



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

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NEWS RELEASE

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FOR RELEASE

May 27, 2016

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

The County had local tax revenue of \$26,209,058 for the year ended June 30, 2015, which included \$1,552,722 in tax credits from the state. The County forwarded \$20,831,291 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,377,767 of the local tax revenue to finance County operations, a 1.0% increase over the prior year. Other revenues included charges for service of \$1,830,301, operating grants, contributions and restricted interest of \$4,082,340, capital grants, contributions and restricted interest of \$672,448, local option sales tax of \$782,964, unrestricted investment earnings of \$7,367 and other general revenues of \$219,864.

Expenses for County operations for the year ended June 30, 2015 totaled \$13,141,612, a 15.9% decrease from the prior year. Expenses included \$5,591,002 for roads and transportation, \$2,555,121 for public safety and legal services and \$1,341,889 for administration.

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/1510-0061-B00F>.

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MADISON COUNTY

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

JUNE 30, 2015

Table of Contents

		<u>Page</u>
Officials		4
Independent Auditor’s Report		5-7
Management’s Discussion and Analysis		9-16
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Position	A	18
Statement of Activities	B	19
Governmental Fund Financial Statements:		
Balance Sheet	C	20-21
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24-25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	26
Proprietary Fund Financial Statements:		
Statement of Net Position	G	27
Statement of Revenues, Expenses and Changes in Fund Net Position	H	28
Statement of Cash Flows	I	29
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Funds	J	30
Notes to Financial Statements		31-48
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds		50-51
Budget to GAAP Reconciliation		52
Notes to Required Supplementary Information – Budgetary Reporting		54
Schedule of the County’s Proportionate Share of the Net Pension Liability		55
Schedule of County Contributions		56-57
Notes to Required Supplementary Information – Pension Liability		58-59
Schedule of Funding Progress for the Retiree Health Plan		60
Supplementary Information:	<u>Schedule</u>	
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	62-63
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	64-65
Internal Service Funds:		
Combining Schedule of Net Position	3	66
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	4	67
Combining Schedule of Cash Flows	5	69
Agency Funds:		
Combining Schedule of Fiduciary Assets and Liabilities	6	70-71
Combining Schedule of Changes in Fiduciary Assets and Liabilities	7	72-73
Schedule of Revenues by Source and Expenditures by Function – All Governmental Funds	8	74-75

Table of Contents (continued)

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>	77-78
Schedule of Findings	80-84
Staff	85

Madison County
Officials
(Before January 2015)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Duff	Board of Supervisors	Jan 2015
Kirk Macumber	Board of Supervisors	Jan 2015
Aaron Price	Board of Supervisors	Jan 2017
Heidi Burhans	County Auditor	Jan 2017
G. Joann Collins	County Treasurer	Jan 2015
Lisa Smith	County Recorder	Jan 2015
Craig Busch	County Sheriff	(Retired Aug 2014)
Jason Barnes (elected and sworn in November 2014)	County Sheriff	Jan 2017
Julie A. Forsyth	County Attorney	Jan 2015
Joni J. Hopkins	County Assessor	Jan 2016

(After January 2015)

Aaron Price	Board of Supervisors	Jan 2017
Phil Clifton	Board of Supervisors	Jan 2019
Robert Duff	Board of Supervisors	Jan 2019
Heidi Burhans	County Auditor	Jan 2017
Jana S. Corkrean	County Treasurer	Jan 2019
Lisa Smith	County Recorder	Jan 2019
Jason Barnes	County Sheriff	Jan 2017
Matt Schultz	County Attorney	Jan 2019
Joni J. Hopkins	County Assessor	Jan 2016



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Independent Auditor's Report

To the Officials of Madison County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Madison County, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Madison County as of June 30, 2015, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of a Matter

As discussed in Note 15, Madison County adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of County Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 16 and 50 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madison County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 3, 2016 on our consideration of Madison County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 in considering Madison County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 3, 2016

Madison County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Madison County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- The County implemented Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27, during fiscal year 2015. The beginning net position for governmental activities was restated by \$2,461,381 to retroactively report the net pension liability at July 1, 2014 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Pension expense for fiscal year 2014 and the net pension liability, deferred outflows of resources and deferred inflows of resources at June 30, 2014 were not restated because the information needed to restate those amounts were not available.
- Revenues of the County's governmental activities decreased 14.7%, or approximately \$2,228,000, from fiscal year 2014 to fiscal year 2015. Charges for service decreased approximately \$3,457,000, operating grants, contributions and restricted interest increased approximately \$650,000 and capital grants, contributions and restricted interest increased approximately \$308,000.
- Program expenses of the County's governmental activities were 15.9%, or approximately \$2,481,000, less in fiscal year 2015 than in fiscal year 2014. Public safety and legal services expenses decreased approximately \$131,000, mental health expenses increased approximately \$933,000 and non-program expenses decreased approximately \$3,469,000.
- The County's net position decreased 0.9%, or approximately \$169,000, from the restated June 30, 2014 balance.

USING THIS ANNUAL REPORT

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

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

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

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

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

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

The County has three kinds of funds:

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

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

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

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

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

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

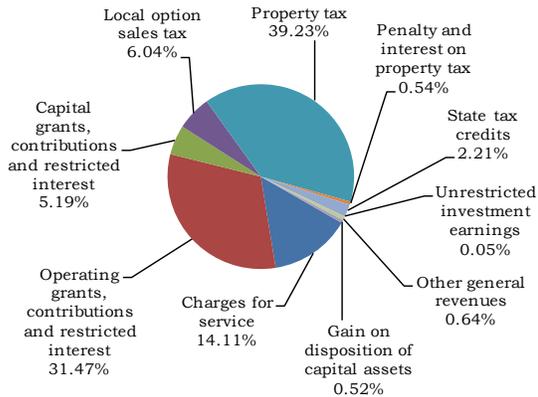
As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities		
(Expressed in Thousands)		
	June 30,	
	2015	2014 (Not Restated)
Current and other assets	\$ 10,292	10,458
Capital assets	18,194	18,209
Total assets	28,486	28,667
Deferred outflows of resources	482	-
Long-term liabilities	3,545	1,950
Other liabilities	786	729
Total liabilities	4,331	2,679
Deferred inflows of resources	6,250	4,971
Net position:		
Net investment in capital assets	17,294	17,235
Restricted	2,881	3,171
Unrestricted	(1,788)	611
Total net position	\$ 18,387	21,017

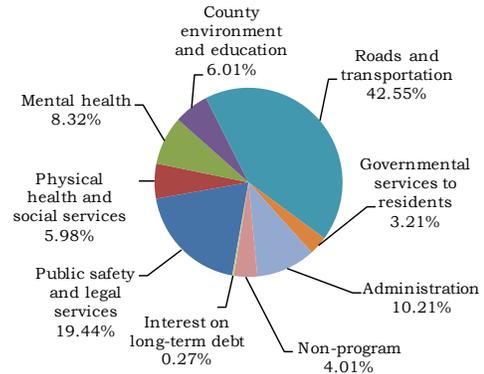
Prior to restatement, the net position of Madison County's governmental activities decreased 12.5% (approximately \$18.4 million compared to approximately \$21.0 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased from approximately \$611,000 at June 30, 2014 to a deficit of approximately \$1,788,000 at the end of this year, a decrease of 392.6%, primarily due to recording the net pension liability as of July 1, 2014.

