



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

Contact: Ernest Ruben
515/281-5834

FOR RELEASE

March 13, 2023

Auditor of State Rob Sand today released an audit report on Madison County, Iowa.

FINANCIAL HIGHLIGHTS:

The County's revenues totaled \$22,973,207 for the year ended June 30, 2021, an increase of 24.7% over the prior year. Expenses for County operations for the year ended June 30, 2021 totaled \$16,306,358, an increase of 6.5% over the prior year. The significant increase in revenues and expenses is due primarily to an increase in operating grants and capital grants, contributions and restricted interest for various capital projects undertaken by the County during the year.

AUDIT FINDINGS:

Sand reported six findings related to the receipt and expenditure of taxpayer funds. They are found on pages 82 through 87 of this report. The findings address issues such as lack of segregation of duties, a lack of monthly bank reconciliations in the County Treasurer's office, and disbursements exceeding budgeted amounts prior to amendment. Sand provided the County recommendations to address each of these findings.

Five of six of the findings discussed above are repeated from the prior year. The County Board of Supervisors and other County officials have a fiduciary responsibility to provide oversight of the County's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at [Audit Reports – Auditor of State](#).

###

MADISON COUNTY

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

JUNE 30, 2021

Madison County



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Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

March 6, 2023

Officials of Madison County
Winterset, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for Madison County for the year ended June 30, 2021. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of Madison County throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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Madison County

Officials

(Before January 2021)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Aaron Price	Board of Supervisors	Jan 2021
Phil Clifton	Board of Supervisors	Jan 2023
Diane Fitch	Board of Supervisors	Jan 2023
Shelley D. Kaster	County Auditor	Jan 2021
Jana S. Corkrean	County Treasurer	Jan 2023
Lisa Smith	County Recorder	Jan 2023
Jason Barnes	County Sheriff	Jan 2021
Matt Schultz	County Attorney	Jan 2023
Joni J. Hopkins	County Assessor	Jan 2022

(After January 2021)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Phil Clifton	Board of Supervisors	Jan 2023
Diane Fitch	Board of Supervisors	Jan 2023
Heather Stancil	Board of Supervisors	Jan 2025
Shelley D. Kaster	County Auditor	Jan 2025
Jana S. Corkrean	County Treasurer	Jan 2023
Lisa Smith	County Recorder	Jan 2023
Jason Barnes	County Sheriff	Jan 2025
Matt Schultz	County Attorney	Jan 2023
Joni J. Hopkins	County Assessor	Jan 2022



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Independent Auditor's Report

To the Officials of Madison County:

Report on the Financial Statements

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, 2021, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 as of June 30, 2021, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 17 to the financial statements, Madison County adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes on pages 8 through 14 and 54 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

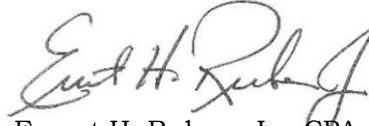
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madison County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements. The 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 6, 2023 on our consideration of Madison County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Madison County's internal control over financial reporting and compliance.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

March 6, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Madison County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2021. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2021 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement (GASB) No. 84, Fiduciary Activities, during fiscal year 2021. The beginning net position for fiduciary (custodial) funds was restated by \$885,724 to retroactively report in accordance with the GASB.
- Revenues of the County's governmental activities increased 24.7%, or approximately \$4,553,000, from fiscal year 2020 to fiscal year 2021. Property tax revenues increased approximately \$621,000, charges for services increased approximately \$451,000, operating grants, contributions and restricted interest increased approximately \$896,000 and capital grants, contributions and restricted interest increased approximately \$1,935,000.
- Program expenses of the County's governmental activities were 6.5%, or approximately \$998,000, more in fiscal year 2021 than in fiscal year 2020. Public safety and legal services and county environment and education expenses increased approximately \$619,000 and \$193,000, respectively, while mental health expenses decreased approximately \$250,000.
- The County's net position increased 21.1%, or approximately \$6,667,000, over the June 30, 2020 balance.

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 Position and a Statement of Activities. These provide information about the activities of Madison County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Madison County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Madison County acts solely as an agent or custodian for the benefit of those outside of County government (Custodial 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, the County's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the County's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the nonmajor governmental, and the individual Internal Service Funds and Custodial Funds.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 Position presents financial information on all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position 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 position changed during the most recent fiscal year. All changes in net position 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 years.

The County's governmental activities are presented in the Statement of Net Position 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) A proprietary fund accounts for the County's Internal Service, Fuel, Supplies, Employee Group Health and Unemployment Insurance 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 Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) Fiduciary funds are used to report assets held in a trust or custodial capacity for others which cannot be used to support the County’s own programs. These fiduciary funds include Custodial Funds that account for emergency management services, Central Iowa Community Services and the County Assessor, to name a few.

The required financial statement for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2021	2020
Current and other assets	\$ 28,325	19,965
Capital assets	34,307	27,130
Total assets	62,632	47,095
Deferred outflows of resources	1,365	1,102
Long-term liabilities	13,033	6,170
Other liabilities	3,427	926
Total liabilities	16,460	7,096
Deferred inflows of resources	9,272	9,503
Net position:		
Net investment in capital assets	29,832	24,663
Restricted	8,760	7,778
Unrestricted	(327)	(843)
Total net position	\$ 38,265	31,598

Net position of Madison County’s governmental activities increased 21.1% (approximately \$38.3 million compared to approximately \$31.6 million).

The largest portion of the County’s net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. This net position category increased 20.96%, or approximately \$5,169,000, over the prior year.

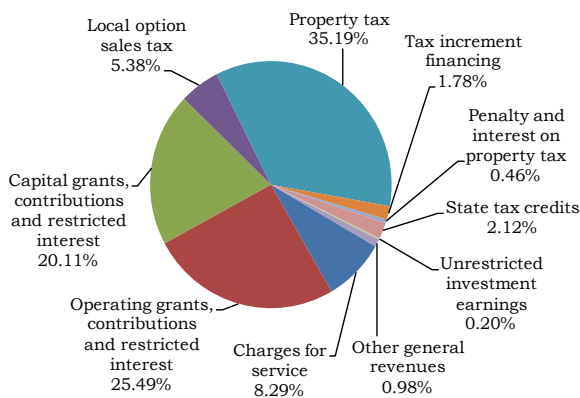
Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. This net position category increased approximately \$982,000, or 12.6%, over the prior year. This increase is primarily due to increases in the amounts held at year end for secondary roads, conservation land acquisition and capital projects.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased from a deficit of approximately \$843,000 at June 30, 2020 to a deficit of approximately \$327,000 at the end of this year, an increase of 61.2%.

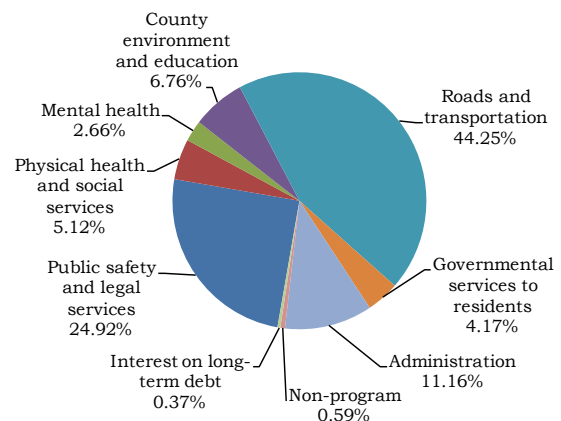
Changes in Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2021	2020
Revenues:		
Program revenues:		
Charges for service	\$ 1,904	1,453
Operating grants, contributions and restricted interest	5,855	4,959
Capital grants, contributions and restricted interest	4,620	2,685
General revenues:		
Property tax	8,084	7,463
Tax increment financing	410	138
Penalty and interest on property tax	105	38
State tax credits	488	448
Local option sales tax	1,237	948
Unrestricted investment earnings	46	77
Gain on disposition of capital assets	-	59
Other general revenues	224	152
Total revenues	22,973	18,420
Program expenses:		
Public safety and legal services	4,063	3,444
Physical health and social services	835	774
Mental health	433	683
County environment and education	1,103	910
Roads and transportation	7,216	7,065
Governmental services to residents	680	635
Administration	1,819	1,708
Non-program	97	68
Interest on long-term debt	60	21
Total expenses	16,306	15,308
Change in net position	6,667	3,112
Net position beginning of year	31,598	28,486
Net position end of year	\$ 38,265	31,598

Revenues by Source



Expenses by Program



Madison County's governmental activities net position increased approximately \$6,667,000 during the year. Revenues for governmental activities increased approximately \$4,553,000 over the prior year, including property tax revenue which increased over the prior year approximately \$621,000, or 8.3%.

The countywide property tax levy rate increased less than 1%, or \$0.036 per \$1,000 of taxable valuation and the rural property tax levy rate remained consistent for fiscal year 2021. However, the countywide property tax valuation increased 7.6% and the rural property tax valuation increased 7.7% for fiscal year 2021. Based on the increases in the property tax valuations, property tax revenue was budgeted to increase approximately \$655,000.

The County's capital grants, contributions and restricted interest increased approximately \$1,935,000, or 72.1%, over the fiscal year 2020 primarily due to an increase of \$1,455,547 in infrastructure assets contributed by the Iowa Department of Transportation.

The cost of all governmental activities this year was approximately \$16.3 million compared to approximately \$15.3 million last year. However, as shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was approximately \$3.9 million because some of the cost was paid by those directly benefited from the programs (approximately \$1.9 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$10.5 million). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, increased in fiscal year 2021 from approximately \$9,097,000 to approximately \$12,379,000. As discussed above, the County received contributions of roads and bridges paid for by the Iowa Department of Transportation.

