



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

David A. Vaudt, CPA  
Auditor of State

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**NEWS RELEASE**

FOR RELEASE

June 10, 2005

Contact: Andy Nielsen  
515/281-5834

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

The County has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements include a Statement of Net Assets and a Statement of Activities which provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Also included is Management's Discussion and Analysis of the County's financial statements.

The County had local tax revenue of \$17,245,111 for the year ended June 30, 2004, which included \$786,045 in tax credits from the state. The County forwarded \$13,580,421 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$3,664,690 of the local tax revenue to finance County operations. Other revenues included charges for service of \$1,114,597, operating grants, contributions and restricted interest of \$3,341,196, capital grants, contributions and restricted interest of \$1,043,797, unrestricted investment earnings of \$45,216 and other general revenues of \$121,530.

Expenses for County operations totaled \$8,274,147. Expenses included \$3,348,272 for roads and transportation, \$1,550,376 for public safety and legal services and \$946,581 for mental health.

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

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**MADISON COUNTY**

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

**JUNE 30, 2004**

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**Madison County**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Weeks	Board of Supervisors	Jan 2005
Cy McDonald	Board of Supervisors	Jan 2007
Steve Raymond	Board of Supervisors	Jan 2007
Joan Welch	County Auditor	Jan 2005
G. Joann Collins	County Treasurer	Jan 2007
Michelle Utsler	County Recorder	Jan 2007
Paul Welch	County Sheriff	Jan 2005
Martin S. Ramsey	County Attorney	Jan 2007
Catherine Weltha	County Assessor	Jan 2010

**Madison County**



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Independent Auditor's Report

To the Officials of Madison County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Madison County, Iowa, as of and for the year ended June 30, 2004, 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

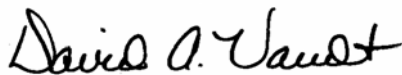
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Madison County at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 12 to the financial statements, during the year ended June 30, 2004, Madison County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenses in Governmental Fund Financial Statements.

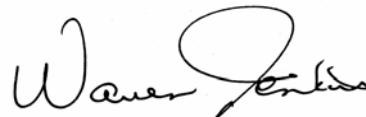
In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2005 on our consideration of Madison County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was performed 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 three years ended June 30, 2003 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 10, 2005

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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, 2004. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

Because Madison County is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the County's financial position and results of operations.

### **2004 FINANCIAL HIGHLIGHTS**

- The County's governmental fund revenues decreased 1.1%, or approximately \$95,000, from fiscal 2003 to fiscal 2004. Property and other county tax increased 4.1%, or approximately \$137,000.
- The County's governmental fund expenditures increased 4.1%, or approximately \$352,000. Secondary Roads Fund expenditures increased approximately \$154,000. Madison County also had a one time expenditure for replacement of one of our historic covered bridges, Cedar Bridge, for \$264,000.
- The County's net assets increased 16.1%, or approximately \$1,057,000, from June 30, 2003 to June 30, 2004.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Madison County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Madison County's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Madison County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Internal Service and Agency Funds.



## **REPORTING THE COUNTY'S FINANCIAL ACTIVITIES**

### *Governmental Financial Statement*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

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

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

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

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

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

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

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. Madison County's net assets for FY04 totaled approximately \$7.6 million. This compares to FY03 at \$6.6 million. The analysis that follows focuses on the changes of the net assets for our governmental activities. Madison County's total net assets at June 30, 2004 are shown below.

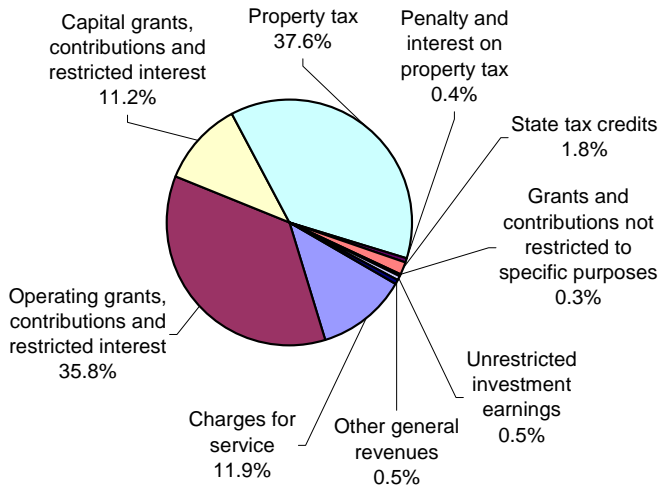
Net Assets of Governmental Activities (Expressed in Thousands)	
	June 30, 2004
Current and other assets	\$ 7,150
Capital assets	5,722
Total assets	<u>12,872</u>
Long-term liabilities	1,196
Other liabilities	4,038
Total liabilities	<u>5,234</u>
Net assets:	
Invested in capital assets, net of related debt	5,103
Restricted	1,897
Unrestricted	<u>638</u>
Total net assets	<u><u>\$ 7,638</u></u>

Net assets of Madison County's governmental activities increased by \$1.1 million, or 16.1%. The largest portion of the County's net assets is the 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 sources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

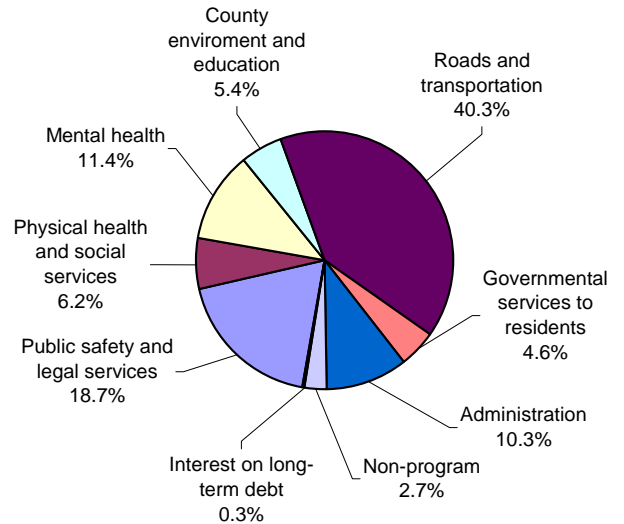
Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, are reported at approximately \$638,000 at June 30, 2004.

