



**FINANCIAL CONDITION
MADISON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**FINANCIAL CONDITION
MADISON COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Commissioners
Madison County
One North Main Street
P.O. Box 47
London, Ohio 43140

We have audited the accompanying financial statements of Madison County, Ohio, (the County) as of and for the year ended December 31, 1999. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-1-11 requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed Note 1, the County, prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, can not be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Madison County, Ohio, as of December 31, 1999, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2000, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of the County, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the management, Board of County Commissioners and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

JIM PETRO
Auditor of State

May 30, 2000

**FINANCIAL CONDITION
MADISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	<u>(Memorandum Only) Total</u>
Cash receipts:						
Local taxes	\$4,600,461	\$1,853,531	\$0	\$80,886	\$0	\$6,534,878
Intergovernmental	928,951	7,400,155	0	344,146	0	8,673,252
Special assessments	0	0	0	482,797	0	482,797
Charges for services	769,954	954,011	156,747	0	0	1,880,712
Fines, licenses, and permits	488,933	187,976	0	0	0	676,909
Miscellaneous	664,260	317,442	5,913	21,740	1,021	1,010,376
Total cash receipts	7,452,559	10,713,115	162,660	929,569	1,021	19,258,924
Cash disbursements:						
General Government						
Legislative and Executive	2,234,724	297,546	0	0	0	2,532,270
Judicial	1,505,782	80,153	0	0	0	1,585,935
Public Safety	1,194,146	386,520	0	0	0	1,580,666
Public Works	331,697	3,765,523	0	0	0	4,097,220
Health	46,982	3,154,177	0	0	0	3,201,159
Human Services	152,423	4,384,497	0	0	6,481	4,543,401
Miscellaneous	596,613	23,606	0	0	0	620,219
Debt Service:						
Bond Principal Payment	0	0	1,932,612	0	0	1,932,612
Note Principal Payment	0	400,000	0	399,486	0	799,486
Interest and Fiscal Charges	0	14,320	113,220	116,732	0	244,272
Capital outlay	0	37,705	0	1,263,388	0	1,301,093
Total Cash Disbursements	6,062,367	12,544,047	2,045,832	1,779,606	6,481	22,438,333
Total Cash Receipts over/(under) Cash Disbursements	1,390,192	(1,830,932)	(1,883,172)	(850,037)	(5,460)	(3,179,409)
Other Financing Sources/(Uses):						
Proceeds from sale of public debt						
Proceeds of Bonds	0	0	2,028,092	0	0	2,028,092
Proceeds of Notes	0	300,000	0	398,000	0	698,000
Operating Transfers-in	287,130	878,682	0	0	0	1,165,812
Operating Transfers-out	(810,682)	(366,130)	0	0	0	(1,176,812)
Other Financing Sources	211,380	852,860	0	0	0	1,064,240
Other Financing Uses	(411,175)	0	0	0	0	(411,175)
Total Other Financing Sources/(Uses)	(723,347)	1,665,412	2,028,092	398,000	0	3,368,157
Excess of Cash Receipts and Other Financing Sources over/(under) Cash Disbursements and Other Financing Uses	666,845	(165,520)	144,920	(452,037)	(5,460)	188,748
Fund cash balances, January 1, 1999	3,446,997	4,947,041	31,928	1,409,343	52,518	9,887,827
Fund cash balances, December 31, 1999	<u>\$4,113,842</u>	<u>\$4,781,521</u>	<u>\$176,848</u>	<u>\$957,306</u>	<u>\$47,058</u>	<u>\$10,076,575</u>
Reserve for encumbrances, December 31, 1999	<u>\$13,108</u>	<u>\$31,073</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$44,181</u>

The notes to the financial statements are an integral part of this statement.

