



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

**NEWS RELEASE**

Contact: Andy Nielsen  
515/281-5834

FOR RELEASE

March 18, 2011

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

The County had local tax revenue of \$24,461,288 for the year ended June 30, 2010, which included \$756,890 in tax credits from the state. The County forwarded \$19,722,431 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$4,738,857 of the local tax revenue to finance County operations, an 8.7 percent increase over the prior year. Other revenues included charges for service of \$1,073,552, operating grants, contributions and restricted interest of \$4,881,658, capital grants, contributions and restricted interest of 8,042, local option sales tax of \$520,628, unrestricted investment earnings of \$40,317 and other general revenues of \$155,672.

Expenses for County operations totaled \$11,796,744, a 9.1 percent increase over the prior year. Expenses included \$5,281,519 for roads and transportation, \$2,406,213 for public safety and legal services and \$1,218,829 for mental health.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1010-0061-B00F.pdf>.

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**MADISON COUNTY**

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

**JUNE 30, 2010**

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16
Statement of Activities	B	17
Governmental Fund Financial Statements:		
Balance Sheet	C	18-19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22-23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	24
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	25
Statement of Revenues, Expenses and Changes in Fund Net Assets	H	26
Statement of Cash Flows	I	27
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	28
Notes to Financial Statements		29-42
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		44-45
Budget to GAAP Reconciliation		46
Notes to Required Supplementary Information – Budgetary Reporting		47
Schedule of Funding Progress for the Retiree Health Plan		48
Other Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	50-51
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	52-53
Internal Service Funds:		
Combining Schedule of Net Assets	3	54
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	4	55
Combining Schedule of Cash Flows	5	57
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	6	58-59
Combining Schedule of Changes in Fiduciary Assets and Liabilities	7	60-61
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	8	62-63
Schedule of Expenditures of Federal Awards	9	64-65
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		67-68
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133		71-72
Schedule of Findings and Questioned Costs		73-79
Staff		80

**Madison County**

**Officials**

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

**Madison County**



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Independent Auditor's Report

To the Officials of Madison County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Madison County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Madison County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Madison County at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 1, 2011 on our consideration of Madison County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 13 and 44 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madison County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 1, 2011

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

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Madison County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- Revenues of the County's governmental activities increased 3.8%, or approximately \$419,000, from fiscal year 2009 to fiscal year 2010. Property tax increased approximately \$384,000, charges for service decreased approximately \$271,000, operating grants, contributions and restricted interest increased approximately \$428,000 and capital grants, contributions and restricted interest decreased approximately \$67,000.
- The County's governmental activities program expenses increased 9.1%, or approximately \$987,000, from fiscal year 2009 to fiscal year 2010. The increase is primarily due to roads and transportation expenses, which increased approximately \$479,000 due to increased road maintenance costs and continuing FEMA expenditures related to the flood of 2008.
- The County's net assets decreased 2.2%, or approximately \$378,000, from June 30, 2009 to June 30, 2010.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental and the individual Internal Service and Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

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

### *Government-wide Financial Statements*

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

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

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

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

### *Fund Financial Statements*

The County has three kinds of funds:

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

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

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

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Madison County's net assets at the end of fiscal year 2010 totaled approximately \$ 16.7 million. This compares to fiscal year 2009 at approximately \$ 17.1 million. The analysis that follows focuses on the net assets for our governmental activities.

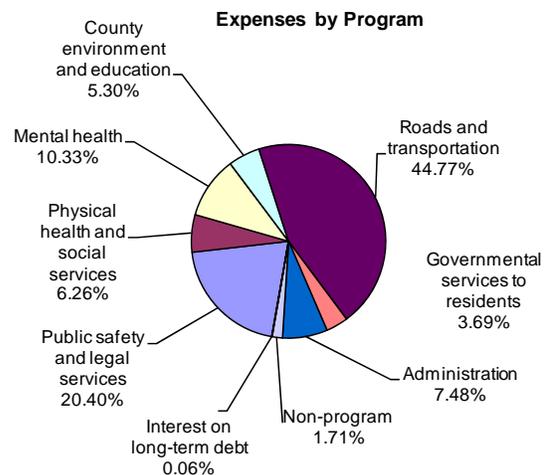
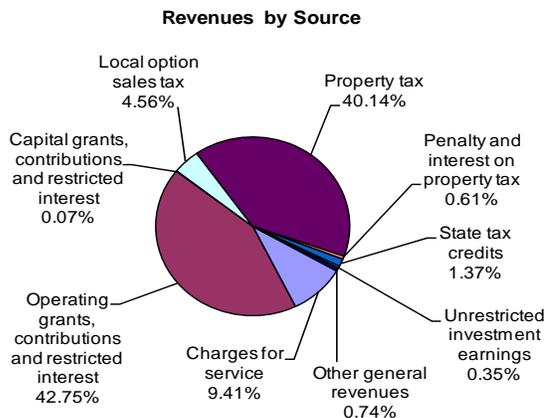
Net Assets of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2010	2009
Current and other assets	\$ 10,466	9,996
Capital assets	12,681	13,265
Total assets	<u>23,147</u>	<u>23,261</u>
Long-term liabilities	747	725
Other liabilities	5,721	5,479
Total liabilities	<u>6,468</u>	<u>6,204</u>
Net assets:		
Invested in capital assets, net of related debt	12,560	13,100
Restricted	2,513	2,057
Unrestricted	1,606	1,900
Total net assets	<u>\$ 16,679</u>	<u>17,057</u>

Net assets of Madison County's governmental activities decreased approximately \$378,000, or 2.2%. The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Restricted net assets increased from approximately \$2,057,000 at June 30, 2009 to approximately \$2,513,000 at the end of this year, an increase of 22.2%. This increase was primarily due to an increase in the amount held for mental health purposes and local option sales tax at year end.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased from approximately \$1,900,000 at June 30, 2009 to approximately \$1,606,000 at the end of this year, a decrease of 15.5%. This decrease is primarily due to a decrease in amounts held in the General and Special Revenue, Rural Services Funds at year end.

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

	Year ended June 30,	
	2010	2009
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for service	\$ 1,074	1,345
Operating grants, contributions and restricted interest	4,882	4,454
Capital grants, contributions and restricted interest	8	75
<b>General revenues:</b>		
Property tax	4,583	4,199
Penalty and interest on property tax	70	62
State tax credits	156	161
Local option sales tax	521	550
Unrestricted investment earnings	40	77
Gain on disposition of capital assets	18	-
Other general revenues	67	77
<b>Total revenues</b>	<b>11,419</b>	<b>11,000</b>
<b>Program expenses:</b>		
Public safety and legal services	2,406	2,126
Physical health and social services	739	670
Mental health	1,219	1,138
County environment and education	625	665
Roads and transportation	5,282	4,803
Governmental services to residents	435	406
Administration	882	891
Non-program	202	105
Interest on long-term debt	7	6
<b>Total expenses</b>	<b>11,797</b>	<b>10,810</b>
Increase in net assets	(378)	190
Net assets beginning of year	17,057	16,867
Net assets end of year	<b>\$ 16,679</b>	<b>17,057</b>



The countywide property tax levy rate decreased .8%, or \$.04781 per \$1,000 of taxable valuation, for fiscal year 2010. The rural levy rate increased \$.41165 per \$1,000 of taxable valuation, or 17.3%. There was also an increase in the overall valuation of approximately \$31 million, or 5%, resulting in an increase in total property tax levied between fiscal year 2010 and fiscal year 2009 of approximately \$384,000.