INDIVIDUAL MAJOR FUND ANALYSIS

As Madison County completed the year, its governmental funds reported a combined fund balance of approximately \$14.9 million, an increase of approximately \$5.7 million above last year's total of approximately \$9.2 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- General Fund revenues increased approximately \$1,261,000, or 19.3%, over the prior year. This increase was primarily due to CARES money received to reimburse salaries for public safety and public health employees, as well as a REAP grant received to fund a new nature center project. Expenditures increased approximately \$358,000, 5.6%, over the prior year to approximately \$6,784,000. The ending fund balance increased approximately \$1,863,000, or 88%, over the prior year, from \$2,116,921 to \$3,980,035.
- The Special Revenue, Mental Health Fund at year end increased approximately \$5,000 over the prior year end. For the year, expenditures totaled approximately \$428,000, a decrease of 37.7% from the prior year, primarily due to a decrease in the amount distributed to the region fiscal agent during the year.
- Special Revenue, Rural Services Fund revenues increased approximately \$509,000, or 14.9%. The primary reason for the increase is due to additional property tax received. Expenditures increased approximately \$18,000 or 1.1%, over the prior year. The ending fund balance increased approximately \$293,000, or 33.3%, over the prior year to \$1,170,723.
- Special Revenue, Tax Increment Financing Fund at year end increased approximately \$3,852,000 over the prior year end. For the year, other financing sources increased by \$6,067,400 from bond proceeds. Expenditures increased approximately \$2,631,000, over the prior year, primarily due to expenditures related to various capital projects.
- Special Revenue, Secondary Roads Fund revenues increased approximately \$737,000, or 15.5%, over the prior year, primarily the result of an increase in road use taxes and an increase in bridge repair project reimbursements. Expenditures decreased approximately \$134,000, or 2.2%. The ending fund balance increased 46.3%, or approximately \$1,577,000, over the prior year to an ending balance of \$4,983,813.

BUDGETARY HIGHLIGHTS

Over the course of the year, Madison County amended its budget one time. The amendment, made on June 8, 2021, resulted in increased budgeted disbursements for the public safety and legal services, physical health and social services, county environment and education, government services to residents, administration and capital projects functions for additional costs associated with CARES Act, building maintenance and repair, insurance enrollment changes, medical supplies and safety equipment, E911 radio project, server and website upgrades and audit expenses. The amendment decreased budgeted disbursements for the mental health function for reduced costs associated with trainings and education due to COVID and insurance enrollment changes.

The County’s receipts were approximately \$87,000 more than budgeted, a variance of less than 1%. The most significant variance resulted from the County receiving increased intergovernmental receipts due to the American Rescue Plan Act.

Total disbursements were approximately \$3,769,000 less than the amended budget. This was primarily due to the County spending approximately \$3,102,000 less than budgeted for capital projects, due to projects being delayed until the next fiscal year.

Even with the budget amendment, the County exceeded the budgeted amounts in the debt service and capital projects functions prior to the amendment and in the debt service function for the year ended June 30, 2021. In addition, the Board of Supervisors did not approve appropriations for the year, so all departments exceeded the amounts appropriated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, Madison County had approximately \$34.3 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of approximately \$7,177,000, or 26.5% over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2021	2020
Land	\$ 1,768	1,649
Intangibles	104	104
Construction in progress	9,218	3,135
Buildings and improvements	2,352	2,447
Equipment and vehicles	4,249	2,759
Infrastructure	16,616	17,036
Total	<u>\$ 34,307</u>	<u>27,130</u>
This year's major additions included (in thousands):		
Construction in progress	\$ 7,046	
Equipment and vehicles	2,303	
Infrastructure	773	
Total	<u>\$ 3,076</u>	

The County had depreciation expense of \$2,016,964 in fiscal year 2021 and total accumulated depreciation of \$18,567,575 at June 30, 2021. More detailed information about the County’s capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2021, Madison County had approximately \$8,350,000 of general obligation bonds and other debt outstanding, compared to approximately \$2,465,000 at June 30, 2020, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2021	2020
General obligation bonds/notes	\$ 8,285	2,365
Bank loan	65	100
Total	\$ 8,350	2,465

Debt increased as a result of issuing general obligation urban renewal bonds for courthouse, elderly services, emergency services, and conservation center building projects.

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Madison County's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$84 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Madison County's elected and appointed officials and citizens consider many factors when setting the fiscal year 2022 budget, tax rates and the fees charged for various county activities. One of those factors is the economy. Unemployment in the County now stands at 4.7% versus 7.6% a year ago. This compares with the State's unemployment rate of 4% and the national rate of 5.9%.

These indicators were taken into account when adopting the budget for fiscal year 2022. Amounts available for appropriation (i.e., beginning balance plus revenues) in the operating budget are approximately \$25.4 million, a decrease of 10.8% from the final fiscal year 2021 budget. Property tax (benefiting from an increase in assessed valuations) receipts are expected to increase while grant receipts (boosted by increased State funding in several of our current programs) are expected to lead this decrease, primarily due to the American Rescue Plan Act funding received during fiscal year 2021. Madison County will use the receipts to finance programs we currently offer and offset the effect we expect inflation to have on program costs. Budgeted disbursements are expected to decrease approximately \$3,459,000 from the final fiscal year 2021 budget, primarily in the capital projects function. The County has added no major new programs or initiatives to the fiscal year 2022 budget.

If these estimates are realized, the County's budgetary operating balance is expected to modestly increase by the close of fiscal year 2022.

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 N John Wayne Drive, Winterset, Iowa 50273-1534.

Basic Financial Statements

Madison County
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 17,456,677
Receivables:	
Property tax:	
Delinquent	13,076
Succeeding year	8,394,000
Succeeding year tax increment financing	671,000
Interest and penalty on property tax	10,962
Accounts	577,723
Accrued interest	2,173
Due from other governments	817,583
Inventories	382,057
Capital assets, not being depreciated	11,089,631
Capital assets, net of accumulated depreciation	23,217,081
Total assets	62,631,963
Deferred Outflows of Resources	
Pension related deferred outflows	1,334,261
OPEB related deferred outflows	30,990
Total deferred outflows of resources	1,365,251
Liabilities	
Accounts payable	1,346,962
Accrued interest payable	15,727
Salaries and benefits payable	279,858
Advances from grantors	112,427
Due to other governments	85,647
Unearned revenues	1,586,733
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	502,715
General obligation notes	120,000
Bank loan	12,313
Compensated absences	383,672
Portion due or payable after one year:	
General obligation bonds	7,037,285
General obligation notes	625,000
Bank loan	52,962
Compensated absences	389,301
Net pension liability	3,651,114
Total OPEB liability	258,874
Total liabilities	16,460,590
Deferred Inflows of Resources:	
Unavailable property tax revenue	8,394,000
Unavailable tax increment financing revenue	671,000
Pension related deferred inflows	140,730
OPEB related deferred inflows	66,208
Total deferred inflows of resources	9,271,938
Net Position	
Net investment in capital assets	29,832,195
Restricted for:	
Supplemental levy purposes	732,680
Mental health purposes	95,611
Rural services purposes	1,131,075
Secondary roads purposes	4,596,971
Conservation land acquisition purposes	1,250,869
Other purposes	952,613
Unrestricted	(327,328)
Total net position	\$ 38,264,686

See notes to financial statements.

Madison County
Statement of Activities
Year ended June 30, 2021

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 4,062,753	1,009,244	282,785	25,000	(2,745,724)
Physical health and social services	835,445	98,656	233,249	-	(503,540)
Mental health	433,026	-	-	-	(433,026)
County environment and education	1,102,990	115,795	724,692	128,886	(133,617)
Roads and transportation	7,216,241	101,012	4,580,638	4,466,298	1,931,707
Governmental services to residents	680,453	470,362	29,000	-	(181,091)
Administration	1,818,573	18,360	4,156	-	(1,796,057)
Non-program	97,301	90,263	-	-	(7,038)
Interest on long-term debt	59,576	-	-	-	(59,576)
Total	\$ 16,306,358	1,903,692	5,854,520	4,620,184	(3,927,962)
General Revenues:					
Property and other county tax levied for					
General purposes					8,039,333
Debt service					45,001
Tax increment financing					409,542
Penalty and interest on property tax					104,636
State tax credits					488,226
Local option sales tax					1,237,380
Unrestricted investment earnings					46,335
Miscellaneous					224,358
Total general revenues					10,594,811
Change in net position					6,666,849
Net position beginning of year					31,597,837
Net position end of year					\$ 38,264,686

See notes to financial statements.

Madison County
Balance Sheet
Governmental Funds

June 30, 2021

	Special		
	General	Mental Health	Rural Services
Assets			
Cash, cash equivalents and pooled investments	\$ 5,594,203	98,179	858,554
Receivables:			
Property tax:			
Delinquent	8,251	467	3,925
Succeeding year	5,175,000	293,000	2,632,000
Succeeding year tax increment financing	-	-	-
Interest and penalty on property tax	10,962	-	-
Accounts	444,201	-	2,548
Accrued interest	2,172	-	-
Due from other governments	14,944	-	75,502
Due from other funds	51,865	-	-
Inventories	-	-	-
Interfund loan receivable	-	-	262,500
Advances to other funds	60,000	-	-
Total assets	\$ 11,361,598	391,646	3,835,029
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 65,013	288	11,365
Salaries and benefits payable	139,791	2,747	16,440
Advances to grantors	-	-	-
Due to other governments	69,841	-	576
Due to other funds	-	-	-
Unearned revenue	1,586,733	-	-
Interfund loan payable	-	-	-
Total liabilities	1,861,378	3,035	28,381
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	5,175,000	293,000	2,632,000
Succeeding year tax increment financing	-	-	-
Other	345,185	456	3,925
Total deferred inflows of resources	5,520,185	293,456	2,635,925
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Advance to Internal Service Fund	60,000	-	-
Restricted for:			
Supplemental levy purposes	729,912	-	-
Mental health purposes	-	95,155	-
Rural services purposes	-	-	1,170,723
Secondary roads purposes	-	-	-
Conservation land acquisition	1,250,869	-	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	-	-	-
Unassigned	1,939,254	-	-
Total fund balances	3,980,035	95,155	1,170,723
Total liabilities, deferred inflows of resources and fund balances	\$ 11,361,598	391,646	3,835,029

See notes to financial statements.