Changes in Net Position of Governmental Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2015	2014
	(Not Restated)	
Revenues:		
Program revenues:		
Charges for service	\$ 1,830	5,287
Operating grants, contributions and restricted interest	4,082	3,432
Capital grants, contributions and restricted interest	673	365
General revenues:		
Property tax	5,091	5,104
Penalty and interest on property tax	70	62
State tax credits	287	222
Local option sales tax	783	617
Unrestricted investment earnings	7	6
Gain on disposition of capital assets	67	30
Other general revenues	83	76
Total revenues	12,973	15,201
Program expenses:		
Public safety and legal services	2,555	2,686
Physical health and social services	786	687
Mental health	1,094	161
County environment and education	790	765
Roads and transportation	5,591	5,540
Governmental services to residents	422	493
Administration	1,342	1,258
Non-program	527	3,996
Interest on long-term debt	35	37
Total expenses	13,142	15,623
Change in net position	(169)	(422)
Net position beginning of year, as restated	18,556	21,439
Net position end of year	\$ 18,387	21,017

Revenues by Source



Expenses by Program



Madison County's net position of governmental activities decreased approximately \$169,000 during the year. Revenues for governmental activities decreased approximately \$2,228,000 from the prior year, with property tax revenue down from the prior year approximately \$13,000, or 0.3%.

The countywide property tax levy rate increased 0.001%, or \$0.00005 per \$1,000 of taxable valuation, for fiscal year 2015. The rural property tax levy rate increased 0.001% per \$1,000 taxable valuation fiscal year 2015. There was also a slight decrease in the overall valuation of approximately \$48,000 resulting in an increase in total property tax levied between fiscal year 2014 and fiscal year 2015 of approximately \$818.

The cost of all governmental activities this year was approximately \$13.1 million compared to approximately \$15.6 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$6.6 million because some of the cost was paid by those directly benefited from the programs (approximately \$1.8 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$4.8 million). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, decreased in fiscal year 2015 from approximately \$9,084,000 to approximately \$6,584,000, principally due to a decrease in charges for service from approximately \$5,287,000 in fiscal year 2014 to approximately \$1,830,000 in fiscal year 2015. The County's overall governmental activities expenses decreased in fiscal year 2015 from approximately \$15,623,000 to approximately \$13,142,000, or 15.9%. This decrease is primarily due to the decrease in medical claims and a payment made for a lawsuit settlement in fiscal year 2014 with no such payment in fiscal year 2015.

INDIVIDUAL MAJOR FUND ANALYSIS

As Madison County completed the year, its governmental funds reported a combined fund balance of approximately \$3.9 million, a decrease of approximately \$644,000 from last year's total of approximately \$4.5 million. The 14.2% decrease in fund balance is primarily attributable to the following:

- General Fund revenues remained consistent when compared to the prior year. Expenditures decreased approximately \$126,000, or 2.5%, from the prior year, primarily due to the legal settlement payout and other legal and professional services and lighting strike repair in fiscal year 2014 when compared to fiscal year 2015. The ending fund balance decreased approximately \$32,000, or 2.5%, from the prior year, from \$1,293,685 to \$1,261,726.

- The County has continued to look for ways to effectively manage the cost of mental health services. For fiscal year 2015, Special Revenue, Mental Health Fund expenditures total approximately \$1,094,000, an increase of 588.6% from the prior year. Expenditures increased in fiscal year 2015 due to remitting funds to the Mental Health Region.
- Special Revenue, Rural Services Fund revenues increased approximately \$84,000, or 4.0%. The primary increase is a result of additional local option sales tax receipts. Expenditures increased approximately \$130,000 when compared to the prior year, primarily due to an increase in the hiring of additional Deputies and the purchase of a vehicle. The ending fund balance increased approximately \$49,000, or 12.0%, from the prior year to \$455,231.
- Special Revenue, Secondary Roads Fund revenues increased approximately \$343,000, or 10.7%, from the prior year as a result of an increase in disaster recovery grants received from the Federal Emergency Management Agency (FEMA) and road use tax. Expenditures increased approximately \$478,000, or 10.7%, primarily due to the County spending more on road maintenance and the purchase of a motor grader, dump truck and mower. The ending fund balance increased 7.9%, or approximately \$156,000, from the prior year to an ending balance of \$2,117,203.

BUDGETARY HIGHLIGHTS

Over the course of the year, Madison County amended its budget two times. The first amendment, made on June 16, 2015, increased budgeted disbursements for the public safety and legal services, physical health and social services, county environment and education, roads and transportation, governmental services to residents and administration functions. The second amendment, made on June 29, 2015, increased budgeted disbursements for the mental health and roads and transportation functions.

The County's receipts were approximately \$1,554,000 less than budgeted, a variance of 12.3%. The most significant variance resulted from the County receiving fewer than anticipated grants, specifically mental health equalization funds and grants for FEMA projects which did not occur in fiscal year 2015.

Total disbursements were approximately \$1,778,000 less than the amended budget. This was primarily due to the County spending approximately \$732,000 less than budgeted for capital projects, approximately \$495,000 less than budgeted for roads and transportation and approximately \$172,000 less than budgeted for physical health and social services.

Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, Madison County had approximately \$18.2 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net decrease (including additions and deletions) of approximately \$15,000, or 0.09% from last year.

Capital Assets of Governmental Activities at Year End		
(Expressed in Thousands)		
	June 30,	
	2015	2014
Land	\$ 1,578	1,578
Intangibles	104	104
Construction in progress	639	-
Buildings and improvements	2,382	2,474
Equipment and vehicles	2,194	2,083
Infrastructure	11,297	11,969
Total	\$ 18,194	18,208
This year's major additions included (in thousands):		
Vehicles	\$ 445	
Infrastructure	639	
Total	\$ 1,084	

The County had depreciation expense of \$1,165,726 in fiscal year 2015 and total accumulated depreciation of \$10,851,304 at June 30, 2015.

More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2015, Madison County had approximately \$900,000 of general obligation bonds compared to approximately \$974,000 of general obligations and other debt outstanding at June 30, 2014, as shown below.

Outstanding Debt of Governmental Activities at Year-End		
(Expressed in Thousands)		
	June 30,	
	2015	2014
Capital lease purchase agreement	\$ -	2
Capital loan notes	-	12
General obligation bonds	900	960
Total	\$ 900	974

The Constitution of the State of Iowa limits the amount of debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Madison County's outstanding debt is significantly below its constitutional debt limit of approximately \$70 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Madison County's elected and appointed officials and citizens consider many factors when budgeting each fiscal year. Tax rates and fees for various county services are only part of what has to be considered. The economy is another major factor. Interest rates continue to be low and document recording fees seem to be coming in slightly stronger than in the recent past. More homes are being refinanced as the mortgage market improves and building permits are holding steady. In addition, union wages are set through June 30, 2016.

