



Dave Yost • Auditor of State



**FINANCIAL CONDITION  
MADISON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis.....	13
Statement of Activities – Cash Basis.....	14
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis- Governmental Funds .....	16
Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis – Governmental Funds.....	17
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance- Governmental Funds – Budgetary Basis – General Fund.....	18
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance- Governmental Funds – Budgetary Basis – Motor Vehicle Gasoline Tax Fund .....	19
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance- Governmental Funds – Budgetary Basis – Board of Developmental Disabilities Fund .....	20
Statement of Net Position – Cash Basis – Proprietary Funds.....	21
Statement of Receipts, Disbursements and Changes in Net Position – Cash Basis – Proprietary Funds .....	22
Statement of Fiduciary Net Position – Cash Basis – Agency Funds .....	23
Notes to the Basic Financial Statements .....	25
Schedule of Federal Awards Receipts and Expenditures .....	49
Notes to the Schedule of Federal Awards of Receipts and Expenditures .....	51
Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	53
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program, and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	55
Schedule of Findings.....	57
Schedule of Prior Audit Findings.....	62
Corrective Action Plan.....	63

**THIS PAGE INTENTIONALLY LEFT BLANK**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Madison County  
1 North Main Street  
London, Ohio 43140

To the Board of Commissioners:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Madison County, Ohio (the County), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider 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 to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Madison County, Ohio, as of December 31, 2014, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Motor Vehicle Gas Tax, and Board of Developmental Disabilities funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, the 2013 financial statements contained an error in their presentation, resulting in a restatement of beginning fund balances within the Governmental Fund financial statements. We did not modify our opinion regarding this matter.

***Other Matters***

*Supplemental Information*

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Award Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Other Information*

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2016, 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 grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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 the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 29, 2016

**THIS PAGE INTENTIONALLY LEFT BLANK**



**Madison County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*(Unaudited)*

---

The discussion and analysis of Madison County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2014, within the limitations of the County's cash basis of accounting. Please read this in conjunction with the County's financial statements that begin on page 13.

**Financial Highlights**

Key financial highlights for 2014 are as follows:

**Overall:**

- Total net position decreased by \$1,919,125 with governmental activities decreasing by \$1,874,776 and business-type activities decreasing by \$44,349.
- Total cash receipts were \$34,497,911 in 2014.
- Total cash disbursements were \$36,417,036 in 2014.

**Governmental Activities:**

- Total program cash receipts were \$18,728,516 in 2014, while program cash disbursements were \$34,229,117.
- Program cash disbursements were primarily composed of human services, legislative and executive, judicial, public works, health, public safety and capital outlay related cash disbursements, which were \$5,307,334, \$6,232,078, \$3,120,756, \$5,264,152, \$5,380,823, \$3,619,861, and \$4,048,021, respectively, in 2014.

**Business-Type Activities:**

- Program cash receipts were \$1,937,277 for business-type activities, while corresponding cash disbursements were \$2,187,919.

**Using this Basic Financial Report**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's cash basis of accounting.

The statement of net position-cash basis and statement of activities-cash basis provide information about the activities of the whole County, presenting both an aggregate view of the County's cash basis finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column. In the case of Madison County, the General Fund, the Motor Vehicle Gasoline Tax Fund, and the Board of Developmental Disabilities are the most significant funds and have been presented as major funds.

**Madison County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*(Unaudited)*

---

**Reporting the County as a Whole**

**Statement of Net Position and Statement of Activities**

While this document contains the large number of funds used by the County to provide programs and activities, the view of the County as a whole looks at all cash basis financial transactions and asks the question, "How did we do financially during 2014?" The statement of net position and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid. These two statements report the County's net position and changes in net position. This change in net position is important because it tells the reader whether, for the County as a whole, the cash basis financial position of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net position and the statement of activities, the County is divided into two distinct kinds of activities:

- Governmental Activities - Most of the County's programs and services are reported here including general government, public safety, public works, health, human services, conservation and recreation, capital outlay, and debt service.
- Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the cash disbursements of goods or services provided. The County's wastewater treatment program and airport operations are reported as business-type activities.

**Reporting the County's Most Significant Funds**

**Fund Financial Statements**

The analysis of the County's major funds begins on page 10. Fund financial statements provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's most significant funds that have been presented as major governmental funds are the General Fund, the Motor Vehicle Gasoline Tax Fund, and the Board of Developmental Disabilities Fund.

**Madison County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*(Unaudited)*

---

**Governmental Funds**

Most of the County's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various County programs. Since the County is reporting on the cash basis of accounting, there are no differences in the net position and fund cash balances or changes in net position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross receipts and disbursements on the fund financial statements to the statement of activities due to transfers and advances, when applicable, netted on the statement of activities.

**Proprietary Funds**

The County's proprietary funds use the same basis of accounting (cash basis) as governmental fund activities; therefore, these statements will essentially match the information provided in the statements for the County as a whole.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The County's only fiduciary funds are agency funds. Only the cash held at year end for the agency funds is reported.

**Madison County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*(Unaudited)*

**The County as a Whole**

Recall that the statement of net position provides the perspective of the County as a whole. Table 1 provides a summary of the County's net position for 2014 compared to the prior year:

**Table 1**  
**Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013*	2014	2013	2014	2013*
Assets						
Equity in Pooled Cash and Cash Equivalents	\$16,145,474	\$18,020,250	\$740,809	\$785,158	\$16,886,283	\$18,805,408
Total Assets	16,145,474	18,020,250	740,809	785,158	16,886,283	18,805,408
Net Position						
Restricted for:						
Capital Projects	1,055,011	1,056,641	-	-	1,055,011	1,056,641
Debt service	15,456	95,941	-	-	15,456	95,941
General government	2,760,661	2,833,364	-	-	2,760,661	2,833,364
Public safety programs	1,539,003	1,236,496	-	-	1,539,003	1,236,496
Public works projects	1,336,867	1,339,732	-	-	1,336,867	1,339,732
Health services	3,848,451	4,306,861	-	-	3,848,451	4,306,861
Human services programs	1,749,035	2,215,666	-	-	1,749,035	2,215,666
Permanent Fund:						
Expendable	14,775	15,168	-	-	14,775	15,168
Nonexpendable	40,000	40,000	-	-	40,000	40,000
Other Purposes	263,565	263,565	-	-	263,565	263,565
Unrestricted	3,522,650	4,616,816	740,809	785,158	4,263,459	5,401,974
Total Net Position	\$16,145,474	\$18,020,250	\$740,809	\$785,158	\$16,886,283	\$18,805,408

\*Certain reclassifications were made for consistency of reporting between years.

Total assets and net position decreased by \$1,919,125 from 2013 to 2014. \$12,622,824 of the County's net position is subject to external restrictions on how it may be used. The remaining balance of government-wide unrestricted net position of \$4,263,459 is unrestricted and may be used to meet the County's ongoing obligations to citizens and creditors.

Table 2 shows changes in net position for fiscal years 2014 and 2013.

**Madison County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
(Unaudited)

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash Receipts and Advances						
Program Cash Receipts						
Charges for Services and Sales	\$ 6,404,300	\$ 8,272,837	\$ 1,597,083	\$ 1,581,646	\$ 8,001,383	\$ 9,854,483
Operating Grants and Contributions	11,929,316	10,588,435	-	-	11,929,316	10,588,435
Capital Grants and Contributions	394,900	292,000	340,194	23,876	735,094	315,876
<b>Total Program Cash Receipts</b>	<b>18,728,516</b>	<b>19,153,272</b>	<b>1,937,277</b>	<b>1,605,522</b>	<b>20,665,793</b>	<b>20,758,794</b>
General Cash Receipts, and Advances						
Property Taxes	5,868,049	5,695,375	-	-	5,868,049	5,695,375
Sales Taxes	5,921,134	5,461,415	-	-	5,921,134	5,461,415
Grants and Entitlements not Restricted to Specific Programs	1,721,613	1,821,729	-	-	1,721,613	1,821,729
Advances In (Out)	(107,910)	(105,581)	107,910	105,581	-	-
Interest Receipts	53,312	153,217	-	-	53,312	153,217
Transfers In (Out)	(55,000)	-	55,000	-	-	-
Miscellaneous	406,627	402,465	43,383	3,799	450,010	406,264
<b>Total General Cash Receipts, Transfers and Advances</b>	<b>13,807,825</b>	<b>13,428,620</b>	<b>206,293</b>	<b>109,380</b>	<b>14,014,118</b>	<b>13,538,000</b>
<b>Total Cash Receipts, Transfers and Advances</b>	<b>32,536,341</b>	<b>32,581,892</b>	<b>2,143,570</b>	<b>1,714,902</b>	<b>34,679,911</b>	<b>34,296,794</b>
Program Cash Disbursements						
General Government						
Legislative & Executive	6,232,078	6,802,592	-	-	6,232,078	6,802,592
Judicial	3,120,756	2,826,294	-	-	3,120,756	2,826,294
Public Safety	3,619,861	3,868,911	-	-	3,619,861	3,868,911
Public Works	5,264,152	5,026,686	-	-	5,264,152	5,026,686
Health	5,380,823	4,797,991	-	-	5,380,823	4,797,991
Human Services	5,307,334	5,923,720	-	-	5,307,334	5,923,720
Conservation and Recreation	662,104	168,231	-	-	662,104	168,231
Miscellaneous	138,124	-	-	-	138,124	-
Capital Outlay	4,048,021	3,216,501	-	-	4,048,021	3,216,501
Debt Service						
Principal Retirement	324,715	394,661	-	-	324,715	394,661
Interest and Fiscal Charges	131,149	79,548	-	-	131,149	79,548
<b>Total Program Cash Disbursements</b>	<b>34,229,117</b>	<b>33,105,135</b>	<b>-</b>	<b>-</b>	<b>34,229,117</b>	<b>33,105,135</b>
Business - Type Activities Disbursements						
Airport Operations	-	-	677,337	452,975	677,337	452,975
Wastewater Treatment	-	-	1,510,582	1,304,237	1,510,582	1,304,237
<b>Total Business Type Activities Disbursements</b>	<b>-</b>	<b>-</b>	<b>2,187,919</b>	<b>1,757,212</b>	<b>2,187,919</b>	<b>1,757,212</b>
<b>Total Cash Disbursements</b>	<b>34,229,117</b>	<b>33,105,135</b>	<b>2,187,919</b>	<b>1,757,212</b>	<b>36,417,036</b>	<b>34,862,347</b>
Increase (Decrease) in Net Cash Position	(1,692,776)	(523,243)	(44,349)	(42,310)	(1,737,125)	(565,553)
Net Cash Position at Beginning of Year	18,020,250	18,543,493	785,158	827,468	18,805,408	19,370,961
<b>Net Cash Position at End of Year</b>	<b>\$ 16,327,474</b>	<b>\$ 18,020,250</b>	<b>\$ 740,809</b>	<b>\$ 785,158</b>	<b>\$ 17,068,283</b>	<b>\$ 18,805,408</b>