**FINANCIAL CONDITION
MADISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH
BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>(Memorandum Only) Total</u>
Operating Cash Receipts:				
Charges for Services	\$367,010	\$32,836	\$0	\$399,846
Other Operating Revenues	5,713	0	0	5,713
Total Operating Revenues	372,723	32,836	0	405,559
Operating Expenses:				
Personal Services	95,259	30,441	0	125,700
Travel Transportation	0	2,383	0	2,383
Contractual Services	139,810	0	0	139,810
Supplies and Materials	125,874	0	0	125,874
Capital Outlay	3,062	0	0	3,062
Total Operating Expenses	364,005	32,824	0	396,829
Operating Income/(Loss)	8,718	12	0	8,730
Non-Operating Revenues:				
Intergovernmental Revenues	0	0	4,238,807	4,238,807
Taxes	0	0	24,469,941	24,469,941
Other Non-Operating Revenues	0	0	1,233,788	1,233,788
Total Non-Operating Revenues	0	0	29,942,536	29,942,536
Non-Operating Expense				
Other Non-Operating Expense	0	0	29,688,839	29,688,839
Total Non-Operating Expense	0	0	29,688,839	29,688,839
Income Before Operating Transfers	8,718	12	253,697	262,427
Operating Transfers-In	0	0	11,000	11,000
Net Income	8,718	12	264,697	273,427
Fund Cash Balance, January 1, 1999	193,077	25,654	1,446,159	1,664,890
Fund Cash Balance, December 31, 1999	\$201,795	\$25,666	\$1,710,856	\$1,938,317

The notes to the financial statements are an integral part of this statement.

**FINANCIAL CONDITION
MADISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 1999**

<u>Fund Types</u>	<u>Estimated Receipts</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Fund	\$6,365,109	\$7,951,069	\$1,585,960
Special Revenue Funds	13,132,744	12,744,657	(388,087)
Debt Service Funds	2,189,060	2,190,752	1,692
Capital Projects Funds	1,138,046	1,327,569	189,523
Expendable Trust Fund	1,500	1,021	(479)
Enterprise Funds	354,700	372,723	18,023
Internal Service Fund	<u>32,836</u>	<u>32,836</u>	<u>0</u>
Total All Funds	<u><u>\$23,213,995</u></u>	<u><u>\$24,620,627</u></u>	<u><u>\$1,406,632</u></u>

The notes to the financial statements are an integral part of this statement.

**FINANCIAL CONDITION
MADISON COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS
COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 1999**

<u>Fund Type/Fund</u>	<u>Reserve For Encumbrances from 12/31/98</u>	<u>1999 Appropriations</u>	<u>Total</u>	<u>1999 Disbursements</u>	<u>Reserve for Encumbrances at 12/31/99</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
General Fund	\$0	\$8,895,067	\$8,895,067	\$7,284,224	\$13,108	\$7,297,332	\$1,597,735
Special Revenue Funds	0	14,888,460	14,888,460	12,910,177	31,073	12,941,250	1,947,210
Debt Service Fund	0	2,189,060	2,189,060	2,045,832	0	2,045,832	143,228
Capital Projects Funds	0	2,345,939	2,345,939	1,779,606	0	1,779,606	566,333
Expendable Trust Funds	0	50,000	50,000	6,481	0	6,481	43,519
Enterprise Funds	0	502,760	502,760	364,005	0	364,005	138,755
Internal Service Funds	0	58,490	58,490	32,824	0	32,824	25,666
Total All Funds	\$0	\$28,929,776	\$28,929,776	\$24,423,149	\$44,181	\$24,467,330	\$4,462,446

The notes to the financial statements are an integral part of this statement.

**FINANCIAL CONDITION
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(As Required by Various Statutes)

A. DESCRIPTION OF THE ENTITY

Madison County is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The County operates under the direction of a three-member elected Board of County Commissioners. A County Auditor and County Treasurer are responsible for fiscal control of the resources of the County. Services provided by the County include, but are not limited to, general government, public safety, public works, health, human services, and administration of justice.

The departments listed below maintain amounts of cash activity in a fiduciary capacity outside the control of the County Treasurer. While these departments are part of the primary government, these amounts are not included in the accompanying financial statements. The following table summarizes cash activity in these accounts during the year ended December 31, 1999.