The cost of all governmental activities this year was approximately \$11.8 million compared to approximately \$10.8 million last year. As shown in the Statement of Activities on page 17, the amount taxpayers ultimately financed for these activities was approximately \$5.8 million because some of the cost was paid by those directly benefited from the programs (approximately \$1.1 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$4.9 million). Overall, the County's governmental program revenues, including intergovernmental aid and fees for services, increased in fiscal year 2010 from approximately \$5,874,000 to approximately \$5,964,000. The County's overall governmental activities costs increased in fiscal year 2010 from approximately \$10,810,000 to approximately \$11,797,000, or 9.1%. This increase is primarily due to increased road maintenance costs, FEMA repairs from the spring 2008 floods and increased public safety costs.

### **INDIVIDUAL MAJOR FUND ANALYSIS**

As Madison County completed the year, its governmental funds reported a combined fund balance of approximately \$3.5 million, a decrease of approximately \$102,000 from last year's total of approximately \$3.6 million. The 2.8% decrease in fund balance is primarily attributable to the following:

- General Fund revenues increased approximately \$354,000, or 8.4 %, over the prior year. The increase in revenues is primarily due to an increase in property tax and intergovernmental revenues. Intergovernmental revenues increased primarily due to receipt of a conservation grant to purchase land. Expenditures increased approximately \$275,000, or 6.4%, over the prior year, primarily due to increased public safety costs. The ending fund balance decreased approximately \$103,000, or 7.3%, from the prior year, from \$1,415,645 to \$1,312,450.
- The County has continued to look for ways to effectively manage the cost of mental health services. Current year revenues decreased approximately \$149,000, or 9.6%, from the prior year while current year expenditures increased approximately \$81,000, or 7%, from the prior year. The Mental Health Fund balance at year end increased approximately \$185,000, or 35.3%, over the prior year, from \$523,705 at June 30, 2009 to \$708,361 at June 30, 2010.
- Rural Services Fund revenues increased approximately \$212,000, or 14%. Expenditures increased approximately \$14,000 when compared to the prior year while transfers out to the Secondary Roads Fund increased approximately \$172,000. These changes resulted in the ending fund balance decreasing approximately \$15,000, or 5.6%, from the prior year to \$255,146.
- Secondary Roads Fund revenues decreased approximately \$578,000, or 16.6%, due principally to FEMA reimbursements in fiscal year 2009. Secondary Roads Fund expenditures increased approximately \$289,000, or 6.9%, from fiscal year 2009. The increase was primarily due to the continuation of three large FEMA projects. The ending fund balance decreased 23.8%, or approximately \$288,000, from the prior year to an ending balance of \$920,347.

## BUDGETARY HIGHLIGHTS

Over the course of the year, Madison County amended its budget two times. The first amendment was made in December 2009, primarily to increase the public safety function budget for legal expenses and the capital projects function budget for land acquisition costs. The second amendment was made in April 2010, primarily to increase the budget for these same two functions.

The County's receipts were approximately \$863,000 less than budgeted. The most significant variance resulted from the County receiving fewer than anticipated grants.

Total disbursements were approximately \$1,401,000 less than the amended budget. This was primarily due to the County spending approximately \$425,000 less than budgeted for mental health, approximately \$238,000 less than budgeted for roads and transportation and approximately \$267,000 less than budgeted for capital projects.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of June 30, 2010, Madison County had approximately \$12.7 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges. This is a net decrease (including additions and deletions) of approximately \$585,000, or 4.5%, from last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2010	2009
Land	\$ 719	504
Intangibles	104	104
Construction in progress	17	-
Buildings and improvements	1,628	1,699
Equipment and vehicles	2,155	2,439
Infrastructure	8,058	8,519
Total	\$ 12,681	13,265

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

Conservation land	\$ 112
Public safety, conservation and secondary roads equipment	143
Total	\$ 255

The County had depreciation expense of \$842,378 in fiscal year 2010 and total accumulated depreciation of \$6,732,495 at June 30, 2010.

The County's fiscal year 2010 capital budget was principally for purchase of land, sheriff vehicles and equipment for the Conservation Board and Secondary Roads. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

## Long-Term Debt

At June 30, 2010, Madison County had approximately \$121,000 in capital loan notes and capital lease purchase agreement obligations outstanding, compared to approximately \$226,000 at June 30, 2009 as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2010	2009
Capital loan notes	\$ 86	159
Capital lease purchase agreements	35	67
Total	\$ 121	226

The Constitution of the State of Iowa limits the amount of debt counties can issue to 5 percent of the assessed value of all taxable property within the County's corporate limits. Madison County's outstanding debt is significantly below its constitutional debt limit of approximately \$62 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Madison County's elected officials considered many factors when setting the fiscal year 2011 budget. The tax rates and fees for various county services are only part of what has to be considered. Another factor is the economy. Interest rates continue to be low and document recording fees are down because building sales are down. Union contract wages have been set through June 30, 2012. The cost of an ongoing legal battle over environmental issues has exceeded \$300,000 over the last three years, and could easily exceed \$700,000 before resolution is reached. All of these issues have certainly added to our budgeting challenges.

The County's fund balances have been maintained at the recommended 25% of annual expenditures through the diligence of County officials. Even though it has been a struggle at times to maintain strong balances, Madison County still provides exemplary essential services and has been able to enhance services in some areas, such as the Ambulance Department, which has added a scheduled back-up shift. The ambulance rates have been increased in hopes of off-setting the additional costs. Due to the Supervisor's action to outsource ambulance billing and collections, the percentage of collections is better. Heating costs are down because of the new heating plant installed in fiscal year 2009. Mental health costs are also down \$147,000. The Supervisors have paid off Madison County's county-wide debt.

Madison County has been very fortunate to have strong fund balances which continue to help carry the County through during the economic downturn. The debt service levy for fiscal year 2011 decreased \$.09 per \$1,000 of taxable valuation due to reduction of the county-wide debt.

## CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Madison County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Madison County Auditor's Office, 112 North John Wayne Drive, Winterset, Iowa 50273-1534.

**Madison County**

## **Basic Financial Statements**

**Exhibit A**

Madison County  
Statement of Net Assets  
June 30, 2010

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 4,448,862
Receivables:	
Property tax:	
Delinquent	9,704
Succeeding year	4,616,000
Interest and penalty on property tax	18,278
Accounts	137,599
Accrued interest	3,652
Loans	40,000
Due from other governments	990,984
Inventories	201,739
Capital assets (net of accumulated depreciation)	<u>12,680,532</u>
<b>Total assets</b>	<u>23,147,350</u>
<b>Liabilities</b>	
Accounts payable	487,960
Accrued interest payable	2,393
Salaries and benefits payable	152,309
Due to other governments	302,978
Deferred revenue:	
Succeeding year property tax	4,616,000
Other	160,041
Long-term liabilities:	
Portion due or payable within one year:	
Capital loan notes	12,532
Compensated absences	292,907
Portion due or payable after one year:	
Capital lease purchase agreements	34,715
Capital loan notes	73,533
Compensated absences	248,073
Net OPEB liability	<u>84,800</u>
<b>Total liabilities</b>	<u>6,468,241</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	12,559,752
Restricted for:	
Supplemental levy purposes	237,971
Mental health purposes	750,155
Secondary roads purposes	1,204,520
Debt service	23,150
Other purposes	297,209
Unrestricted	<u>1,606,352</u>
<b>Total net assets</b>	<u>\$ 16,679,109</u>

See notes to financial statements.