**Madison County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*(Unaudited)*

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall monies generated by a voted levy do not increase solely as a result of inflation. Thus, the County's dependence upon property taxes is hampered by a lack of tax growth and it must return to voters to maintain a constant level of service. Property taxes and sales taxes made up 18 percent and 18 percent, respectively, of cash receipts for governmental activities for Madison County in 2014. Charges for services and sales and operating grants and contributions made up 20 percent and 37 percent, respectively, of cash receipts for governmental activities for the County.

The statement of activities shows the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements. The dependence upon tax receipts and intergovernmental monies for governmental activities is apparent. Most human services activities are supported through charges for services and sales and operating grants and contributions; for all governmental activities general cash receipts and advances support is 42 percent as shown in Table 2. The taxpayers and the State of Ohio, as a whole, provide the vast majority of resources for Madison County. Table 3 below shows the total and net cost of services (on a cash basis) for the County.

**Table 3**  
**Total Cost of Program Services**  
**Governmental Activities and Business – Type Activities**

	2014		2013	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Governmental Activities				
General Government:				
Legislative and Executive	\$ 6,232,078	\$ 4,167,354	\$ 6,802,592	\$ 4,545,180
Judicial	3,120,756	2,044,241	2,826,294	1,356,951
Public Safety	3,619,861	2,462,089	3,868,911	2,349,985
Public Works	5,264,152	(207,681)	5,026,686	(1,243,961)
Health	5,305,846	2,374,936	4,797,991	2,682,381
Human Services	5,307,334	462,280	5,923,720	967,843
Conservation and Recreation	662,104	570,005	168,231	130,026
Miscellaneous	138,124	138,124	-	-
Capital Outlay	4,048,021	3,483,625	3,216,501	2,947,870
Debt Service:				
Principal Retirement	324,715	95,092	394,661	188,772
Interest and Fiscal Charges	131,149	131,149	79,548	26,816
Total Governmental Activities	<u>\$ 34,154,140</u>	<u>\$ 15,721,214</u>	<u>\$ 33,105,135</u>	<u>\$ 13,951,863</u>
Business - Type Activities				
Airport Operations	\$ 677,337	\$ (108,341)	\$ 452,975	\$ (1,065)
Wastewater Treatment	1,510,582	358,983	1,304,237	152,755
Total Business - Type Activities	<u>\$ 2,187,919</u>	<u>\$ 250,642</u>	<u>\$ 1,757,212</u>	<u>\$ 151,690</u>

**Business-Type Activities**

Business-type activities include wastewater treatment services and a County-owned airport. Overall net position decreased from 2013 to 2014. Mainly program cash receipts support business-type activities and during 2014 program cash disbursements exceeded program cash receipts.

**Madison County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*(Unaudited)*

---

**The County's Funds**

Information about the County's major funds starts on page 16. These funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$33,432,279 and cash disbursements and other financing uses of \$35,307,055. The net change in fund balance for the year was most significant in the General Fund cash balance which went from a balance of \$2,997,441 in 2013 to \$3,395,076 in 2014. This net change in fund balance was \$397,635.

**General Fund Budgeting Highlights**

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

For the General Fund, both the original budget estimate and the final budget basis receipts and other financing sources were \$12,085,800. Total actual receipts and other financing sources were \$12,817,352. The original budget disbursements were \$11,734,117 and the final budget basis disbursements and other financing uses were \$13,222,462. Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were \$12,585,446, \$231,906 less than cash receipts.

**Capital Assets and Debt Administration**

**Capital Assets**

The County does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The County had capital outlay disbursements of \$4,048,021 in governmental funds and \$486,803 in proprietary funds during 2014.

**Debt**

Under the cash basis of accounting the County does not report bonds and long-term notes loans in the accompanying basic financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds and long-term notes and loans. At December 31, 2014, the County had \$782,007 in bonds and related long-term debt for governmental activities and \$5,973,294 in bonds and related long-term debt for business-type activities. Table 4 summarizes long-term obligations outstanding for the past two years:

**Madison County**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2014*  
*(Unaudited)*

---

**Table 4**  
**Outstanding Debt at December 31**

	<b>2014</b>	<b>2013</b>
Government Activities:		
General Obligation Bonds	\$237,007	\$308,509
Special Revenue Bonds	545,000	710,000
Tax Increment Financing Bonds	-	28,966
Installment-Caterpillar Tractor	-	59,247
Total Governmental Activities Debt	782,007	1,106,722
Business – Type Activities:		
OWDA Loans	5,840,734	6,211,256
OPWC Loan	132,560	144,611
Total Business – Type Activities Debt	5,973,294	6,355,867
Total Outstanding Debt	\$6,755,301	\$7,462,589

**Current Financial Related Activities**

Madison County is strong financially at the present time. However, as the preceding information shows, the County heavily depends on its property taxpayers as well as intergovernmental monies.

Since the property tax receipts do not grow at the same level as inflation, the County will be faced with significant challenges over the next several years to contain costs and ultimately determine what options are available to the County to increase financial resources.

In addition, the County's system of budgeting and internal controls has made significant improvements over the past several years. All of the County's financial abilities will be needed to meet the challenges of the future.

**Contacting the County's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's cash basis 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 Jennifer S. Hunter, CPA, County Auditor at Madison County, 1 North Main Street, London, Ohio 43140. Or e-mail at [auditor@co.madison.oh.us](mailto:auditor@co.madison.oh.us).



**MADISON COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS  
DECEMBER 31, 2014

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 16,145,474	\$ 740,809	\$ 16,886,283
<b>Total assets.</b> . . . . .	<b>16,145,474</b>	<b>740,809</b>	<b>16,886,283</b>
<b>Net position:</b>			
Restricted for:			
Capital projects . . . . .	1,055,011	-	1,055,011
Debt service. . . . .	15,456	-	15,456
General government . . . . .	2,760,661	-	2,760,661
Public safety programs . . . . .	1,539,003	-	1,539,003
Public works projects . . . . .	1,336,867	-	1,336,867
Health services . . . . .	3,848,451	-	3,848,451
Human services programs. . . . .	1,749,035	-	1,749,035
Permanent fund . . . . .			
Expendable	14,775	-	14,775
Nonexpendable	40,000	-	40,000
Other purposes . . . . .	263,565	-	263,565
Unrestricted . . . . .	3,522,650	740,809	4,263,459
<b>Total net position.</b> . . . . .	<b>\$ 16,145,474</b>	<b>\$ 740,809</b>	<b>\$ 16,886,283</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON COUNTY, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government:				
Legislative and executive . . . . .	\$ 6,232,078	\$ 2,061,325	\$ 3,399	\$ -
Judicial . . . . .	3,120,756	1,076,515	-	-
Public safety . . . . .	3,619,861	903,028	254,744	-
Public works . . . . .	5,264,152	985,996	4,485,837	-
Health . . . . .	5,380,823	702,426	2,524,074	-
Human services . . . . .	5,307,334	197,592	4,647,462	-
Conservation and recreation . . . . .	662,104	92,099	-	-
Other . . . . .	138,124	-	-	-
Capital outlay . . . . .	4,048,021	155,696	13,800	394,900
Debt service:				
Principal retirement . . . . .	324,715	229,623	-	-
Interest and fiscal charges . . . . .	131,149	-	-	-
Total governmental activities . . . . .	<u>34,229,117</u>	<u>6,404,300</u>	<u>11,929,316</u>	<u>394,900</u>
<b>Business-type activities:</b>				
Airport operations . . . . .	677,337	445,484	-	340,194
Wastewater treatment . . . . .	1,510,582	1,151,599	-	-
Total business-type activities . . . . .	<u>2,187,919</u>	<u>1,597,083</u>	<u>-</u>	<u>340,194</u>
Total primary government . . . . .	<u>\$ 36,417,036</u>	<u>\$ 8,001,383</u>	<u>\$ 11,929,316</u>	<u>\$ 735,094</u>
<b>General cash receipts, advances and transfers:</b>				
Property taxes levied for:				
General purposes . . . . .				
Developmental disabilities human services . . . . .				
Special revenue . . . . .				
Sales taxes . . . . .				
Grants and entitlements not restricted to specific programs . . . . .				
Investment receipts . . . . .				
Miscellaneous . . . . .				
Total general cash receipts . . . . .				
Advances . . . . .				
Transfers . . . . .				
<b>Total general cash receipts, advances and transfers . . . . .</b>				
<b>Change in net position . . . . .</b>				
<b>Net position at beginning of year . . . . .</b>				
<b>Net position at end of year . . . . .</b>				