Department	Beginning Cash Balances	1999		Ending Cash Balance
		Receipts	Disbursements	
Sheriff's Office	\$91,278	\$702,602	\$715,387	\$78,493
Child Support Enforcement Agency	132,873	4,814,156	4,854,691	92,338
Municipal Court (Civil/Small Claims)	1,398	159,524	153,594	7,328
Municipal Court (Traffic/Criminal)	9,247	1,201,403	1,202,286	8,364
Probate Court	11,472	55,454	55,782	11,144
Juvenile Court	581	32,690	32,939	332
Clerk of Courts	90,372	4,302,643	4,204,257	188,758
Prosecuting Attorney	(14)	35,359	35,345	0
Totals	<u>\$204,334</u>	<u>\$6,489,675</u>	<u>\$6,399,590</u>	<u>\$294,419</u>

**FINANCIAL CONDITION
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
(As Required by Various Statutes)

A. DESCRIPTION OF THE ENTITY (Continued)

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the County are not misleading.

Primary Government:

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Madison County, this includes the Union County Board of Mental Retardation and Developmental Disabilities (MRDD); the Madison County Airport, Madison County Park Authority, Madison County Emergency Management Agency (EMA) and other departments and activities that are directly operated by the elected County officials.

Component Units:

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt, or the levying of taxes. Madison County has the following component units as defined by GASB Statement 14:

Matco Industries Inc.
Madison Community Housing Inc.

The inclusion of the financial activity of these component units on the financial statements of Madison County is not required under the basis of accounting as reflected below. The unaudited financial activity of the component units can be obtained from the Madison County Board of Mental Retardation and Developmental Disabilities, their fiscal agent.

As custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate agencies and districts listed below, the County serves as fiscal agent but the organizations are not considered part of Madison County. Accordingly, the activity of the following organizations is presented as agency funds within the combined financial statements:

Madison County General Health District
Madison County Soil and Water Conservation District
Madison County Family and Children First Council
Madison County Law Library Association

**FINANCIAL CONDITION
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
(As Required by Various Statutes)

A. DESCRIPTION OF THE ENTITY (Continued)

The County is associated with certain organizations which are defined as joint ventures or jointly governed organizations as defined by GASB Statement 14:

The Tri-County Corrections Board is a joint venture for the establishment of a central jail facility for the use of Champaign, Madison, and Union Counties. The operation of the jail is controlled by a joint board whose membership consists of the sheriff, one judge, and one commissioner from each of the participating counties. Each county's ability to influence the operations of the jail is limited to their representation on the board. Champaign County has been appointed the fiscal agent for the joint venture.

The Five County Joint Juvenile Detention and Rehabilitation Center is a jointly governed organization involving Union, Champaign, Delaware, Logan, and Madison Counties. The Center provides facilities for the training, treatment, and rehabilitation of delinquent, dependent, abused or neglected children and was established under Section 2151.34 of the Ohio Revised Code. The operation of the Center is controlled by a joint board of trustees whose membership consists of two appointees of the Union County Commissioners, two appointees of the Delaware County Commissioners, and one appointee from Champaign, Logan, and Madison Counties. Each county's ability to influence the operations of the Center is limited to their representation on the board of trustees. Appropriations are adopted by the joint board of trustees who exercise control over the operation, maintenance, and construction of the Center. Union County serves as the fiscal agent. Each county is charged for their share of the operating costs of the Center based on the number of individuals from their County in attendance.

Madison County participates in a jointly governed solid waste management district along with Allen, Champaign, Hardin, Shelby, and Union Counties. The District was established following the requirements of House Bill 592. The board of directors consists of County Commissioners from each County. Each county's ability to influence the operations of the District is limited to their representation on the board of directors. The original funding for the District was contributed by each County based on its population compared to the total population of all participating counties. It is the intent of the District to be self-supporting and not require funding from the participating counties. Allen County, being the largest of the six counties, is the fiscal agent of the District.

The County's management believes these financial statements present all activities for which the County is financially accountable.