Changes in Net Assets of Governmental Activities (Expressed in Thousands)	
	Year ended June 30, 2004
Revenues:	
Program revenues:	
Charges for service	\$ 1,115
Operating grants, contributions and restricted interest	3,341
Capital grants, contributions and restricted interest	1,044
General revenues:	
Property tax	3,494
Penalty and interest on property tax	41
State tax credits	171
Grants and contributions not restricted to specific purposes	31
Unrestricted investment earnings	45
Other general revenues	49
Total revenues	<u>9,331</u>
Program expenses:	
Public safety and legal services	1,550
Physical health and social services	509
Mental health	947
County environment and education	444
Roads and transportation	3,348
Governmental services to residents	379
Administration	851
Non-program	222
Interest on long-term debt	24
Total expenses	<u>8,274</u>
Increase in net assets	1,057
Net assets beginning of year, as restated	<u>6,581</u>
Net assets end of year	<u>\$ 7,638</u>

**Revenues by Source**



**Expenses by Function**



The countywide property tax levy rate increased 2.8%, or \$.12 per \$1,000 of taxable valuation for 2004. This increase in levy rate raised the County's property tax revenue by approximately \$59,000 in 2004. Madison County also received an additional \$66,000 in property tax revenue, due primarily to new construction. The rural levy rate decreased \$.09 per 1,000 of taxable valuation. Based on decreases in the total assessed valuation and a decrease in the rural levy of \$.40 per \$1,000 of taxable valuation, property tax revenue is budgeted to decrease \$116,689 next fiscal year (2004-2005).

**INDIVIDUAL MAJOR FUND ANALYSIS**

As Madison County completed the year, its governmental funds reported a combined fund balance of \$2,777,932, a decrease of approximately \$572,000 from last year's total of \$3,349,555. The decrease in fund balance is primarily attributable to the following:

- The ending fund balance of the General Fund showed a modest decline of \$227,000 due to the State of Iowa eliminating funding for certain grants and a decrease in revenues generated for the care of non-county prisoners due to lack of space.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the current year, expenditures totaled approximately \$952,000, a decrease of less than 1% from the prior year. The Mental Health Fund balance at year end increased approximately \$29,000 over the prior year.
- Secondary Roads Fund expenditures increased approximately \$154,000 over the prior year as a result of higher costs associated with seal coating maintenance, bridge deck repair and pavement repair. This increase in expenditures resulted in a decrease in the Secondary Roads Fund ending balance of approximately \$195,000, or 11%.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Madison County amended its budget three times. The first amendment was made in July 2003. This amendment was needed to increase Debt Service to expend the proceeds of the newly refinanced bonds not budgeted, to amend for two unplanned elections and the cost of consultants working on a plan to consolidate our public health department. The second amendment was done in January 2004 for the increase in cost of the Clerk of Court, for juvenile detention cost and for the increase in costs of the Medical Examiner. The third amendment in May 2004 reflected the reduction in intergovernmental revenues for bridge replacement and non-funded state credits. Expenses increased in roads and transportation as a result of contract road and bridge repair and costs to complete the secondary roads administration office.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2004, Madison County had approximately \$ 5.7 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges.

Capital Assets of Governmental Activities at Year End	
(Expressed in Thousands)	
	June 30, 2004
Land	\$ 602
Construction in progress	939
Buildings and improvements	1,986
Equipment and vehicles	2,091
Infrastructure, road network	104
Total	<u>\$ 5,722</u>

The County had depreciation expense of \$383,000 in FY04 and total accumulated depreciation of \$3.7 million at June 30, 2004. The County's fiscal year 2004 capital budget included \$1.1 million for capital projects, principally for construction in progress for two farm to market paved roads, one bridge on the farm to market system, the Cedar Bridge restoration project and completion of the Secondary Roads administration offices. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

### Long-Term Debt

Madison County had approximately \$620,000 in capital loan notes and capital lease purchase agreement obligations outstanding at June 30, 2004. This represents a decrease of 19% from the prior year.

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 \$23 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 BUDGETS AND RATES**

For fiscal year 2005, amounts available for appropriation in the operating budget totaled \$9.5 million which are identical to the 2004 budget of \$9.5 million. Property taxes will decrease in 2005 approximately \$117,000 in part due to the Local Option Tax revenue provided as property tax relief.

Because of decreases in the 2004 fund balances, primarily due to the State Legislature eliminating the funding of our 405A.4 State Allocation and only partially funding replacement credits, Madison County found it necessary to implement a one-day per month furlough for courthouse personnel, to lay off a dispatcher in the sheriff's office for 8 months and reduce services in other departments. All departments in the General Fund were cut a minimum of 3.2%.

Budgeted disbursements are expected to rise due to the demand for services. As our population grows, so does demand. Madison County has ranked just behind Dallas County in population growth for the last several years. Our County Supervisors are looking at ways to streamline county government to run more efficiently. Areas being looked at are increasing user fees to offset property tax, bringing the Public Health Nurse back under the County and starting Life-line to bring in additional revenue, as well as continuing to share services with the hospital and with our cities.

## **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.

**Madison County**

## **Basic Financial Statements**



**Exhibit A**

Madison County  
Statement of Net Assets  
June 30, 2004

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 2,606,493
Receivables:	
Property tax:	
Delinquent	27,491
Succeeding year	3,510,000
Interest and penalty on property tax	4,256
Accounts	304,026
Notes	24,780
Accrued interest	913
Due from other governments	437,575
Inventories	233,973
Capital assets (net of accumulated depreciation)	5,722,243
	<u>12,871,750</u>
<b>Total assets</b>	<u>12,871,750</u>
<b>Liabilities</b>	
Accounts payable	283,436
Accrued interest payable	8,643
Salaries and benefits payable	64,408
Due to other governments	146,688
Deferred revenue:	
Succeeding year property tax	3,510,000
Other	25,029
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	17,514
Capital loan notes	133,846
Compensated absences	272,568
Portion due or payable after one year:	
Capital lease purchase agreement	37,990
Capital loan notes	430,492
Compensated absences	303,637
	<u>5,234,251</u>
<b>Total liabilities</b>	<u>5,234,251</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	5,102,401
Restricted for:	
Supplemental levy purposes	65,990
Mental health purposes	243,894
Secondary roads purposes	1,395,428
Debt service	9,526
Capital projects	389
Other purposes	181,923
Unrestricted	637,948
	<u>7,637,499</u>
<b>Total net assets</b>	<u>\$ 7,637,499</u>

See notes to financial statements.

Madison County  
Statement of Activities  
Year ended June 30, 2004

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 1,550,376	341,835	10,080	-	(1,198,461)
Physical health and social services	508,944	31,684	103,818	-	(373,442)
Mental health	946,581	2,394	567,302	-	(376,885)
County environment and education	444,458	75,537	14,495	-	(354,426)
Roads and transportation	3,348,272	62,190	2,634,770	1,043,797	392,485
Governmental services to residents	378,986	338,913	2,354	-	(37,719)
Administration	850,461	63,892	8,377	-	(778,192)
Non-program	222,444	198,152	-	-	(24,292)
Interest on long-term debt	23,625	-	-	-	(23,625)
<b>Total</b>	<b>\$ 8,274,147</b>	<b>1,114,597</b>	<b>3,341,196</b>	<b>1,043,797</b>	<b>(2,774,557)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					3,415,604
Debt service					78,359
Penalty and interest on property tax					41,498
State tax credits					170,727
Grants and contributions not restricted to specific purpose					30,791
Unrestricted investment earnings					45,216
Miscellaneous					49,241
<b>Total general revenues</b>					<b>3,831,436</b>
Change in net assets					1,056,879
Net assets beginning of year, as restated					6,580,620
Net assets end of year					<b>\$ 7,637,499</b>

See notes to financial statements.

