	164,872
10,895,856	11,420,192	(256,721)
2,448,078	2,788,590	43,174
872,927	872,927	229,050
1,449,550	1,449,550	42,452
653,580	657,080	19,418
4,397,322	4,602,537	33,528
458,218	485,499	29,407
923,589	926,965	65,993
110,704	110,704	16,994
1,322,804	1,559,111	317,719
12,636,772	13,452,963	797,735
(1,740,916)	(2,032,771)	541,014
500	1,800	30,903
(1,740,416)	(2,030,971)	571,917
4,122,846	4,574,069	140,273
2,382,430	2,543,098	712,190

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Madison County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 11,172,765	270,759	11,443,524
Expenditures	12,659,564	283,302	12,942,866
Net	(1,486,799)	(12,543)	(1,499,342)
Other financing sources, net	32,703	-	32,703
Beginning fund balances	4,801,616	(187,605)	4,614,011
Ending fund balances	\$ 3,347,520	(200,148)	3,147,372

See accompanying independent auditor's report.



Madison County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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 the blended component unit, the Internal Service Funds and the 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, four budget amendments increased budgeted disbursements by \$816,191. 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, 2012 did not exceed the amounts budgeted by function.

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Madison County

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

Required Supplementary Information

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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
2012	Jul 1, 2009	-	616	616	0.00	3,978	16

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.

**Supplementary Information**

Madison County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2012

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Covered Bridge	Local Option Sales Tax
<b>Assets</b>				
Cash and pooled investments	\$ 18,166	9,155	17,493	80,973
Accounts receivable	329	-	-	-
Due from other governments	-	-	180,454	20,570
<b>Total assets</b>	<b>\$ 18,495</b>	<b>9,155</b>	<b>197,947</b>	<b>101,543</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ -	91	-	-
Due to other governments	-	-	180,454	-
Deferred revenues	-	-	176,664	-
Total liabilities	-	91	357,118	-
Fund balances:				
Restricted for:				
Debt service	-	-	-	-
Other purposes	18,495	9,064	-	101,543
Unassigned	-	-	(159,171)	-
Total fund balances	18,495	9,064	(159,171)	101,543
<b>Total liabilities and fund balances</b>	<b>\$ 18,495</b>	<b>9,155</b>	<b>197,947</b>	<b>101,543</b>

See accompanying independent auditor's report.

Sheriff McDee	County Attorney Forfeiture	Covered Bridge Preservation Association	Debt Service	Capital Projects	Total
18,546	797	92,232	15,077	-	252,439
-	-	-	-	-	329
-	-	-	-	-	201,024
18,546	797	92,232	15,077	-	453,792
-	-	-	-	-	91
-	-	36,091	-	-	216,545
-	-	-	-	-	176,664
-	-	36,091	-	-	393,300
-	-	-	15,077	-	15,077
18,546	797	56,141	-	-	204,586
-	-	-	-	-	(159,171)
18,546	797	56,141	15,077	-	60,492
18,546	797	92,232	15,077	-	453,792

Madison County

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

Year ended June 30, 2012

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Covered Bridge	Local Option Sales Tax
Revenues:				
Local option sales tax	\$ -	-	-	131,443
Intergovernmental	-	10,929	62,804	-
Charges for service	3,722	-	-	-
Use of money and property	2	5	-	-
Miscellaneous	-	-	-	-
Total revenues	3,724	10,934	62,804	131,443
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	1,332	-	-
Governmental services to residents Administration	336	-	-	-
Debt service	-	-	-	30,000
Capital projects	-	53,000	223,205	93,460
Total expenditures	336	54,332	223,205	8,478
Excess (deficiency) of revenues over (under) expenditures	3,388	(43,398)	(160,401)	(495)
Other financing uses:				
Transfers out	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	3,388	(43,398)	(160,401)	(495)
Fund balances beginning of year	15,107	52,462	1,230	102,038
Fund balances end of year	\$ 18,495	9,064	(159,171)	101,543

See accompanying independent auditor's report.