**FINANCIAL CONDITION
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
(As Required by Various Statutes)

B. BASIS OF ACCOUNTING

Although required by Ohio Administrative Code Section 117-1-11 to prepare its annual financial report in accordance with generally accepted accounting principles, the County chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

C. FUND ACCOUNTING

The County uses fund accounting to segregate cash and investments that are restricted as to use. The County classifies its funds into the following types:

GOVERNMENTAL FUND TYPES:

General Fund

The General Fund is the operating fund of the County and is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources (other than from trusts, or for capital projects) that are restricted to expenditures for specific purposes.

Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness.

Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds).

**FINANCIAL CONDITION
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
(As Required by Various Statutes)

C. FUND ACCOUNTING (continued)

PROPRIETARY FUND TYPES:

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

Internal Service Funds

These funds account for the financing of services provided by one department or agency to other departments or agencies of the County, nonprofit organizations, or quasi-governmental entities on a cost reimbursement basis.

FIDUCIARY FUND TYPES:

Trust and Agency Funds

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the County to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the County is acting in an agency capacity are classified as agency funds.

D. BUDGETARY PROCESS

The Ohio Revised Code requires that each fund be budgeted annually.

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**FINANCIAL CONDITION
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
(As Required by Various Statutes)

D. BUDGETARY PROCESS (Continued)

3. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The County Commissioners must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

4. Encumbrances

The Ohio Revised Code requires the County to reserve (encumber) appropriations when commitments are made. Purchase commitments were not always encumbered as required by Ohio law during 1999. Encumbrances outstanding at year-end are carried over and need not be reappropriated.

E. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

F. UNPAID VACATION AND SICK LEAVE

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the County.

G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Memorandum Only" to indicate they are presented to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The County maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments.

Statutes require the classification of money held by the County into three categories:

Category 1 consists of "active" moneys, those monies required to be kept in a "cash" or "near-cash" status for immediate use by the County. Such moneys must be maintained either as cash in the County's treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or money market accounts.

**FINANCIAL CONDITION
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Category 2 consists of "inactive" moneys, those moneys not required for use within the current two-year period of designation of depositories. Inactive moneys may be held in deposits or investments maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" moneys, those moneys which are redeemable within two years from the date of purchase, not to exceed the end of the current period of depositories. Interim moneys may be invested or deposited, pursuant to section 135.14, Revised Code, in the following securities:

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or instrumentality;
3. Interim deposits in the eligible institutions applying for interim moneys as provided in Section 135.08 of the Revised Code. The award of interim deposits shall be made in accordance with Section 135.08 of the Revised Code and the treasurer or governing board shall determine that periods for which such interim deposits are to be made and shall award such interim deposits for such periods, provided that any eligible institution receiving an interim deposit award may, upon notification that the award has been made decline to accept the interim deposit in which event the award shall be made as though such institution had not applied for such interim deposit;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division 1 or 2 of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions mentioned in section 135.03 of the Revised Code; and
6. The State Treasurer's investment pool (STAR Ohio).
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of the purchase in an amount not to exceed twenty five percent of the interim monies available for investment at any one time

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

**FINANCIAL CONDITION
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: At December 31, 1999, the carrying amount of the County's deposits was \$5,370,892 and the bank balance was \$6,220,319. Of the bank balance, \$240,000 was covered by federal depository insurance. The remainder of the bank balance is secured by a collateral pool established by the financial institution.

Investments: The County's investments are categorized below to give an indication of the level of risk assumed by the County at fiscal year end.

Category 1 - Investments that are insured or registered, or securities held by the County or its agent in the County's name;

Category 2 - Includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name;

Category 3 - Includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name.

The County's investments at December 31, 1999, consisted of a Category 3 repurchase agreement. The carrying and fair value of this investment was \$6,644,000.