Madison County  
Statement of Activities  
Year ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest		Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>					
Governmental activities:					
Public safety and legal services	\$ 2,406,213	308,640	58,528	-	(2,039,045)
Physical health and social services	739,481	62,767	349,583	-	(327,131)
Mental health	1,218,829	1,716	868,624	-	(348,489)
County environment and education	624,892	114,728	239,661	-	(270,503)
Roads and transportation	5,281,519	74,322	3,343,481	8,042	(1,855,674)
Governmental services to residents	435,109	275,905	5,014	-	(154,190)
Administration	882,174	35,014	883	-	(846,277)
Non-program	201,588	200,460	-	-	(1,128)
Interest on long-term debt	6,939	-	15,884	-	8,945
<b>Total</b>	<b>\$ 11,796,744</b>	<b>1,073,552</b>	<b>4,881,658</b>	<b>8,042</b>	<b>(5,833,492)</b>
<b>General Revenues:</b>					
Property and other county tax levied for:					
General purposes					4,521,415
Debt service					61,660
Penalty and interest on property tax					69,986
State tax credits					155,782
Local option sales tax					520,628
Unrestricted investment earnings					40,317
Gain on disposition of capital assets					18,050
Miscellaneous					67,636
<b>Total general revenues</b>					<b>5,455,474</b>
Change in net assets					(378,018)
Net assets beginning of year					17,057,127
Net assets end of year					<b>\$ 16,679,109</b>

See notes to financial statements.

Madison County  
Balance Sheet  
Governmental Funds

June 30, 2010

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Assets</b>				
Cash and pooled investments	\$ 1,358,336	1,016,010	190,118	922,344
Receivables:				
Property tax:				
Delinquent	2,324	1,866	5,299	-
Succeeding year	2,897,000	507,000	1,212,000	-
Interest and penalty on property tax	18,278	-	-	-
Accounts	112,763	126	3,300	864
Accrued interest	3,652	-	-	-
Loans	-	40,000	-	-
Due from other funds	-	-	-	4,164
Due from other governments	128,782	3,019	74,889	742,866
Inventories	-	-	-	187,349
Advance to Internal Service Fund	60,000	-	-	-
	<b>\$ 4,581,135</b>	<b>1,568,021</b>	<b>1,485,606</b>	<b>1,857,587</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 154,878	50,150	3,050	93,280
Salaries and benefits payable	50,223	160	7,173	94,753
Due to other funds	-	-	87	-
Due to other governments	30,414	260,556	-	2,852
Deferred revenue:				
Succeeding year property tax	2,897,000	507,000	1,212,000	-
Other	136,170	41,794	8,150	746,355
Total liabilities	<b>3,268,685</b>	<b>859,660</b>	<b>1,230,460</b>	<b>937,240</b>
Fund balances:				
Reserved for:				
Advance to Internal Service Fund	60,000	-	-	-
Supplemental levy purposes	267,463	-	-	-
Debt service	-	-	-	-
Unreserved, reported in:				
General fund	984,987	-	-	-
Special revenue funds	-	708,361	255,146	920,347
Capital projects fund	-	-	-	-
Total fund balances	<b>1,312,450</b>	<b>708,361</b>	<b>255,146</b>	<b>920,347</b>
	<b>\$ 4,581,135</b>	<b>1,568,021</b>	<b>1,485,606</b>	<b>1,857,587</b>

See notes to financial statements.

Nonmajor	Total
306,027	3,792,835
215	9,704
-	4,616,000
-	18,278
1,017	118,070
-	3,652
-	40,000
-	4,164
40,327	989,883
-	187,349
-	60,000
<u>347,586</u>	<u>9,839,935</u>
11,601	312,959
-	152,309
4,077	4,164
9,156	302,978
-	4,616,000
7,532	940,001
<u>32,366</u>	<u>6,328,411</u>
-	60,000
-	267,463
25,336	25,336
-	984,987
301,159	2,185,013
(11,275)	(11,275)
<u>315,220</u>	<u>3,511,524</u>
<u>347,586</u>	<u>9,839,935</u>

**Madison County**

Madison County

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

June 30, 2010

<b>Total governmental fund balances (page 19)</b>	\$ 3,511,524
 <b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$19,413,027 and the accumulated depreciation is \$6,732,495.	12,680,532
Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	779,960
The Internal Service Funds are used by management to charge the costs of self funding of the County's health insurance benefit plan and other internal costs to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	456,046
Long-term liabilities, including capital lease purchase agreements, capital loan notes, compensated absences, other postemployment benefits and accrued interest payable are not due and payable in the current year and, therefore, are not reported in the governmental funds.	<u>(748,953)</u>
<b>Net assets of governmental activities (page 16)</b>	<u><u>\$ 16,679,109</u></u>

See notes to financial statements.

Madison County

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

Year ended June 30, 2010

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
<b>Revenues:</b>				
Property and other county tax	\$ 2,799,831	510,795	1,205,700	-
Local option sales tax	-	-	416,502	-
Interest and penalty on property tax	69,986	-	-	-
Intergovernmental	661,845	886,707	50,563	2,861,671
Licenses and permits	-	-	38,166	5,650
Charges for service	845,740	-	2,078	2,231
Use of money and property	96,335	1,716	-	-
Miscellaneous	71,199	4,267	8,242	18,391
Total revenues	4,544,936	1,403,485	1,721,251	2,887,943
<b>Expenditures:</b>				
Operating:				
Public safety and legal services	2,183,115	-	207,635	-
Physical health and social services	639,499	-	90,728	-
Mental health	-	1,218,829	-	-
County environment and education	397,693	-	207,129	-
Roads and transportation	-	-	-	3,875,440
Governmental services to residents	427,031	-	-	-
Administration	826,804	-	-	-
Debt service	-	-	-	-
Capital projects	111,802	-	-	617,158
Total expenditures	4,585,944	1,218,829	505,492	4,492,598
Excess (deficiency) of revenues over (under) expenditures	(41,008)	184,656	1,215,759	(1,604,655)
<b>Other financing sources (uses):</b>				
Sale of capital assets	5,579	-	-	-
Capital lease purchase agreement	18,000	-	-	-
Operating transfers in	-	-	-	1,316,523
Operating transfers out	(85,766)	-	(1,230,757)	-
Total other financing sources (uses)	(62,187)	-	(1,230,757)	1,316,523
Net change in fund balances	(103,195)	184,656	(14,998)	(288,132)
Fund balances beginning of year	1,415,645	523,705	270,144	1,208,479
Fund balances end of year	\$ 1,312,450	708,361	255,146	920,347

See notes to financial statements.