Madison County  
Balance Sheet  
Governmental Funds

June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 622,482	374,241	53,569	1,297,521
Receivables:				
Property tax:				
Delinquent	15,679	2,857	8,409	-
Succeeding year	2,267,000	382,000	756,000	-
Interest and penalty on property tax	4,256	-	-	-
Accounts	200,908	-	10,511	265
Notes	-	24,780	-	-
Accrued interest	913	-	-	-
Due from other funds	-	-	-	9,757
Due from other governments	53,688	162	2,215	241,804
Inventories	-	-	-	219,853
Advance to Internal Service Fund	60,000	-	-	-
<b>Total assets</b>	<b>\$ 3,224,926</b>	<b>784,040</b>	<b>830,704</b>	<b>1,769,200</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 43,377	16,601	1,674	68,581
Salaries and benefits payable	18,023	564	-	45,821
Due to other funds	850	-	8,907	-
Due to other governments	29,991	116,201	-	8
Deferred revenue:				
Succeeding year property tax	2,267,000	382,000	756,000	-
Other	181,761	27,599	13,408	34,499
Total liabilities	<u>2,541,002</u>	<u>542,965</u>	<u>779,989</u>	<u>148,909</u>
Fund balances:				
Reserved for:				
Advance to Internal Service Fund	60,000	-	-	-
Supplemental levy purposes	38,250	-	-	-
Noncurrent notes receivable	-	24,780	-	-
Debt service	-	-	-	-
Inventories	-	-	-	219,853
Unreserved, reported in:				
General fund	585,674	-	-	-
Special revenue funds	-	216,295	50,715	1,400,438
Capital projects fund	-	-	-	-
Total fund balances	<u>683,924</u>	<u>241,075</u>	<u>50,715</u>	<u>1,620,291</u>
<b>Total liabilities and fund balances</b>	<b>\$ 3,224,926</b>	<b>784,040</b>	<b>830,704</b>	<b>1,769,200</b>

See notes to financial statements.

Nonmajor	Total
67,201	2,415,014
546	27,491
105,000	3,510,000
-	4,256
503	212,187
-	24,780
-	913
-	9,757
132,052	429,921
-	219,853
-	60,000
<u>305,302</u>	<u>6,914,172</u>
3,641	133,874
-	64,408
-	9,757
-	146,200
105,000	3,510,000
14,734	272,001
<u>123,375</u>	<u>4,136,240</u>
-	60,000
-	38,250
-	24,780
13,811	13,811
-	219,853
-	585,674
167,727	1,835,175
389	389
<u>181,927</u>	<u>2,777,932</u>
<u>305,302</u>	<u>6,914,172</u>

**Madison County**

Madison County

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

June 30, 2004

**Total governmental fund balances (page 19)** \$ 2,777,932

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$9,381,474 and the accumulated depreciation is \$3,659,231. 5,722,243

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 246,972

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. 95,042

Long-term liabilities, including capital lease purchase agreement, capital loan notes, compensated absences and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. (1,204,690)

**Net assets of governmental activities (page 16)** \$ 7,637,499

See notes to financial statements.

Madison County

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

Year ended June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 2,143,697	390,598	876,442	-
Interest and penalty on property tax	55,809	-	-	-
Intergovernmental	360,886	588,077	44,025	2,617,026
Licenses and permits	-	-	62,197	3,927
Charges for service	566,364	492	9,985	9,543
Use of money and property	76,284	1,871	-	-
Miscellaneous	12,642	-	11,437	26,713
Total revenues	<u>3,215,682</u>	<u>981,038</u>	<u>1,004,086</u>	<u>2,657,209</u>
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	1,593,831	-	904	-
Physical health and social services	446,195	-	71,181	-
Mental health	-	951,864	-	-
County environment and education	279,729	-	156,885	-
Roads and transportation	-	-	-	3,699,220
Governmental services to residents	360,296	-	-	-
Administration	679,426	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	14,451
Total expenditures	<u>3,359,477</u>	<u>951,864</u>	<u>228,970</u>	<u>3,713,671</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(143,795)</u>	<u>29,174</u>	<u>775,116</u>	<u>(1,056,462)</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	-	-	-	20
Operating transfers in	-	-	-	861,401
Operating transfers out	(83,587)	-	(797,814)	-
Total other financing sources (uses)	<u>(83,587)</u>	<u>-</u>	<u>(797,814)</u>	<u>861,421</u>
Net change in fund balances	(227,382)	29,174	(22,698)	(195,041)
Fund balances beginning of year, as restated	<u>911,306</u>	<u>211,901</u>	<u>73,413</u>	<u>1,815,332</u>
Fund balances end of year	<u>\$ 683,924</u>	<u>241,075</u>	<u>50,715</u>	<u>1,620,291</u>

See notes to financial statements.

Nonmajor	Total
78,299	3,489,036
-	55,809
361,300	3,971,314
-	66,124
28,561	614,945
17,655	95,810
4,773	55,565
<u>490,588</u>	<u>8,348,603</u>
-	1,594,735
-	517,376
-	951,864
-	436,614
-	3,699,220
7,515	367,811
-	679,426
124,018	124,018
534,731	549,182
<u>666,264</u>	<u>8,920,246</u>
<u>(175,676)</u>	<u>(571,643)</u>
-	20
20,000	881,401
-	(881,401)
<u>20,000</u>	<u>20</u>
<u>(155,676)</u>	<u>(571,623)</u>
<u>337,603</u>	<u>3,349,555</u>
<u>181,927</u>	<u>2,777,932</u>



Madison County

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances -  
Governmental Funds to the Statement  
of Activities

Year ended June 30, 2004

**Net change in fund balances - Total governmental funds (page 23)** \$ (571,623)

**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	\$ 1,272,149	
Capital assets contributed by the Iowa Department of Transportation	696,045	
Depreciation expense	(383,335)	1,584,859

In the Statement of Activities, the loss on the disposition of capital assets is reported whereas the governmental funds report the proceeds from the sale as an increase in financial resources. (12,107)

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	4,927	
Other	83,190	88,117

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. 149,407

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 governmental funds, as follows:

Compensated absences	(26,363)	
Interest on long-term debt	2,026	(24,337)

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. (157,437)

**Change in net assets of governmental activities (page 17)** \$ 1,056,879

See notes to financial statements.