3. DEBT OBLIGATIONS

Debt outstanding at December 31, 1999, consisted of the following:

General Obligation Notes		
Principal Outstanding		\$300,000
Interest Rate		5.38%
Special Assessment Notes		
Principal Outstanding		\$398,000
Interest Rate(s)		4.64-5.50%
OWDA Construction Loans		
Principal Outstanding		\$1,336,355
Interest Rate		7.55%
Human Services Building Refunding Bonds		
Principal Outstanding		\$2,028,092
Interest Rate		3.2-5.2%

The outstanding general obligation notes at December 31, had been issued for one year or less. These notes were of the tax anticipation type and have been renewed. Proceeds from these notes were used for engineering, road and bridge repair and equipment.

The outstanding special assessment notes at December 31, had been issued for one year or less. Proceeds from these notes were used for land purchase, ditch maintenance and repair, and related fees.

**FINANCIAL CONDITION
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

3. DEBT OBLIGATIONS (Continued)

The OWDA loans were issued by the Ohio Water Development Authority. These loans were issued to provide the County with funds for construction of sewer districts in the Burr Oaks Subdivision and the I-70/U.S. Route 42 Interchange.

The annual requirements to amortize all note debt outstanding as of December 31, 1999, including interest payments of \$36,938 are as follows:

<u>General Obligation Notes</u>	<u>Special Assessment Notes</u>
\$316,140	\$418,798

The annual requirements to amortize the OWDA loans outstanding as of December 31, 1999, including interest payments of \$ 1,035,926 are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2000	\$147,127
2001	147,127
2002	147,127
2003	147,127
2004	147,127
2005-2009	735,635
2010-2016	<u>901,011</u>
Total	<u>\$2,372,281</u>

The annual requirements to amortize the Human Services Building Construction Bonds outstanding as of December 31, 1999, including interest payments of \$ 414,509 are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2000	\$93,060
2001	93,240
2002	98,563
2003	103,850
2004	103,950
2005-2009	604,520
2010-2014	735,418
2015-2018	<u>610,000</u>
Total	<u>\$ 2,442,601</u>

The County issued \$2,028,092 of current interest bonds to provide resources that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$1,745,000 of refunded debt. As a result, the refunded bonds are considered to be defeased. This advance refunding was undertaken to reduce total debt service payments over the next 24 years by \$222,813.

**FINANCIAL CONDITION
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

4. PROPERTY TAXES

Real property taxes are levied on assessed values which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update.

Real property taxes become a lien on all non-exempt real property located in the County on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for calendar year 1999 was \$8.30 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$7.35 per \$1,000 of assessed valuation for real property classified as residential/ agricultural and \$7.35 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for calendar year 1999 was \$8.50 per \$1,000 of assessed valuation.

The assessed values upon which fiscal year 1999 taxes were collected are:

Real Property - 1998 Valuation	
Residential/Agricultural	\$ 419,323,380
Commercial/Industrial	68,100,450
Other Real Property	185,930
Tangible Personal Property - 1999 Valuation	
General	55,427,150
Public Utilities	46,545,940
	<hr/>
Total Valuation	\$ 589,582,850
	<hr/> <hr/>

The Madison County Treasurer collects property tax on behalf of all taxing districts within the County. The Madison County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

**FINANCIAL CONDITION
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999
(Continued)**

5. INSURANCE

The County maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Claims paid have not exceeded this coverage for the past three fiscal years. The County also provides medical and dental coverage to full time employees through premium based plans.

6. RETIREMENT SYSTEMS

The County's full-time employees belong to the Public Employees Retirement System (PERS) and State Teachers Retirement System (STRS) of Ohio. PERS and STRS are cost-sharing, multiple-employer plans providing retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are prescribed by the Ohio Revised Code. As of December 31, 1999, the County's Deputy Sheriffs contributed 9% of their wages to the fund, while the County contributed 16%. With the exception of the certified teaching personnel employed by the Mental Retardation and Developmental Disabilities Board, all other County employees contributed 8.5% of their gross wages to the fund, while the County contributed 13.55% of its employees' gross wages.

Certified teaching personnel employed by the Mental Retardation and Developmental Disabilities Board (members of STRS) contributed 9.3% of their wages to that fund, while the County contributed 14%.