Nonmajor	Total
61,656	4,577,982
104,126	520,628
-	69,986
103,246	4,564,032
-	43,816
3,246	853,295
18,940	116,991
47,671	149,770
<u>338,885</u>	<u>10,896,500</u>
16,850	2,407,600
-	730,227
-	1,218,829
8,599	613,421
-	3,875,440
909	427,940
11,997	838,801
80,362	80,362
103,798	832,758
<u>222,515</u>	<u>11,025,378</u>
<u>116,370</u>	<u>(128,878)</u>
3,100	8,679
-	18,000
-	1,316,523
-	(1,316,523)
<u>3,100</u>	<u>26,679</u>
119,470	(102,199)
<u>195,750</u>	<u>3,613,723</u>
<u>315,220</u>	<u>3,511,524</u>

Madison County

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

Year ended June 30, 2010

**Net change in fund balances - Total governmental funds (page 23)** \$ (102,199)

**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. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:

Expenditures for capital assets	\$ 279,548	
Depreciation expense	<u>(842,378)</u>	(562,830)

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. (21,714)

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

Property tax	4,654	
Other	<u>324,751</u>	329,405

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

Issued	(18,000)	
Repaid	<u>122,832</u>	104,832

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	(41,492)	
Other postemployment benefits	(84,800)	
Interest on long-term debt	<u>571</u>	(125,721)

The Internal Service Funds are used by management to charge the costs of self funding of the County's health insurance benefit plan and other internal costs to individual funds. The change in net assets of the Internal Service Funds is reported with governmental activities. 209

**Change in net assets of governmental activities (page 17)** \$ (378,018)

See notes to financial statements.

Madison County  
Statement of Net Assets  
Proprietary Funds  
June 30, 2010

	Internal Service
<b>Assets</b>	
Cash and cash equivalents	\$ 656,027
Accounts receivable	19,529
Due from other governments	1,101
Inventories	14,390
<b>Total assets</b>	691,047
<b>Liabilities</b>	
Accounts payable	175,001
Advance from General Fund	60,000
<b>Total liabilities</b>	235,001
<b>Net Assets</b>	
Unrestricted	\$ 456,046

See notes to financial statements.

**Exhibit H**

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

Year ended June 30, 2010

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds, employees and others		\$ 1,738,575
Operating expenses:		
Medical claims	\$ 1,435,483	
Materials and supplies	308,279	1,743,762
Operating loss		<u>(5,187)</u>
Non-operating revenues:		
Interest income		5,396
Net income		<u>209</u>
Net assets beginning of year		455,837
Net assets end of year		<u><u>\$ 456,046</u></u>

See notes to financial statements.

Madison County  
Statement of Cash Flows  
Proprietary Funds  
Year ended June 30, 2010

	Internal Service
Cash flows from operating activities:	
Cash received from operating funds	\$ 1,557,026
Cash received from others	199,241
Cash paid to suppliers for goods and services	(1,786,392)
Net cash used by operating activities	(30,125)
Cash flows from investing activities:	
Interest on investments	5,396
Net decrease in cash and cash equivalents	(24,729)
Cash and cash equivalents beginning of year	680,756
Cash and cash equivalents end of year	\$ 656,027
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (5,187)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Decrease in accounts receivable	16,553
Decrease in due from other governments	1,139
Decrease in inventories	7,706
(Increase) in accounts payable	(50,336)
Net cash used by operating activities	\$ (30,125)

See notes to financial statements.

Madison County  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2010

**Assets**

Cash and pooled investments:	
County Treasurer	\$ 1,017,889
Receivables:	
Property tax:	
Delinquent	52,909
Succeeding year	19,136,000
Accounts	5,330
Special assessments	397,227
Due from other governments	28,558
<b>Total assets</b>	<u>20,637,913</u>

**Liabilities**

Accounts payable	22,023
Due to other governments	20,477,189
Trusts payable	106,889
Compensated absences	31,812
<b>Total liabilities</b>	<u>20,637,913</u>

**Net assets** \$ -

See notes to financial statements.

Madison County

Notes to Financial Statements

June 30, 2010

**(1) Summary of Significant Accounting Policies**

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

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

A. Reporting Entity

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

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

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

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

B. Basis of Presentation

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

Special Revenue:

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

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

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

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Fund Equity

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

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

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

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2009.

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

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

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2010, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

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

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

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

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

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

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

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

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

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

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, compensatory and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

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

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

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

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

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The County’s deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,121,799 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The County’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Credit risk. The investment in the Iowa Public Agency Investment Trust is unrated.

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

**(3) Interfund Assets/Liabilities**

The detail of advances to/from other funds at June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
General	Internal Service: Fuel	\$ 60,000
		\$ 60,000

This balance resulted from a loan between funds which has not been repaid.

The detail of interfund receivables and payables at June 30, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 87
	Covered Bridge	4,077
Total		<u>\$ 4,164</u>

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

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	General	\$ 85,766
	Special Revenue: Rural Services	1,230,757
Total		<u>\$ 1,316,523</u>

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

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 607,617	111,647	-	719,264
Intangibles, road network	104,029	-	-	104,029
Construction in progress	-	16,727	-	16,727
Total capital assets not being depreciated	<u>711,646</u>	<u>128,374</u>	<u>-</u>	<u>840,020</u>
Capital assets being depreciated:				
Buildings	2,610,687	-	-	2,610,687
Improvements other than buildings	31,147	-	-	31,147
Equipment and vehicles	6,446,848	151,174	(93,155)	6,504,867
Infrastructure, road network	9,426,306	-	-	9,426,306
Total capital assets being depreciated	<u>18,514,988</u>	<u>151,174</u>	<u>(93,155)</u>	<u>18,573,007</u>
Less accumulated depreciation for:				
Buildings	927,248	68,363	-	995,611
Improvements other than buildings	15,574	3,114	-	18,688
Equipment and vehicles	4,007,269	414,442	(71,441)	4,350,270
Infrastructure, road network	1,011,467	356,459	-	1,367,926
Total accumulated depreciation	<u>5,961,558</u>	<u>842,378</u>	<u>(71,441)</u>	<u>6,732,495</u>
Total capital assets being depreciated, net	<u>12,553,430</u>	<u>(691,204)</u>	<u>(21,714)</u>	<u>11,840,512</u>
Governmental activities capital assets, net	<u>13,265,076</u>	<u>(562,830)</u>	<u>(21,714)</u>	<u>12,680,532</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 84,709
Physical health and social services	11,077
County environment and education	24,219
Roads and transportation	679,098
Administration	43,275
	<hr/>
Total depreciation expense - governmental activities	<u>\$ 842,378</u>

Government Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets, was implemented during fiscal year 2010. Right of way totaling \$104,029, which was previously reported as infrastructure, road network, was reclassified as intangibles, road network. Restatement of the beginning net assets and capital assets for governmental activities was not necessary because the right of way has an indefinite useful life and, therefore, is not subject to amortization.

**(6) Due to Other Governments**

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

Fund	Description	Amount
General	Services	<u>\$ 30,414</u>
Special Revenue:		
Mental Health	Services	260,556
Secondary Roads	Services	2,852
Covered Bridge	Services	9,156
		<hr/>
		272,564
		<hr/>
Total for governmental funds		<u>\$ 302,978</u>
Agency:		
County Offices	Collections	\$ 9,334
Agricultural Extension Education		190,503
County Assessor		447,208
Schools		12,333,381
Community Colleges		366,809
Corporations		4,210,690
Townships		265,691
County Hospital		1,709,324
Special Assessments		409,833
Auto License and Use Tax		348,732
Empowerment		19,758
Other		165,926
		<hr/>
Total for agency funds		<u>\$ 20,477,189</u>

**(7) Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Capital Lease Purchase Agreements			Capital Loan Notes			Net OPEB Liability	Total
	Ambulances	Computer	Conservation Vehicles and Equipment	FHA	Jail	Compensated Absences		
Balance beginning of year	\$ 34,073	20,442	12,180	97,942	60,975	499,488	-	725,100
Increases	-	-	18,000	-	-	455,880	84,800	558,680
Decreases	16,580	20,442	12,958	11,877	60,975	414,388	-	537,220
Balance end of year	\$ 17,493	-	17,222	86,065	-	540,980	84,800	746,560
Due within one year	\$ - *	-	- *	12,532	-	292,907	-	305,439

\* County made payments due July 1, 2010 in June 2010.