Sheriff McDee	County Attorney Forfeiture	Covered Bridge Preservation Association	Debt Service	Capital Projects	Total
-	-	-	-	-	131,443
-	-	-	-	-	73,733
-	-	-	-	-	3,722
-	-	2,192	2,888	52	5,139
5,540	212	7,102	-	-	12,854
5,540	212	9,294	2,888	52	226,891
3,608	-	-	-	-	3,608
-	-	4,336	-	-	5,668
-	-	-	-	-	336
-	-	-	-	-	30,000
-	-	-	-	-	93,460
-	-	36,091	-	692,781	1,013,555
3,608	-	40,427	-	692,781	1,146,627
1,932	212	(31,133)	2,888	(692,729)	(919,736)
-	-	-	(13,149)	-	(13,149)
1,932	212	(31,133)	(10,261)	(692,729)	(932,885)
16,614	585	87,274	25,338	692,729	993,377
18,546	797	56,141	15,077	-	60,492

**Schedule 3**

Madison County  
Combining Schedule of Net Assets  
Internal Service Funds

June 30, 2012

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 28,864	89	660,018	15,873	704,844
Accounts receivable	64,872	27	35,141	-	100,040
Inventories	33,396	-	-	-	33,396
<b>Total assets</b>	<b>127,132</b>	<b>116</b>	<b>695,159</b>	<b>15,873</b>	<b>838,280</b>
<b>Liabilities</b>					
Accounts payable	21,028	-	308,095	-	329,123
Advance from General Fund	60,000	-	-	-	60,000
<b>Total liabilities</b>	<b>81,028</b>	<b>-</b>	<b>308,095</b>	<b>-</b>	<b>389,123</b>
<b>Net Assets</b>					
Unrestricted	\$ 46,104	116	387,064	15,873	449,157

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, 2012

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Operating revenues:					
Reimbursements from operating funds and employees	\$ 418,086	241	1,281,494	-	1,699,821
Reimbursements from others	15,585	-	96,375	-	111,960
Total operating revenues	433,671	241	1,377,869	-	1,811,781
Operating expenses:					
Medical claims	-	-	1,581,316	-	1,581,316
Materials and supplies	417,940	287	-	-	418,227
Total operating expenses	417,940	287	1,581,316	-	1,999,543
Operating income (loss)	15,731	(46)	(203,447)	-	(187,762)
Non-operating revenues:					
Interest income	-	-	124	-	124
Net income (loss)	15,731	(46)	(203,323)	-	(187,638)
Net assets beginning of year	30,373	162	590,387	15,873	636,795
Net assets end of year	\$ 46,104	116	387,064	15,873	449,157

See accompanying independent auditor's report.

**Madison County**

Madison County  
Combining Schedule of Cash Flows  
Internal Service Funds

Year ended June 30, 2012

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
<b>Cash flows from operating activities:</b>					
Cash received from operating fund reimbursements	\$ 388,850	198	1,234,910	-	1,623,958
Cash received from others	15,585	16	113,041	-	128,642
Cash paid to suppliers for goods and services	(423,738)	(339)	(1,408,221)	-	(1,832,298)
Net cash used by operating activities	(19,303)	(125)	(60,270)	-	(79,698)
<b>Cash flows from investing activities:</b>					
Interest on investments	-	-	124	-	124
Net decrease in cash and cash equivalents	(19,303)	(125)	(60,146)	-	(79,574)
Cash and cash equivalents beginning of year	48,167	214	720,164	15,873	784,418
Cash and cash equivalents end of year	\$ 28,864	89	660,018	15,873	704,844
<b>Reconciliation of operating income (loss) to net cash used by operating activities:</b>					
Operating income (loss)	\$ 15,731	(46)	(203,447)	-	(187,762)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:					
Increase in accounts receivable	(34,775)	(27)	(29,918)	-	(64,720)
Decrease in inventories	5,539	-	-	-	5,539
Increase (decrease) in accounts payable	(5,798)	(52)	173,095	-	167,245
Net cash used by operating activities	\$ (19,303)	(125)	(60,270)	-	(79,698)

See accompanying independent auditor's report.