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**FINANCIAL CONDITION
MADISON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999**

Federal Grantor/ Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass Through Entity Number	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u>				
Pass through State Department of Education:				
Food Distribution	10.550	N/A	\$0	3739
National School Lunch Program	10.555	066100-03-PU	8,907	-
Total U.S. Department of Agriculture			8,907	3,739
<u>U.S. Department of Housing and Urban Development</u>				
Pass through State Department of Development:				
Community Development Block Grant/State's Program	14.228	B-F-045	52,100	-
HOME Investment Partnerships Program	14.239	B-C-045	1,201	-
Total U.S. Department of Housing and Urban Development			53,301	-
<u>U.S. Department of Housing and Human Services</u>				
Pass through State Department of Mental Retardation and Developmental Disabilities:				
Medical Assistance Program	93.778	31-6400075	319,872	-
Social Services Block Grant	93.667	31-6400075	29,585	-
Total U.S. Department of Housing and Human Services			349,457	-
<u>U.S. Department of Justice</u>				
Pass through the State Office of Criminal Justice Services:				
Juvenile Justice and Delinquency Prevention Allocation	16.540	JJ-IN4-0621	13,670	-
<u>U.S. Department of Education</u>				
Pass through State Department of Education:				
Special Education-Preschool Grants	84.173	066100-PG-S1	13,033	-
Title I, Grants to Local Educational Agencies	84.010	C1 - S1	16,160	-
Even Start State Educational Agencies	84.213	066100-EV-S2	124,454	-
Total U.S. Department of Education			153,647	-
Total Federal Awards Expenditures			\$578,982	\$3,739

The accompanying notes to this schedule are an integral part of this schedule.

**FINANCIAL CONDITION
MADISON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the County's Federal Award Programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At December 31, 1999, the County had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

Certain federal programs require that the County contribute non-federal funds (matching funds) to support federally funded programs. The County has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.



STATE OF OHIO
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Madison County
One North Main Street
P.O. Box 47
London, Ohio 43140

We have audited the financial statements of Madison County, Ohio (the County) as of and for the year ended December 31, 1999, and have issued our report thereon dated May 30, 2000, wherein we noted the County had not adopted generally accepted accounting principles as required by the Ohio Administrative Code. We conducted our audit in accordance with 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.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-60649-01 and 1999-60649-02. We also noted certain immaterial instances of noncompliance that we have reported to management of Madison County in a separate letter dated May 30, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated May 30, 2000.

This report is intended for the information and use of the management, Board of County Commissioners, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

JIM PETRO
Auditor of State

May 30, 2000



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners
Madison County
One North Main Street
P.O. Box 47
London, Ohio 43140

Compliance

We have audited the compliance of Madison County, Ohio (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1999. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Madison County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1999.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management, Board of County Commissioners, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

JIM PETRO
Auditor of State

May 30, 2000

**MADISON COUNTY
DECEMBER 31, 1999**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Medical Assistance Program (Medicaid: Title XIX), CFDA #93.778
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

**MADISON COUNTY
DECEMBER 31, 1999**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
(Continued)**

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	1999-60649-01
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Ohio Admin. Code Section 117-1-11 requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, can not be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

Finding Number	1999-60649-02
----------------	---------------

Ohio Rev. Code Section 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides an exception to the above requirement:

Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the District may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within thirty days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than one hundred dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of County Commissioners. The Board of County Commissioners, by resolution, may exempt purchases of \$750 or less from the prior certification requirement.

92% of the transactions tested were not certified by the fiscal officer until the time of payment. There was no indication that then and now certificates were utilized or that the Board of Commissioners had exempted such purchases from the certification requirement. We recommend the County certify that funds are available before purchase or utilize then and now certificates.

3. FINDINGS FOR FEDERAL AWARDS

None

**MADISON COUNTY
DECEMBER 31, 1999**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
98-60649-04	Citation for not reporting in accordance with GAAP which was a requirement of the County's major federal financial assistance programs	No	Not Corrected. The County does not feel it is cost-beneficial to report in accordance with generally accepted accounting principles.



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FINANCIAL CONDITION

MADISON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 22, 2000