Capital Lease Purchase Agreements

In September 2006, the County entered into a lease purchase agreement with Farmers and Merchants Bank for \$79,788 to purchase two ambulances. The following is a schedule of the future minimum lease payments, including interest at 5.50% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2010:

Year Ending June 30,	Ambulances
2011	\$ -*
2012	18,454
Total minimum lease payments	18,454
Less amount representing interest	961
Present value of net minimum lease payments	\$ 17,493

\*Payment due July 1, 2010 was made in June 2010.

In October 2009, the County entered into a lease purchase agreement for \$18,000 to purchase equipment for the Conservation Department. The following is a schedule of the future minimum lease payments, including interest at 4.00% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2010:

Year Ending June 30,	Conservation Vehicles
2011	\$ -*
2012	6,299
2013	6,573
2014	6,573
Total minimum lease payments	19,445
Less amount representing interest	2,223
Present value of net minimum lease payments	\$ 17,222

\*Payment due July 1, 2010 was made in June 2010.

Capital Loan Notes

During the years ended June 30, 1995 and June 30, 1997, the County issued \$100,000 each year in general obligation capital loan notes to construct two group home/residential care facilities for developmentally disabled persons. The notes were purchased by the Farmers Home Administration (FHA). A summary of the County's June 30, 2010 capital loan note indebtedness to FHA is as follows:

Year ending June 30,	1995 Issue				1997 Issue				
	Interest Rates	Principal	Interest	Total	Interest Rates	Principal	Interest	Total	Total
2011	5.625%	\$ 6,611	2,091	8,702	5.50%	\$ 5,921	2,695	8,616	17,318
2012	5.625	6,989	1,713	8,702	5.50	6,240	2,376	8,616	17,318
2013	5.625	7,382	1,320	8,702	5.50	6,590	2,026	8,616	17,318
2014	5.625	7,797	905	8,702	5.50	6,953	1,663	8,616	17,318
2015-2017	5.625	8,347	412	8,759	5.50	23,235	2,613	25,848	34,607
Total		\$ 37,126	6,441	43,567		\$ 48,939	11,373	60,312	103,879

**(8) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the County is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$264,059, \$246,279 and \$211,126, respectively, equal to the required contributions for each year.

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

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

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

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

Annual OPEB Cost and Net OPEB Obligation. The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover

normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 86,000
Contributions made	<u>(1,200)</u>
Increase in net OPEB obligation	84,800
Net OPEB obligation beginning of year	<u>-</u>
Net OPEB obligation end of year	<u>\$ 84,800</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the County contributed \$1,200 to the medical plan. Plan members eligible for benefits made no contributions to the plan.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

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

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was approximately \$679,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$679,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,174,000 and the ratio of the UAAL to covered payroll was 21.4%. As of June 30, 2010, there were no trust fund assets.

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

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

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

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

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

**(10) Risk Management**

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

**(11) Employee Group Health Plan**

The Internal Service, Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with First Administrators, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$30,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, claims processed are paid to First Administrators, Inc. from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2010 was \$1,232,348.

Amounts payable from the Employee Group Health Fund at June 30, 2010 total \$175,001, 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 \$410,537 at June 30, 2010 and is reported as a designation of the Internal Service, Employee Group Health Fund net assets. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims at July 1, 2009	\$ 225,337
Incurred claims (including claims incurred but not reported at June 30, 2010)	1,385,147
Payments on claims	<u>(1,435,483)</u>
Unpaid claims at June 30, 2010	<u><u>\$ 175,001</u></u>

**(12) Loan to Boone County**

Effective July 1, 2007, Madison and Boone Counties entered into a 28E agreement to establish an administrative organization titled County Community Services. The purpose of the organization is to manage mental health and developmental disability services for the counties and provide targeted case management services. The agreement did not establish a legally separate entity. Instead, Boone County is to provide administrative services for the organization. In June 2006, Madison County agreed to loan \$25,000 to Boone County for start up costs. In January 2008, County Community Services prepared and its Board approved a document stating the \$25,000 and another \$15,000 contributed by Madison County in October 2006 were loaned to Boone County for the benefit of County Community Services. The agreement states the loan will be repaid to Madison County if County Community Services ceases to exist.

**(13) Litigation**

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

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

**(14) Subsequent Event**

On August 25, 2010, the Board approved a resolution authorizing the issuance of \$1,200,000 of general obligation local option sales and service tax bonds, Series 2010A. The proceeds will be used to pay the costs of improving and repairing the County courthouse, including roof and structural repairs.

**(15) Deficit Fund Balance**

The Capital Projects Fund had a deficit fund balance of \$11,275 at June 30, 2010. The deficit balance will be eliminated through the future collection of general obligation bond proceeds.

**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, 2010

	Actual	Funds not Required to be Budgeted	Net
<b>Receipts:</b>			
Property and other county tax	\$ 5,094,739	-	5,094,739
Interest and penalty on property tax	69,772	-	69,772
Intergovernmental	4,565,208	-	4,565,208
Licenses and permits	43,996	-	43,996
Charges for service	907,922	-	907,922
Use of money and property	128,673	1,785	126,888
Miscellaneous	165,976	4,787	161,189
Total receipts	10,976,286	6,572	10,969,714
<b>Disbursements:</b>			
Public safety and legal services	2,361,487	-	2,361,487
Physical health and social services	701,565	-	701,565
Mental health	1,094,895	-	1,094,895
County environment and education	590,007	1,322	588,685
Roads and transportation	3,841,808	-	3,841,808
Governmental services to residents	423,668	-	423,668
Administration	831,889	-	831,889
Debt service	80,362	-	80,362
Capital projects	820,024	-	820,024
Total disbursements	10,745,705	1,322	10,744,383
Excess (deficiency) of receipts over (under) disbursements	230,581	5,250	225,331
Other financing sources, net	8,981	-	8,981
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	239,562	5,250	234,312
Balance beginning of year	3,553,273	72,852	3,480,421
Balance end of year	\$ 3,792,835	78,102	3,714,733

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Actual
		Variance
5,154,823	5,154,823	(60,084)
56,664	56,664	13,108
5,292,896	5,465,413	(900,205)
45,100	45,100	(1,104)
760,800	816,819	91,103
156,568	154,375	(27,487)
56,054	139,080	22,109
11,522,905	11,832,274	(862,560)
2,101,375	2,447,917	86,430
896,701	875,373	173,808
1,520,550	1,520,550	425,655
611,832	642,592	53,907
4,079,967	4,079,967	238,159
435,536	439,245	15,577
863,133	970,409	138,520
81,381	81,381	1,019
973,111	1,087,611	267,587
11,563,586	12,145,045	1,400,662
(40,681)	(312,771)	538,102
2,000	2,000	6,981
(38,681)	(310,771)	545,083
2,973,972	2,890,288	590,133
2,935,291	2,579,517	1,135,216

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Madison County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation  
Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 10,976,286	(79,786)	10,896,500
Expenditures	10,745,705	279,673	11,025,378
Net	230,581	(359,459)	(128,878)
Other financing sources, net	8,981	17,698	26,679
Beginning fund balances	3,553,273	60,450	3,613,723
Ending fund balances	\$ 3,792,835	(281,311)	3,511,524

See accompanying independent auditor's report.