Madison County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2012

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ 17,984	2,900	285,309	187,405	5,979
Receivables:					
Property tax:					
Delinquent	-	508	866	31,953	1,038
Succeeding year	-	197,000	281,000	12,304,000	402,000
Accounts	95	-	264	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 18,079</b>	<b>200,408</b>	<b>567,439</b>	<b>12,523,358</b>	<b>409,017</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	1,736	-	-
Salaries and benefits payable	-	-	922	-	-
Due to other governments	8,900	200,408	550,208	12,523,358	409,017
Trusts payable	9,179	-	-	-	-
Compensated absences	-	-	14,573	-	-
<b>Total liabilities</b>	<b>\$ 18,079</b>	<b>200,408</b>	<b>567,439</b>	<b>12,523,358</b>	<b>409,017</b>

See accompanying independent auditor's report.

Corporations	Townships	County Hospital	Special Assessments	Auto License and Use Tax	Empowerment	Other	Total
48,430	4,370	26,443	16,651	355,997	-	265,569	1,217,037
4,640	754	4,644	-	-	-	84	44,487
4,138,000	278,000	1,784,000	-	-	-	58,000	19,442,000
-	-	-	-	-	-	-	359
-	-	-	344,610	-	-	-	344,610
-	-	-	-	-	-	25,473	25,473
4,191,070	283,124	1,815,087	361,261	355,997	-	349,126	21,073,966
-	-	-	-	744	-	199	2,679
-	-	-	-	-	-	711	1,633
4,191,070	283,124	1,815,087	361,261	355,253	-	248,544	20,946,230
-	-	-	-	-	-	93,814	102,993
-	-	-	-	-	-	5,858	20,431
4,191,070	283,124	1,815,087	361,261	355,997	-	349,126	21,073,966

Madison County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2012

	Agricultural				
	County Offices	Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 26,278	196,564	527,982	12,593,569	405,864
Additions:					
Property and other county tax	-	198,715	283,380	12,381,571	406,294
State tax credits	-	6,383	10,899	407,574	13,210
Office fees and collections	458,925	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Trusts	653,363	-	-	-	-
Miscellaneous	-	-	7,132	-	-
Total additions	1,112,288	205,098	301,411	12,789,145	419,504
Deductions:					
Agency remittances:					
To other funds	315,695	-	-	-	-
To other governments	151,300	201,254	261,954	12,859,356	416,351
Trusts paid out	653,492	-	-	-	-
Total deductions	1,120,487	201,254	261,954	12,859,356	416,351
Balances end of year	\$ 18,079	200,408	567,439	12,523,358	409,017

See accompanying independent auditor's report.

Corpora- tions	Townships	County Hospital	Special Assess- ments	Auto License and Use Tax	Empower- ment	Other	Total
4,213,697	278,357	1,790,905	387,692	453,744	21,018	241,826	21,137,496
3,996,864	285,444	1,799,962	-	-	-	120,198	19,472,428
103,967	9,100	58,189	-	-	-	2,010	611,332
-	-	-	186,299	-	1	-	645,225
-	-	-	-	-	-	4,668	4,668
-	-	-	-	4,703,700	-	-	4,703,700
-	-	-	-	-	-	349,798	1,003,161
1,480	-	-	-	-	-	144,770	153,382
4,102,311	294,544	1,858,151	186,299	4,703,700	1	621,444	26,593,896
-	-	-	-	149,995	-	-	465,690
4,124,938	289,777	1,833,969	212,730	4,651,452	21,019	161,579	25,185,679
-	-	-	-	-	-	352,565	1,006,057
4,124,938	289,777	1,833,969	212,730	4,801,447	21,019	514,144	26,657,426
4,191,070	283,124	1,815,087	361,261	355,997	-	349,126	21,073,966