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net Cash Receipts (Cash Disbursements)  
and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (4,167,354)	\$ -	\$ (4,167,354)
(2,044,241)	-	(2,044,241)
(2,462,089)	-	(2,462,089)
207,681	-	207,681
(2,154,323)	-	(2,154,323)
(462,280)	-	(462,280)
(570,005)	-	(570,005)
(138,124)	-	(138,124)
(3,483,625)	-	(3,483,625)
(95,092)	-	(95,092)
(131,149)	-	(131,149)
<u>(15,500,601)</u>	<u>-</u>	<u>(15,500,601)</u>
-	108,341	108,341
-	(358,983)	(358,983)
-	(250,642)	(250,642)
<u>(15,500,601)</u>	<u>(250,642)</u>	<u>(15,751,243)</u>
2,860,877	-	2,860,877
2,222,728	-	2,222,728
602,444	-	602,444
5,921,134	-	5,921,134
1,721,613	-	1,721,613
53,312	-	53,312
406,627	43,383	450,010
13,788,735	43,383	13,832,118
(107,910)	107,910	-
(55,000)	55,000	-
<u>13,625,825</u>	<u>206,293</u>	<u>13,832,118</u>
(1,874,776)	(44,349)	(1,919,125)
<u>18,020,250</u>	<u>785,158</u>	<u>18,805,408</u>
<u>\$ 16,145,474</u>	<u>\$ 740,809</u>	<u>\$ 16,886,283</u>

MADISON COUNTY, OHIO

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
 GOVERNMENTAL FUNDS  
 DECEMBER 31, 2014

	<u>General</u>	<u>Motor Vehicle Gasoline Tax</u>	<u>Board of Developmental Disabilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 3,395,076	\$ 1,187,709	\$ 3,815,960	\$ 7,746,729	\$ 16,145,474
Total assets . . . . .	<u>\$ 3,395,076</u>	<u>\$ 1,187,709</u>	<u>\$ 3,815,960</u>	<u>\$ 7,746,729</u>	<u>\$ 16,145,474</u>
<b>Fund cash balances:</b>					
Nonspendable . . . . .	\$ 154,810	\$ -	\$ -	\$ 40,000	\$ 194,810
Restricted . . . . .	-	1,187,709	3,815,960	7,579,155	12,582,824
Committed . . . . .	-	-	-	127,574	127,574
Assigned . . . . .	20,100	-	-	-	20,100
Unassigned . . . . .	<u>3,220,166</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,220,166</u>
Total fund cash balances . . . . .	<u>\$ 3,395,076</u>	<u>\$ 1,187,709</u>	<u>\$ 3,815,960</u>	<u>\$ 7,746,729</u>	<u>\$ 16,145,474</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	General	Motor Vehicle Gasoline Tax	Board of Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
<b>Cash receipts:</b>					
Property taxes . . . . .	\$ 2,860,877	\$ -	\$ 2,222,728	\$ 602,444	\$ 5,686,049
Sales taxes . . . . .	5,921,134	-	-	-	5,921,134
Charges for services . . . . .	1,354,086	458,453	585,886	665,457	3,063,882
Licenses and permits . . . . .	1,654	-	-	265,496	267,150
Fines and forfeitures . . . . .	483,447	74,059	-	692,031	1,249,537
Intergovernmental . . . . .	1,721,613	4,294,999	2,524,074	5,505,143	14,045,829
Special assessments . . . . .	-	-	-	1,243,578	1,243,578
Investment income . . . . .	53,098	133	-	81	53,312
Rental income . . . . .	350,530	-	-	229,623	580,153
Reimbursements . . . . .	2,974	-	-	-	2,974
Other . . . . .	326,722	-	403	76,528	403,653
Total cash receipts . . . . .	<u>13,076,135</u>	<u>4,827,644</u>	<u>5,333,091</u>	<u>9,280,381</u>	<u>32,517,251</u>
<b>Cash disbursements:</b>					
Current:					
General government:					
Legislative and executive . . . . .	5,533,016	-	-	699,062	6,232,078
Judicial . . . . .	2,621,149	-	-	499,607	3,120,756
Public safety . . . . .	1,991,236	-	-	1,628,625	3,619,861
Public works . . . . .	139,834	4,414,560	-	709,758	5,264,152
Health . . . . .	65,354	-	5,200,402	115,067	5,380,823
Human services . . . . .	515,848	-	-	4,791,486	5,307,334
Conservation and recreation . . . . .	662,104	-	-	-	662,104
Other . . . . .	138,124	-	-	-	138,124
Capital outlay . . . . .	238,476	453,767	229,511	3,126,267	4,048,021
Debt service:					
Principal retirement . . . . .	94,050	33,000	-	197,665	324,715
Interest and fiscal charges . . . . .	9,871	2,960	-	118,318	131,149
Total cash disbursements . . . . .	<u>12,009,062</u>	<u>4,904,287</u>	<u>5,429,913</u>	<u>11,885,855</u>	<u>34,229,117</u>
Excess (deficiency) of cash receipts over (under) cash disbursements . . . . .	<u>1,067,073</u>	<u>(76,643)</u>	<u>(96,822)</u>	<u>(2,605,474)</u>	<u>(1,711,866)</u>
<b>Other financing sources (uses):</b>					
Advances in . . . . .	173,100	-	-	20,390	193,490
Advances out . . . . .	(145,000)	(20,380)	-	(136,020)	(301,400)
Transfers in . . . . .	-	-	-	721,538	721,538
Transfers out . . . . .	(697,538)	(55,000)	-	(24,000)	(776,538)
Total other financing sources (uses) . . . . .	<u>(669,438)</u>	<u>(75,380)</u>	<u>-</u>	<u>581,908</u>	<u>(162,910)</u>
Net change in fund balance - cash basis . . . . .	397,635	(152,023)	(96,822)	(2,023,566)	(1,874,776)
<b>Fund balance - cash basis, January 1 (restated) . . . . .</b>	<u>2,997,441</u>	<u>1,339,732</u>	<u>3,912,782</u>	<u>9,770,295</u>	<u>18,020,250</u>
<b>Fund balance - cash basis, December 31. . . . .</b>	<u>\$ 3,395,076</u>	<u>\$ 1,187,709</u>	<u>\$ 3,815,960</u>	<u>\$ 7,746,729</u>	<u>\$ 16,145,474</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE  
 GOVERNMENTAL FUNDS - BUDGETARY BASIS  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Budgetary basis receipts:</b>				
Property taxes . . . . .	\$ 3,106,000	\$ 3,106,000	\$ 2,860,877	\$ (245,123)
Sales taxes . . . . .	5,375,000	5,375,000	5,921,134	546,134
Charges for services . . . . .	1,155,100	1,155,100	1,098,054	(57,046)
Licenses and permits . . . . .	1,800	1,800	1,654	(146)
Fines and forfeitures . . . . .	526,000	526,000	483,447	(42,553)
Intergovernmental . . . . .	1,208,500	1,208,500	1,721,613	513,113
Investment income . . . . .	58,600	58,600	53,098	(5,502)
Rental income . . . . .	350,000	350,000	350,530	530
Reimbursements . . . . .	1,800	1,800	2,974	1,174
Other . . . . .	303,000	303,000	150,871	(152,129)
Total budgetary basis receipts . . . . .	<u>12,085,800</u>	<u>12,085,800</u>	<u>12,644,252</u>	<u>558,452</u>
<b>Budgetary basis disbursements:</b>				
General government:				
Legislative and executive . . . . .	5,006,825	5,686,117	5,405,986	280,131
Judicial . . . . .	2,519,120	2,860,898	2,621,149	239,749
Public safety . . . . .	1,858,426	2,110,565	1,991,236	119,329
Public works . . . . .	128,698	146,159	139,834	6,325
Health . . . . .	58,151	66,041	65,354	687
Human services . . . . .	455,966	517,828	515,848	1,980
Conservation and recreation . . . . .	596,013	676,876	662,104	14,772
Capital outlay . . . . .	255,355	290,000	237,476	52,524
Debt service:				
Principal retirement . . . . .	82,814	94,050	94,050	-
Interest and fiscal charges . . . . .	8,692	9,871	9,871	-
Total budgetary basis disbursements . . . . .	<u>10,970,060</u>	<u>12,458,405</u>	<u>11,742,908</u>	<u>715,497</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements . . . . .	<u>1,115,740</u>	<u>(372,605)</u>	<u>901,344</u>	<u>1,273,949</u>
<b>Other financing sources (uses):</b>				
Transfers out . . . . .	(764,057)	(764,057)	(697,538)	66,519
Advances in . . . . .	-	-	173,100	173,100
Advances out . . . . .	-	-	(145,000)	(145,000)
Total other financing sources (uses) . . . . .	<u>(764,057)</u>	<u>(764,057)</u>	<u>(669,438)</u>	<u>94,619</u>
Net change in fund balance - cash basis . . . . .	351,683	(1,136,662)	231,906	1,368,568
<b>Fund balance, January 1 . . . . .</b>	<u>2,519,522</u>	<u>2,519,522</u>	<u>2,519,522</u>	<u>-</u>
<b>Prior year encumbrances appropriated . . . . .</b>	<u>37,273</u>	<u>37,273</u>	<u>37,273</u>	<u>-</u>
<b>Fund balance, December 31 . . . . .</b>	<u>\$ 2,908,478</u>	<u>\$ 1,420,133</u>	<u>\$ 2,788,701</u>	<u>\$ 1,368,568</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MADISON COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE  
GOVERNMENTAL FUNDS - BUDGETARY BASIS  
MOTOR VEHICLE GASOLINE TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary basis receipts:</b>				
Charges for services . . . . .	\$ 772,017	\$ 772,017	\$ 458,453	(313,564)
Fines and forfeitures . . . . .	94,669	94,669	74,059	(20,610)
Intergovernmental . . . . .	4,300,325	4,300,325	4,294,999	(5,326)
Investment income . . . . .	500	500	133	(367)
Total budgetary basis receipts . . . . .	<u>5,167,511</u>	<u>5,167,511</u>	<u>4,827,644</u>	<u>(339,867)</u>
<b>Budgetary basis disbursements:</b>				
Current:				
Public works . . . . .	5,250,939	5,250,939	4,414,560	836,379
Capital outlay . . . . .	464,249	464,249	453,767	10,482
Debt service:				
Principal retirement . . . . .	33,000	33,000	33,000	-
Interest and fiscal charges . . . . .	2,960	2,960	2,960	-
Total budgetary basis disbursements . . . . .	<u>5,751,148</u>	<u>5,751,148</u>	<u>4,904,287</u>	<u>846,861</u>
Excess of budgetary basis disbursements over budgetary basis receipts . . . . .	<u>(583,637)</u>	<u>(583,637)</u>	<u>(76,643)</u>	<u>506,994</u>
<b>Other financing uses:</b>				
Transfers out . . . . .	(68,586)	(68,586)	(55,000)	13,586
Advances out . . . . .	(20,380)	(20,380)	(20,380)	-
Total other financing uses . . . . .	<u>(88,966)</u>	<u>(88,966)</u>	<u>(75,380)</u>	<u>13,586</u>
Net change in fund balance - cash basis . . . . .	(672,603)	(672,603)	(152,023)	520,580
<b>Fund balance, January 1 . . . . .</b>	813,785	813,785	813,785	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>525,947</u>	<u>525,947</u>	<u>525,947</u>	<u>-</u>
<b>Fund balance, December 31 . . . . .</b>	<u>\$ 667,129</u>	<u>\$ 667,129</u>	<u>\$ 1,187,709</u>	<u>\$ 520,580</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MADISON COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE  
 GOVERNMENTAL FUNDS - BUDGETARY BASIS  
 BOARD OF DEVELOPMENTAL DISABILITIES FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary basis receipts:</b>				
Property taxes . . . . .	\$ 2,400,000	\$ 2,400,000	\$ 2,222,728	\$ (177,272)
Charges for services. . . . .	2,924,000	2,924,000	585,886	(2,338,114)
Intergovernmental. . . . .	1,899,300	1,999,300	2,524,074	524,774
Other . . . . .	-	-	403	403
Total budgetary basis receipts . . . . .	<u>7,223,300</u>	<u>7,323,300</u>	<u>5,333,091</u>	<u>(1,990,209)</u>
<b>Budgetary basis disbursements:</b>				
Current:				
Health . . . . .	5,692,425	5,692,425	5,200,613	491,812
Capital outlay. . . . .	73,500	473,500	229,511	243,989
Total budgetary basis disbursements . . . . .	<u>5,765,925</u>	<u>6,165,925</u>	<u>5,430,124</u>	<u>735,801</u>
Net change in fund balance - cash basis . . . . .	1,457,375	1,157,375	(97,033)	(1,254,408)
<b>Fund balance, January 1 (restated) . . . . .</b>	3,910,104	3,910,104	3,910,104	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>2,678</u>	<u>2,678</u>	<u>2,678</u>	<u>-</u>
<b>Fund balance, December 31 . . . . .</b>	<u>\$ 5,370,157</u>	<u>\$ 5,070,157</u>	<u>\$ 3,815,749</u>	<u>\$ (1,254,408)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