Revenue			
Tax Increment Financing	Secondary Roads	Nonmajor	Total
4,844,531	4,410,885	941,857	16,748,209
-	-	433	13,076
-	-	294,000	8,394,000
671,000	-	-	671,000
-	-	-	10,962
128,886	1,608	480	577,723
-	-	1	2,173
-	523,491	17,707	631,644
-	-	-	51,865
-	354,630	-	354,630
-	-	-	262,500
-	-	-	60,000
<u>5,644,417</u>	<u>5,290,614</u>	<u>1,254,478</u>	<u>27,777,782</u>
923,711	50,537	29,610	1,080,524
	120,880	-	279,858
	112,427	-	112,427
	15,230	-	85,647
	-	51,865	51,865
	-	-	1,586,733
<u>262,500</u>	<u>-</u>	<u>-</u>	<u>262,500</u>
<u>1,186,211</u>	<u>299,074</u>	<u>81,475</u>	<u>3,459,554</u>
-	-	294,000	8,394,000
671,000	-	-	671,000
-	7,727	422	357,715
<u>671,000</u>	<u>7,727</u>	<u>294,422</u>	<u>9,422,715</u>
	354,630	-	354,630
	-	-	60,000
-	-	-	729,912
-	-	-	95,155
-	-	-	1,170,723
-	4,629,183	-	4,629,183
-	-	-	1,250,869
-	-	7,264	7,264
3,875,758	-	-	3,875,758
-	-	952,613	952,613
<u>(88,552)</u>	<u>-</u>	<u>(81,296)</u>	<u>1,769,406</u>
<u>3,787,206</u>	<u>4,983,813</u>	<u>878,581</u>	<u>14,895,513</u>
<u>5,644,417</u>	<u>5,290,614</u>	<u>1,254,478</u>	<u>27,777,782</u>

Madison County

Madison County

Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Position

June 30, 2021

Total governmental fund balances (page 19) \$ 14,895,513

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$52,874,287 and the accumulated depreciation is \$18,567,575. 34,306,712

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 357,715

The Internal Service Funds are used by management to charge the costs of the 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 with governmental activities in the Statement of Net Position. 595,396

Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 1,365,251	
Deferred inflows of resources	<u>(206,938)</u>	1,158,313

Long-term liabilities, including general obligation bonds and notes payable, compensated absences payable, bank loan, net pension liability, total OPEB liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (13,048,963)

Net position of governmental activities (page 17) \$ 38,264,686

See notes to financial statements.

Madison County

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

Year ended June 30, 2021

	Special		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 5,017,093	406,892	2,689,609
Tax increment financing	-	-	-
Local option sales tax	-	-	989,903
Interest and penalty on property tax	99,906	-	-
Intergovernmental	1,188,046	25,425	141,286
Licenses and permits	-	-	92,060
Charges for service	1,301,412	-	7,804
Use of money and property	113,324	-	-
Miscellaneous	85,478	296	58
Total revenues	<u>7,805,259</u>	<u>432,613</u>	<u>3,920,720</u>
Expenditures:			
Operating:			
Public safety and legal services	3,113,828	-	580,277
Physical health and social services	692,599	-	128,106
Mental health	-	427,676	-
County environment and education	704,310	-	286,202
Roads and transportation	-	-	606,251
Governmental services to residents	654,797	-	1,572
Administration	1,618,873	-	-
Debt service	-	-	-
Capital projects	-	-	18,871
Total expenditures	<u>6,784,407</u>	<u>427,676</u>	<u>1,621,279</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,020,852</u>	<u>4,937</u>	<u>2,299,441</u>
Other financing sources (uses):			
Proceeds from long-term debt	-	-	-
Premium on bonds issued	-	-	-
Transfers in	1,000,000	-	-
Transfers out	(157,738)	-	(2,006,930)
Total other financing sources (uses)	<u>842,262</u>	<u>-</u>	<u>(2,006,930)</u>
Change in fund balances	1,863,114	4,937	292,511
Fund balances (deficit) beginning of year	<u>2,116,921</u>	<u>90,218</u>	<u>878,212</u>
Fund balances end of year	<u>\$ 3,980,035</u>	<u>95,155</u>	<u>1,170,723</u>

See notes to financial statements.

Revenue			
Tax Increment Financing	Secondary Roads	Nonmajor	Total
-	-	45,001	8,158,595
409,542	-	-	409,542
-	-	247,477	1,237,380
-	-	-	99,906
155,792	5,383,531	38,833	6,932,913
-	23,833	-	115,893
-	15,231	5,392	1,329,839
-	-	33,125	146,449
-	75,991	442,630	604,453
565,334	5,498,586	812,458	19,034,970
-	-	169	3,694,274
-	-	-	820,705
-	-	-	427,676
-	-	24,802	1,015,314
-	5,201,808	-	5,808,059
-	-	226	656,595
-	-	102,793	1,721,666
158,707	-	138,449	297,156
2,720,399	884,636	1,465,256	5,089,162
2,879,106	6,086,444	1,731,695	19,530,607
(2,313,772)	(587,858)	(919,237)	(495,637)
6,040,000	-	-	6,040,000
126,187	-	5,143	131,330
-	2,164,668	-	3,164,668
-	-	(1,000,000)	(3,164,668)
6,166,187	2,164,668	(994,857)	6,171,330
3,852,415	1,576,810	(1,914,094)	5,675,693
(65,209)	3,407,003	2,792,675	9,219,820
3,787,206	4,983,813	878,581	14,895,513

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, 2021

Change in fund balances - Total governmental funds (page 23) \$ 5,675,693

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	\$ 5,491,789	
Contributed capital assets, contributed by the Iowa Department of Transportation	3,702,237	
Depreciation expense	<u>(2,016,964)</u>	7,177,062

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

Property tax	(69,531)	
Other	<u>215,262</u>	145,731

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

Issued	(6,040,000)	
Repaid	<u>154,725</u>	(5,885,275)

The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position.

542,756

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	2,894	
Pension expense	(772,656)	
OPEB expense	(18,090)	
Interest on long-term debt	<u>(13,750)</u>	(801,602)

The Internal Service Funds are used by management to charge the costs of the partial self-funding of the County's health insurance benefit plan and other internal costs to individual funds. The change in net position of the Internal Service Funds is reported with governmental activities.

(187,516)

Change in net position of governmental activities (page 17)

\$ 6,666,849

See notes to financial statements.

Madison County
Statement of Net Position
Proprietary Funds

June 30, 2021

	Internal Service
Assets	
Cash and cash equivalents	\$ 708,468
Accounts receivable	185,939
Inventories	27,427
Total assets	921,834
Liabilities	
Accounts payable	266,438
Advance from General Fund	60,000
Total liabilities	326,438
Net Position	
Unrestricted	\$ 595,396

See notes to financial statements.

Exhibit H

Madison County

Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds

Year ended June 30, 2021

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds and employees		\$ 2,258,219
Reimbursements from others		<u>90,263</u>
Total operating revenues		2,348,482
Operating expenses:		
Medical claims	\$ 2,230,923	
Materials and supplies	305,078	
Insurance premiums	<u>3</u>	<u>2,536,004</u>
Operating loss		(187,522)
Non-operating revenues:		
Interest income		<u>6</u>
Net loss		(187,516)
Net position beginning of year		<u>782,912</u>
Net position end of year		<u>\$ 595,396</u>

See notes to financial statements.

Madison County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2021

	Internal Service
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 2,079,023
Cash received from others	89,124
Cash paid to suppliers for goods and services	(2,488,420)
Net cash used by operating activities	(320,273)
Cash flows from investing activities:	
Interest on investments	7
Net decrease in cash and cash equivalents	(320,266)
Cash and cash equivalents beginning of year	1,028,734
Cash and cash equivalents end of year	\$ 708,468
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (187,522)
Adjustments to reconcile operating income to net cash used by operating activities:	
Changes in assets and liabilities:	
Accounts receivable	(180,335)
Inventories	(12,125)
Accounts payable	59,709
Net cash used by operating activities	\$ (320,273)

See notes to financial statements.

Madison County
Statement of Fiduciary Net Position
Custodial Funds

June 30, 2021

Assets

Cash, cash equivalents and pooled investments:

County Treasurer	\$ 1,387,265
Other County officials	58,312

Receivables:

Property tax:

Delinquent	37,862
Succeeding year	26,802,000
Accounts	1,273
Special assessments	134,510
Due from other governments	<u>1,539</u>

Total assets28,422,761**Liabilities**

Accounts payable	2,703
Salaries and benefits payable	7,737
Due to other governments	1,150,489
Trusts payable	13,096
Compensated absences	<u>26,942</u>

Total liabilities1,200,967**Deferred Inflows of Resources**

Unavailable property tax revenue	<u>26,802,000</u>
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Net position

Restricted for individuals, organizations and other governments	<u>\$ 419,794</u>
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See notes to financial statements.