Madison County

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

For the Last Ten Years

	2012	2011	2010	2009
<b>Revenues:</b>				
Property and other county tax	\$ 4,889,033	4,686,472	4,577,982	4,188,008
Local option sales tax	657,207	602,982	520,628	550,144
Interest and penalty on property tax	73,249	67,508	69,986	67,857
Intergovernmental	4,507,478	4,588,148	4,564,032	5,039,690
Licenses and permits	47,457	50,271	43,816	53,116
Charges for service	964,730	997,725	853,295	843,810
Use of money and property	85,308	92,295	116,991	148,741
Miscellaneous	219,062	94,568	149,770	95,833
<b>Total</b>	<b>\$ 11,443,524</b>	<b>11,179,969</b>	<b>10,896,500</b>	<b>10,987,199</b>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety and legal services	\$ 2,662,269	2,414,981	2,407,600	2,253,877
Physical health and social services	676,795	638,138	730,227	667,658
Mental health	2,096,367	1,162,155	1,218,829	1,138,136
County environment and education	226,955	622,784	613,421	662,155
Roads and transportation	4,864,203	4,324,970	3,875,440	4,088,516
Governmental services to residents	458,115	436,243	427,940	415,448
Administration	811,147	962,660	838,801	1,250,962
Debt service	93,460	113,432	80,362	81,278
Capital projects	1,053,555	603,619	832,758	152,549
<b>Total</b>	<b>\$ 12,942,866</b>	<b>11,278,982</b>	<b>11,025,378</b>	<b>10,710,579</b>

See accompanying independent auditor's report.



Modified Accrual Basis					
2008	2007	2006	2005	2004	2003
3,922,927	3,867,637	3,590,801	3,384,031	3,489,036	3,351,970
590,756	565,184	555,435	398,484	-	-
56,820	55,586	59,215	63,583	55,809	62,939
4,843,465	4,597,043	4,189,078	3,796,249	3,971,314	3,890,226
60,676	78,218	96,303	93,608	66,124	63,997
827,092	695,027	720,040	662,292	614,945	570,211
260,310	296,128	229,810	152,709	95,810	119,058
90,103	145,912	205,838	125,017	55,565	384,932
10,652,149	10,300,735	9,646,520	8,675,973	8,348,603	8,443,333
2,135,309	2,095,972	1,619,411	1,558,488	1,594,735	1,597,835
696,699	521,118	503,749	477,518	517,376	474,540
1,289,301	1,296,836	1,103,099	1,012,500	951,864	953,994
674,718	515,099	531,247	454,545	436,614	396,095
4,333,549	3,203,353	3,703,088	3,756,935	3,699,220	3,241,644
398,227	376,671	481,599	372,840	367,811	340,132
863,733	771,529	683,606	685,801	679,426	653,627
180,158	186,885	139,211	122,661	124,018	384,099
673,579	1,044,329	644,007	320,773	549,182	526,486
11,245,273	10,011,792	9,409,017	8,762,061	8,920,246	8,568,452

Madison County  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Justice:			
Bulletproof Vest Protection Program	16.607		\$ 720
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		5,454
U.S. Department of the Interior:			
Iowa Department of Natural Resources:			
North American Wetland Conservation Fund	15.623		81,000
U.S. Department of Justice:			
Iowa Department of Justice:			
Crime Victim Assistance	16.575		13,400
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO61(87)-8J-61	168,351
Highway Planning and Construction	20.205	HCBP-061(81)--8E-61	178,563
Highway Planning and Construction	20.205	BROS-CO61(91)-8J-61	38,186
			385,100
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5882BT361	18,235
Immunization Grants	93.268	5881I452	3,105
Immunization Grants	93.268	5882I452	2,948
			6,053
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		11
Refugee and Entrant Assistance - State			
Administered Program	93.566		1,217
Foster Care _ Title IV-E	93.658		1,991
Adoption Assistance	93.659		581
State Children's Insurance Program	93.767		19

## Madison County

## Schedule of Expenditures of Federal Awards

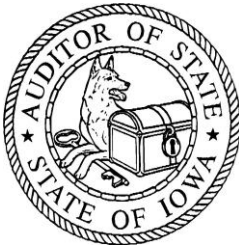
Year ended June 30, 2012

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		5,122
Social Services Block Grant	93.667		<u>1,749</u>
Social Services Block Grant	93.667		<u>46,594</u>
			<u>48,343</u>
U.S. Department of Homeland Security:			
Iowa Region 4 Homeland Security Board:			
State Domestic Preparedness Equipment Support Programs	97.004		<u>3,692</u>
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants _ Public Assistance (Presidentially Declared Disasters)	97.036	FEMA1930 DR IA	<u>98,200</u>
Emergency Management Performance Grants	97.042		<u>27,413</u>
Total indirect			<u>695,831</u>
Total			<u>\$ 696,551</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

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Mary Mosiman, CPA  
Auditor of State

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, 2012, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated July 5, 2013. 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

The 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 an 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.