Madison County continues to struggle to maintain strong fund balances. Budget amendments have been approved annually for the last several years for overtime and part-time wages, insurance premiums and road system projects and for unanticipated expenses, such as investigations, settlement payouts and computer replacements. Additionally, ongoing litigation for environmental issues cost the County \$956,522, with the last payment of \$2,146 made in the current fiscal year. The net total of the budget amendments was \$857,643, of which \$385,000 was in the Mental Health Fund to distribute funds to the Central Iowa Community Services Mental Health Region. For fiscal year 2016, health insurance premiums increased \$126,214 and levy rates increased \$0.00015 per \$1,000 of taxable valuation due to the increased premiums. All of these issues have added to our budgetary challenges.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Madison County
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Cash, cash equivalents and pooled investments	\$ 3,364,907
Receivables:	
Property tax:	
Delinquent	21,199
Succeeding year	5,135,000
Accounts	804,294
Accrued interest	981
Due from other governments	570,515
Inventories	395,190
Capital assets, net of accumulated depreciation	18,193,931
Total assets	28,486,017
Deferred Outflows of Resources	
Pension related deferred outflows	482,384
Liabilities	
Accounts payable	624,094
Accrued interest payable	2,788
Salaries and benefits payable	159,099
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	60,000
Compensated absences	313,470
Portion due or payable after one year:	
General obligation bonds	840,000
Compensated absences	280,200
Net pension liability	1,568,139
Net OPEB liability	483,100
Total liabilities	4,330,890
Deferred Inflows of Resources:	
Unavailable property tax revenue	5,135,000
Pension related deferred inflows	1,115,277
Total deferred inflows of resources	6,250,277
Net Position	
Net investment in capital assets	17,293,931
Restricted for:	
Supplemental levy purposes	263,922
Mental health purposes	79,870
Rural services purposes	437,495
Secondary roads purposes	1,768,978
Debt service	15,077
Other purposes	316,257
Unrestricted	(1,788,296)
Unreserved	
Total net position	\$ 18,387,234

See notes to financial statements.

Madison County
Statement of Activities
Year ended June 30, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Service	Contributions and Restricted Interest	Operating Grants, Capital Grants, Contributions and Restricted Interest	
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,555,121	671,103	38,071	-	(1,845,947)
Physical health and social services	786,012	79,411	265,297	-	(441,304)
Mental health	1,093,564	-	7,892	-	(1,085,672)
County environment and education	789,861	110,377	36,393	-	(643,091)
Roads and transportation	5,591,002	84,088	3,431,329	672,448	(1,403,137)
Governmental services to residents	422,045	331,419	279,944	-	189,318
Administration	1,341,889	24,583	23,414	-	(1,293,892)
Non-program	526,909	529,320	-	-	2,411
Interest on long-term debt	35,209	-	-	-	(35,209)
Total	\$ 13,141,612	1,830,301	4,082,340	672,448	(6,556,523)
General Revenues:					
Property and other county tax levied for general purposes					5,090,898
Penalty and interest on property tax					69,400
State tax credits					286,869
Local option sales tax					782,964
Unrestricted investment earnings					7,367
Gain on disposition of capital assets					67,308
Miscellaneous					83,156
Total general revenues					6,387,962
Change in net position					(168,561)
Net position beginning of year, as restated					18,555,795
Net position end of year					\$ 18,387,234

See notes to financial statements.

Madison County
Balance Sheet
Governmental Funds

June 30, 2015

	Special Revenue		
	General	Mental Health	Rural Services
Assets			
Cash, cash equivalents and pooled investments	\$ 882,759	37,049	364,646
Receivables:			
Property tax:			
Delinquent	17,137	1,049	3,013
Succeeding year	3,297,000	477,000	1,361,000
Accounts	361,939	-	150
Accrued interest	981	-	-
Due from other governments	68,069	42,399	104,652
Inventories	-	-	-
Advances to other funds	320,138	-	-
Total assets	\$ 4,948,023	557,497	1,833,461
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 116,681	627	5,915
Salaries and benefits payable	43,617	-	8,302
Advance from other funds	-	-	-
Total liabilities	160,298	627	14,217
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	3,297,000	477,000	1,361,000
Other	228,999	41,049	3,013
Total deferred inflows of resources	3,525,999	518,049	1,364,013
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Advance to Internal Service Fund	60,000	-	-
Restricted for:			
Supplemental levy purposes	284,110	-	-
Mental health purposes	-	38,821	-
Rural services purposes	-	-	455,231
Secondary roads purposes	-	-	-
Debt service	-	-	-
Other purposes	-	-	-
Unassigned	917,616	-	-
Total fund balances	1,261,726	38,821	455,231
Total liabilities, deferred inflows of resources and fund balances	\$ 4,948,023	557,497	1,833,461

See notes to financial statements.

Secondary Roads	Nonmajor	Total
1,685,119	248,330	3,217,903
-	-	21,199
-	-	5,135,000
178,321	260,433	800,843
-	-	981
329,233	26,162	570,515
368,445	-	368,445
-	-	320,138
2,561,118	534,925	10,435,024
336,735	665	460,623
107,180	-	159,099
-	260,138	260,138
443,915	260,803	879,860
-	-	5,135,000
-	260,138	533,199
-	260,138	5,668,199
368,445	-	368,445
-	-	60,000
-	-	284,110
-	-	38,821
-	-	455,231
1,748,758	-	1,748,758
-	15,077	15,077
-	259,045	259,045
-	(260,138)	657,478
2,117,203	13,984	3,886,965
2,561,118	534,925	10,435,024

Madison County

Madison County

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

June 30, 2015

Total governmental fund balances (page 21) \$ 3,886,965

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$29,045,235 and the accumulated depreciation is \$10,851,304. 18,193,931

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 533,199

The Internal Service Funds are used by management to charge the costs of the self funding of the County's health insurance benefit plan and other internal costs to individual funds. The assets and liabilities of the Internal Service Funds are included with governmental activities in the Statement of Net Position. (46,271)

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

Deferred outflows of resources	\$ 482,384	
Deferred inflows of resources	<u>(1,115,277)</u>	(632,893)

Long-term liabilities, including general obligation bonds payable, compensated absences payable, other postemployment benefits payable, net pension liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds. (3,547,697)

Net position of governmental activities (page 18) \$ 18,387,234

See notes to financial statements.

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

Year ended June 30, 2015

	Special Revenue		
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 3,212,142	509,127	1,380,553
Local option sales tax	-	-	626,372
Interest and penalty on property tax	66,567	-	2,232
Intergovernmental	640,146	38,425	88,383
Licenses and permits	916	-	51,200
Charges for service	989,237	-	3,246
Use of money and property	79,637	-	-
Miscellaneous	30,584	8,604	27,276
Total revenues	5,019,229	556,156	2,179,262
Expenditures:			
Operating:			
Public safety and legal services	2,333,187	-	288,187
Physical health and social services	689,962	-	97,835
Mental health	-	1,093,759	-
County environment and education	525,397	-	248,520
Roads and transportation	-	-	-
Governmental services to residents	438,753	-	1,629
Administration	931,576	-	59,765
Debt service	-	-	-
Capital projects	10,000	-	-
Total expenditures	4,928,875	1,093,759	695,936
Excess (deficiency) of revenues over (under) expenditures	90,354	(537,603)	1,483,326
Other financing sources (uses):			
Sale of capital assets	1,720	-	-
Transfers in	-	-	-
Transfers out	(124,033)	-	(1,434,430)
Total other financing sources (uses)	(122,313)	-	(1,434,430)
Change in fund balances	(31,959)	(537,603)	48,896
Fund balances beginning of year	1,293,685	576,424	406,335
Fund balances end of year	\$ 1,261,726	38,821	455,231