Madison County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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 Internal Service Funds, Agency Funds and the blended component unit 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 and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$581,459. The budget amendments are reflected in the final budgeted amounts.

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

Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.

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Madison County

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

Year ended June 30, 2010

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Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 679	679	0.00%	3,174	21.4%

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**Other Supplementary Information**

Madison County  
 Combining Balance Sheet  
 Nonmajor Governmental Funds

June 30, 2010

	County Recorder's Records Management	Resource Enhancement and Protection	Covered Bridge	Special Rev Conservation Land Acquisition
<b>Assets</b>				
Cash and pooled investments	\$ 12,928	49,529	-	36,638
Receivables:				
Delinquent roperty tax	-	-	-	-
Accounts	267	-	-	750
Due from other governments	-	-	22,849	-
<b>Total assets</b>	<b>\$ 13,195</b>	<b>49,529</b>	<b>22,849</b>	<b>37,388</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	-	326	-	-
Due to other funds	-	-	4,077	-
Due to other governments	-	-	9,156	-
Deferred revenue:				
Other	-	-	7,325	-
Total liabilities	-	326	20,558	-
Fund equity:				
Fund balances:				
Reserved for debt service	-	-	-	-
Unreserved	13,195	49,203	2,291	37,388
Total fund equity	13,195	49,203	2,291	37,388
<b>Total liabilities and fund equity</b>	<b>\$ 13,195</b>	<b>49,529</b>	<b>22,849</b>	<b>37,388</b>

See accompanying independent auditor's report.

Revenue							
Local Option Sales Tax	Sheriff McDee	County Attorney Forfeiture	Covered Bridge Preservation Association	Debt Service	Capital Projects		Total
89,508	13,331	663	78,102	25,328	-		306,027
-	-	-	-	215	-		215
-	-	-	-	-	-		1,017
17,478	-	-	-	-	-		40,327
106,986	13,331	663	78,102	25,543	-		347,586
-	-	-	-	-	11,275		11,601
-	-	-	-	-	-		4,077
-	-	-	-	-	-		9,156
-	-	-	-	207	-		7,532
-	-	-	-	207	11,275		32,366
-	-	-	-	25,336	-		25,336
106,986	13,331	663	78,102	-	(11,275)		289,884
106,986	13,331	663	78,102	25,336	(11,275)		315,220
106,986	13,331	663	78,102	25,543	-		347,586

Madison County

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

Year ended June 30, 2010

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Covered Bridge	Conservation Land Acquisition
Revenues:				
Property and other county tax	\$ -	-	-	-
Local option sales tax	-	-	-	-
Intergovernmental	-	16,072	66,694	18,361
Charges for service	3,246	-	-	-
Use of money and property	111	410	-	750
Miscellaneous	-	-	-	17,597
Total revenues	3,357	16,482	66,694	36,708
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	2,797	-	4,480
Governmental services to residents Administration	909	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	92,523	-
Total expenditures	909	2,797	92,523	4,480
Excess (deficiency) of revenues over (under) expenditures	2,448	13,685	(25,829)	32,228
Other financing sources:				
Sale of capital assets	-	-	-	3,100
Net change in fund balances	2,448	13,685	(25,829)	35,328
Fund balances beginning of year	10,747	35,518	28,120	2,060
Fund balances end of year	\$ 13,195	49,203	2,291	37,388

See accompanying independent auditor's report.

Local Option Sales Tax	Sheriff McDee	County Attorney Forfeiture	Covered Bridge Preservation Association	Debt Service	Capital Projects	Total
-	-	-	-	61,656	-	61,656
104,126	-	-	-	-	-	104,126
-	-	-	-	2,119	-	103,246
-	-	-	-	-	-	3,246
-	-	-	1,785	15,884	-	18,940
-	25,287	-	4,787	-	-	47,671
104,126	25,287	-	6,572	79,659	-	338,885
-	16,850	-	-	-	-	16,850
-	-	-	1,322	-	-	8,599
-	-	-	-	-	-	909
11,997	-	-	-	-	-	11,997
-	-	-	-	80,362	-	80,362
-	-	-	-	-	11,275	103,798
11,997	16,850	-	1,322	80,362	11,275	222,515
92,129	8,437	-	5,250	(703)	(11,275)	116,370
-	-	-	-	-	-	3,100
92,129	8,437	-	5,250	(703)	(11,275)	119,470
14,857	4,894	663	72,852	26,039	-	195,750
106,986	13,331	663	78,102	25,336	(11,275)	315,220

**Schedule 3**

## Madison County

Combining Schedule of Net Assets  
Internal Service Funds

June 30, 2010

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 54,391	225	585,538	15,873	656,027
Accounts receivable	19,525	4	-	-	19,529
Due from other governments	1,101	-	-	-	1,101
Inventories	14,390	-	-	-	14,390
<b>Total assets</b>	<b>89,407</b>	<b>229</b>	<b>585,538</b>	<b>15,873</b>	<b>691,047</b>
<b>Liabilities</b>					
Accounts payable	-	-	175,001	-	175,001
Advance from General Fund	60,000	-	-	-	60,000
<b>Total liabilities</b>	<b>60,000</b>	<b>-</b>	<b>175,001</b>	<b>-</b>	<b>235,001</b>
<b>Net Assets</b>					
Unrestricted	\$ 29,407	229	410,537	15,873	456,046

See accompanying independent auditor's report.

## Madison County

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

Year ended June 30, 2010

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Operating revenues:					
Reimbursements from operating funds and employees	\$ 306,813	173	1,232,348	-	1,539,334
Reimbursements from others	11,629	6	187,606	-	199,241
Total operating revenues	318,442	179	1,419,954	-	1,738,575
Operating expenses:					
Medical claims	-	-	1,435,483	-	1,435,483
Materials and supplies	308,135	144	-	-	308,279
Total operating expenses	308,135	144	1,435,483	-	1,743,762
Operating income (loss)	10,307	35	(15,529)	-	(5,187)
Non-operating revenues:					
Interest income	-	-	5,396	-	5,396
Net income (loss)	10,307	35	(10,133)	-	209
Net assets beginning of year	19,100	194	420,670	15,873	455,837
Net assets end of year	\$ 29,407	229	410,537	15,873	456,046

See accompanying independent auditor's report.

**Madison County**

Madison County  
Combining Schedule of Cash Flows  
Internal Service Funds

Year ended June 30, 2010

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Cash flows from operating activities:					
Cash received from operating funds	\$ 305,844	194	1,250,988	-	1,557,026
Cash received from others	11,629	6	187,606	-	199,241
Cash paid to suppliers for goods and services	(300,429)	(144)	(1,485,819)	-	(1,786,392)
Net cash provided (used) by operating activities	17,044	56	(47,225)	-	(30,125)
Cash flows from investing activities:					
Interest on investments	-	-	5,396	-	5,396
Net increase (decrease) in cash and cash equivalents	17,044	56	(41,829)	-	(24,729)
Cash and cash equivalents beginning of year	37,347	169	627,367	15,873	680,756
Cash and cash equivalents end of year	\$ 54,391	225	585,538	15,873	656,027
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ 10,307	35	(15,529)	-	(5,187)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
(Increase) decrease in accounts receivable	(2,108)	21	18,640	-	16,553
Decrease in due from other governments	1,139	-	-	-	1,139
Decrease in inventories	7,706	-	-	-	7,706
(Decrease) in accounts payable	-	-	(50,336)	-	(50,336)
Net cash provided (used) by operating activities	\$ 17,044	56	(47,225)	-	(30,125)

See accompanying independent auditor's report.