MADISON COUNTY, OHIO

STATEMENT OF NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2014

	<u>Nonmajor Enterprise Funds</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . .	\$ 740,809
Total assets. . . . .	<u>740,809</u>
<b>Net position:</b>	
Unrestricted . . . . .	<u>740,809</u>
Total net position. . . . .	<u>\$ 740,809</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**MADISON COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN NET POSITION - CASH BASIS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<b>Nonmajor Enterprise Funds</b>
<b>Operating receipts:</b>	
Charges for services . . . . .	\$ 841,731
Special assessments . . . . .	657,870
Other . . . . .	97,482
Total operating receipts. . . . .	1,597,083
<b>Operating disbursements:</b>	
Personal services . . . . .	300,500
Contract services . . . . .	616,350
Materials and supplies . . . . .	60,355
Capital outlay. . . . .	486,803
Total operating disbursements. . . . .	1,464,008
Operating receipts over operating disbursements . . . . .	133,075
<b>Nonoperating receipts (disbursements):</b>	
Debt service:	
Principal retirement . . . . .	(382,573)
Interest and fiscal charges. . . . .	(286,550)
Intergovernmental receipts . . . . .	340,194
Other nonoperating receipts . . . . .	43,383
Other nonoperating disbursements . . . . .	(54,788)
Total nonoperating receipts (disbursements). . . . .	(340,334)
Net disbursements over receipts before transfers and advances . . . . .	(207,259)
Transfers in. . . . .	55,000
Advances in . . . . .	145,000
Advances out . . . . .	(37,090)
Total transfers and advances . . . . .	162,910
Change in net position. . . . .	(44,349)
<b>Net position at beginning of year . . . . .</b>	<b>785,158</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 740,809</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
AGENCY FUNDS  
DECEMBER 31, 2014

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 4,738,028
Cash in segregated accounts . . . . .	<u>722,045</u>
Total assets . . . . .	<u>\$ 5,460,073</u>
<b>Net position:</b>	
Unrestricted . . . . .	<u>\$ 5,460,073</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**THIS PAGE INTENTIONALLY LEFT BLANK**

## MADISON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### **NOTE 1 - REPORTING ENTITY**

Madison County is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Ohio constitution and laws. The County operates under the direction of a three-member elected Board of County Commissioners. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, a Probate Juvenile Court Judge, and a Municipal Court Judge.

Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize cash disbursements as well as serve as the budget and taxing authority, contracting body, and the chief administrators of public service for the entire County.

Management believes the financial statements included in this report represent all of the funds of the County over which the County has the ability to exert direct operating control, except as described below.

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

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 Madison County Board of Developmental Disabilities (DD), the Madison County Airport, Madison County Emergency Management Agency (EMA) and other departments and activities that are directly operated by elected County officials.

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 responsible 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. For the year ended December 31, 2014, the County reported no component units.

#### **Separate Agencies**

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 financial statements:

Madison County - London City General Health District  
Madison County Soil and Water Conservation District  
Madison County Family and Children First Council

## MADISON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### NOTE 1 - REPORTING ENTITY - (Continued)

##### Other Organizations

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. 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. The County has an ongoing financial responsibility for this entity and, in 2014 contributed \$1,475,194 toward the operation of this facility. Champaign County has been appointed the fiscal agent for the joint venture. Complete financial statements of the joint venture may be obtained from the Champaign County Auditor, 1512 S Hwy 68, Suite B300, Urbana, Ohio 43078.

The Central Ohio Youth Center, formerly the Five-County Joint Juvenile Detention and Rehabilitation Center, is a jointly governed organization involving Union, Champaign, Delaware, 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 from the host County, Union, and one each from Champaign, Delaware 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. 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. In 2014, the County's share of operating costs was \$293,069. Union County serves as the fiscal agent.

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 for all participating counties. It is the intent of the District to be self-supporting. Allen County, the largest of the six Counties, is fiscal agent of the District.

The County is a participant in the Mental Health and Recovery Board of Clark, Greene, and Madison Counties (Board), a joint venture with Clark and Greene Counties. The purpose of the Board is to provide aid, support and education for alcohol and drug dependent citizens as well as those who are mentally disabled. The Board started providing these services on July 1, 1995. The Board is governed by an eighteen member board of directors, with Greene County, Clark County, the Ohio Department of Mental Health, and the Ohio Alcohol and Drug Addiction Services Board each appointing four members and Madison County appointing two members. The Clark County Auditor serves as fiscal agent for the Board. Madison County has an ongoing financial responsibility to the Board. This responsibility arises from the fact that the Board's existence depends on the continued funding by the County from the property tax levy.

The Madison County Park District is defined as a related organization to the County. The County's probate judge appoints its board members and the County is its fiscal agent. Activities of the Park District are reflected as an agency fund of the County.

**MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 1 - REPORTING ENTITY - (Continued)**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These basic financial statements are presented on a cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The County follows Governmental Accounting Standards Board (GASB) pronouncements and Accounting Principles Board (APB) opinions to the extent they are applicable to the County's cash basis of accounting. Following are the more significant of the County's accounting policies.

**A. Basis of Presentation**

The County's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

*Government-Wide Financial Statements*

The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position-cash basis presents the cash basis financial condition of governmental and business-type activities of the County at year-end. The statement of activities-cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the County's governmental and business-type activities. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the County. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general cash receipts of the County.

***Fund Financial Statements*** - During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the County chooses to prepare its financial statements and notes in accordance with the cash 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 disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the cash basis of accounting.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**C. Fund Accounting**

The County's accounts are maintained on the basis of funds, each of which is considered a separate accounting entity. Fund accounting is designed to demonstrate compliance and to aid management by segregating transactions related to specific County functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts.

**Governmental Funds** - Governmental funds are those through which most governmental functions typically are financed. The following are the County's major governmental funds:

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. The General Fund is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Motor Vehicle Gasoline Tax Fund - The Motor Vehicle Gasoline Tax Special Revenue Fund is a major special revenue fund that accounts for monies received from state gasoline tax and motor vehicle registration fees designated for maintenance and repair of roads and bridges.

Board of Developmental Disabilities Fund - The Board of Developmental Disabilities Fund is a major special revenue fund that accounts for various federal and state grants and a property tax levy used to provide assistance and training to developmentally disabled individuals.

The other governmental funds of the County account for grants and other resources, debt services, and capital projects, whose use is restricted to a particular purpose.

**Proprietary Funds** - The proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. Enterprise funds are the County's only proprietary fund types.



**MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*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 or receipts earned, disbursements incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The County's enterprise funds are used to account for airport operations and wastewater treatment. There were no major enterprise funds for 2014.

*Fiduciary Funds* - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. The County's only fiduciary funds are agency funds.

*Agency Funds* - Agency funds are held in a purely custodial capacity by the County as fiscal agent for other entities, and for various taxes, state-shared revenues and fines and forfeitures collected on behalf of and distributed to other local governments. Agency fund transactions typically involve only the receipt, temporary investment and distributions of these fiduciary resources.

**D. Cash Receipts-Exchange and Non-exchange Transactions**

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the year in which the resources are received.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On a cash basis, receipts from property taxes are recognized in the year in which the taxes are received. Receipts from grants, entitlements and donations are recognized in the year in which the monies have been received.

**E. Cash Disbursements**

On the cash basis of accounting, disbursements are recognized at the time payments are made.

**F. Budgetary Process**

The Ohio Revised Code requires that all funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the County Commissioners. The legal level of control has been established by the County Commissioners at the fund, department, and object level for all funds.

**MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the County Commissioners during the year.

**G. 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.

**H. Unpaid Vacation, Personal 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.

**I. Long-term Obligations**

In general, bonds and long-term notes and loans are not recognized as a liability in the basic financial statements under the cash basis of accounting, but are recorded as cash disbursements in the basic financial statements when paid.

**J. Net Position**

Net position represents the cash and cash equivalent balances of the County at year-end. Net position consists of cash receipts reduced by cash disbursements for the current year. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted for other purposes is comprised of net position restricted for grants. The County applies restricted resources when an expense is incurred for the purposes for which both restricted and unrestricted net position is available. None of the County's restricted net position of \$12,622,824 is restricted by enabling legislation.

**K. Cash and Cash Equivalents**

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. County funds are maintained in several checking accounts as well as invested in certificates of deposit with terms of one to twelve months, governmental securities, and a money market fund account. Individual fund balance integrity is maintained though the County's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents".

**MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. Cash and cash equivalents that are held in segregated accounts, and not included in the County Treasury, are recorded as “cash and cash equivalents in segregated accounts”.

During 2014, investments were limited to Village of Mount Sterling, Union, Range and Deer Creek Township Securities, and Central Township Joint Fire District Securities. All investments are reported at cost and are considered part of the cash management pool.

All interest receipts are reported in the General Fund except those specifically related to those funds deemed appropriate according to Board of County Commissioners policy. For 2014, interest receipts amounted to \$53,312, of which \$53,098 was recorded in the General Fund, \$133 was recorded in the Motor Vehicle Gasoline Tax Fund, and \$81 was recorded in the Mary Statler Expendable Trust Fund.

For presentation on the statement of net position-cash basis, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are reported as cash equivalents.

**L. Operating Cash Receipts and Cash Disbursements**

Operating cash receipts are those cash receipts that are generated directly from the primary activities of the proprietary funds. For the County, these receipts are charges for services for wastewater treatment and airport activities. Operating cash disbursements are necessary costs incurred to provide the goods or services that are the primary activities of the funds. Cash receipts and disbursements not meeting these definitions are reported as non-operating.

**M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted into cash.

***Restricted*** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

***Committed*** - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Commissioners. Those committed amounts cannot be used for any other purpose unless the County Commissioners remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

## MADISON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

**Assigned** - Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Commissioners or a County official delegated that authority by resolution or by State statute.

**Unassigned** - Unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The County applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

#### N. Interfund Transactions

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating cash receipts/disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements. Transfers between governmental activities and business-type activities are shown the same manner as general receipts.

#### O. Interfund Receivables/Payables

The County reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. Advances between governmental and business-type activities are shown in the same manner as general receipts.

#### NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

##### A. Change in Accounting Principles

For 2014, the County has implemented GASB Statement No. 69, "Government Combinations and Disposals of Government Operations" and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the County.

**MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the County.

**B. Compliance**

Ohio Administrative Code Section 117-2-03 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

**C. Restatement of Cash Basis Fund Balances**

The County's cash basis fund balances were restated at December 31, 2013 as a result of combining the County's Board of Developmental Disabilities special levy and capital projects funds into a single special revenue fund. This prior period adjustment had the following effect on the County's governmental fund balances as previously reported:

	<u>General</u>	<u>Motor Vehicle Gas Tax</u>	<u>Board of Developmental Disabilities</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Cash fund balance as previously reported	\$ 2,997,441	\$ 1,339,732	\$ 3,377,093	\$ 10,305,984	\$ 18,020,250
Combining of funds	-	-	535,689	(535,689)	-
Restated cash fund balance at January 1, 2014	<u>\$ 2,997,441</u>	<u>\$ 1,339,732</u>	<u>\$ 3,912,782</u>	<u>\$ 9,770,295</u>	<u>\$ 18,020,250</u>

**D. Budgetary Prior Period Adjustment**

In prior years certain funds that are legally budgeted in separate special revenue funds were not considered part of the board of developmental disabilities fund on a budgetary basis. The District has elected to combine the board of developmental disabilities in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the board of developmental disabilities fund's budgetary-basis fund balance at December 31, 2013 is as follows:

**MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**Budgetary Basis**

	<u>Board of Developmental Disabilities</u>
Balance at December 31, 2013	\$ 3,374,415
Funds budgeted elsewhere	<u>535,689</u>
Restated balance at January 1, 2014	<u><u>\$ 3,910,104</u></u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

The County maintains a cash and investment 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 two categories. Active monies means the amount of public monies determined to be necessary to meet current demands upon the County treasury. Active monies must be held either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Monies held by the County that are not considered active are classified as inactive. Inactive monies may be invested or deposited in the following securities:

1. United States Treasury bills, notes, or other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero coupon United States Treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase and reverse repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No load money market mutual funds;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities or cash, equal value for equal value;
9. Commercial paper notes, corporate notes and banker's acceptances; and,

**MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

10. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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.

**Deposits:** Custodial credit risk is the risk that, in the event of a bank failure, the County's deposits may not be returned. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The County's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

The County had cash on hand of \$3,176 as of December 31, 2014. The County's bank balance was \$22,066,151. \$500,072 of the County's bank balance was covered by FDIC and \$21,566,078 was collateralized in accordance with the provisions identified in the preceding paragraph.

**Investments:** The County had the following investments as of December 31, 2014:

	<i>Investment Balance</i>	Maturity	
		<i>&lt;1 year</i>	<i>&gt;1 year</i>
Range Township Securities	\$111,100	\$ 26,700	\$ 84,400
Village of Mount Sterling Securities	81,400	19,300	62,100
Deer Creek Township Securities	43,200	43,200	-
Union Township Securities	63,500	63,500	-
Central Township Joint Fire District	<u>185,000</u>	<u>60,000</u>	<u>125,000</u>
	<u>\$484,200</u>	<u>\$212,700</u>	<u>\$ 271,500</u>

In 2010, Union Township authorized the issuance and sale of \$250,000 Building Construction Bonds Series 2010 for the purpose of constructing, equipping and furnishing a new township hall. The County of Madison, Ohio purchased such bonds upon the terms set forth in such proposal. The bond principal shall be payable in annual installments every December 1<sup>st</sup>, commencing on December 1, 2011 and ending on December 1, 2015.

## MADISON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### **NOTE 4 - DEBT OBLIGATIONS - (Continued)**

In 2011, Deer Creek Township authorized the issuance and sale of \$200,000 Building Construction Bonds Series 2011 for the purpose of constructing, equipping and furnishing a new township hall. The County of Madison, Ohio purchased such bonds upon the terms set forth in such proposal. The bond principal shall be payable in annual installments every December 1<sup>st</sup>, commencing on December 1, 2011 and ending on December 1, 2015. The bonds bear interest at the rate of 4.00% per annum.

In 2012, Central Townships Joint Fire District authorized the issuance and sale of \$300,000 Fire Truck Acquisition Bonds Series 2012 for the purpose of paying the cost of acquiring a fire truck. The County of Madison, Ohio purchased such bonds upon the terms set forth in such proposal. The bond principal shall be payable in annual installments every June 1<sup>st</sup>, commencing on June 1, 2013 and ending on June 1, 2017. The bonds bear interest at the rate of 2.90% per annum.

In 2013, the Village of Mount Sterling authorized the issuance and sale of \$100,000 Land Acquisition Bonds Series 2013 for the purpose of financing the acquisition of land and site improvements thereto. The County of Madison, Ohio purchased such bonds upon the terms set forth in such proposal. The bond principal shall be payable in annual installments every September 1<sup>st</sup>, commencing on September 1, 2014 and ending on September 1, 2018. The bonds bear interest at the rate of 3.50% per annum.

In 2014, Range Township authorized the issuance and sale of \$137,285 Dump Truck Acquisition Bonds Series 2014 for the purpose of paying the cost of acquiring a dump truck. The County of Madison, Ohio purchased such bonds upon the terms set forth in such proposal. The bond payments shall be payable in semi-annual installments every June 1<sup>st</sup> and December 1<sup>st</sup> commencing on June 1, 2014 and ending December 1, 2018. The bonds bear interest at the rate of 2.50% per annum.

**Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

**Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County limits their investments to those authorized by State statute. The Union Township, Range Township, Village of Mount Sterling, Deer Creek Township and Central Township Joint Fire District securities are unrated.

**Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's investment policy allows investments in Repurchase Agreements, Certificates of Deposit or within financial institutions with the State of Ohio as designated by the Federal Reserve Board and other investments permitted by the Ohio Revised Code. The County's investment in Union Township Securities was 13%, Range Township Securities was 23%, Village of Mount Sterling Securities was 17%, Deer Creek Township Securities was 9%, and Central Townships Joint Fire District was 38%.

**Custodial Credit Risk** - Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's investments are held in the name of the County.



**MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 5 - DEBT OBLIGATIONS**

Under the cash basis of accounting, debt obligations are not reported as a liability in the accompanying basic financial statements. Debt obligations are reported for informational purposes only. Information regarding such changes in the County's long-term obligations during 2014 is as follows:

	Balance 12/31/2013	Additions	Deletions	Balance 12/31/2014	Due in One Year
<b>Governmental Activities Debt</b>					
Human Services Building					
Refunding Bonds 3.2%	\$ 308,509	\$ -	\$ (71,502)	\$237,007	\$ 65,326
Engineer's Building					
Construction Bonds 3.4%	710,000	-	(165,000)	545,000	175,000
Charleston/Chillicothe					
TIF-4.82%	28,966	-	(28,966)	-	-
Caterpillar Tractor-3.89%	59,247	-	(59,247)	-	-
<b>Total Governmental Activities Debt</b>	<u>\$1,106,722</u>	<u>\$ -</u>	<u>\$(324,715)</u>	<u>\$782,007</u>	<u>\$240,326</u>
<b>Business-Type Activities Debt</b>					
OWDA loans					
I70/US42 Sewer Construction					
7.55%	\$ 215,062	\$ -	\$(103,598)	\$ 111,464	\$111,464
Burr Oaks Sewer Construction					
7.55%	37,182	-	(24,485)	12,697	12,697
Choctaw Lake Sewer					
Construction- 4.4%	5,893,921	-	(239,284)	5,654,637	249,928
Camp Wissalohican Sewer					
Construction- 6.41%	65,091	-	(3,155)	61,936	3,360
Total OWDA Loans	6,211,256	-	(370,522)	5,840,734	377,449
Choctaw Lake Sewer					
Construction OPWC-0%	144,611	-	(12,051)	132,560	12,051
<b>Total Business-Type Activities Debt</b>	<u>\$6,355,867</u>	<u>\$ -</u>	<u>\$(382,573)</u>	<u>\$5,973,294</u>	<u>\$389,500</u>

In 1999, the County issued \$2,028,092 of current interest bonds to provide resources that were placed in an irrevocable trust for the purpose of paying for all future debt service payments on \$1,745,000 of debt originally issued in 1995 for the construction of a Human Services Building. As a result, the refunded bonds are considered fully defeased. This advanced refunding was undertaken to reduce total debt service payments over the next 24 years by \$227,813. Principal and interest on the bonds are paid from the debt service fund.

The Engineer's Building Construction Bonds were issued for construction of an Engineering Facility. Building rentals and General Fund monies are used to pay this debt. \$630,000 of these bonds were refunded with the County's own securities during 2012.

The County obtained a loan in 2008 in the amount of \$155,000 at an interest rate of 4.82%. Proceeds from this loan were used for the reconstruction of the Charleston/Chillicothe Road. Proceeds from a Tax Increment Financing Agreement were used to repay this debt.

**MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 5 - DEBT OBLIGATIONS - (Continued)**

On February 9, 2009, the Madison County Commissioners approved the equipment purchase agreement of a Caterpillar Excavator and financed \$274,843 at a fixed rate of 3.89% for five years from Municipal Services Group, Inc. The proper insurance coverage requirements for public liability insurance were also obtained. Amendment Agreement No. 1 was entered into on March 11, 2009 to include certain provisions of Ohio law which are required. Principal and interest payments on the bonds were paid from the Ditch Equipment Non-Major Capital Projects Fund.

The OWDA loans were issued by the Ohio Water Development Authority for construction of sewer districts in the Burr Oaks subdivision, the I-70/U.S. Route 42 Interchange, the Camp Wissalohican subdivision and the Choctaw Lake subdivision. The County has pledged future customer revenues, net of specified operating expenses, to repay this debt. The loans are payable through their final maturities solely from net revenues applicable to these funds. Total interest and principal remaining to be paid on these loans is \$2,319,922 and \$5,840,734, respectively.

The OPWC loan was issued by the Ohio Public Works Commission for construction of the Choctaw Lake Sewer District. This loan is interest-free. User fees charged to residents of this District are used to pay this debt.

Annual debt service requirements to maturity for debt, including interest are as follows:

Governmental Activities:

Year Ending December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 240,326	\$ 111,387	\$ 351,713
2016	241,616	106,610	348,226
2017	249,994	104,411	354,405
2018	<u>50,071</u>	<u>95,346</u>	<u>145,417</u>
Total	<u>\$ 782,007</u>	<u>\$ 417,754</u>	<u>\$ 1,199,761</u>

Business-Type Activities:

Year Ending December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 389,500	\$ 259,323	\$ 648,823
2016	276,676	238,665	515,341
2017	288,522	226,820	515,342
2018	300,899	214,443	515,342
2019	313,832	201,509	515,341
2020 - 2024	1,784,420	792,284	2,576,704
2025 - 2029	2,139,333	370,977	2,510,310
2030	<u>480,112</u>	<u>15,901</u>	<u>496,013</u>
Total	<u>\$ 5,973,294</u>	<u>\$ 2,319,922</u>	<u>\$ 8,293,216</u>

## MADISON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### **NOTE 5 - DEBT OBLIGATIONS - (Continued)**

In 2003, the Madison County Airport Authority entered into a loan agreement with the Madison County Board of Commissioners. The \$292,000 loan was for the renovation of the airport hangar. The loan is for 16 years at 5% interest. The monthly payment for this loan is \$2,345 which includes interest and principal. The principal and interest paid in 2014 was \$20,390 and \$7,750, respectively. As this is an intra-county loan agreement between the Board of Commissioners and the Airport Authority, the principal and interest is not included in the long term debt obligations of the County. The principal balance remaining as of December 31, 2014 is \$134,641.

In 2010, the Madison County Auditor's office entered into a loan agreement with the Madison County Treasurer. The aggregate principal of \$481,743 Various Purpose Refunding Bonds dated September 15, 2010 were for the purpose of refunding various debt obligations. The 5 bonds numbered R-1 through R-5 are for one year increments at 4.50% per annum. The first payment was due to the Madison County Treasurer on June 1, 2011. The principal and interest paid in 2014 was \$54,500 and \$3,636, respectively. As this is an intra-county loan agreement between the County Auditor and County Treasurer, the principal and interest is not included in the long term debt obligations of the County. The total principal balance remaining as of December 31, 2014 is \$26,302.

In 2012, the Madison County Commissioners authorized issuance of Refunding Bonds in the principal amount of \$637,350. The Bonds were dated December 12, 2012 and were issued for the purpose of refunding debt on the County Engineer Building. The bonds are issued for a 6 year period at 2.75% per annum. The principal and interest paid in 2014 was \$101,900 and \$14,801, respectively. As this is an intra-county loan agreement between the County Commissioners and County Engineer, the principal and interest is not included in the long term debt obligations of the County. The total principal balance remaining as of December 31, 2014 is \$436,300.

In 2013, the Madison County Commissioners authorized issuance of Taxable County Land Improvement Bonds in the principal amount of \$125,000. The Bonds were dated October 21, 2013 and were issued for the purpose of improving and cleaning up land at the Water Treatment Plant. The bonds are issued for a 5 year period at 3.5% per annum. The principal and interest paid in 2014 was \$12,900 and \$4,635, respectively. As this is an intra-county loan agreement between the County Commissioners and the Water Treatment Plant, the principal and interest is not included in the long term debt obligations of the County. The total principal balance remaining as of December 31, 2014 is \$112,100.

In 2014, the Madison County Commissioners authorized issuance of Sanitary Sewer District Improvement Bonds in the principal amount of \$105,000. The Bonds were dated August 4, 2014 and were issued for the purpose of sanitary sewer improvements. The bonds are issued for a 5 year period at 2.25% per annum. The first payment is due June 1, 2015. As this is an intra-county loan agreement between the County Commissioners and the Water Treatment Plant, the principal and interest is not included in the long term debt obligations of the County. The total principal balance remaining as of December 31, 2014 is \$105,000.

In 2014, the Madison County Commissioners authorized issuance of County Airport Improvement Bonds in the principal amount of \$40,000. The Bonds were dated August 4, 2014 and were issued for the purpose of various airport improvements. The bonds are issued for a 5 year period at 2.25% per annum. The principal and interest paid in 2014 was \$3,800 and \$293, respectively. As this is an intra-county loan agreement between the County Commissioners and the Water Treatment Plant, the principal and interest is not included in the long term debt obligations of the County. The total principal balance remaining as of December 31, 2014 is \$36,200.

**MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 6 - 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.

Real property taxes become a lien on all non-exempt real property located in the County on January 1. Real property taxes are payable semiannually. Historically in Madison County the first payment is due in mid-February with the remainder due in mid-June of each year. Under certain circumstances, State statute permits later payment dates to be established.

The full tax rate applied to real property for calendar year 2014 was \$10.60 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$8.32 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$9.70 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 reductions is reimbursed to the County by the State of Ohio.

Telephone and inter-exchange telecommunications companies, or entities leasing property to these companies are required to file a list of personal 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 2014 was \$10.60 per \$1,000 of assessed valuation.

The assessed values upon which fiscal year 2014 taxes were collected are:

Residential/Agricultural	\$762,891,710
Commercial/Industrial	141,338,930
Other Real Property	301,440
Public Utilities Personal Property	<u>36,323,730</u>
Total Assessed Valuation	<u>\$940,855,810</u>

The Madison County Treasurer collects property taxes 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.

**NOTE 7 - PERMISSIVE SALES AND USE TAX**

The County Commissioners, by resolution, imposed a 1.25 percent tax on all retail sales, except sales of motor vehicles, made in the County, or on the storage, use, or consumption of tangible personal property in the County, including automobiles. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw warrant payable to the County.

Proceeds of the tax are credited entirely to the General Fund. Sales and Use tax revenue for 2014 amounted to \$5,921,134.

**MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**NOTE 8 - INSURANCE**

**A. General Risk**

The County is exposed to various risks of loss related to torts, theft or damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2014, the County contracted with the County Risk Sharing Authority (CORSA) for property, general liability, commercial fleet, liability, employee benefit, data processing equipment, 911 equipment, County Engineer contractor equipment, valuable papers additional, theft/disappearance/destruction for inside and outside, crime coverage, forgery and alteration of checks, and umbrella liability insurance. Insurance coverage stayed the same as in the prior year. Settlement amounts on claims have not exceeded insurance coverage in any of the past three years. There have been no significant changes in coverage from the prior year.

**B. Health**

The County provides fully insured health coverage to its employees through Anthem with the exception of the County Engineer's Department. Beginning December 1, 1991, the County Engineer provided employees with self-funded insurance through Managed Care of America, formerly Buckeye Employee Benefit Services, Inc. Claims paid in calendar year 2014 were \$37,839. In accordance with the cash basis of accounting, as more fully described in Note 2, the County does not record a liability for any incurred but unpaid claims as of year end.

**NOTE 9 - DEFINED BENEFIT RETIREMENT PLAN**

**A. Ohio Public Employees Retirement System**

Plan Description - The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the Traditional Pension Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

## MADISON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### **NOTE 9 - DEFINED BENEFIT RETIREMENT PLAN - (Continued)**

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014 member and employer contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2014 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 12.00% and 13.00%, respectively. The County's contribution rate for 2014 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 18.10% of covered payroll.

The County's contribution rate for pension benefits for members in the Traditional Plan and Combined Plan for 2014 was 12.00%. For those plan members in law enforcement and public safety pension contributions were 16.10%. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012 were \$1,418,799, \$1,542,784, and \$1,753,434, respectively; 100% has been contributed for 2014 and 100% has been contributed for 2013 and 2012.

#### **B. State Teachers Retirement System of Ohio**

Plan Description - The County participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 9.50% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service credit; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

## MADISON COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

#### **NOTE 9 - DEFINED BENEFIT RETIREMENT PLAN - (Continued)**

Funding Policy - For January 1, 2014 through June 30, 2014, plan members were required to contribute 11.00% of their annual covered salaries. For July 1, 2014 through December 31, 2014, plan members were required to contribute 12.00% of their annual covered salaries. The County was required to contribute 14.00%; 13.00% was the portion used to fund pension obligations for January 1, 2014 through June 30, 2014 and 14.00% was the portion used to fund pension obligations for July 1, 2014 through December 31, 2014. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14.00% for members and 14.00% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2014, 2013 and 2012 were \$41,190, \$37,400 and \$34,373, respectively; 100% has been contributed for 2014 and 100% for 2013 and 2012.

#### **NOTE 10 - POSTRETIREMENT BENEFIT PLANS**

##### **A. Ohio Public Employees Retirement**

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2014 local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2014 was 2.00%.

**MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 10 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$236,549, \$113,857, and \$643,280, respectively; 100% has been contributed for 2014 and 100% has been contributed for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

**B. State Teachers Retirement System of Ohio**

Plan Description - The County contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. From January 1, 2014 through June 30, 2014, STRS Ohio allocated employer contributions equal to 1.00% of covered payroll to the Health Care Stabilization Fund. From July 1, 2014 through December 31, 2014, STRS Ohio did not allocate any percentage of employer contributions to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2014, 2013 and 2012 were \$1,526, \$2,877 and \$2,483, respectively; 100% has been contributed for 2014, 2013 and 2012.

**NOTE 11 - CONDUIT DEBT OBLIGATIONS**

During 1997, the County served as the issuer of \$2,700,000 in Multifamily Housing Revenue Bonds. The proceeds were used by a private corporation to fund the construction of an assisted living facility. The amount outstanding on this issue is \$1,965,000. Also, in 2002, the County served as the issuer of \$4,200,000 in Multifamily Housing Mortgage Revenue Bonds. The proceeds were used by a private corporation to acquire, construct and equip a multifamily residential rental housing facility. The amount outstanding on this issue is \$3,515,000. In 2005, the County served as the issuer of \$11,125,000 in Hospital Facilities Multi-mode Variable Rate Revenue Refunding and Improvement Bonds. The proceeds were used to refund outstanding Hospital Improvement Revenue Refunding Bonds and to acquire, construct, improve and equip certain Hospital facilities. The County also served as issuer of \$1,700,000 in Hospital Facilities Revenue Bonds, the proceeds of which will be used to acquire, construct, improve and equip certain Hospital facilities. The amount outstanding on both issues is \$8,860,000. These bonds do not constitute a general obligation, debt or indebtedness of the County. None are the full faith and credit to taxing power of the County pledged to make repayment.



**MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 12 - HOSPITAL AGREEMENT**

In 1975, the County ceased business activity at the County hospital. However, the County maintains the land and facilities of the hospital and entered into a lease agreement with the Madison County Hospital, Inc., (MCHI) to provide for the health and welfare of the people. As disclosed in Note 11 above, the County has issued conduit debt on behalf of MCHI. The County amends the lease agreement whenever new conduit debt is issued, with the most current amendment being in 1998.

According to the most recent lease agreement the County only charges MCHI a “basic rent” for the lease. “Basic rent” has been defined as an amount necessary to make the deposits required in the bond indenture and any other amounts required under the lease to be paid as “basic rent” on or prior to the respective rental payment dates during the lease term.

**NOTE 13 - INTERFUND TRANSACTIONS**

Transfers made during the year ended December 31, 2014, were as follows:

	Transfers In	Transfers Out
General Fund	\$ -	\$697,538
Motor Vehicle Gasoline Tax Fund	-	55,000
Other Governmental Funds	721,538	24,000
Total Governmental Funds	721,538	776,538
Other Enterprise Funds	55,000	-
Total All Funds	\$776,538	\$776,538

Transfers from the Motor Vehicle Gasoline Tax and General Funds to non-major governmental funds were made to provide monies for principal and interest payments or to subsidize operations. The transfers between non-major enterprise funds were for reimbursements. All transfers were made in compliance with the Ohio Revised Code.

Advances made during the year ended December 31, 2014 were as follows:

	Advances In	Advances Out
General Fund	\$173,100	\$145,000
Motor Vehicle Gasoline Tax Fund	-	20,380
Other Governmental Funds	20,390	136,020
Total Governmental Funds	193,490	301,400
Other Enterprise Funds	145,000	37,090
Total All Funds	\$338,490	\$338,490

Advances are lending/borrowing arrangements between funds that are long-term in nature. The purpose of these advances is to allow the County to exercise its authority to use the inactive monies in funds to invest in its own securities. See [Note 4](#) for more information.

**MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 14 - CONTINGENCIES AND LITIGATION**

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor or its designee. These audits could lead to a request for reimbursement to the grantor for expenditures disallowed under terms of the grant. Based on prior experience, management believes such disallowances, if any, will be immaterial.

The County is party to certain legal proceedings; however, it is the opinion of management that the ultimate disposition of claims will not have a material adverse effect on the financial condition of the County.

**NOTE 15 - BUDGETARY BASIS FUND BALANCES**

Differences between the budgetary basis fund balances and fund cash balances are due to encumbrances. Also, as part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a cash basis. This includes the Certificate of Title Fund and the Unclaimed Money Fund. The table below presents these differences for the County's General Fund and its major special revenue funds:

	General	Motor Vehicle Gasoline Tax	Board of Developmental Disabilities
Budgetary Basis Fund Balances	\$231,906	\$(152,023)	\$(97,033)
Encumbrances	20,100	-	211
Fund Balances of Funds Combined with the General Fund for Reporting Purposes	145,629	-	-
Fund Cash Balances	\$397,635	\$(152,023)	\$(96,822)

**MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 16 - FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Motor Vehicle Gasoline Tax	Board of Developmental Disabilities	Other Governmental Funds	Total
<i>Nonspendable</i>					
Unclaimed Monies	\$ 154,810	\$ -	\$ -	\$ -	\$ 154,810
Statler Trust	-	-	-	40,000	40,000
Total	154,810	-	-	40,000	194,810
<i>Restricted</i>					
General Government	-	-	-	2,760,661	2,760,661
Public Safety	-	-	-	1,539,003	1,539,003
Public Works	-	1,187,709	-	149,158	1,336,867
Health	-	-	3,815,960	32,491	3,848,451
Human Services	-	-	-	1,749,035	1,749,035
Other	-	-	-	263,565	263,565
Capital Projects	-	-	-	1,055,011	1,055,011
Debt Service	-	-	-	15,456	15,456
Statler Trust	-	-	-	14,775	14,775
Total	-	1,187,709	3,815,960	7,579,155	12,582,824
<i>Committed</i>					
Capital Projects	-	-	-	99,987	99,987
Public Works	-	-	-	27,587	27,587
Total	-	-	-	127,574	127,574
<i>Assigned</i>					
Future Purchases	20,100	-	-	-	20,100
<i>Unassigned</i>					
Total	3,220,166	-	-	-	3,220,166
<b>Total</b>	<b>\$3,395,076</b>	<b>\$1,187,709</b>	<b>\$3,815,960</b>	<b>\$7,746,729</b>	<b>\$16,145,474</b>

**MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**NOTE 17 - ENCUMBRANCES**

At December 31, 2014, the County had encumbrance commitments in governmental funds as follows:

<i>Major Funds</i>	
General Fund	\$20,100
Board of Developmental Disabilities	<u>211</u>
Total Major Funds	<u>20,311</u>
<i>Nonmajor Funds</i>	
CHIP Federal Block Grant Fund	<u>36,100</u>
Total All Funds	<u>\$56,411</u>