Madison County  
Statement of Net Assets  
Proprietary Funds

June 30, 2004

	Internal Service
<b>Assets</b>	
Cash and cash equivalents	\$ 191,479
Accounts receivable	91,839
Due from other governments	7,654
Inventories	14,120
	305,092
<b>Liabilities</b>	
Accounts payable	149,562
Due from other governments	488
Advance from General Fund	60,000
	210,050
<b>Net Assets</b>	
Unrestricted	\$ 95,042

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, 2004

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds		\$ 843,583
Reimbursements from employees		10,849
Insurance reimbursements		84,076
Reimbursements from others		62,102
Fuel tax refunds		14,109
Miscellaneous		812
Total operating revenues		<u>1,015,531</u>
Operating expenses:		
Medical claims	\$ 948,341	
Materials and supplies	216,848	
Miscellaneous	7,779	1,172,968
Operating loss		<u>(157,437)</u>
Net assets beginning of year		<u>252,479</u>
Net assets end of year		<u><u>\$ 95,042</u></u>

See notes to financial statements.

Madison County  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2004

	Internal Service
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 839,823
Cash received from employees and others	86,916
Cash paid to suppliers for goods and services	(1,074,026)
Net cash used by operating activities	(147,287)
Cash and cash equivalents beginning of year	338,766
Cash and cash equivalents end of year	\$ 191,479
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (157,437)
Adjustments to reconcile operating loss to net cash used by operating activities:	
(Increase) in accounts receivable	(88,792)
(Increase) in inventories	(5,302)
Increase in accounts payable	104,244
Net cash used by operating activities	\$ (147,287)

See notes to financial statements.

Madison County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2004

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 767,631
Other County officials	41,264
Receivables:	
Property tax:	
Delinquent	72,839
Succeeding year	13,644,000
Accounts	3,521
Special assessments:	
Delinquent	137
Succeeding year	249,053
Due from other governments	2,711
<b>Total assets</b>	<u>14,781,156</u>

**Liabilities**

Accounts payable	15,282
Due to other governments	14,689,372
Trusts payable	47,633
Compensated absences	28,869
<b>Total liabilities</b>	<u>14,781,156</u>

**Net assets** \$ -

See notes to financial statements.

Madison County

Notes to Financial Statements

June 30, 2004

**(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. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Madison County Assessor's Conference Board, Madison County Emergency Management Commission, South Central Iowa Regional E-911 Board and the Madison County Empowerment Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Funds - Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary funds of the County apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.



Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Funds is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

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

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

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, 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, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful lives (In Years)
Buildings and improvements	20 - 50
Infrastructure	30 - 50
Equipment and vehicles	2 - 20

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation 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, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The net assets of the Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The County's deposits in banks at June 30, 2004 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 \$152,724 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

The County had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

**(3) Interfund Assets/Liabilities**

The detail of due to/due from other funds and advances to/from other funds at June 30, 2004 is as follows:

Due To/Due From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 850
	Special Revenue:	
	Rural Services	8,907
Total		<u>\$ 9,757</u>

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

Advances To/From Other Funds

<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, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 63,587
	Special Revenue:	
	Rural Services	797,814
Debt Service	General	<u>20,000</u>
Total		<u>\$ 881,401</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, 2004 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>			<u>of Year</u>
	<u>(as restated)</u>	<u>Increases</u>	<u>Decreases</u>	
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 602,002	-	-	602,002
Construction in progress	-	939,486	-	939,486
Total capital assets not being depreciated	<u>602,002</u>	<u>939,486</u>	<u>-</u>	<u>1,541,488</u>
Capital assets being depreciated:				
Buildings	2,156,170	418,423	-	2,574,593
Equipment and vehicles	4,849,834	506,256	(194,726)	5,161,364
Infrastructure, road network	-	104,029	-	104,029
Total capital assets being depreciated	<u>7,006,004</u>	<u>1,028,708</u>	<u>(194,726)</u>	<u>7,839,986</u>
Less accumulated depreciation for:				
Buildings	522,126	66,845	-	588,971
Equipment and vehicles	2,936,389	316,490	(182,619)	3,070,260
Total accumulated depreciation	<u>3,458,515</u>	<u>383,335</u>	<u>(182,619)</u>	<u>3,659,231</u>
Total capital assets being depreciated, net	<u>3,547,489</u>	<u>645,373</u>	<u>(12,107)</u>	<u>4,180,755</u>
Governmental activities capital assets, net	<u>\$ 4,149,491</u>	<u>1,584,859</u>	<u>(12,107)</u>	<u>5,722,243</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 64,045
Physical health and social services	7,990
County environment and education	24,158
Roads and transportation	272,584
Governmental services to residents	1,522
Administration	<u>13,036</u>
Total depreciation expense - governmental activities	<u>\$ 383,335</u>

**(6) Due to Other Governments**

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

Fund	Description	Amount
General	Services	\$ 29,991
Special Revenue:		
Mental Health	Services	116,201
Secondary Roads	Services	8
		<u>116,209</u>
Total for governmental funds		<u>\$ 146,200</u>
Agency:		
County Assessor	Collections	\$ 376,366
Schools		8,267,674
Community Colleges		301,889
Corporations		3,341,726
Townships		200,141
County Hospital		1,326,168
Auto License and Use Tax		313,488
All other		<u>561,920</u>
Total for agency funds		<u>\$ 14,689,372</u>

**(7) Changes in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Capital Lease Purchase Agreement	Capital Loan Notes		Compen-sated Absences	Total	
		DHS Building	Court-house	FHA		
Balance beginning of year, as restated	\$ 73,171	53,955	485,000	157,123	549,842	1,319,091
Increases	-	-	-	-	245,940	245,940
Decreases	17,667	26,169	97,000	8,571	219,577	368,984
Balance end of year	<u>\$ 55,504</u>	<u>27,786</u>	<u>388,000</u>	<u>148,552</u>	<u>576,205</u>	<u>1,196,047</u>
Due within one year	<u>\$ 17,514</u>	<u>27,786</u>	<u>97,000</u>	<u>9,060</u>	<u>272,568</u>	<u>423,928</u>

The July 1, 2003, long-term liabilities for governmental activities has been restated, as follows:

Balance June 30, 2003, as previously reported	\$ 1,254,366
Compensated absences were increased due to the implementation of Governmental Accounting Standards Board Interpretation No. 6, <u>Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.</u>	<u>64,725</u>
Balance July 1, 2003, as restated	<u><u>\$ 1,319,091</u></u>

Capital Lease Purchase Agreement

The County has entered into a capital lease purchase agreement to lease an ambulance with historical cost of \$92,674. The following is a schedule of the future minimum lease payments, including interest at 5.5% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2004:

Year ending June 30,	Ambulance
2005	\$ 20,575
2006	20,575
2007	<u>20,575</u>
Total minimum lease payments	61,725
Less amount representing interest	<u>(6,221)</u>
Present value of net minimum lease payments	<u><u>\$ 55,504</u></u>

Payments under the capital lease purchase agreement totaled \$21,983 for the year ended June 30, 2004.