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	-	5,101,822
-	156,592	782,964
-	-	68,799
3,516,595	19,530	4,303,079
25,252	-	77,368
3,355	3,476	999,314
-	745	80,382
12,460	6,245	85,169
3,557,662	186,588	11,498,897
-	-	2,621,374
-	-	787,797
-	-	1,093,759
-	3,062	776,979
4,961,120	-	4,961,120
-	-	440,382
-	45,719	1,037,060
-	95,365	95,365
-	320,927	330,927
4,961,120	465,073	12,144,763
(1,403,458)	(278,485)	(645,866)
531	-	2,251
1,558,463	-	1,558,463
-	-	(1,558,463)
1,558,994	-	2,251
155,536	(278,485)	(643,615)
1,961,667	292,469	4,530,580
2,117,203	13,984	3,886,965

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, 2015

Change in fund balances - Total governmental funds (page 25) \$ (643,615)

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 and contributed capital assets in the current year, as follows:

Expenditures for capital assets	\$ 444,668	
Contributed capital assets	639,014	
Depreciation expense	(1,165,726)	(82,044)

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. 67,308

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

Property tax	(10,924)	
Other	247,172	236,248

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 73,510

The current year County IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 383,982

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	(21,675)	
Other postemployment benefits	(78,400)	
Pension expense	(123,633)	
Interest on long-term debt	156	(223,552)

The Internal Service Funds are used by management to charge the costs of the partial self funding of the County's health insurance benefit plan and other internal costs to individual funds. The change in net position of the Internal Service Funds is reported with governmental activities. 19,602

Change in net position of governmental activities (page 19) \$ (168,561)

See notes to financial statements.

Madison County
Statement of Net Position
Proprietary Funds

June 30, 2015

	<u>Internal Service</u>
Assets	
Cash and cash equivalents	\$ 147,004
Accounts receivable	3,451
Inventories	26,745
Total assets	<u>177,200</u>
Liabilities	
Accounts payable	163,471
Advance from General Fund	60,000
Total liabilities	<u>223,471</u>
Net Position	
Unrestricted (deficit)	<u>\$ (46,271)</u>

See notes to financial statements.

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

Year ended June 30, 2015

	<u>Internal Service</u>
Operating revenues:	
Reimbursements from operating funds and employees	\$ 1,800,177
Reimbursements from others	<u>480,769</u>
Total operating revenues	2,280,946
Operating expenses:	
Medical claims	\$ 1,936,408
Materials and supplies	<u>324,949</u>
Operating income	<u>19,589</u>
Non-operating revenues:	
Interest income	<u>13</u>
Net income	19,602
Net position (deficit) beginning of year	<u>(65,873)</u>
Net position (deficit) end of year	<u><u>\$ (46,271)</u></u>

See notes to financial statements.

Madison County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2015

	Internal Service
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,750,521
Cash received from others	711,663
Cash paid to suppliers for goods and services	(2,388,582)
Net cash provided by operating activities	73,602
Cash flows from investing activities:	
Interest on investments	13
Net increase in cash and cash equivalents	73,615
Cash and cash equivalents beginning of year	73,389
Cash and cash equivalents end of year	\$ 147,004
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 19,589
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	181,239
Decrease in inventories	21,931
Decrease in accounts payable	(149,157)
Net cash provided by operating activities	\$ 73,602

See notes to financial statements.

Madison County
Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2015

Assets

Cash and pooled investments:

County Treasurer	\$ 14,914,741
Other County officials	21,580

Receivables:

Property tax:

Delinquent	34,876
Succeeding year	19,539,000
Accounts	3,043
Accrued interest	156
Special assessments	111,567

Due from other governments

3,918,964**Total assets**38,543,927**Liabilities**

Accounts payable	710,975
Salaries and benefits payable	4,625
Due to other governments	37,825,202
Trusts payable	3,125

Total liabilities38,543,927**Net position**\$ -

See notes to financial statements.

Madison County

Notes to Financial Statements

June 30, 2015

(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 Position and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County’s nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories.

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

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has 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 to be used to fund mental health, intellectual disabilities and developmental disabilities services.

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

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary roads construction and maintenance.

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

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

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

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

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

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

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 1/2% per month penalty for delinquent payments based on January 1, 2013. Assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2014.

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

Special Assessments Receivable – Special assessments receivable represents the amounts assessed to individuals for work done which benefits their property. These assessments are payable by individuals in not more than 15 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent special assessments receivable represents assessments which are due and payable but have not been collected. Succeeding year special assessments receivable represents remaining assessments which are payable but not yet due.

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

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

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

Capital Assets – Capital assets, which include property, 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 Position. 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
Intangibles	50,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

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

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

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position which applies to a future year(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the County after the measurement date but before the end of the County’s reporting period.

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

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

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, compensatory, and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

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

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

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

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

Unassigned - All amounts not included in the preceding classifications.

Net Position - The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,643,529 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 which may be invested in any one issuer.

(3) Advances To and From Other Funds

The detail of advances to/from other funds at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital Projects	\$ 260,138
	Internal Service:	
	Fuel	<u>60,000</u>
Total		<u>\$ 320,138</u>

The advance to/from other funds between the General Fund and the Capital Projects Fund is a result of costs associated with the County courthouse roof repair. The advance will be repaid with a donation of funds received from a third party.

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

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 124,033
	Special Revenue:	
	Rural Services	<u>1,434,430</u>
Total		<u>\$ 1,558,463</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, 2015 was as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>Beginning</u>			<u>End</u>
	<u>of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,578,385	-	-	1,578,385
Intangibles, road network	104,029	-	-	104,029
Construction in progress	-	639,014	-	639,014
Total capital assets not being depreciated	<u>1,682,414</u>	<u>639,014</u>	<u>-</u>	<u>2,321,428</u>
Capital assets being depreciated:				
Buildings	3,815,091	-	-	3,815,091
Improvements other than buildings	31,147	-	-	31,147
Equipment and vehicles	7,358,260	511,976	(209,084)	7,661,152
Infrastructure, road network	<u>15,216,417</u>	<u>-</u>	<u>-</u>	<u>15,216,417</u>
Total capital assets being depreciated	<u>26,420,915</u>	<u>511,976</u>	<u>(209,084)</u>	<u>26,723,807</u>
Less accumulated depreciation for:				
Buildings	1,341,327	91,958	-	1,433,285
Improvements other than buildings	31,147	-	-	31,147
Equipment and vehicles	5,274,933	401,106	(209,084)	5,466,955
Infrastructure, road network	<u>3,247,255</u>	<u>672,662</u>	<u>-</u>	<u>3,919,917</u>
Total accumulated depreciation	<u>9,894,662</u>	<u>1,165,726</u>	<u>(209,084)</u>	<u>10,851,304</u>
Total capital assets being depreciated, net	<u>16,526,253</u>	<u>(653,750)</u>	<u>-</u>	<u>15,872,503</u>
Governmental activities capital assets, net	<u>\$ 18,208,667</u>	<u>(14,736)</u>	<u>-</u>	<u>18,193,931</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 116,617
Physical health and social services	9,348
County environment and education	25,508
Roads and transportation	959,294
Administration	<u>54,959</u>
Total depreciation expense - governmental activities	<u>\$1,165,726</u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2015 is as follows:

Fund	Description	Amount
Agency:		
County Offices	Collections	\$ 20,548
Agricultural Extension Education		216,917
Central Iowa Community Services MHDS		16,921,648
County Assessor		376,754
Schools		12,356,491
Community Colleges		483,490
Corporations		4,250,330
Townships		299,806
County Hospital		1,874,844
Special Assessments		114,985
Auto License and Use Tax		590,925
Other		318,264
Total for agency funds		<u>\$ 37,825,002</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Capital Lease Purchase Agreement	Capital Loan Notes	General Obligation Bonds	Compensated Absences	Net Pension Liability	Net OPEB Liability	Total
Balance beginning of year, as restated	\$ 1,712	11,798	960,000	571,995	2,834,256	404,700	4,784,461
Increases	-	-	-	461,625	-	82,300	543,925
Decreases	1,712	11,798	60,000	439,950	1,266,117	3,900	1,783,477
Balance end of year	\$ -	-	900,000	593,670	1,568,139	483,100	3,544,909
Due within one year	\$ -	-	60,000	313,470	-	-	373,470

General Obligation Bonds Payable

A summary of the County's June 30, 2015 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Courthouse Repairs Issued August 25, 2010		
		Principal	Interest	Total
2016	2.90%	\$ 60,000	33,455	93,455
2017	2.90	65,000	31,712	96,715
2018	3.25	65,000	29,830	94,830
2019	3.25	70,000	27,718	97,718
2020	3.70	70,000	25,443	95,443
2021-2025	3.70 - 4.05	390,000	85,263	475,263
2026-2027	4.10	180,000	11,069	191,070
Total		<u>\$ 900,000</u>	<u>244,490</u>	<u>1,144,494</u>

(8) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the County, except for those covered by another retirement system. Employees of the County are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

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

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

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

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

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

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

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1%. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the County contributed 8.93% for a total rate of 14.88%. The Sheriff, deputies and the County each contributed 9.88% of covered payroll for a total rate of 19.76%. Protection occupation members contributed 6.76% of covered payroll and the County contributed 10.14% for a total rate of 16.90%.

The County's contributions to IPERS for the year ended June 30, 2015 were \$383,982.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the County reported a liability of \$1,568,139 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the County's collective proportion was 0.039541%, which was a decrease of 0.009822% from its collective proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the County recognized pension expense of \$123,633. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,201	30,376
Changes of assumptions	77,969	16,963
Net difference between projected and actual earnings on pension plan investments	-	976,780
Changes in proportion and differences between County contributions and the County's proportionate share of contributions	1,232	91,158
County contributions subsequent to the measurement date	383,982	-
Total	<u>\$ 482,384</u>	<u>1,115,277</u>

\$383,982 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	\$ (253,563)
2017	(253,563)
2018	(253,563)
2019	(253,563)
2020	(2,623)
Total	<u>\$ (1,016,875)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the County will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability (asset):	\$ 3,782,113	\$1,568,139	\$ (299,006)

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

Payables to IPERS - All legally required County contributions and legally required employee contributions which had been withheld from employee wages were remitted by the County to IPERS by June 30, 2015.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 65 active and 4 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 Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 97,000
Interest on net OPEB obligation	10,100
Adjustment to annual required contribution	<u>(24,800)</u>
Annual OPEB cost	82,300
Contributions made	<u>(3,900)</u>
Increase in net OPEB obligation	78,400
Net OPEB obligation beginning of year	<u>404,700</u>
Net OPEB obligation end of year	<u><u>\$ 483,100</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the County contributed \$3,900 to the medical plan. Plan members eligible for benefits contributed \$32,000, or 89% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 78,500	10.8%	\$ 333,700
2014	77,100	7.9	404,700
2015	82,300	4.7	483,100

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2015, the actuarial accrued liability was \$608,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$608,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,156,000 and the ratio of the UAAL to covered payroll was 14.6%. As of June 30, 2015, there were no trust fund assets.

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

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

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%.

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

Projected claim costs of the medical plan are \$642 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

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

(11) Employee Group Health Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, claims processed are paid to Wellmark from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2014 was \$1,477,093.

Amounts payable from the Employee Group Health Fund at June 30, 2014 total \$150,000, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. The fund balance was a deficit of \$91,128 at June 30, 2015. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 290,000
Incurred claims (including claims incurred but not reported at June 30, 2015)	1,936,408
Payments on claims during the fiscal year	<u>2,076,408</u>
Unpaid claims end of year	<u><u>\$ 150,000</u></u>

(12) Deficit Balances

At June 30, 2015, the Internal Service, Employee Group Health Fund had a deficit balance of \$91,128 and the Capital Projects Fund had a deficit balance of \$260,138. The County is investigating alternatives to eliminate the deficits.

(13) 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 startup 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.

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

Central Iowa Community Services, a jointly governed organization formed pursuant to the provisions of Chapter 28E of the Code of Iowa which became effective July 10, 2014, includes the following member counties: Boone County, Franklin County, Hamilton County, Hardin County, Jasper County, Marshall County, Poweshiek County, Story County, Warren County and Madison County. The financial activity of the County's Special Revenue, Mental Health Fund is included in the Central Iowa Community Services Mental Health Region for the year ended June 30, 2015, as follows:

Revenues:		
Property and other county tax		\$ 509,127
Intergovernmental:		
State tax credits	\$ 30,310	
Mental health and disability services transition	1,890	
Social services block grant	5,629	
Other	596	38,425
Miscellaneous		8,604
Total revenues		<u>556,156</u>
Expenditures:		
Services to persons with:		
Mental illness	458,230	
Intellectual disabilities	99,229	
Other development disabilities	7,842	565,301
General administration:		
Direct administration	9,130	
Distribution to regional fiscal agent	490,205	499,335
County provided case management		29,123
Total expenditures		<u>1,093,759</u>
Excess of expenditures over revenues		(537,603)
Fund balance beginning of year		<u>576,424</u>
Fund balance end of year		<u>\$ 38,821</u>

(15) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27, was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB Statement No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources are not reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date.

The beginning assets and liabilities of the Agency Funds has been restated to include a previously omitted Agency Fund.

The restated net position/balance are as follows:

	Governmental Activities	Agency Funds
Net position / balance June 30, 2014, as previously reported	\$ 21,017,176	21,003,174
Net pension liability at June 30, 2014	(2,834,256)	-
Deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date	372,875	-
Central Iowa Community Services account previously omitted	-	454,049
Net position/ balance July 1, 2014, as restated	<u>\$ 18,555,795</u>	<u>21,457,223</u>

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, 2015

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 5,842,543	-	5,842,543
Interest and penalty on property tax	67,463	-	67,463
Intergovernmental	4,002,860	-	4,002,860
Licenses and permits	77,698	-	77,698
Charges for service	979,963	-	979,963
Use of money and property	80,491	738	79,753
Miscellaneous	82,572	6,245	76,327
Total receipts	11,133,590	6,983	11,126,607
Disbursements:			
Public safety and legal services	2,682,204	-	2,682,204
Physical health and social services	792,309	-	792,309
Mental health	1,114,368	-	1,114,368
County environment and education	776,702	3,062	773,640
Roads and transportation	4,653,350	-	4,653,350
Governmental services to residents	442,477	-	442,477
Administration	985,595	-	985,595
Debt service	95,365	-	95,365
Capital projects	446,038	-	446,038
Total disbursements	11,988,408	3,062	11,985,346
Excess (deficiency) of receipts over (under) disbursements	(854,818)	3,921	(858,739)
Other financing sources, net	2,251	-	2,251
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(852,567)	3,921	(856,488)
Balance beginning of year	4,070,470	102,149	3,968,321
Balance end of year	\$ 3,217,903	106,070	3,111,833