Madison County  
Combining Schedule of Fiduciary Assets and Liabilities  
Agency Funds

June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets</b>					
Cash and pooled investments:					
County Treasurer	\$ 19,508	2,836	155,978	167,686	5,526
Receivables:					
Property tax:					
Delinquent	-	667	1,145	38,695	1,283
Succeeding year	-	187,000	322,000	12,127,000	360,000
Accounts	34	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
<b>Total assets</b>	<b>\$ 19,542</b>	<b>190,503</b>	<b>479,123</b>	<b>12,333,381</b>	<b>366,809</b>
<b>Liabilities</b>					
Accounts payable	\$ -	-	103	-	-
Due to other governments	9,334	190,503	447,208	12,333,381	366,809
Trusts payable	10,208	-	-	-	-
Compensated absences	-	-	31,812	-	-
<b>Total liabilities</b>	<b>\$ 19,542</b>	<b>190,503</b>	<b>479,123</b>	<b>12,333,381</b>	<b>366,809</b>

See accompanying independent auditor's report.

Corporations	Townships	County Hospital	Special Assessments	Auto License and Use Tax	Empowerment	Other	Total
59,740	3,565	25,356	12,606	348,732	35,815	180,541	1,017,889
3,950	1,126	5,968	-	-	-	75	52,909
4,147,000	261,000	1,678,000	-	-	-	54,000	19,136,000
-	-	-	-	-	2,211	3,085	5,330
-	-	-	397,227	-	-	-	397,227
-	-	-	-	-	-	28,558	28,558
4,210,690	265,691	1,709,324	409,833	348,732	38,026	266,259	20,637,913
-	-	-	-	-	18,268	3,652	22,023
4,210,690	265,691	1,709,324	409,833	348,732	19,758	165,926	20,477,189
-	-	-	-	-	-	96,681	106,889
-	-	-	-	-	-	-	31,812
4,210,690	265,691	1,709,324	409,833	348,732	38,026	266,259	20,637,913

Madison County

Combining Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Funds

Year ended June 30, 2010

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
<b>Assets and Liabilities</b>					
Balances beginning of year	\$ 18,006	184,592	433,131	10,953,149	357,838
Additions:					
Property and other county tax	-	188,674	326,390	12,226,894	364,332
State tax credits	-	6,463	11,085	381,747	12,616
Office fees and collections	530,283	-	-	-	-
Electronic transaction fees	18,080	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Assessments	-	-	-	-	-
Trusts	123,919	-	-	-	-
Miscellaneous	-	-	3,670	-	-
Total additions	672,282	195,137	341,145	12,608,641	376,948
Deductions:					
Agency remittances:					
To other funds	405,725	-	-	-	-
To other governments	145,231	189,226	295,153	11,228,409	367,977
Trusts paid out	119,790	-	-	-	-
Total deductions	670,746	189,226	295,153	11,228,409	367,977
Balances end of year	\$ 19,542	190,503	479,123	12,333,381	366,809

See accompanying independent auditor's report.

Corpora- tions	Townships	County Hospital	Special Assess- ments	Auto License and Use Tax	Empower- ment	Other	Total
4,036,789	254,333	1,647,626	433,343	372,803	51,387	165,825	18,908,822
3,972,006	268,579	1,695,584		-	-	78,864	19,121,323
121,436	8,593	57,793		-	-	1,375	601,108
-	-	-	-	-	180	-	530,463
-	-	-	-	-	-	9,571	27,651
-	-	-	-	4,259,117	-	-	4,259,117
-	-	-	213,718	-	-	-	213,718
-	-	-	-	-	-	598,521	722,440
-	-	-	-	-	211,018	184,320	399,008
4,093,442	277,172	1,753,377	213,718	4,259,117	211,198	872,651	25,874,828
-	-	-	-	31,805	-	-	437,530
3,919,541	265,814	1,691,679	237,228	4,251,383	224,559	142,202	22,958,402
-	-	-	-	-	-	630,015	749,805
3,919,541	265,814	1,691,679	237,228	4,283,188	224,559	772,217	24,145,737
4,210,690	265,691	1,709,324	409,833	348,732	38,026	266,259	20,637,913

Madison County

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

For the Last Ten Years

	2010	2009	2008	2007	2006
<b>Revenues:</b>					
Property and other county tax	\$ 4,577,982	4,188,008	3,922,927	3,867,637	3,590,801
Local option sales tax	520,628	550,144	590,756	565,184	555,435
Interest and penalty on property tax	69,986	67,857	56,820	55,586	59,215
Intergovernmental	4,564,032	5,039,690	4,843,465	4,597,043	4,189,078
Licenses and permits	43,816	53,116	60,676	78,218	96,303
Charges for service	853,295	843,810	827,092	695,027	720,040
Use of money and property	116,991	148,741	260,310	296,128	229,810
Miscellaneous	149,770	95,833	90,103	145,912	205,838
<b>Total</b>	<b>\$ 10,896,500</b>	<b>10,987,199</b>	<b>10,652,149</b>	<b>10,300,735</b>	<b>9,646,520</b>
<b>Expenditures:</b>					
<b>Operating:</b>					
Public safety and legal services	\$ 2,407,600	2,253,877	2,135,309	2,095,972	1,619,411
Physical health and social services	730,227	667,658	696,699	521,118	503,749
Mental health	1,218,829	1,138,136	1,289,301	1,296,836	1,103,099
County environment and education	613,421	662,155	674,718	515,099	531,247
Roads and transportation	3,875,440	4,088,516	4,333,549	3,203,353	3,703,088
Governmental services to residents	427,940	415,448	398,227	376,671	481,599
Administration	838,801	1,250,962	863,733	771,529	683,606
Debt service	80,362	81,278	180,158	186,885	139,211
Capital projects	832,758	152,549	673,579	1,044,329	644,007
<b>Total</b>	<b>\$ 11,025,378</b>	<b>10,710,579</b>	<b>11,245,273</b>	<b>10,011,792</b>	<b>9,409,017</b>

See accompanying independent auditor's report.

Modified Accrual Basis				
2005	2004	2003	2002	2001
3,384,031	3,489,036	3,351,970	3,165,895	2,923,224
398,484	-	-	-	-
63,583	55,809	62,939	62,198	58,181
3,796,249	3,971,314	3,890,226	3,767,863	4,343,475
93,608	66,124	63,997	40,119	25,885
662,292	614,945	570,211	542,147	491,318
152,709	95,810	119,058	186,616	291,658
125,017	55,565	384,932	31,439	31,467
<b>8,675,973</b>	<b>8,348,603</b>	<b>8,443,333</b>	<b>7,796,277</b>	<b>8,165,208</b>
1,558,488	1,594,735	1,597,835	1,433,056	1,362,699
477,518	517,376	474,540	498,989	506,316
1,012,500	951,864	953,994	1,083,090	1,094,889
454,545	436,614	396,095	485,829	349,256
3,756,935	3,699,220	3,241,644	3,379,254	3,111,854
372,840	367,811	340,132	374,545	330,420
685,801	679,426	653,627	644,790	584,326
122,661	124,018	384,099	101,742	99,848
320,773	549,182	526,486	121,462	636,371
<b>8,762,061</b>	<b>8,920,246</b>	<b>8,568,452</b>	<b>8,122,757</b>	<b>8,075,979</b>