Madison County
Statement of Changes in Fiduciary Net Position
Custodial Funds

June 30, 2021

Additions:	
Property and other county tax	\$ 26,524,131
State tax credits	1,830,120
Office fees and collections	732,545
Electronic transaction fees	4,914
Drivers license fees	57,263
Auto licenses, use tax and postage	7,911,213
Assessments	5,740
Trusts	883,537
Miscellaneous	<u>456,918</u>
Total additions	<u>38,406,381</u>
Deductions:	
Agency remittances:	
To other funds	638,741
To other governments	37,352,111
Trusts paid out	<u>881,459</u>
Total deductions	<u>38,872,311</u>
Change in net position	(465,930)
Net position beginning of year, as restated	<u>885,724</u>
Net position end of year	<u>\$ 419,794</u>

See notes to financial statements.

Madison County

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies

Madison County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Madison County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Madison County (the primary government) and its component unit. The component unit discussed below is included in the County's reporting entity because of the significance of its operational or financial relationship with the County.

Blended Component Units – The following component units are entities which are legally separate from the County, but are so intertwined with the County they are, in substance, the same as the County. They are reported as part of the County and blended into the appropriate funds.

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

Madison County Foundation for Environmental Education, Inc. (MCFEE) is legally separate from the County, but is so intertwined with the County it is, in substance, the same as the County. MCFEE was established pursuant to Chapter 504A of the Code of Iowa to promote conservation practices throughout Madison County through land management, education and environmental preservation. MCFEE is reported as a Special Revenue Fund.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Madison County Assessor’s Conference Board, Madison County Emergency Management Commission, South Central Iowa Regional 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 Custodial Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component unit. 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 Position presents the County’s nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The County reports the following major governmental funds:

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

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities 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 Tax Increment Financing Fund (TIF) is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary roads 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 – Custodial Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under lease agreements 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 position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust and non-negotiable certificates of deposit which are stated at amortized 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 and tax increment financing receivables represent 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 and tax increment financing receivables have been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which they are 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, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2020.

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

Special Assessments Receivable – Special assessments receivable represents the amounts assessed to individuals for work done which benefits their property. These assessments are payable by individuals in not more than 15 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.

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, 2021, balances of interfund amounts receivable and payable have been recorded in the fund financial statements.

Advances to/from Other Funds – Non-current long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve for governmental funds, which indicates they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

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

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

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles acquired after July 1, 1980 are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. 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. Intangible assets are reported with tangible assets in the appropriate capital asset class. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Intangibles	50,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment and infrastructure are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Intangibles	5 - 20
Equipment	2 - 20
Vehicles	3 - 10

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense, the unamortized portion of the net difference between projected and actual earnings on pension plan assets and contributions from the County after the measurement date but before the end of the County’s reporting period.

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.

Unearned Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collect soon enough thereafter to be used to pay liabilities of the current year. Unearned revenue in the government-wide and the governmental fund financial statements represent the amounts of assets that have been recognized, but the related revenue has not been recognized since the County has not made a qualifying expenditure. Unearned revenue costs of unspent American Rescue Plan Act proceeds.

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.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, compensatory, and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2021. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

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.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the Madison County's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied unrecognized items not yet charged to pension expense and OPEB expense is a deferred outflow.

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

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

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

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, 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, 2021, disbursements exceeded the amount budgeted in the debt service and capital projects functions prior to the budget amendment and in the debt service function at year end. In addition, appropriations were not approved by the Board of Supervisors during the fiscal year, disbursements in all departments exceeded the amounts appropriated.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2021 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 ensure 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 \$13,726,133. There were no limitations or restrictions on withdrawals for the IPAIT investments. The County's investment in IPAIT is unrated.

Component Units

Madison County Covered Bridge Preservation Association, Inc.

At June 30, 2021, the Madison County Covered Bridge Preservation Association, Inc. had the following investments:

<u>Investment</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Mutual funds	\$ 54,728	62,178
Corporate bonds	14,764	16,063
Total	<u>\$ 69,492</u>	<u>78,241</u>

The Madison County Covered Bridge Preservation Association, Inc. uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The recurring fair value of the Madison County Covered Bridge Preservation Association, Inc.'s mutual funds and corporate bonds were determined using quoted market prices. (Level 1 inputs)

Interest rate risk – The Association’s Board has determined that the Association can tolerate some interim fluctuation in the funds’ market value and rates of return in order to achieve long-term growth objectives. Given this, the Association has determined that its risk tolerance is conservative.

Madison County Foundation for Environmental Education

At June 30, 2021, the Madison County Foundation for Environmental Education had the following investments:

<u>Investment</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Mutual funds	\$ 63,524	82,957

The Madison County Foundation for Environmental Education uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The recurring fair value of the Madison County Foundation for Environmental Education mutual funds were determined using quoted market prices. (Level 1 inputs)

(3) Interfund Assets/Liabilities

The detail of advances to/from other funds at June 30, 2021 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Internal Service: Fuel	\$ 60,000
Speical Revenue: Rural Services	Special Revenue: TIF Special Revenue	<u>262,500</u>
		<u>\$ 322,500</u>

The advance between the General Fund and the Internal Service, Fuel Fund resulted from a loan between funds which has not been repaid.

The advance between the Special Revenue, Rural Services Fund and the Special Revenue, TIF Fund resulted from a loan between the funds to cover urban renewal project costs. The funds were transferred into a sub fund of the Special Revenue, TIF Fund, UR Project fund, where they are used to cover the expenditures related to urban renewal projects.

The detail of interfund receivables and payables at June 30, 2021 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Projects	<u>\$ 51,865</u>

The General Fund advanced funds to the Capital Projects Fund to pay for capital project expenses.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Madison County Foundation for Environmental Education	\$ 1,000,000 *
Special Revenue:		
Secondary Roads	General	157,738
	Special Revenue:	
	Rural Services	<u>2,006,930</u>
Total		<u>\$ 3,164,668</u>

* Transfer from Madison County Foundation for Environmental Education to Madison County for purpose of building a nature center.

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, 2021 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,648,385	119,626	-	1,768,011
Intangibles, road network	104,029	-	-	104,029
Construction in progress	3,135,357	7,046,371	(964,137)	9,217,591
Total capital assets not being depreciated	<u>4,887,771</u>	<u>7,165,997</u>	<u>(964,137)</u>	<u>11,089,631</u>
Capital assets being depreciated:				
Buildings	4,360,843	-	-	4,360,843
Improvements other than buildings	31,147	-	-	31,147
Equipment and vehicles	9,609,205	2,302,547	(167,079)	11,744,673
Infrastructure, road network	24,874,835	773,158	-	25,647,993
Total capital assets being depreciated	<u>38,876,030</u>	<u>3,075,705</u>	<u>(167,079)</u>	<u>41,784,656</u>
Less accumulated depreciation for:				
Buildings	1,913,949	95,154	-	2,009,103
Improvements other than buildings	31,147	-	-	31,147
Equipment and vehicles	6,849,988	729,172	(83,540)	7,495,620
Infrastructure, road network	7,839,067	1,192,638	-	9,031,705
Total accumulated depreciation	<u>16,634,151</u>	<u>2,016,964</u>	<u>(83,540)</u>	<u>18,567,575</u>
Total capital assets being depreciated, net	<u>22,241,879</u>	<u>1,058,741</u>	<u>(83,539)</u>	<u>23,217,081</u>
Governmental activities capital assets, net	<u>\$ 27,129,650</u>	<u>8,224,738</u>	<u>(1,047,676)</u>	<u>34,306,712</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 265,042
Physical health and social services	10,368
County environment and education	29,940
Roads and transportation	1,648,535
Administration	<u>63,079</u>
Total depreciation expense - governmental activities	<u>\$ 2,016,964</u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2021 is as follows:

Fund	Description	Amount
General	Services	\$ 69,841
Special Revenue:		
Rural Services	Services	576
Secondary Roads	Services	15,230
Total for governmental funds		<u>\$ 85,647</u>
Custodial:		
County Offices	Collections	\$ 45,145
Agricultural Extension Education		2,994
County Assessor		7,307
Schools		191,243
Community Colleges		7,416
Corporations		42,114
Townships		15,639
County Hospital		30,042
Special Assessments		5,242
Auto License and Use Tax		729,351
Other		73,996
Total for custodial funds		<u>\$ 1,150,489</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2021 is as follows:

	Bank Loan	General Obligation Bonds	General Obligation Urban Renewal Bonds	General Obligation Refunding Notes	General Obligation Capital Loan Notes	Compensated Absences	Net Pension Liability	Total OPEB Liability	Total
Balance beginning of year	\$ 100,000	1,500,000	-	585,000	280,000	775,867	2,677,502	251,338	6,169,707
Increases	-	-	6,040,000	-	-	491,520	973,612	29,266	7,534,398
Decreases	34,725	-	-	80,000	40,000	494,414	-	21,730	670,869
Balance end of year	<u>65,275</u>	<u>1,500,000</u>	<u>6,040,000</u>	<u>505,000</u>	<u>240,000</u>	<u>772,973</u>	<u>3,651,114</u>	<u>258,874</u>	<u>13,033,236</u>
Due within one year	\$ 12,313	227,715	275,000	80,000	40,000	383,672	-	-	1,018,700

Bank Loan

On June 15, 2020, the County issued a \$100,000 bank loan with an interest rate of 3.35% per annum. The bank loan was issued to fund the purchase of equipment for the Conservation department. During the year ended June 30, 2021, the County paid principal of \$34,275 and interest of \$275 on the loan. A summary of the County's June 30, 2021 bank loan indebtedness is as follows:

Year Ending June 30,	Bank Loan		
	Issued Jun 15, 2020		
	Interest Rates	Principal	Interest
2022	3.35%	\$ 12,313	2,187
2023	3.35	12,726	1,774
2024	3.35	13,152	1,348
2025	3.35	13,590	910
2026	3.35	13,494	452
Total		<u>\$ 65,275</u>	<u>6,671</u>

General Obligation Bonds

On June 23, 2020, the County issued \$1,500,000 of general obligation emergency communications equipment bonds, series 2020, with an interest rate of 1.25% per annum. The bonds were issued to fund the purchase of emergency communications equipment. During the year ended June 30, 2021, the County paid no principal or interest on the loan.