Capital Loan Notes Payable – DHS Building

During the year ended June 30, 1995, the County issued \$200,000 in general obligation capital loan notes to acquire and renovate a building for use by the Iowa Department of Human Services and the County. Currently, the building is rented out by the County and the notes are being paid from the rent proceeds. A summary of the County's June 30, 2004 capital loan note indebtedness is as follows:

Year ending June 30,	Interest Rate	Principal	Interest	Total
2005	6.00%	<u>\$ 27,786</u>	1,667	<u>29,453</u>

Capital Loan Notes Payable – Courthouse

During the year ended June 30, 2003, the County issued \$485,000 in general obligation capital loan notes to pay the costs of refunding and refinancing the general obligation

bonds, series 1992 and repairing, remodeling and equipping the courthouse. The notes will be repaid from a debt service levy. A summary of the County's June 30, 2004 capital loan note indebtedness is as follows:

Year ending June 30,	Interest Rates	Principal	Interest	Total
2005	1.7 - 2.6%	\$ 97,000	8,342	105,342
2006	2.0 - 2.6	97,000	6,693	103,693
2007	2.3 - 2.6	97,000	4,753	101,753
2008	2.6	97,000	2,522	99,522
Total		\$ 388,000	22,310	410,310

#### Capital Loan Notes Payable – FHA Loans

During the years ended June 30, 1995 and June 30, 1997, the County issued \$100,000 each year in general obligation capital loan notes to construct two group home/residential care facilities for developmentally disabled persons. The notes were purchased by the Farmers Home Administration. A summary of the County's June 30, 2004 capital loan note indebtedness is as follows:

Year ending June 30,	1995 Issue				1997 Issue			
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total
2005	5.625%	\$ 4,765	3,937	8,702	5.50%	\$ 4,295	4,321	8,616
2006	5.625	5,033	3,669	8,702	5.50	4,531	4,085	8,616
2007	5.625	5,307	3,395	8,702	5.50	4,780	3,836	8,616
2008	5.625	5,615	3,087	8,702	5.50	5,033	3,583	8,616
2009	5.625	5,931	2,771	8,702	5.50	5,320	3,296	8,616
2010	5.625	6,265	2,437	8,702	5.50	5,613	3,003	8,616
2011	5.625	6,611	2,091	8,702	5.50	5,921	2,695	8,616
2012	5.625	6,989	1,713	8,702	5.50	6,240	2,376	8,616
2013	5.625	7,382	1,320	8,702	5.50	6,590	2,026	8,616
2014	5.625	7,797	905	8,702	5.50	6,953	1,663	8,616
2015	5.625	8,290	412	8,702	5.50	7,335	1,281	8,616
2016		-	-	-	5.50	7,736	880	8,616
2017		-	-	-	5.50	8,220	396	8,616
Total		\$ 69,985	25,737	95,722		\$ 78,567	33,441	112,008

#### **(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.



Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll, except for law enforcement employees, in which case the percentages for the year ended June 30, 2004 are 4.99% and 7.48%, respectively. For the year ended June 30, 2003, the contribution rates for law enforcement employees and the County were 5.37% and 8.05%, respectively, and for the year ended June 30, 2002, the contribution rates for law enforcement employees and the County were 5.50% and 8.25%, respectively. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$159,803, \$153,559 and \$153,336, respectively, equal to the required contributions for each year.

**(9) Risk Management**

Madison County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Employee Group Health Plan**

The Employee Group Health Fund is used to account for the 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 American Administrators. The County assumes liability for claims up to the individual stop loss limitation of \$25,000. 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 service agreement, claims processed are paid to American Administrators from the Employee Group Health Fund. The County records the plan assets and related liabilities of the Employee Group Health Fund as an Internal Service Fund. The County and employee contributions to the fund for the year ended June 30, 2004 were \$712,084.

Amounts payable from the Employee Group Health Fund at June 30, 2004 total \$141,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims and to establish a reserve for catastrophic losses. That reserve was \$81,266 at June 30, 2004 and is reported as a designation of the 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 liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2003	\$ 43,200
Incurred claims (including claims incurred but not reported at June 30, 2004)	948,341
Payment of claims	<u>(850,541)</u>
Unpaid claims at June 30, 2004	<u>\$ 141,000</u>

**(11) Loan to Genesis Development**

Genesis Development provides services to mentally handicapped residents of Madison County and is reimbursed for these services by the County. In June 2001, the County loaned \$24,780 to Genesis Development for down payments to purchase three houses to be used as group homes. Genesis Development is responsible for the payment of the mortgages for these homes. The County will be repaid after the 30 year mortgages have been repaid. The County has obtained promissory notes from Genesis Development.

**(12) Accounting Change and Restatements**

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – And Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor governmental funds are presented in total in one column.

The government-wide financial statements report the County’s governmental activities. Beginning net assets for governmental activities has been restated to include capital assets, the Internal Service Funds and the changes in assets and liabilities at July 1, 2003 resulting from the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	<u>Amount</u>
Net assets June 30, 2003, as previously reported	\$ 3,284,830
GASB Interpretation 6 adjustments	64,725
Net assets July 1, 2003, as restated for governmental funds	<u>3,349,555</u>
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$3,458,515	4,149,491
Internal Service Funds	252,479
Long-term liabilities	(1,329,760)
Deferral of long-term assets	<u>158,855</u>
Net assets July 1, 2003, as restated	<u>\$ 6,580,620</u>