**Schedule 9**

Madison County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		\$ 6,488
Iowa Department of Natural Resources:			
North American Wetlands Conservation Fund	15.623	10-R2-61	55,790
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	HCBP-CO61(81)-82-61	74,019
Iowa Department of Public Safety:			
Safety Belt Performance Grants	20.609	10-146, Task 103	4,500
U.S. Department of Education:			
Iowa Department of Transportation:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	S397A090016A	28,234
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5880BT61	70,684
Public Health Emergency Preparedness	93.069	5880BT04	5,000
Visiting Nurse Association of Pottawattamie County:			
Public Health Emergency Preparedness	93.069	5888BT04	7,557
			<u>83,241</u>
Immunization Grants	93.268	5889I452	5,464
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Temporary Assistance for Needy Families	93.558		3,008
Refugee and Entrant Assistance-State Administered Program	93.566		18
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596		1,678
Foster Care - Title IV-E	93.658		3,446
Adoption Assistance	93.659		858
State Children's Insurance Program	93.767		39
Medical Assistance Program	93.778		7,289
Social Services Block Grant	93.667		3,347
Social Services Block Grant	93.667		45,323
			<u>48,670</u>

Madison County  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA1737 DR IA	<u>570,895</u>
Iowa Region 4 Homeland Security Board:			
Emergency Management Performance Grants	97.042		<u>39,171</u>
State Domestic Preparedness Equipment Support Program	97.067		<u>2,518</u>
Total indirect			<u>\$ 935,326</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Madison County and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**Madison County**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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

To the Officials of Madison County:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Madison County, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements listed in the table of contents, and have issued our report thereon dated March 1, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10, II-B-10 and II-C-10 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-D-10 and II-E-10 to be significant deficiencies.

## Compliance and Other Matters

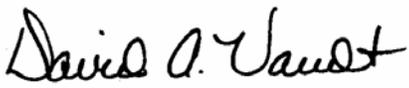
As part of obtaining reasonable assurance about whether Madison County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2010 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.

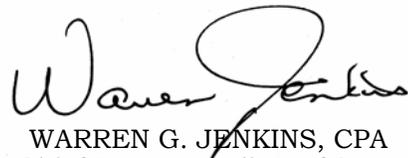
Madison County's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Madison County's responses and, accordingly, we express no opinion on them.

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

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 1, 2011

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

**Madison County**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

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

To the Officials of Madison County:

Compliance

We have audited Madison County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on Madison County's major federal program for the year ended June 30, 2010. Madison County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Madison County's management. Our responsibility is to express an opinion on Madison County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Madison County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Madison County's compliance with those requirements.

In our opinion, Madison County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

The management of Madison County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Madison County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Madison County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

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



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

March 1, 2011

Madison County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were identified.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters).
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Madison County did not qualify as a low-risk auditee.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-10 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. The segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County’s financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	Applicable Offices
(1) The listing of cash and receipts is reconciled by the same individual who enters receipts into the system and prepares the deposits.	Sheriff
(2) Generally, one individual may have control over opening and listing mail receipts, collecting, depositing, posting and daily reconciling of receipts for which no compensating controls exist.	Ambulance, Engineer, Conservation Board, Public Health Nurse and Madison County Covered Bridge Preservation Association
(3) Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety.	Sheriff and Madison County Covered Bridge Preservation Association
(4) The person who signs checks was not independent of the person preparing checks, approving disbursements and recording cash disbursements.	Sheriff

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

Responses –

Sheriff – Due to small staffing numbers, it makes complying with the recommendation quite hard. As staff numbers increase, change to more segregation will be done.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

Engineer – We will continue to look for ways to segregate duties as much as possible with limited staff.

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

Camping Fees – The three person full-time staff currently rotates weekend camping responsibilities on a weekly schedule. A second staff person re-counts camping revenue on Monday mornings and we provide two sets of initialing on camping receipts deposited with the Madison County Treasurer.

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

Environmental Education Programs – For most environmental education programs which require a fee, registrants usually mail their registration form and fee to our PO Box. These registrations and fees are usually addressed in a manner that identify them to be directed to the Naturalist, who in turn is responsible to document and deposit the fees utilizing the same duplication of initialing as mentioned above for other types of fees.

Public Health Nurse – We are attempting to segregate duties, but due to lack of consistent day to day staff in our office, it is difficult.

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

Conclusions – Responses accepted.

II-B-10 Ambulance Billings and Accounts Receivable – A reconciliation of billings, collections and receivables was not prepared during the year.

Recommendation – A reconciliation of billings, collection and receivables should be prepared monthly. The reconciliation should be reviewed by someone who is independent of collecting revenues and does not have access to patient accounts receivable information.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Response – The Department will attempt to perform these reconciliations monthly. In addition, we will contact the third party billing company to assist in providing additional reports to resolve the problem.

Conclusion – Response accepted.

- II-C-10 Financial Reporting – During the audit, we identified inventory for Secondary Roads was understated in the County’s financial statements. Adjustments were subsequently made by the County to properly reflect the inventory.

Recommendation – The County should implement procedures to ensure all inventory is correctly reflected in the Counties financial statements.

Response – The County has corrected the spreadsheet formulas which led to the error.

Conclusion – Response accepted.

- II-D-10 Public Health Nurse Billings and Accounts Receivable Reconciliation – Billings were not sent timely and a reconciliation of billings, collections and receivables was not prepared monthly.

Recommendation – Billings should be prepared and mailed monthly. A reconciliation of billings, collections and receivables should be prepared and reviewed monthly.

Response – The office staff who performs these procedures is back to work fulltime and is preparing the billing and reports.

Conclusion - Response accepted.

- II-E-10 Automatic Deposits –Several automatic deposits of state and federal funds to the County’s bank accounts were not recorded for periods in excess of four months.

Recommendation – The County should establish procedures to ensure timely recording of all revenue.

Response – We are working on procedures which will resolve the situation.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Madison County  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2010

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over the major program were noted.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

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

IV-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.

IV-B-10 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-10 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

IV-D-10 Business Transactions – No business transactions between the County and County officials or employees were noted.

IV-E-10 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-10 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-G-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.

IV-H-10 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).

II-I-10 Financial Condition – The Capital Projects Fund had a deficit unreserved fund balance in excess of \$11,000 on June 30, 2010.

Recommendation – The County should investigate alternatives to eliminate this deficit and return the Capital Projects Fund to a sound financial condition.

Response – It is hard to set a procedure when the business held the bill unbeknownst to us, but we will watch it closer in the future.

Conclusion – Response accepted.

IV-J-10 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2010 for the County Extension Office did not exceed the amount budgeted.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

IV-K-10 Deficit Cash Balance – The Covered Bridge Preservation Fund had a negative cash balance of \$4,077 at June 30, 2010. This appears to violate Chapter 331.476 of the Code of Iowa, which does not allow issuance of warrants in excess of available cash.

Recommendation – The County should comply with Chapter 331.476 of the Code of Iowa.

Response – The Covered Bridge Preservation Fund went into the red because an expected reimbursement did not come in until after June 30, 2010. We will try to monitor the fund balance closer in the future.

Conclusion – Response accepted.

Madison County

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Karen J. Kibbe, Senior Auditor  
Tracey L. Gerrish, Staff Auditor  
Michael D. Eckard, Staff Auditor  
Clinton J. Krapfl, Assistant Auditor  
Laura E. Grinnell, Auditor Intern

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State