On October 10, 2020, the County issued \$6,040,000 of general obligation urban renewal bonds, series 2020A, with interest rates ranging from 1.00% to 2.00% per annum. The bonds were issued for the purposes of paying the cost of carrying out urban renewal projects consisting of the Madison County Courthouse Improvements Project, Madison County Elderly Services Building Project, Madison County Ambulance Garage and Fire Station Project, and the Madison County Conservation Project including construction of an environmental learning center. During the year ended June 30, 2021, the County paid no principal and \$59,620 of interest on the bonds.

A summary of the County's June 30, 2021 general obligation bonded indebtedness is as follows:

Year Ending June 30,	General Obligation Bonds								
	Series 2020			Urban Renewal, Series 2020A			Totals		
	Issued Jun 23, 2020			Issued Oct 22, 2020					
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	1.25%	\$ 227,715	36,370	2.00%	\$ 275,000	98,005	\$ 502,715	134,375	637,090
2023	1.25	248,181	15,904	2.00	280,000	92,505	528,181	108,409	636,590
2024	1.25	251,249	12,836	2.00	415,000	86,905	666,249	99,741	765,990
2025	1.25	254,425	9,661	2.00	425,000	78,605	679,425	88,266	767,691
2026	1.25	257,605	6,480	2.00	435,000	70,105	692,605	76,585	769,190
2027-2031	1.25	260,825	3,260	1.00-2.00	2,275,000	241,710	2,535,825	244,970	2,780,795
2032-2035		-	-	1.45-1.70	1,935,000	79,429	1,935,000	79,429	2,014,429
Total		<u>\$ 1,500,000</u>	<u>84,511</u>		<u>\$ 6,040,000</u>	<u>747,264</u>	<u>\$ 7,540,000</u>	<u>831,775</u>	<u>8,371,775</u>

General Obligation Notes

On June 22, 2016, the County issued \$810,000 of general obligation local option sales and service tax refunding capital loan notes for the crossover advance refunding of general obligation local sales and service tax bonds dated August 25, 2010. During the year ended June 30, 2021, the County paid principal of \$80,000 and interest of \$11,060 on the notes.

On July 3, 2017, the County issued \$400,000 of general obligation capital loan notes with an interest rate of 2.45% per annum. The notes were issued to pay the costs of public buildings, including the site or grounds of, and the erection, equipment, remodeling, or reconstruction of, and additions or extensions to the buildings, including the acquisition of the Union State property. During the year ended June 30, 2021, the County paid principal of \$40,000 and interest of \$6,860 on the notes.

A summary of the County’s June 30, 2021 general obligation notes indebtedness is as follows:

General Obligation Notes									
Year Ending June 30,	General Obligation Refunding Notes Issued Jun 22, 2016			General Obligation Capital Loan Notes Issued Jul 3, 2017			Totals		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	2.00%	\$ 80,000	10,100	2.45%	\$ 40,000	5,880	\$ 120,000	15,980	135,980
2023	2.00	80,000	8,500	2.45	40,000	4,900	120,000	13,400	133,400
2024	2.00	85,000	6,900	2.45	40,000	3,931	125,000	10,831	135,831
2025	2.00	85,000	5,200	2.45	40,000	2,940	125,000	8,140	133,140
2026	2.00	85,000	3,500	2.45	40,000	1,960	125,000	5,460	130,460
2027	2.00	90,000	1,800	2.45	40,000	980	130,000	2,780	132,780
Total		\$ 505,000	36,000		\$ 240,000	20,591	\$ 745,000	56,591	801,591

(8) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member’s first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member’s highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Sheriffs, deputies and protection occupation members may retire at normal retirement age, which is generally age 55. Sheriffs, deputies and protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a sheriff's, deputy's and protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the County contributed 9.44% of covered payroll, for a total rate of 15.73%. The Sheriff, deputies and the County each contributed 9.26% of covered payroll, for a total rate of 18.52%. Protection occupation members contributed 6.41% of covered payroll and the County contributed 9.61% of covered payroll for a total rate of 16.02%.

The County's contributions to IPERS for the year ended June 30, 2021 totaled \$542,756.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the County reported a liability of \$3,651,114 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the County's proportion was 0.051975%, which was an increase of 0.005737% over its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the County recognized pension expense of \$772,656. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,493	91,336
Changes of assumptions	240,674	46,330
Net difference between projected and actual earnings on IPERS' investments	293,430	-
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	238,908	3,064
County contributions subsequent to the measurement date	542,756	-
Total	\$ 1,334,261	140,730

\$542,756 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2022	\$ 123,757
2023	158,699
2024	150,148
2025	205,097
2026	13,074
Total	\$ 650,775

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
County's proportionate share of the net pension liability	\$ 6,942,013	3,651,114	892,581

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2021.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The County administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by Madison County and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical, prescription drug and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>91</u>
Total	<u>91</u>

Total OPEB Liability – The County's total OPEB liability of \$258,874 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2020)	2.60% per annum.
Rates of salary increase (effective June 30, 2020)	3.25% to 16.25% average, including inflation.
Discount rate (effective June 30, 2020)	2.16% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2020)	6.50% initial rate decreasing by .25% annually to an ultimate rate of 4.00%.

Discount Rate – The discount rate used to measure the total OPEB liability was 2.16% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the RP-2014 Employee Table, projected generationally using MP-2017. Annual retirement probabilities are from the RP-2014 Healthy Annuitant Table, projected generationally using MP-2017.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	<u>\$ 251,338</u>
Changes for the year:	
Service cost	22,288
Interest	6,002
Differences between expected and actual experiences	(17,553)
Changes in assumptions	976
Benefit payments	<u>(4,177)</u>
Net changes	<u>7,536</u>
Total OPEB liability end of year	<u>\$ 258,874</u>

Changes of assumptions reflect a change in the discount rate from 2.21% in fiscal year 2020 to 2.16% in fiscal year 2021.

Sensitivity of the County's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.16%) or 1% higher (3.16%) than the current discount rate.

	<u>1% Decrease (1.16%)</u>	<u>Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
Total OPEB liability	\$ 277,605	258,874	241,089

Sensitivity of the County's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.50%) or 1% higher (7.50%) than the current healthcare cost trend rates.

	<u>1% Decrease (5.50%)</u>	<u>Healthcare Cost Trend Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Total OPEB liability	\$ 230,522	258,874	292,331

OPEB Expense, Deferred Outflows and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2021, the County recognized OPEB expense of \$18,090. At June 30, 2021, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	63,925
Changes in assumptions	30,990	2,283
Total	<u>\$ 30,990</u>	<u>66,208</u>

The amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ending June 30,	Amount
2022	\$ (6,023)
2023	(6,023)
2024	(6,023)
2025	(5,906)
2026	(5,740)
Thereafter	<u>(5,503)</u>
	<u>\$ (35,218)</u>

(10) Risk Management

The County is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 785 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member’s annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool’s general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool’s general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year’s member contributions.

The County's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The County's contributions to the Pool for the year ended June 30, 2021 were \$161,414.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the County's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2021, no liability has been recorded in the County's financial statements. As of June 30, 2021, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The County also carries commercial insurance purchased from another insurer for coverage associated with workers compensation in the amount of \$1,000,000. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Employee Health Insurance Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$50,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2021 was \$1,980,151.

Amounts payable from the Employee Group Health Fund at June 30, 2021 total \$266,031, 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 \$520,405 at June 30, 2021 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 197,443
Incurred claims (including claims incurred but not reported at June 30, 2020)	2,230,923
Payments:	
Payments on claims during the fiscal year	<u>2,162,335</u>
Unpaid claims end of year	<u>\$ 266,031</u>

(12) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

Tax Abatements of Other Entities

Other entities within the County also provided tax abatements for urban renewal and economic development projects pursuant to Chapters 15 and 403 of the Code of Iowa. Additionally, the City of Earlham offered an urban revitalization tax abatement program pursuant to Chapter 404 of the Code of Iowa. With prior approval by the governing body, this program provides for an exemption of taxes based on a percentage of the actual value added by improvements.

Property tax revenues of the County were reduced by the following amounts for the year ended June 30, 2021 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
City of Winterset	Urban renewal and economic development projects	\$ 263,882
City of Earlham	Chapter 404 tax abatement program	35,639
City of Patterson	Urban renewal and economic development projects	3,217

(13) County Financial Information Included in the Central Iowa Community Services Mental Health Region

The Central Iowa Community Services (CICS) Mental Health Region, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa, includes the following member counties: Boone County, Franklin County, Greene County, Hamilton County, Hardin County, Jasper County, Madison County, Marshall County, Poweshiek County, Story County, and Warren County. The financial activity of the County's Special Revenue, Mental Health Fund is included in the Central Iowa Community Services Mental Health Region for the year ended June 30, 2021, as follows:

Revenues:		
Property and other county tax		\$ 406,892
Intergovernmental revenues:		
State tax credits		25,425
Miscellaneous		<u>296</u>
Total revenues		<u>432,613</u>
Expenditures:		
Services to persons with:		
Mental illness		77,259
General administration:		
Direct administration	\$ 52,481	
Distribution to regional fiscal agent	<u>297,936</u>	<u>350,417</u>
Total expenditures		<u>427,676</u>
Deficiency of expenditures over revenues		4,937
Fund balance beginning of year		<u>90,218</u>
Fund balance end of year		<u>\$ 95,155</u>

(14) Construction Commitment

The County has entered into a contract with Wells & Associates totaling \$300,000 for architectural services related to the construction of a conservation center. As of June 30, 2021, costs of \$275,532 on the project have been incurred. The \$24,468 balance remaining on the project at June 30, 2021 will be paid as work on the project progresses.