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
5,696,998	5,696,998	145,545
67,255	67,255	208
4,928,432	5,348,510	(1,345,650)
50,325	50,325	27,373
1,100,545	1,101,945	(121,982)
92,048	92,048	(12,295)
291,765	323,690	(247,363)
12,227,368	12,680,771	(1,554,164)
2,645,599	2,814,920	132,716
808,327	964,276	171,967
746,935	1,131,935	17,567
761,195	849,366	75,726
4,517,693	5,147,891	494,541
485,292	498,154	55,677
1,009,106	1,083,107	97,512
95,465	95,465	100
1,382,647	1,178,191	732,153
12,452,259	13,763,305	1,777,959
(224,891)	(1,082,534)	223,795
1,500	1,500	751
(223,391)	(1,081,034)	224,546
3,565,095	3,565,095	403,226
3,341,704	2,484,061	627,772

Madison County

Budgetary Comparison Schedule – Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2015

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 11,133,590	(101,406)	11,498,897
Expenditures	11,988,408	(506,577)	12,144,763
Net	(854,818)	405,171	(645,866)
Other financing sources, net	2,251	-	2,251
Beginning fund balances	4,070,470	460,110	4,530,580
Ending fund balances	\$ 3,217,903	865,281	3,886,965

See accompanying independent auditor's report.

Madison County

Madison County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2015

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

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

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,311,046. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2015, disbursements did not exceed the amounts budgeted.

Madison County

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

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	<u>2015</u>
County's collective proportion of the net pension liability (asset)	0.039541%
County's collective proportionate share of the net pension liability (asset)	\$ 1,568
County's covered-employee payroll	\$ 4,034
County's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll	38.87%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Madison County

Schedule of County Contributions

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

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 384	373	365	342
Contributions in relation to the statutorily required contribution	<u>(384)</u>	<u>(373)</u>	<u>(365)</u>	<u>(342)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
County's covered-employee payroll	\$ 4,129	4,034	4,029	3,975
Contributions as a percentage of covered-employee payroll	9.30%	9.25%	9.06%	8.60%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
267	239	295	211	189	179
<u>(267)</u>	<u>(239)</u>	<u>(295)</u>	<u>(211)</u>	<u>(189)</u>	<u>(179)</u>
-	-	-	-	-	-
3,542	3,379	4,019	3,039	2,831	2,830
7.54%	7.07%	7.34%	6.94%	6.68%	6.33%

Madison County

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

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

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

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs, deputies and protection occupation members.

Madison County

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

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b - a)			
2010	Jul 1, 2009	-	\$ 667	667	0.0%	\$ 3,174	21.0%
2011	Jul 1, 2009	-	616	616	0.0	3,698	17.0
2012	Jul 1, 2009	-	616	616	0.0	3,978	16.0
2013	Jul 1, 2012	-	642	642	0.0	4,039	16.0
2014	Jul 1, 2012	-	642	642	0.0	4,020	16.0
2015	Jul 1, 2012	-	608	608	0.0	4,156	14.6

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

See accompanying independent auditor's report.

Supplementary Information

Madison County
 Combining Balance Sheet
 Nonmajor Governmental Funds

June 30, 2015

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Covered Bridge	Local Option Sales Tax
Assets				
Cash and pooled investments	\$ 25,521	46,197	1	44,532
Accounts receivable	295	-	-	-
Due from other governments	-	-	-	26,162
Total assets	\$ 25,816	46,197	1	70,694
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ -	185	-	480
Advance from other funds	-	-	-	-
Total liabilities	-	185	-	480
Deferred inflows of resources:				
Unavailable resources:				
Other	-	-	-	-
Fund balances:				
Restricted for:				
Debt service	-	-	-	-
Other purposes	25,816	46,012	1	70,214
Unassigned	-	-	-	-
Total fund balances	25,816	46,012	1	70,214
Total liabilities, deferred inflows of resources and fund balances	\$ 25,816	46,197	1	70,694

See accompanying independent auditor's report.

Sheriff McDee	County Attorney Forfeiture	Covered Bridge Preservation Association	Debt Service	Capital Projects	Total
9,728	1,204	106,070	15,077	-	248,330
-	-	-	-	260,138	260,433
-	-	-	-	-	26,162
9,728	1,204	106,070	15,077	260,138	534,925
-	-	-	-	-	665
-	-	-	-	260,138	260,138
-	-	-	-	260,138	260,803
-	-	-	-	260,138	260,138
-	-	-	15,077	-	15,077
9,728	1,204	106,070	-	-	259,045
-	-	-	-	(260,138)	(260,138)
9,728	1,204	106,070	15,077	(260,138)	13,984
9,728	1,204	106,070	15,077	260,138	534,925

Madison County

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

Year ended June 30, 2015

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Covered Bridge	Local Option Sales Tax
Revenues:				
Local option sales tax	\$ -	-	-	156,592
Intergovernmental	-	19,530	-	-
Charges for service	3,476	-	-	-
Use of money and property	2	5	-	-
Miscellaneous	-	-	-	-
Total revenues	3,478	19,535	-	156,592
Expenditures:				
Operating:				
County environment and education	-	-	-	-
Administration	467	12,873	-	32,379
Debt service	-	-	-	95,365
Capital projects	-	-	-	60,789
Total expenditures	467	12,873	-	188,533
Excess (deficiency) of revenues over (under) expenditures	3,011	6,662	-	(31,941)
Fund balances beginning of year	22,805	39,350	1	102,155
Fund balances end of year	\$ 25,816	46,012	1	70,214

See accompanying independent auditor's report.

Sheriff McDee	County Attorney Forfeiture	Covered Bridge Preservation Association	Debt Service	Capital Projects	Total
-	-	-	-	-	156,592
-	-	-	-	-	19,530
-	-	-	-	-	3,476
-	-	738	-	-	745
-	-	6,245	-	-	6,245
-	-	6,983	-	-	186,588
-	-	3,062	-	-	3,062
-	-	-	-	-	45,719
-	-	-	-	-	95,365
-	-	-	-	260,138	320,927
-	-	3,062	-	260,138	465,073
-	-	3,921	-	(260,138)	(278,485)
9,728	1,204	102,149	15,077	-	292,469
9,728	1,204	106,070	15,077	(260,138)	13,984

Schedule 3

Madison County
Combining Schedule of Net Position
Internal Service Funds

June 30, 2015

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Assets					
Cash and cash equivalents	\$ 72,349	918	58,872	14,865	147,004
Accounts receivable	3,451	-	-	-	3,451
Inventories	26,745	-	-	-	26,745
Total assets	102,545	918	58,872	14,865	177,200
Liabilities					
Accounts payable	13,471	-	150,000	-	163,471
Advance from General Fund	60,000	-	-	-	60,000
Total liabilities	73,471	-	150,000	-	223,471
Net Position					
Unrestricted (deficit)	\$ 29,074	918	(91,128)	14,865	(46,271)

See accompanying independent auditor's report.