**Madison County**

**Required Supplementary Information**

Madison County

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

Required Supplementary Information

Year ended June 30, 2004

	Actual	Budgeted Amounts	
		Original	Final
<b>Receipts:</b>			
Property and other county tax	\$ 3,489,641	3,501,736	3,501,736
Interest and penalty on property tax	55,771	62,193	62,193
Intergovernmental	3,803,952	4,693,215	4,330,056
Licenses and permits	62,425	55,650	58,650
Charges for service	613,036	510,345	564,539
Use of money and property	98,203	120,093	108,593
Miscellaneous	61,322	257,475	256,237
<b>Total receipts</b>	<b>8,184,350</b>	<b>9,200,707</b>	<b>8,882,004</b>
<b>Disbursements:</b>			
Public safety and legal services	1,576,717	1,534,341	1,583,259
Physical health and social services	507,554	513,781	531,889
Mental health	969,316	1,020,055	1,020,055
County environment and education	435,812	445,226	446,573
Roads and transportation	3,673,137	3,550,415	3,834,046
Governmental services to residents	366,786	348,617	371,024
Administration	673,809	687,610	717,171
Debt service	124,018	99,754	124,024
Capital projects	561,646	1,314,700	1,118,364
<b>Total disbursements</b>	<b>8,888,795</b>	<b>9,514,499</b>	<b>9,746,405</b>
Deficiency of receipts under disbursements	(704,445)	(313,792)	(864,401)
Other financing sources, net	20	32,343	1,520
Deficiency of receipts and other financing sources under disbursements and other financing uses	(704,425)	(281,449)	(862,881)
Balance beginning of year	3,119,439	2,344,907	3,118,358
Balance end of year	\$ 2,415,014	2,063,458	2,255,477

See accompanying independent auditor's report.

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Final to Actual Variance
(12,095)
(6,422)
(526,104)
3,775
48,497
(10,390)
(194,915)
(697,654)
6,542
24,335
50,739
10,761
160,909
4,238
43,362
6
556,718
857,610
159,956
(1,500)
158,456
1,081
159,537

Madison County  
 Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 8,184,350	164,253	8,348,603
Expenditures	8,888,795	31,451	8,920,246
Net	(704,445)	132,802	(571,643)
Other financing sources, net	20	-	20
Beginning fund balances, as restated	3,119,439	230,116	3,349,555
Ending fund balances	\$ 2,415,014	362,918	2,777,932

See accompanying independent auditor's report.

Madison County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$231,906. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted by function and disbursements in departments did not exceed the amounts appropriated.



**Madison County**

**Other Supplementary Information**

Madison County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2004

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Special Resource Enhancement and Protection
<b>Assets</b>			
Cash and pooled investments	\$ 6,822	22,796	12,478
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts	503	-	-
Due from other governments	-	14,196	144
<b>Total assets</b>	<b>\$ 7,325</b>	<b>36,992</b>	<b>12,622</b>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Accounts payable	\$ 115	-	128
Deferred revenue:			
Succeeding year property tax	-	-	-
Other	-	14,196	-
Total liabilities	115	14,196	128
Fund equity:			
Fund balances:			
Reserved for debt service	-	-	-
Unreserved	7,210	22,796	12,494
Total fund equity	7,210	22,796	12,494
<b>Total liabilities and fund equity</b>	<b>\$ 7,325</b>	<b>36,992</b>	<b>12,622</b>

See accompanying independent auditor's report.

Revenue						
Capital Projects Bonded	Covered Bridge	Conservation Land Acquisition Trust	Debt Service	Capital Projects		Total
5,277	758	4,921	13,760	389		67,201
-	-	-	546	-		546
-	-	-	105,000	-		105,000
-	-	-	-	-		503
-	117,669	-	43	-		132,052
5,277	118,427	4,921	119,349	389		305,302
-	3,398	-	-	-		3,641
-	-	-	105,000	-		105,000
-	-	-	538	-		14,734
-	3,398	-	105,538	-		123,375
-	-	-	13,811	-		13,811
5,277	115,029	4,921	-	389		168,116
5,277	115,029	4,921	13,811	389		181,927
5,277	118,427	4,921	119,349	389		305,302

Madison County

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

Year ended June 30, 2004

	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Special Resource Enhancement and Protection
Revenues:			
Property and other county tax	\$ -	-	-
Intergovernmental	-	-	10,021
Charges for service	5,872	22,689	-
Use of money and property	147	107	73
Miscellaneous	-	-	-
Total revenues	<u>6,019</u>	<u>22,796</u>	<u>10,094</u>
Expenditures:			
Operating:			
Governmental services to residents	7,515	-	-
Debt service	-	-	-
Capital projects	-	-	2,628
Total expenditures	<u>7,515</u>	<u>-</u>	<u>2,628</u>
Excess (deficiency) of revenues over (under) expenditures	(1,496)	22,796	7,466
Other financing sources:			
Operating transfers in	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(1,496)	22,796	7,466
Fund balances beginning of year	<u>8,706</u>	<u>-</u>	<u>5,028</u>
Fund balances end of year	<u>\$ 7,210</u>	<u>22,796</u>	<u>12,494</u>

See accompanying independent auditor's report.

Revenue					
Capital Projects Bonded	Covered Bridge	Conservation Land Acquisition Trust	Debt Service	Capital Projects	Total
-	-	-	78,299	-	78,299
-	347,470	-	3,809	-	361,300
-	-	-	-	-	28,561
-	-	-	17,328	-	17,655
-	-	4,773	-	-	4,773
-	347,470	4,773	99,436	-	490,588
-	-	-	-	-	7,515
-	-	-	124,018	-	124,018
118,387	391,696	-	-	22,020	534,731
118,387	391,696	-	124,018	22,020	666,264
(118,387)	(44,226)	4,773	(24,582)	(22,020)	(175,676)
-	-	-	20,000	-	20,000
(118,387)	(44,226)	4,773	(4,582)	(22,020)	(155,676)
123,664	159,255	148	18,393	22,409	337,603
5,277	115,029	4,921	13,811	389	181,927

**Schedule 3**

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## Madison County

Combining Schedule of Net Assets  
Internal Service Funds

June 30, 2004

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 21,364	211	144,311	25,593	191,479
Accounts receivable	13,560	324	77,955	-	91,839
Due from other governments	7,653	1	-	-	7,654
Inventories	14,120	-	-	-	14,120
<b>Total assets</b>	<b>56,697</b>	<b>536</b>	<b>222,266</b>	<b>25,593</b>	<b>305,092</b>
<b>Liabilities</b>					
Accounts payable	8,562	-	141,000	-	149,562
Due to other governments	-	-	-	488	488
Advance from General Fund	60,000	-	-	-	60,000
<b>Total liabilities</b>	<b>68,562</b>	<b>-</b>	<b>141,000</b>	<b>488</b>	<b>210,050</b>
<b>Net Assets</b>					
Unrestricted	\$ (11,865)	536	81,266	25,105	95,042

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, 2004

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Operating revenues:					
Reimbursements from operating funds	\$ 130,108	1,391	712,084	-	843,583
Reimbursements from employees	-	-	10,849	-	10,849
Insurance reimbursements	-	-	84,076	-	84,076
Reimbursement from others	62,102	-	-	-	62,102
Fuel tax refunds	14,109	-	-	-	14,109
Miscellaneous	600	103	-	109	812
Total operating revenues	<u>206,919</u>	<u>1,494</u>	<u>807,009</u>	<u>109</u>	<u>1,015,531</u>
Operating expenses:					
Medical claims	-	-	948,341	-	948,341
Materials and supplies	215,354	1,494	-	-	216,848
Miscellaneous	-	-	550	7,229	7,779
Total operating expenses	<u>215,354</u>	<u>1,494</u>	<u>550</u>	<u>7,229</u>	<u>224,627</u>
Operating loss	(8,435)	-	806,459	(7,120)	790,904
Net assets beginning of year	<u>(3,430)</u>	<u>536</u>	<u>223,148</u>	<u>32,225</u>	<u>252,479</u>
Net assets end of year	<u>\$ (11,865)</u>	<u>536</u>	<u>1,029,607</u>	<u>25,105</u>	<u>1,043,383</u>

See accompanying independent auditor's report.