The County entered into a contract with Breiholz Construction in the amount of \$3,470,000 for the Madison County courthouse exterior and entry renovations. As of June 30, 2021, costs of \$167,303 on the project have been incurred. The \$3,302,697 balance remaining on the project at June 30, 2021 will be paid as work on the project progresses.

The County entered into a contract with Graphite Construction Group in the amount of \$2,027,900 for the construction of the Madison County Emergency Management Services Facility. As of June 30, 2021, costs of \$709,669 on the project have been incurred. The \$1,318,231 balance remaining on the project at June 30, 2021 will be paid as work on the project progresses.

(15) Deficit Fund Balance

The Capital Projects fund had a deficit balance of \$81,296 at June 30, 2021. This deficit balance is primarily due to emergency communications equipment expenditures exceeding the G.O. Bond, series 2020 proceeds received in fiscal year 2020. The County will investigate alternatives to bring the fund to a sound position.

(16) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of Madison County, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of Madison County. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to Madison County.

(17) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities, was implemented during fiscal year 2021. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity.

The restatement to retroactively report the change in net position, is as follows:

	<u>Fiduciary Activities</u>
Net position June 30, 2020, as previously reported	\$ -
Change to implement GASB No. 84	<u>885,724</u>
Net position July 1, 2020, as restated	<u>\$ 885,724</u>

(18) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements require the reporting of certain potentially significant asset and liabilities that are not currently reported.

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, 2021

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 9,866,391	-	9,866,391
Interest and penalty on property tax	106,939	-	106,939
Intergovernmental	7,518,904	-	7,518,904
Licenses and permits	113,330	-	113,330
Charges for service	1,325,377	-	1,325,377
Use of money and property	146,182	33,109	113,073
Miscellaneous	1,592,046	439,133	1,152,913
Total receipts	20,669,169	472,242	20,196,927
Disbursements:			
Public safety and legal services	3,689,813	-	3,689,813
Physical health and social services	818,966	-	818,966
Mental health	426,685	-	426,685
County environment and education	1,012,657	23,116	989,541
Roads and transportation	5,950,685	-	5,950,685
Governmental services to residents	647,261	-	647,261
Administration	1,726,959	-	1,726,959
Debt service	297,156	-	297,156
Capital projects	4,200,007	-	4,200,007
Total disbursements	18,770,189	23,116	18,747,073
Excess (deficiency) of receipts over (under) disbursements	1,898,980	449,126	1,449,854
Other financing sources, net	6,186,770	(1,000,000)	7,186,770
Change in balances	8,085,750	(550,874)	8,636,624
Balance beginning of year	8,662,459	1,103,497	7,558,962
Balance end of year	\$ 16,748,209	552,623	16,195,586

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
8,927,605	8,927,605	938,786
67,255	67,255	39,684
6,577,272	8,712,451	(1,193,547)
80,421	84,221	29,109
1,101,290	1,108,013	217,364
124,013	124,013	(10,940)
83,710	1,086,318	66,595
16,961,566	20,109,876	87,051
3,710,735	3,772,554	82,741
961,589	986,262	167,296
489,856	449,506	22,821
1,022,131	1,024,609	35,068
6,372,847	6,372,847	422,162
674,240	682,123	34,862
1,693,364	1,787,066	60,107
138,620	138,920	(158,236)
2,576,070	7,302,070	3,102,063
17,639,452	22,515,957	3,768,884
(677,886)	(2,406,081)	3,855,935
2,000	6,069,400	1,117,370
(675,886)	3,663,319	4,973,305
4,672,697	4,672,697	2,886,265
3,996,811	8,336,016	7,859,570

Madison County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2021

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 20,669,169	(1,634,199)	19,034,970
Expenditures	18,770,189	760,418	19,530,607
Net	1,898,980	(2,394,617)	(495,637)
Other financing sources, net	6,186,770	(15,440)	6,171,330
Beginning fund balances	8,662,459	557,361	9,219,820
Ending fund balances	\$ 16,748,209	(1,852,696)	14,895,513

See accompanying independent auditor's report.

Madison County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2021

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, one budget amendment increased budgeted disbursements by \$4,876,505. 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 Assessor by the County Conference Board, for the 911 System by the Joint 911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2021, disbursement exceeded the amount budgeted in the debt service and capital project functions prior to the amendment and in the debt service function for the year ended June 30, 2021. In addition, the Board of Supervisors, by resolution, did not approve appropriations for each of the different County offices and departments.

Madison County

Schedule of the County's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Seven Years*
(In Thousands)

Required Supplementary Information

	2021	2020	2019	2018
County's proportion of the net pension liability	0.051975%	0.046238%	0.046659%	0.046394%
County's proportionate share of the net pension liability	\$ 3,651	2,678	2,953	3,090
County's covered payroll	\$ 5,384	5,021	4,808	4,485
County's proportionate share of the net pension liability as a percentage of its covered payroll	67.81%	53.34%	61.42%	68.90%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

2017	2016	2015
0.046179%	0.042667%	0.039541%
2,906	2,108	1,568
4,285	4,129	4,034
67.82%	51.05%	38.87%
81.82%	85.19%	87.61%

Madison County

Schedule of County Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Required Supplementary Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 543	513	482	439
Contributions in relation to the statutorily required contribution	<u>(543)</u>	<u>(513)</u>	<u>(482)</u>	<u>(439)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered payroll	\$ 5,737	5,384	5,021	4,808
Contributions as a percentage of covered payroll	9.46%	9.53%	9.60%	9.13%

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
411	394	384	373	365	342
(411)	(394)	(384)	(373)	(365)	(342)
-	-	-	-	-	-
4,485	4,285	4,129	4,034	4,029	3,975
9.16%	9.19%	9.30%	9.25%	9.06%	8.60%

Madison County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Madison County

Schedule of Changes in the County's
Total OPEB Liability, Related Ratios and Notes

For the Last Four Years
Required Supplementary Information

	2021	2020	2019	2018
Service cost	\$ 22,288	19,381	19,567	20,911
Interest cost	6,002	7,802	9,543	8,204
Difference between expected and actual experiences	(17,553)	(27,042)	-	-
Changes in assumptions	976	(3,500)	6,435	(4,683)
Benefit payments	(4,177)	(4,392)	(6,903)	(4,368)
Net change in total OPEB liability	7,536	(7,751)	28,642	20,064
Total OPEB liability beginning of year	251,338	259,089	230,447	210,383
Total OPEB liability end of year	\$ 258,874	251,338	259,089	230,447
Covered-employee payroll	\$ 4,460,199	4,780,740	4,297,238	4,497,640
Total OPEB liability as a percentage of covered-employee payroll	5.8%	5.3%	6.0%	5.1%

Notes to Schedule of Changes in the County's Total OPEB Liability and Related Ratios

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2021	2.16%
Year ended June 30, 2020	2.21%
Year ended June 30, 2019	3.50%
Year ended June 30, 2018	3.87%
Year ended June 30, 2017	3.58%

Madison County

Supplementary Information

Madison County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2021

	County Recorder's Records Management	Resource Enhancement and Protection	Covered Bridge	Special Local Option Sales Tax
Assets				
Cash, cash equivalents and pooled investments	\$ 45,037	118,947	1	207,051
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	480	-	-	-
Accrued interest	-	1	-	-
Due from other governments	-	-	-	17,707
Total assets	\$ 45,517	118,948	1	224,758
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	145	-	-
Due to other funds	-	-	-	-
Total liabilities	-	145	-	-
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	-	-
Other	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund balances:				
Restricted for:				
Debt service	-	-	-	-
Other purposes	45,517	118,803	1	224,758
Unassigned	-	-	-	-
Total fund balances (deficits)	45,517	118,803	1	224,758
Total liabilities and fund balances	\$ 45,517	118,948	1	224,758

See accompanying independent auditor's report.

Revenue							
Sheriff McDee	County Attorney Forfeiture	Covered Bridge Preservation Association	Madison County Foundation for Environmental Education	Debt Service	Capital Projects		Total
7,190	3,755	300,065	252,558	7,253	-		941,857
-	-	-	-	433	-		433
-	-	-	-	294,000	-		294,000
-	-	-	-	-	-		480
-	-	-	-	-	-		1
-	-	-	-	-	-		17,707
7,190	3,755	300,065	252,558	301,686	-		1,254,478
-	34	-	-	-	29,431		29,610
-	-	-	-	-	51,865		51,865
-	34	-	-	-	81,296		81,475
-	-	-	-	294,000	-		294,000
-	-	-	-	422	-		422
-	-	-	-	294,422	-		294,422
-	-	-	-	7,264	-		7,264
7,190	3,721	300,065	252,558	-	-		952,613
-	-	-	-	-	(81,296)		(81,296)
7,190	3,721	300,065	252,558	7,264	(81,296)		878,581
7,190	3,755	300,065	252,558	301,686	-		1,254,478

Madison County

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

Year ended June 30, 2021

	County Recorder's Records Management	Resource Enhancement and Protection	Covered Bridge	Special Local Option Sales Tax
Revenues:				
Property and other county tax	\$ -	-	-	-
Local option sales tax	-	-	-	247,477
Intergovernmental	-	10,995	-	-
Charges for service	5,392	-	-	-
Use of money and property	5	11	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>5,397</u>	<u>11,006</u>	<u>-</u>	<u>247,477</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	1,686	-	-
Governmental Services	226	-	-	-
Administration	-	-	-	102,793
Debt Service	-	-	-	91,560
Capital Projects	-	-	-	-
Total expenditures	<u>226</u>	<u>1,686</u>	<u>-</u>	<u>194,353</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,171</u>	<u>9,320</u>	<u>-</u>	<u>53,124</u>
Other financing sources (uses):				
Premium on bonds issued	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in fund balances	5,171	9,320	-	53,124
Fund balances beginning of year	<u>40,346</u>	<u>109,483</u>	<u>1</u>	<u>171,634</u>
Fund balances end of year	<u>\$ 45,517</u>	<u>118,803</u>	<u>1</u>	<u>224,758</u>

See accompanying independent auditor's report.