Madison County

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

Year ended June 30, 2015

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Operating revenues:					
Reimbursements from operating funds and employees	\$ 306,526	16,558	1,477,093	-	1,800,177
Reimbursements from others	14,457	-	466,312	-	480,769
Total operating revenues	320,983	16,558	1,943,405	-	2,280,946
Operating expenses:					
Medical claims	-	-	1,936,408	-	1,936,408
Materials and supplies	308,410	16,539	-	-	324,949
Total operating expenses	308,410	16,539	1,936,408	-	2,261,357
Operating income	12,573	19	6,997	-	19,589
Non-operating revenues:					
Interest income	-	-	13	-	13
Net income	12,573	19	7,010	-	19,602
Net position beginning of year	16,501	899	(98,138)	14,865	(65,873)
Net position (deficit) end of year	\$ 29,074	918	(91,128)	14,865	(46,271)

See accompanying independent auditor's report.

Madison County

Madison County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2015

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Cash flows from operating activities:					
Cash received from operating fund reimbursements	\$ 304,412	16,627	1,429,482	-	1,750,521
Cash received from others	14,457	830	696,376	-	711,663
Cash paid to suppliers for goods and services	(295,635)	(16,539)	(2,076,408)	-	(2,388,582)
Net cash provided by operating activities	23,234	918	49,450	-	73,602
Cash flows from investing activities:					
Interest on investments	-	-	13	-	13
Net increase in cash and cash equivalents	23,234	918	49,463	-	73,615
Cash and cash equivalents beginning of year	49,115	-	9,409	14,865	73,389
Cash and cash equivalents end of year	\$ 72,349	918	58,872	14,865	147,004
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 12,573	19	6,997	-	19,589
Adjustments to reconcile operating income to net cash provided by operating activities:					
(Increase) decrease in accounts receivable	(2,113)	899	182,453	-	181,239
Decrease in inventories	21,931	-	-	-	21,931
Decrease in accounts payable	(9,157)	-	(140,000)	-	(149,157)
Net cash provided by operating activities	\$ 23,234	918	49,450	-	73,602
	-	-	-	-	

See accompanying independent auditor's report.

Madison County
 Combining Schedule of Fiduciary Assets and Liabilities
 Agency Funds

June 30, 2015

	Agricultural Central Iowa				
	County Offices	Extension Education	Community Services	County Assessor	Schools
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	2,486	13,731,442	141,837	146,085
Other county officials	21,580	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	431	-	530	24,406
Succeeding year	-	214,000	-	247,000	12,186,000
Accounts	93	-	-	-	-
Accrued interest	-	-	156	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	3,892,976	-	-
Total assets	\$ 21,673	216,917	17,624,574	389,367	12,356,491
Liabilities					
Accounts payable	\$ -	-	702,926	7,988	-
Salaries and benefits payable	-	-	-	4,625	-
Due to other governments	20,548	216,917	16,921,648	376,754	12,356,491
Trusts payable	1,125	-	-	-	-
Total liabilities	\$ 21,673	216,917	17,624,574	389,367	12,356,491

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Special Assess- ments	Auto License and Use Tax	Other	Total
5,541	40,421	3,219	22,032	3,418	590,311	227,949	14,914,741
-	-	-	-	-	-	-	21,580
949	4,109	587	3,812	-	-	52	34,876
477,000	4,206,000	296,000	1,849,000	-	-	64,000	19,539,000
-	-	-	-	-	614	2,336	3,043
-	-	-	-	-	-	-	156
-	-	-	-	111,567	-	-	111,567
-	-	-	-	-	-	25,988	3,918,964
483,490	4,250,530	299,806	1,874,844	114,985	590,925	320,325	38,543,927
-	-	-	-	-	-	61	710,975
-	-	-	-	-	-	-	4,625
483,490	4,250,530	299,806	1,874,844	114,985	590,925	318,264	37,825,202
-	-	-	-	-	-	2,000	3,125
483,490	4,250,530	299,806	1,874,844	114,985	590,925	320,325	38,543,927

Madison County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2015

	County	Agricultural	Central Iowa	County	
	Offices	Extension Education	Community Services	Assessor	Schools
Assets and Liabilities					
Balances beginning of year, as restated	\$ 44,214	209,079	454,049	411,873	12,396,015
Additions:					
Property and other county tax	-	216,772	-	251,340	12,324,069
State tax credits	-	12,671	-	13,559	759,657
Office fees and collections	929,927	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Intergovernmental	-	-	18,856,882	-	-
Use of money and property	-	-	1,524	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Trusts	43,357	-	-	-	-
Miscellaneous	-	-	-	2,969	-
Total additions	973,284	229,443	18,858,406	267,868	13,083,726
Deductions:					
Agency remittances:					
To other funds	775,296	-	-	-	-
To other governments	168,661	221,605	1,687,881	290,374	13,123,250
Trusts paid out	51,868	-	-	-	-
Total deductions	995,825	221,605	1,687,881	290,374	13,123,250
Balances end of year	\$ 21,673	216,917	17,624,574	389,367	12,356,491

See accompanying independent auditor's report.

Community Colleges	Corporations	Townships	County Hospital	Special Assess- ments	Auto License and Use Tax	Other	Total
465,430	4,260,781	291,493	1,850,054	223,348	484,611	366,276	21,457,223
484,133	4,021,346	307,721	1,877,116	-	-	82,941	19,565,438
28,158	322,689	14,708	112,292	-	-	2,119	1,265,853
-	-	-	-	4,020	-	-	933,947
-	-	-	-	-	-	3,476	3,476
-	-	-	-	-	-	-	18,856,882
-	-	-	-	-	-	-	1,524
-	-	-	-	-	5,593,687	-	5,593,687
-	-	-	-	-	-	-	43,357
-	950	-	-	-	-	455,837	459,756
512,291	4,344,985	322,429	1,989,408	4,020	5,593,687	544,373	46,723,920
-	-	-	-	-	197,725	-	973,021
494,231	4,355,236	314,116	1,964,618	112,383	5,289,648	590,324	28,612,327
-	-	-	-	-	-	-	51,868
494,231	4,355,236	314,116	1,964,618	112,383	5,487,373	590,324	29,637,216
483,490	4,250,530	299,806	1,874,844	114,985	590,925	320,325	38,543,927

Madison County

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

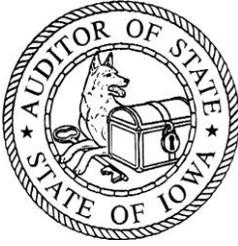
For the Last Ten Years

	2015	2014	2013	2012
Revenues:				
Property and other county tax	\$ 5,102,423	5,103,832	4,950,192	4,889,033
Local option sales tax	782,964	616,372	638,033	657,207
Interest and penalty on property tax	68,799	62,203	54,362	73,249
Intergovernmental	4,303,079	3,810,503	4,268,480	4,507,478
Licenses and permits	77,368	74,010	51,876	47,457
Charges for service	999,314	1,097,147	1,049,418	964,730
Use of money and property	80,382	82,091	87,971	85,308
Miscellaneous	84,568	185,974	132,709	219,062
Total	\$ 11,498,897	11,032,132	11,233,041	11,443,524
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,621,374	2,584,643	2,576,984	2,662,269
Physical health and social services	787,797	656,646	646,271	676,795
Mental health	1,093,759	158,846	538,171	2,096,367
County environment and education	776,979	708,773	431,731	226,955
Roads and transportation	4,961,120	4,482,822	4,623,156	4,864,203
Governmental services to residents	440,382	462,328	710,190	458,115
Administration	1,037,060	1,159,194	858,981	811,147
Debt service	95,365	96,850	97,615	93,460
Capital projects	330,927	93,750	839	1,053,555
Total	\$ 12,144,763	10,403,852	10,483,938	12,942,866

See accompanying independent auditor's report.