**Madison County**

Madison County  
Combining Schedule of Cash Flows  
Internal Service Funds

Year ended June 30, 2004

	Fuel	Supplies	Employee Group Health	Unemployment Insurance	Total
Cash flows from operating activities:					
Cash received from operating fund reimbursements	\$ 126,365	1,374	712,084	-	839,823
Cash received from employees and others	69,740	97	16,970	109	86,916
Cash paid to suppliers for goods and services	(212,094)	(1,534)	(851,091)	(9,307)	(1,074,026)
Net cash used by operating activities	(15,989)	(63)	(122,037)	(9,198)	(147,287)
Cash and cash equivalents beginning of year	37,353	274	266,348	34,791	338,766
Cash and cash equivalents end of year	\$ 21,364	211	144,311	25,593	191,479
<b>Reconciliation of operating loss to net cash used by operating activities:</b>					
Operating loss	\$ (8,435)	-	(141,882)	(7,120)	(157,437)
Adjustments to reconcile operating loss to net cash used by operating activities:					
(Increase) in accounts receivable	(10,814)	(23)	(77,955)	-	(88,792)
(Increase) in inventory	(5,302)	-	-	-	(5,302)
Increase (decrease) in accounts payable	8,562	(40)	97,800	(2,078)	104,244
Net cash used by operating activities	\$ (15,989)	(63)	(122,037)	(9,198)	(147,287)

See accompanying independent auditor's report.

Madison County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2004

	County Offices	Agricultural Extension Education	County Assessor	Schools
<b>Assets</b>				
Cash and pooled investments:				
County Treasurer	\$ -	2,110	72,584	137,597
Other County officials	41,264	-	-	-
Receivables:				
Property tax:				
Delinquent	-	867	2,416	54,077
Succeeding year	-	147,000	338,000	8,076,000
Accounts	3,206	-	-	-
Special assessments:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Due from other governments	48	-	141	-
<b>Total assets</b>	<b>\$ 44,518</b>	<b>149,977</b>	<b>413,141</b>	<b>8,267,674</b>
<b>Liabilities</b>				
Accounts payable	\$ -	-	7,906	-
Due to other governments	41,776	149,977	376,366	8,267,674
Trusts payable	2,742	-	-	-
Compensated absences	-	-	28,869	-
<b>Total liabilities</b>	<b>\$ 44,518</b>	<b>149,977</b>	<b>413,141</b>	<b>8,267,674</b>

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Special Assessments	Auto License and Use Tax	Other	Total
4,888	48,967	3,522	22,094	9,844	313,488	152,537	767,631
-	-	-	-	-	-	-	41,264
2,001	2,759	1,619	9,074	-	-	26	72,839
295,000	3,290,000	195,000	1,295,000	-	-	8,000	13,644,000
-	-	-	-	-	-	315	3,521
-	-	-	-	137	-	-	137
-	-	-	-	249,053	-	-	249,053
-	-	-	-	-	-	2,522	2,711
<b>301,889</b>	<b>3,341,726</b>	<b>200,141</b>	<b>1,326,168</b>	<b>259,034</b>	<b>313,488</b>	<b>163,400</b>	<b>14,781,156</b>
-	-	-	-	-	-	7,376	15,282
301,889	3,341,726	200,141	1,326,168	259,034	313,488	111,133	14,689,372
-	-	-	-	-	-	44,891	47,633
-	-	-	-	-	-	-	28,869
<b>301,889</b>	<b>3,341,726</b>	<b>200,141</b>	<b>1,326,168</b>	<b>259,034</b>	<b>313,488</b>	<b>163,400</b>	<b>14,781,156</b>

Madison County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2004

<b>Assets and Liabilities</b>	County Offices	Agricultural Extension Education	County Assessor	Schools
Balances beginning of year	\$ 43,878	126,548	398,104	8,188,082
Additions:				
Property and other county tax	-	141,624	322,401	7,707,251
State tax credits	-	5,933	16,707	380,159
Office fees and collections	548,577	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	47,930	-	-	-
Miscellaneous	-	-	906	-
Total additions	596,507	147,557	340,014	8,087,410
Deductions:				
Agency remittances:				
To other funds	402,300	-	-	-
To other governments	120,509	124,128	324,977	8,007,818
Trusts paid out	73,058	-	-	-
Total deductions	595,867	124,128	324,977	8,007,818
Balances end of year	\$ 44,518	149,977	413,141	8,267,674

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Special Assessments	Auto License and Use Tax	Other	Total
293,872	3,218,447	204,942	1,328,243	256,272	302,235	161,629	14,522,252
282,353	3,076,453	189,830	1,236,716	-	-	8,475	12,965,103
13,792	127,174	9,101	62,147	-	-	305	615,318
-	-	-	-	-	-	29,255	577,832
-	-	-	-	-	3,692,040	-	3,692,040
-	-	-	-	144,349	-	-	144,349
-	-	-	-	-	-	245,401	293,331
-	-	-	-	-	-	193,452	194,358
296,145	3,203,627	198,931	1,298,863	144,349	3,692,040	476,888	18,482,331
-	-	-	-	-	123,948	-	526,248
288,128	3,080,348	203,732	1,300,938	141,587	3,556,839	190,963	17,339,967
-	-	-	-	-	-	284,154	357,212
288,128	3,080,348	203,732	1,300,938	141,587	3,680,787	475,117	18,223,427
301,889	3,341,726	200,141	1,326,168	259,034	313,488	163,400	14,781,156

**Schedule 8**

## Madison County

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

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property and other county tax	\$ 3,489,036	3,351,970	3,165,895	2,923,224
Interest and penalty on property tax	55,809	62,939	62,198	58,181
Intergovernmental	3,971,314	3,890,226	3,767,863	4,343,475
Licenses and permits	66,124	63,997	40,119	25,885
Charges for service	614,945	570,211	542,147	491,318
Use of money and property	95,810	119,058	186,616	291,658
Miscellaneous	55,565	384,932	31,439	31,467
Total	<u>\$ 8,348,603</u>	<u>8,443,333</u>	<u>7,796,277</u>	<u>8,165,208</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,594,735	1,597,835	1,433,056	1,362,699
Physical health and social services	517,376	474,540	498,989	506,316
Mental health	951,864	953,994	1,083,090	1,094,889
County environment and education	436,614	396,095	485,829	349,256
Roads and transportation	3,699,220	3,241,644	3,379,254	3,111,854
Governmental services to residents	367,811	340,132	374,545	330,420
Administration	679,426	653,627	644,790	584,326
Debt service	124,018	384,099	101,742	99,848
Capital projects	549,182	526,486	121,462	636,371
Total	<u>\$ 8,920,246</u>	<u>8,568,452</u>	<u>8,122,757</u>	<u>8,075,979</u>

See accompanying independent auditor's report.