Revenue							
Sheriff McDee	County Attorney Forfeiture	Covered Bridge Preservation Association	Madison County Foundation for Environmental Education	Debt Service	Capital Projects		Total
-	-	-	-	45,001	-		45,001
-	-	-	-	-	-		247,477
-	-	-	-	2,838	25,000		38,833
-	-	-	-	-	-		5,392
-	-	13,827	19,282	-	-		33,125
-	3,497	4,268	434,865	-	-		442,630
-	3,497	18,095	454,147	47,839	25,000		812,458
-	169	-	-	-	-		169
-	-	1,137	21,979	-	-		24,802
-	-	-	-	-	-		226
-	-	-	-	-	-		102,793
-	-	-	-	46,889	-		138,449
-	-	-	-	-	1,465,256		1,465,256
-	169	1,137	21,979	46,889	1,465,256		1,731,695
-	3,328	16,958	432,168	950	(1,440,256)		(919,237)
-	-	-	-	5,143	-		5,143
-	-	-	(1,000,000)	-	-		(1,000,000)
-	-	-	(1,000,000)	5,143	-		(994,857)
-	3,328	16,958	(567,832)	6,093	(1,440,256)		(1,914,094)
7,190	393	283,107	820,390	1,171	1,358,960		2,792,675
7,190	3,721	300,065	252,558	7,264	(81,296)		878,581

Schedule 3

Madison County

Combining Schedule of Net Position
Internal Service Funds

June 30, 2021

	Fuel	Supplies	Employee Group Health	Unemployment Insurance	Total
Assets					
Cash and cash equivalents	\$ 70,198	11,168	611,864	15,238	708,468
Accounts receivable	11,367	-	174,572	-	185,939
Inventories	27,427	-	-	-	27,427
Total assets	108,992	11,168	786,436	15,238	921,834
Liabilities					
Accounts payable	-	407	266,031	-	266,438
Advance from General Fund	60,000	-	-	-	60,000
Total liabilities	60,000	407	266,031	-	326,438
Net Position					
Unrestricted	\$ 48,992	10,761	520,405	15,238	595,396

See accompanying independent auditor's report.

Madison County

Combining Schedule of Revenues, Expenses and
Changes in Fund Net Position
Internal Service Funds

Year ended June 30, 2021

	Fuel	Supplies	Employee Group Health	Unemployment Insurance	Total
Operating revenues:					
Reimbursements from operating funds	\$ 256,571	21,497	1,980,151	-	2,258,219
Reimbursements from others	14,126	629	75,508	-	90,263
Total operating revenues	270,697	22,126	2,055,659	-	2,348,482
Operating expenses:					
Medical claims	-	-	2,230,923	-	2,230,923
Materials and supplies	281,190	23,888	-	-	305,078
Insurance premiums	-	-	-	3	3
Total operating expenses	281,190	23,888	2,230,923	3	2,536,004
Operating income (loss)	(10,493)	(1,762)	(175,264)	(3)	(187,522)
Non-operating revenues:					
Interest income	-	-	6	-	6
Net income	(10,493)	(1,762)	(175,258)	(3)	(187,516)
Net position beginning of year	59,485	12,523	695,663	15,241	782,912
Net position end of year	\$ 48,992	10,761	520,405	15,238	595,396

See accompanying independent auditor's report.

Madison County

Madison County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2021

	Fuel	Supplies	Employee Group Health	Unemployment Insurance	Total
Cash flows from operating activities:					
Cash received from operating fund reimbursements	\$ 251,947	21,497	1,805,579	-	2,079,023
Cash received from others	12,987	629	75,508	-	89,124
Cash paid to suppliers for goods and services	(302,194)	(23,888)	(2,162,335)	(3)	(2,488,420)
Net cash provided (used) by operating activities	(37,260)	(1,762)	(281,248)	(3)	(320,273)
Cash flows from investing activities:					
Interest on investments	-	-	7	-	7
Net increase (decrease) in cash and cash equivalents	(37,260)	(1,762)	(281,241)	(3)	(320,266)
Cash and cash equivalents beginning of year	107,458	12,930	893,105	15,241	1,028,734
Cash and cash equivalents end of year	\$ 70,198	11,168	611,864	15,238	708,468
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (10,493)	(1,762)	(175,264)	(3)	(187,522)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Changes in assets and liabilities:					
Accounts receivable	(5,763)	-	(174,572)	-	(180,335)
Inventories	(12,125)	-	-	-	(12,125)
Accounts payable	(8,879)	-	68,588	-	59,709
Net cash provided (used) by operating activities	\$ (37,260)	(1,762)	(281,248)	(3)	(320,273)

See accompanying independent auditor's report.

Madison County

Combining Schedule of Fiduciary Net Position
Custodial Funds

June 30, 2021

	County Offices	Agricultural Extension Education	County Assessor	Schools
Assets				
Cash, cash equivalents and pooled investments:				
County Treasurer	\$ -	2,994	150,520	191,243
Other county officials	58,312	-	-	-
Receivables:				
Property tax:				
Delinquent	-	408	587	24,361
Succeeding year	-	256,000	368,000	16,346,000
Accounts	329	-	-	-
Special assessments	-	-	-	-
Due from other governments	-	-	-	-
Total assets	58,641	259,402	519,107	16,561,604
Liabilities				
Accounts payable	400	-	70	-
Salaries and benefits payable	-	-	7,737	-
Due to other governments	45,145	2,994	7,307	191,243
Trusts payable	13,096	-	-	-
Compensated absences	-	-	26,539	-
Total liabilities	58,641	2,994	41,653	191,243
Deferred Inflows of Resources				
Unavailable revenues	-	256,000	368,000	16,346,000
Net Position				
Restricted for individuals, organizations and other governments	\$ -	408	109,454	24,361

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Special Assessment	Auto License and Use Tax	Other	Total
7,416	42,114	15,639	30,042	5,242	729,351	212,704	1,387,265
-	-	-	-	-	-	-	58,312
1,048	6,785	582	4,083	-	-	8	37,862
670,000	6,056,000	439,000	2,561,000	-	-	106,000	26,802,000
-	-	-	-	-	-	944	1,273
-	-	-	-	134,510	-	-	134,510
-	-	-	-	-	-	1,539	1,539
678,464	6,104,899	455,221	2,595,125	139,752	729,351	321,195	28,422,761
-	-	-	-	-	-	2,233	2,703
-	-	-	-	-	-	-	7,737
7,416	42,114	15,639	30,042	5,242	729,351	73,996	1,150,489
-	-	-	-	-	-	-	13,096
-	-	-	-	-	-	403	26,942
7,416	42,114	15,639	30,042	5,242	729,351	76,632	1,200,967
670,000	6,056,000	439,000	2,561,000	-	-	106,000	26,802,000
1,048	6,785	582	4,083	134,510	-	138,563	419,794

Madison County

Combining Schedule of Changes in Fiduciary Net Position
Custodial Funds

Year ended June 30, 2021

	County Offices	Agricultural Extension Education	County Assessor	Schools
Additions:				
Property and other county tax	\$ -	243,438	367,509	15,889,915
State tax credits	-	15,200	22,946	989,696
Office fees and collections	732,270	-	275	-
Electronic transaction fees	-	-	-	-
Drivers license fees	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	883,537	-	-	-
Miscellaneous	-	161	604	10,535
Total additions	1,615,807	258,799	391,334	16,890,146
Deductions:				
Agency remittances:				
To other funds	393,203	-	-	-
To other governments	341,145	263,230	372,332	17,173,909
Trusts paid out	881,459	-	-	-
Total deductions	1,615,807	263,230	372,332	17,173,909
Changes in net position	-	(4,431)	19,002	(283,763)
Net position beginning of year, as restated	-	4,839	90,452	308,124
Net position end of year	\$ -	408	109,454	24,361

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Special Assessment	Auto License and Use Tax	Other	Total
601,579	6,401,719	430,378	2,442,509	-	-	147,084	26,524,131
37,828	587,023	20,492	152,497	-	-	4,438	1,830,120
-	-	-	-	-	-	-	732,545
-	-	-	-	-	-	4,914	4,914
-	-	-	-	-	57,263	-	57,263
-	-	-	-	-	7,911,213	-	7,911,213
-	-	-	-	5,740	-	-	5,740
-	-	-	-	-	-	-	883,537
389	11,874	-	1,615	-	-	431,740	456,918
639,796	7,000,616	450,870	2,596,621	5,740	7,968,476	588,176	38,406,381
-	-	-	-	-	245,538	-	638,741
650,729	7,075,543	458,891	2,641,096	51,728	7,722,938	600,570	37,352,111
-	-	-	-	-	-	-	881,459
650,729	7,075,543	458,891	2,641,096	51,728	7,968,476	600,570	38,872,311
(10,933)	(74,927)	(8,021)	(44,475)	(45,988)	-	(12,394)	(465,930)
11,981	81,712	8,603	48,558	180,498	-	150,957	885,724
1,048	6,785	582	4,083	134,510	-	138,563	419,794