Modified Accrual Basis					
2011	2010	2009	2008	2007	2006
4,686,472	4,577,982	4,188,008	3,922,927	3,867,637	3,590,801
602,982	520,628	550,144	590,756	565,184	555,435
67,508	69,986	67,857	56,820	55,586	59,215
4,588,148	4,564,032	5,039,690	4,843,465	4,597,043	4,189,078
50,271	43,816	53,116	60,676	78,218	96,303
997,725	853,295	843,810	827,092	695,027	720,040
92,295	116,991	148,741	260,310	296,128	229,810
94,568	149,770	95,833	90,103	145,912	205,838
<u>11,179,969</u>	<u>10,896,500</u>	<u>10,987,199</u>	<u>10,652,149</u>	<u>10,300,735</u>	<u>9,646,520</u>
2,414,981	2,407,600	2,253,877	2,135,309	2,095,972	1,619,411
638,138	730,227	667,658	696,699	521,118	503,749
1,162,155	1,218,829	1,138,136	1,289,301	1,296,836	1,103,099
622,784	613,421	662,155	674,718	515,099	531,247
4,324,970	3,875,440	4,088,516	4,333,549	3,203,353	3,703,088
436,243	427,940	415,448	398,227	376,671	481,599
962,660	838,801	1,250,962	863,733	771,529	683,606
113,432	80,362	81,278	180,158	186,885	139,211
603,619	832,758	152,549	673,579	1,044,329	644,007
<u>11,278,982</u>	<u>11,025,378</u>	<u>10,710,579</u>	<u>11,245,273</u>	<u>10,011,792</u>	<u>9,409,017</u>

Madison County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Officials of Madison County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Madison County, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 3, 2016.

Internal Control Over Financial Reporting

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

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items (A) and (B), we consider to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Madison County's Responses to the Findings

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

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State


WARREN C. JENKINS, CPA
Chief Deputy Auditor of State

May 3, 2016

Madison County

Madison County
 Schedule of Findings
 Year ended June 30, 2015

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

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

	<u>Applicable Offices</u>
(1) One individual has control over opening and listing mail receipts, collecting, depositing, posting and daily reconciling of receipts.	Ambulance, Conservation Board, Public Health Nurse, County Extension Office and Madison County Covered Bridge Preservation Association
(2) Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety.	Madison County Covered Bridge Preservation Association and Sheriff
(3) The person who signs checks was not independent of the person preparing checks, approving disbursements and recording cash disbursements.	Sheriff

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, County officials should review the operating procedures of their offices to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including elected officials.

Responses –

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

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

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

Madison County

Schedule of Findings

Year ended June 30, 2015

County Extension Office – In an effort to segregate duties, a separate staff person will open daily mail and record any receipts that may be received.

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.

Non-Reservation Camping Fee Collections (paid on-site): The 4 person full-time staff currently rotates 3 employees (Jim Liechty, Steve Pearson, and Terry McNamara) for weekend camping responsibilities on a weekly schedule. The Conservation Board established a Camp Ground Host Program in 2011. Two sets of camp hosts (scheduled on a monthly basis) are responsible for collecting fees and registration envelopes. The campground host collects the camping fees and registration envelopes on a daily basis and the County Conservation Board staff-person “on-duty” for each respective weekend, collects the camping receipt envelopes and fees from the host on Saturday and Sunday mornings. A second staff person re-counts all weekend camping revenue on Monday mornings and we provide two sets of initialing on camping receipts deposited with the Madison County Treasurer.

Advanced Reservation Camping Fee Collections (paid in advance): *All advanced camping reservation fees are transacted by credit card only.* All four full-time staff (Jim Liechty, Steve Pearson, Molly Hanson and Terry McNamara) are responsible for taking reservations and operating the “phone-in” credit card transactions. These same staff members are also responsible for filling out corresponding registration envelopes.

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

Environmental Education Program Fees: For most environmental education programs 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 which 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 fee collections.

Madison County

Schedule of Findings

Year ended June 30, 2015

Mail Collection: Normally the Director, Jim Liechty, picks up mail from the post office box. Mail is then distributed to appropriate staff. When Mr. Liechty is vacation, Mr. Hanson normally handles all mail pickups. Since most facility reservation revenue is handled by credit card transaction, very little mail contains user fees, with the exception being Environmental Education programming fees (see above).

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

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

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

Conclusions – Responses accepted.

- (B) Financial Reporting – During the audit, we identified material amounts of receivables and payables which were not properly reported as accruals for fiscal year 2015. In addition, an Agency Fund was omitted in the prior year. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all payables, receivables and funds are properly accounted for and reported in the County's financial statements.

Response – The County will follow the recommendation and strive for accurate reporting.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Madison County
 Schedule of Findings
 Year ended June 30, 2015

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted.
- (2) Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- (4) Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jennifer McErlean, daughter of Deputy County Auditor	Election assistance	\$ 50
Carla Burhans, Mother of County Auditor	Election assistance	252
Joan Brown, Mother-in-law of Auditor Clerk	Election assistance	12
Jeff Johnson, part-time Ambulance employee, independent contractor	Snow removal, per bid	2,075

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with the daughter of the Deputy County Auditor, the mother of the County Auditor and the Mother-in-law of the Auditor Clerk do not appear to represent conflicts of interest since the transactions with each individual were less than \$1,500 during the fiscal year.

In accordance with Chapter 331.442(2)(c) of the Code of Iowa, the transaction with the part-time ambulance employee does not appear to represent a conflict of interest since the work was competitively bid.

- (5) 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.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (7) 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.
- (8) 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).

Madison County

Schedule of Findings

Year ended June 30, 2015

- (9) Financial Condition – The Internal Service, Group Employee Health Fund had a deficit fund balance of \$91,128 and the Capital Projects Fund had a deficit fund balance of \$260,138 at June 30, 2015.

Recommendation – The County should investigate alternatives to eliminate the deficits and return the funds to a sound financial position.

Response – The County raised its health insurance premiums in the past two fiscal years. Due to those increases and recent removal of large claim members, the deficit fund balance of the Internal Service Group Employee Health Fund is beginning to decrease. The County is striving to build a strong fund balance that can be maintained for several years.

The \$260,138 deficit balance in the Capital Projects Fund is due to an interfund loan not repaid in fiscal year 2015. A private group, Madison County Courthouse Preservation Fund, planned to and did reimburse the County for this amount. However, the reimbursement was not received until fiscal year 2016.

Conclusion – Response accepted.

- (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, 2015 for the County Extension Office did not exceed the amount budgeted.

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

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

Response – Once the current balance on hand is diminished, it is the Sheriff's plan to close this account. In the event of future classes and revenue, that money will be turned into the Madison County Treasurer and added to the General Fund.

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

Madison County

Staff

This audit was performed by:

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