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

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Auditor of State

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Des Moines, Iowa 50319-0004

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

To the Officials of Madison County:

We have audited the financial statements of Madison County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated February 10, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Madison County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 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. Prior year statutory comments have been resolved except for items (7), (10), (12), (13) and (14).

Internal Control Over Financial Reporting

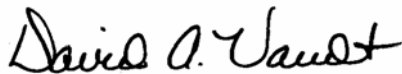
In planning and performing our audit, we considered Madison County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.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



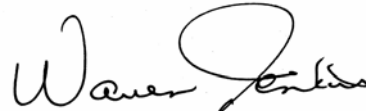
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected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

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 10, 2005

Madison County  
Schedule of Findings  
Year ended June 30, 2004

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

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

	<u>Applicable Offices</u>
(1) Incoming mail was not opened by an employee who is not authorized to make entries to the accounting records. A listing of cash and checks received was not prepared, so it could not be compared to the cash receipt records.	Sheriff and Ambulance
(2) 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.	Recorder and Sheriff
(3) The person who signs checks was not independent of the person preparing checks, approving disbursements, and recording cash disbursements.	Recorder and Sheriff

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

Madison County  
Schedule of Findings  
Year ended June 30, 2004

Responses –

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

Recorder – We will review our office procedures to obtain the best possible internal control.

Ambulance – Procedures will be performed as employee status permits.

Conclusion – Responses accepted.

- (B) Electronic Data Processing Systems – The County does not have written policies for usage of the internet.

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

Response – A policy went through the Board of Supervisors at the last meeting for approval.

Conclusion – Response accepted.

Madison County  
Schedule of Findings  
Year ended June 30, 2004

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

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year June 30, 2004.
- (2) Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted.
- (3) 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.
- (4) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (5) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Clayton Allen, Deputy Sheriff, Allen Lawn Care	Mowing services	\$ 1,300
Tom Johnson, County Ambulance employee, J & C Lawn care	Mowing services, per bid	1,615

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

The transactions for mowing services totaling \$1,615 with J & C Lawn care do not appear to represent a conflict of interest since the services were competitively bid in accordance with Chapter 331.342(4) of the Code of Iowa.

- (6) Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (7) Board Minutes – Except for the following, no transactions were found that we believe should have been approved in the Board minutes, but were not:

Certain interfund transfers did not appear to have been approved by the Board of Supervisors by resolution as required by Chapter 331.432 of the Code of Iowa.

Although minutes of Board proceedings were published, they were not published within the time period specified by Chapter 349.18 of the Code of Iowa.

Madison County  
Schedule of Findings  
Year ended June 30, 2004

In addition, the Board went into closed session on numerous occasions during the year ended June 30, 2004. The specific exemption under Chapter 21.5 of the Code of Iowa was not properly identified and documented.

Recommendation – The County should ensure all transfers are approved by resolution as required by Chapter 331.432 of the Code of Iowa and all Board proceedings and claims are published as required. In addition, the Board minutes should reference the specific Code exemption for holding closed sessions, as required.

Response – We will review our policy to see if there is anything we can do to comply.

Conclusion – Response accepted.

- (8) 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.
- (9) Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- (10) County Ordinances – The County Board of Supervisors has not completed a compilation of County ordinances.

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

Response – We will check into requirements and try to comply.

Conclusion – Response accepted.

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

County Extension Office disbursements during the year ended June 30, 2004 did not exceed the amount budgeted.

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

Recommendation – Forfeiture receipts and commissary fund profits should be remitted to the County Treasurer and credited to Special Revenue Funds in order to reflect this activity in the County's annual budget and financial statements.

Madison County  
Schedule of Findings  
Year ended June 30, 2004

Response – Both the Madison County Drug Enforcement and Education (MCDEE) and the commissary funds are reported to the County Auditor on the end of year report. The expenditures for these accounts are pre-approved by the Board of Supervisors during regular board meetings and are a matter of record. We will continue to operate as we are, within the guidelines and with the understanding that it is not illegal, just contrary to requested procedures.

Conclusion – Response acknowledged. Commissary profits spent for other than commissary items and forfeiture receipts should be deposited into and expended from a Special Revenue Fund to ensure those purchases are properly budgeted and reflected in the County’s accounting system. Utilizing the same process of depositing revenues with the County Treasurer and expending resources with County warrants, after Board approval, provides for stronger segregation of duties and helps ensure all public funds are spent for the purpose for which they were received. In addition, balances in a Special Revenue Fund do not revert to the General Fund.

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

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

Response – We will re-evaluate our policy.

Conclusion – Response accepted.

- (14) Financial Condition – The Internal Service, Fuel Fund account had a deficit balance at June 30, 2004.

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

Response – We have had problems with the equipment which is used to measure fuel usage. We will be replacing the equipment next year which should take care of the problem.

Conclusion – Response accepted.

- (15) Notice of Public Hearing – Chapter 331.434 of the Code of Iowa requires notice of public hearing on the budget must be published not less than ten nor more than twenty days before the hearing in the county newspapers selected under Chapter 349, official newspapers.

The notice of public hearing for the July 29, 2003 budget amendment was not published in one of two official County newspapers.

Madison County

Schedule of Findings

Year ended June 30, 2004

The notice of public hearing for the March 3, 2003 budget hearing was not published timely in one of two official County newspapers.

Recommendation – Notice of public hearings should be published in accordance with Chapter 331.434 of the Code of Iowa.

Response – We will review our policy. Copies were either mailed or e-mailed to this paper, but we will see if anything can be done.

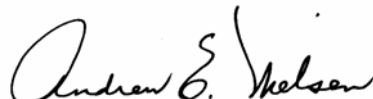
Conclusion – Response accepted.

Madison County

Staff

This audit was performed by:

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