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-12 and II-B-12 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madison County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However,


providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of 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, 2012 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.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

July 5, 2013

**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

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Mary Mosiman, CPA  
Auditor of State

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, 2012. 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, 2012.

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 material weaknesses, as defined above.

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



MARY MOSIMAN, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

July 5, 2013

Madison County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2012

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

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

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-12 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. This 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:

	<u>Applicable Offices</u>
(1) There is no evidence the listing of cash and receipts is reconciled by an individual who does not prepare the listing of cash and receipts, enter receipts into the system or prepare the deposits.	Sheriff
(2) One individual has control over opening and listing mail receipts, collecting, depositing, posting and daily reconciling of receipts.	Ambulance, Conservation Board, Public Health Nurse, County Extension Office 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

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 utilizing currently available personnel, including elected officials.

Responses –

Sheriff – (1) A Deputy reconciles the monthly entries by randomly picking 10 entries from the Chief Deputy’s entries and then cross referencing the clerk’s entries to make sure they are there. This was recommended by the Office of Auditor of State two years ago, and we have implemented it.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

In the interest of establishing a paper trail, the Deputy's monthly worksheet now will be included in the Sheriff's auditors' book and considered part of the reconciliation process.

(4) Until the department can increase manpower, this duty is unable to be segregated.

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

County Extension Office – Agree with the assessment and concern, yet we truly are limited by a small staff. Controls will be implemented to periodically, irregularly, break-up the duties as noted by enlisting alternative staff or council to complete the duties.

Conservation Board –

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 PO 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. 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

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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 – One individual opens mail and lists checks on receipt log. A second individual applies receipts to patient accounts, which generates a deposit list for the Treasurer. This same individual delivers deposits to the Treasurer. A third person – the department head – reconciles the receipts received from the Treasurer with the mail receipt log. The department is working on training an additional individual to rotate in step two.

Madison County Covered Bridge Preservation Association – The Covered Bridge Preservation Association is a non-profit organization – 501(c)(3). Any funds spent are done so only after approval by the directors. The Covered Bridge Preservation Association will continue to look for ways to segregate duties and get independent reviews.

Conclusions – Responses accepted.

- II-B-12 Financial Reporting – During the audit, we identified accounts payable for the Secondary Roads Department were overstated in the financial statements. Adjustments were subsequently made by the County to properly reflect these corrections.

Recommendation – The County should implement procedures to ensure all payables 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. We have put a stop to processing claims prior to receipt of products/services for which we have received invoices.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Madison County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2012

**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, 2012

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

IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted.

IV-B-12 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-12 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-12 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Linda Busch, wife of Sheriff	Matron services	\$ 148

IV-E-12 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-12 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-12 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-12 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-12 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, 2012 for the County Extension Office did not exceed the amount budgeted.



Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

IV-J-12 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 – The monies generated by hosting and teaching gun permit classes 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.

IV-K-12 Deficit Fund Balance – The Special Revenue, Mental Health and Covered Bridge Funds had deficit fund balances of \$157,706 and \$159,171, respectively, at June 30, 2012.

Recommendation – The County should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – Madison County applied for transition funds in late 2012, and we received \$311,109 in April 2013 which eliminated the deficit in the Mental Health Fund for fiscal year 2013. Madison County is transitioning into our new eight-county Mental Health region July 1, 2013. Funds will be pooled, so no counties should end a fiscal year with a deficit fund balance. There was a \$180,451 payable in the Covered Bridge Fund on June 30, 2012. The payable was for a federally funded project. We were waiting to receive a federal reimbursement for a prior claim before making the payment. In the future we will watch these types of projects and payment schedules more closely so as not to end a year with a deficit fund balance.

Conclusion – Response accepted.

IV-L-12 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the County to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The image of the back of each cancelled check was not obtained by the County Sheriff.

Recommendation – The County Sheriff should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The County Sheriff has followed the recommendation of the Office of Auditor of State and now receives an image of both the front and back of each cancelled check.

Conclusion – Response accepted.

Madison County

Staff

This audit was performed by:

Jennifer Campbell, CPA, Manager  
Karen J. Kibbe, Senior Auditor II  
Kayley R. Alexander, Assistant Auditor  
Stephen J. Hoffman, 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