Madison County

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

For the Last Ten Years

	2021	2020	2019	2018
Revenues:				
Property and other county tax	\$ 8,158,595	7,397,669	7,092,175	6,600,333
Tax increment financing	409,542	137,672	-	-
Local option sales tax	1,237,380	948,350	947,157	808,020
Interest and penalty on property tax	99,906	32,037	59,906	53,485
Intergovernmental	6,932,913	5,463,645	5,932,260	5,303,295
Licenses and permits	115,893	100,323	101,681	96,566
Charges for service	1,329,839	1,135,675	570,144	1,218,947
Use of money and property	146,449	158,276	206,682	142,559
Miscellaneous	604,453	590,731	640,939	266,032
Total	<u>\$ 19,034,970</u>	<u>15,964,378</u>	<u>15,550,944</u>	<u>14,489,237</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 3,694,274	3,395,215	3,468,241	3,113,642
Physical health and social services	820,705	751,978	782,149	741,567
Mental health	427,676	685,877	27,585	385,828
County environment and education	1,015,314	1,056,747	919,717	882,096
Roads and transportation	5,808,059	6,294,586	5,976,770	5,490,965
Governmental services to residents	656,595	642,647	593,046	482,907
Administration	1,721,666	1,634,734	1,474,351	1,232,719
Debt service	297,156	135,353	137,027	137,999
Capital projects	5,089,162	701,098	1,330,748	1,837,896
Total	<u>\$ 19,530,607</u>	<u>15,298,235</u>	<u>14,709,634</u>	<u>14,305,619</u>

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
5,645,590	5,245,036	5,102,423	5,103,832	4,950,192	4,889,033
-	-	-	-	-	-
853,834	828,022	782,964	616,372	638,033	657,207
49,664	50,976	68,799	62,203	54,362	73,249
5,391,755	5,763,728	4,303,079	3,810,503	4,268,480	4,507,478
85,924	82,113	77,368	74,010	51,876	47,457
1,121,149	1,011,350	999,314	1,097,147	1,049,418	964,730
130,423	89,402	80,382	82,091	87,971	85,308
95,988	422,754	84,568	185,974	132,709	219,062
13,374,327	13,493,381	11,498,897	11,032,132	11,233,041	11,443,524
2,987,974	2,676,285	2,621,374	2,584,643	2,576,984	2,662,269
702,013	813,304	787,797	656,646	646,271	676,795
375,970	462,688	1,093,759	158,846	538,171	2,096,367
803,659	801,043	776,979	708,773	431,731	226,955
5,597,445	5,269,385	4,961,120	4,482,822	4,623,156	4,864,203
532,604	545,440	440,382	462,328	710,190	458,115
1,036,588	960,458	1,037,060	1,159,194	858,981	811,147
109,080	108,730	95,365	96,850	97,615	93,460
1,015,015	586,530	330,927	93,750	839	1,053,555
13,160,348	12,223,863	12,144,763	10,403,852	10,483,938	12,942,866



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

To the Officials of Madison County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the 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, 2021, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 6, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Madison County's internal control over financial reporting as a basis for designing audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Madison County's internal control. Accordingly, we do not express an opinion on the effectiveness of Madison County's internal control.

Our consideration on internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) through (C) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (D) to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madison County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters which 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, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

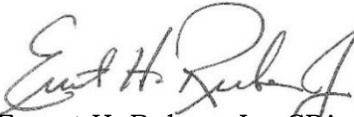
Madison County's Responses to the Findings

Madison County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Madison County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.


Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

March 6, 2023

Madison County

Schedule of Findings

Year ended June 30, 2021

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the County's and the Association's financial statements.

Condition – Generally, one or two individuals in the offices identified have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) Generally, one individual may have control over opening mail, collecting, depositing, posting and daily reconciling of receipts. In offices with an independent mail opener, that person does not compare an initial listing of receipts to the accounting records. In the County Treasurer's Office, drop box receipts are opened by accounting personnel.	Ambulance, Conservation Board, Madison County Covered Bridge Preservation Association, Public Health Nurse, Recorder, Treasurer
(2) The responsibility for change and petty cash funds is not assigned to only one person.	Recorder, Treasurer
(3) Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety.	Madison County Covered Bridge Preservation Association, Recorder, Sheriff, Treasurer
(4) The person who signs checks was not independent of the person preparing checks, approving disbursements and recording cash disbursements.	Recorder, Sheriff
(5) Investments are not periodically inspected or reconciled to investments records by an independent person.	Treasurer

Cause – The County offices noted, and the Covered Bridge Preservation Association have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Madison County

Schedule of Findings

Year ended June 30, 2021

Effect – Inadequate segregation of duties could adversely affect each of the above offices' ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – Each official should review the operating procedures of their offices to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials to provide additional control through review of financial transactions, reconciliations and reports. These independent reviews should be documented by the signature or initials of the reviewer and the date of the review.

Responses –

Sheriff – The Senior Deputy will be responsible for the bank reconciliation duties effective immediately. This will allow the Chief Deputy to continue recording and documenting all monies coming into the Sheriff's office and it will segregate the duties for recording and reconciling.

At this time, we do not have the personnel to allow one person to prepare a check and another to sign the check. However, as the Sheriff's office expands and more people are hired, the practice will be implemented.

Ambulance – Our staff will do the best to segregate the duties with the limited amount of staff in the ambulance department.

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

Public Health Nurse – Due to lack of staff members in office, the recommendation will be difficult to implement. However, best efforts will be conducted to utilize additional persons with segregation of financial receipts duties.

Madison County Covered Bridge Preservation Association – The Madison County Bridge Preservation Association has a limited number of active members, but we will continue to work towards a method of reconciling receipts that will include more members and find an independent person to do bank reconciliations.

Recorder – Due to limited office staff, we are not always able to have complete separation of duties but we do a good job of this on days staffing allows. We will continue to work on ways to better improve the separation.

Treasurer – The office will segregate duties when possible.

Conclusion – Responses acknowledged. The County offices should continue to review controls to obtain the maximum internal control possible.

Madison County

Schedule of Findings

Year ended June 30, 2021

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the County's financial statements.

Condition – Material amounts of receivables and capital asset and infrastructure additions were not properly recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Cause – County policies do not require, and procedures have not been established to require independent review of year end cut-off and other transactions to ensure the County's financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in County employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the County's financial statements were necessary.

Recommendation – The County should establish procedures to ensure all receivables and capital asset and infrastructure additions are identified and properly reported in the County's financial statements.

Response – The Treasurer will work to ensure all receivables are properly recorded. The Auditor will work closely to ensure all capital project purchases are added to the Capital Asset and the amounts are accurate reflecting the earned date, not the payment date. The Engineer will follow the State's recommendation and strive for accurate infrastructure reporting.

Conclusion – Response accepted.

(C) Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling book and bank balances. Bank reconciliations can help ensure the accuracy of recorded amounts.

Condition – Monthly reconciliations of book to bank balances were not prepared by the County Treasurer's Office.

Cause – Policies have not been designed and procedures have not been implemented to ensure bank reconciliations are prepared.

Effect – Lack of preparation of bank reconciliations increases the risk misstatements may not be prevented or detected and corrected on a timely basis in the normal course of operations.

Madison County

Schedule of Findings

Year ended June 30, 2021

Recommendation – To improve financial accountability and control, the monthly reconciliations of the book and bank balances should be prepared. Reconciliations should be reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review. The bank reconciliation review should include evidence the bank balances and reconciling items were verified by the independent reviewer.

Response – The County will work towards preparing monthly bank reconciliations.

Conclusion – Response accepted.

(D) Timely Deposits

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by taking receipts to the Treasurer in a timely manner to ensure they are deposited in the County's bank account.

Condition – Five receipts totaling \$231,538 for the Board of Health, Conservation, Secondary Roads, and Veteran's Affairs were not remitted to the County Treasurer's office timely. These receipts were deposited between 32 and 178 days from the State of Iowa warrant date.

Cause – Policies have not been established and procedures have not been implemented to require departments to process checks in a timely manner.

Effect – The checks could have been lost, destroyed or misappropriated and the situation may not have been detected and corrected in the normal course of operations.

Recommendation – The County should adopt and enforce policies and procedures requiring checks and cash receipts to be taken to the Treasurer for deposit within a specified period of time.

Response – The County will work with departments to ensure they are depositing funds in a timely manner in the future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Madison County

Schedule of Findings

Year ended June 30, 2021

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2021 exceeded the amount budgeted in the debt service and capital projects functions prior to amendment and in the debt service function at year end. The Board of Supervisors, by resolution, did not approve appropriations for each County offices and departments. As a result, disbursements exceeded the amounts appropriated for all County offices and departments.

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

Chapter 331.434(6) of the Code of Iowa states, “The board shall appropriate, by resolution, the amounts deemed necessary for each of the different county offices and departments during the ensuing fiscal year.” Such appropriations should be made for the ensuing fiscal year.

Response – The County will be sure all department heads are monitoring budgets to ensure amendments aren’t needed prior to expenditures.

Conclusion – Response accepted.

- (2) 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.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – No business transactions between the County and County officials or employees were noted.
- (5) Restricted Donor Activity – No transactions were noted between the County, County officials, County employees and restricted donors in compliance with Chapter 68B 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 – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of 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) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

Madison County

Schedule of Findings

Year ended June 30, 2021

- (11) Tax Increment Financing – Payments from the Special Revenue, Tax Increment Financing (TIF) Fund properly included only payments for TIF loans and rebates. Also, Madison County properly completed the Tax Increment Debt Forms 1, 2 or 3, as appropriate, to certify TIF obligations (debt), to decertify TIF debt or to request a reduced distribution of TIF.
- (12) Financial Condition – The Capital Projects Fund had a deficit balance of \$81,296 at June 30, 2021.

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

Response – The County will closely monitor these accounts in future years to prevent this from happening.

Conclusion – Response accepted.

Madison County

Staff

This audit was performed by:

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Kathryn L. Blumer, Staff Auditor
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