**FINANCIAL CONDITION  
MADISON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor <i>Pass-Through Grantor</i> Program Title	Pass-Through Entity's Number	Federal CFDA Number	Federal Disbursements
<b>United States Department of Agriculture</b>			
<i>Passed through the Ohio Department of Job and Family Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1415-11-5389	10.561	\$ 222,804
<i>Passed Through the Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	3L60	10.555	1,841
Cash Assistance:			
National School Breakfast Program	3L70	10.553	4,093
National School Lunch Program	3L60	10.555	6,440
Total Nutrition Cluster			<u>12,374</u>
<b>United States Department of Housing and Urban Development</b>			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grants/State's Program	B-C-12-1BS-1	14.228	25,145
Community Development Block Grants/State's Program	B-F-12-1BS-1	14.228	26,000
Community Development Block Grants/State's Program	B-F-13-1BS-1	14.228	112,540
Total Community Development Block Grants/State's Program			<u>163,685</u>
Home Investment Partnership Program	B-C-12-1BS-2	14.239	27,153
<b>Total United States Department of Housing and Urban Development</b>			<u><b>190,838</b></u>
<b>United States Department of Labor</b>			
<i>Passed through Ohio Department of Job and Family Services and Passed through Montgomery County Auditor, Workforce Investment Act, Area 7:</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act- Adult Program	2013-7349-1 / 2014-7349-1	17.258	115,485
Workforce Investment Act- Adult Program Administration	2013-7349-1 / 2014-7349-1	17.258	1,089
Workforce Investment Act- OMJ Branding	2013-7349-1 / 2014-7349-1	17.258	6,472
Workforce Investment Act- Adult Program Total			<u>123,046</u>
Workforce Investment Act-Youth Activities	2013-7349-1 / 2014-7349-1	17.259	62,223
Workforce Investment Act-Youth Activities Administration	2013-7349-1 / 2014-7349-1	17.259	1,126
Workforce Investment Act-Youth Activities Total			<u>63,349</u>
WIA Dislocated Workers	2013-7349-1 / 2014-7349-1	17.278	13,857
WIA Dislocated Workers - Administration	2013-7349-1 / 2014-7349-1	17.278	380
WIA Dislocated Workers Total		17.278	<u>14,237</u>
Workforce Investment Act Cluster Total			<u>200,632</u>
<b>Total United States Department of Labor</b>			<u><b>200,632</b></u>
<b>United States Department of Transportation</b>			
<i>Direct from the Federal Government:</i>			
Airport Improvement Program	N/A	20.106	175,718
Airport Improvement Program	N/A	20.106	32,149
Total Airport Improvement Program			<u>207,867</u>
<i>Passed through the Ohio Department of Transportation</i>			
Highway Planning and Construction Program	16707	20.205	42,236
<b>Total United States Department of Transportation</b>			<u><b>250,103</b></u>

MADISON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2014  
(Continued)

Federal Grantor Pass-Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Federal Disbursements
<b>United States Department of Education</b>			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education-Grants to States	3M20	84.027	9,230
Special Education-Preschool Grants	3C50	84.173	12,697
Total Special Education Cluster			<u>21,927</u>
<i>Passed through Ohio Department of Health:</i>			
Special Education-Grants for Infants and Families	04910021HG514	84.181	33,341
Special Education-Grants for Infants and Families	04910021HG515	84.181	1,332
Total Special Education - Grants for Infants and Families			<u>34,673</u>
<b>Total United States Department of Education</b>			<u>56,600</u>
<b>United States Department of Health and Human Services</b>			
<i>Passed Through Ohio Department of Job and Family Services:</i>			
Promoting Safe and Stable Families	G-1415-11-5389	93.556	39,621
Temporary Assistance for Needy Families	G-1415-11-5389	93.558	413,972
Child Support Enforcement	G-1415-11-5389	93.563	359,255
Child Care and Development Block Grant	G-1415-11-5389	93.575	51,563
Child Welfare Services - State grants	G-1415-11-5389	93.590	1,165
Child Welfare Services - State grants	G-1415-11-5389	93.645	35,309
Foster Care - Title IV-E - Foster Care	G-1415-11-5389	93.658	278,594
Adoption Assistance	G-1415-11-5389	93.659	66,473
Social Services Block Grant	G-1415-11-5389	93.667	355,277
Chafee Foster Care Independence Program	G-1415-11-5389	93.674	12,898
Children's Health Insurance Program	G-1415-11-5389	93.767	2,134
Medical Assistance Program	G-1415-11-5389	93.778	472,589
<i>Passed Through Ohio Department of Developmentally Disabled</i>			
Social Services Block Grant	31-64000075	93.667	28,152
Medical Assistance Program			
Children's Health Insurance Program		93.767	2,492
Medicaid Administration (MAC)	31-64000075	93.778	131,909
<b>Total United States Department of Health and Human Services</b>			<u>2,251,403</u>
<b>United States Department of Homeland Security</b>			
Emergency Management Performance Grants	EMW-2014EP-00064-S01	97.042	10,707
Homeland Security Grant Program	EMW-2011-SS-00070	97.067	12,943
<b>Total United States Department of Homeland Security</b>			<u>23,650</u>
<b>Total Federal Awards Expenditures</b>			<u><u>\$ 3,208,404</u></u>

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  
FISCAL YEAR ENDED DECEMBER 31, 2014**

**Note A – Significant Accounting Policies**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the Madison County's (the County's) federal award programs' disbursements. The Schedule has been prepared on the cash basis of accounting.

**Note B – Child Nutrition Cluster**

The County commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the County assumes it expends federal monies first.

**Note C – Food Donation**

The County reports commodities consumed on the Schedule at the entitlement value. The County allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**Note D – Community Development Block Grant Program**

The County administers a home rehabilitation program with funds provided by the U.S. Department of Housing and Urban Development, through the Ohio Department of Development, under the Community Development Block CHIP Grant Program. The purpose of this program is to provide funds for home improvements made for low and moderate income homeowners. The County administers these funds and makes payments directly to the independent contractors providing the rehabilitation services. The funds provided are secured as a lien on the homeowner's residence for ten years. The County requires a 20% payback of the funds by the homeowner after ten years. The lien is removed from the residence after the 20% has been repaid. The County uses the payback amounts for future home rehabilitation projects. December 31, 2013 cash balances for the CDBG Program and the Home Program were \$167,890 and \$292,188, respectively.

**Note E – Matching Requirements**

Certain Federal programs require that the County contribute non-federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**THIS PAGE INTENTIONALLY LEFT BLANK**





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners  
Madison County  
1 North Main Street  
London, Ohio 43140

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison County, (the County) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 29, 2016, where we noted the County uses a special purpose framework other than generally accepted accounting principles. In addition, we noted that the 2013 financial statements contained an error in their presentation which resulted in a restatement of beginning fund balances in the Governmental Fund financial statements.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2014-001 through 2014-002 to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2014-003 and 2014-004.

***County's Response to Findings***

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the County's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 29, 2016



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Commissioners  
Madison County  
1 North Main Street  
London, Ohio 43140

To the Board of Commissioners:

### ***Report on Compliance for the Major Federal Program***

We have audited the Madison County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Madison County's major federal programs for the year ended December 31, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

### ***Management's Responsibility***

The County's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. 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 our audit provides a reasonable basis for our compliance opinion on the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Madison County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2014.

88 East Broad Street, Tenth Floor, Columbus, Ohio 43215-3506  
Phone: 614-466-3402 or 800-443-9275 Fax: 614-728-7199

[www.ohioauditor.gov](http://www.ohioauditor.gov)

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings as item 2014-005. This finding did not require us to modify our compliance opinion on each major federal program.

The County's response to our noncompliance finding is described in the accompanying schedule of findings. We did not audit the County's response and, accordingly, we express no opinion on it.

**Report on Internal Control Over Compliance**

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 29, 2016

**FINANCIAL CONDITION  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2014**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<ul style="list-style-type: none"> <li>• Temporary Assistance for Needy Families (TANF), CFDA #93.558</li> <li>• Medicaid Assistance Program (Title XIX), CFDA #93.778</li> <li>• Social Services Block Grant (SSBG), CFDA #93.667</li> <li>• Airport Improvement Program, CFDA #20.106</li> </ul>
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**FINANCIAL CONDITION  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2014  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**Finding 2014-001**

**Material Weakness – Cash Reconciliation**

In order to have sound internal controls over the County's cash balance, the County Auditor should reconcile the book balance with the bank balance/Treasurer's office on a monthly basis. Any unreconciled items should be addressed and corrected during these monthly reconciliations.

The County Auditor was not reconciled with the bank/Treasurer at year end. The reconciliation was not completed until several months after year end, and even after the reconciliation was completed, there was a remaining unreconciled balance of \$70,411.54.

Not completing timely reconciliations can lead to errors and/or irregularities going undetected for a significant amount of time.

The County should implement the appropriate procedures to ensure that they reconcile with the bank/Treasurer at least on a monthly basis, as well as, determine all reconciling items are accounted for and the book and bank balances are in agreement.

**Officials' Response:**

The auditor and treasurer have had a process to reconcile funds on a regular basis. There has never been a process in place to reconcile all funds with the cash. The County has been working diligently on this process and not that both offices are on the same computer software, this should be such a problem in future years.

**Finding 2014-002**

**Material Weakness – Financial Reporting**

Sound financial reporting is the responsibility of the County Auditor and the Board of Commissioners and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following entries were material to the County's 2014 financial statements, and as such, were adjusted to the financial statements:

- Reclassification of property taxes revenue to intergovernmental revenue in the Board of Developmental Disabilities Fund, in the amount of \$295,590 and adjustment of the property taxes revenue to be reflected at gross in the amount of \$74,977.
- Regarding the budgetary versus actual statements, adjustments were required to the Original Budgeted Disbursements Amounts in the General Fund in the amount of \$1,488,345; and in the Board of Developmental Disabilities Fund adjustments were required to the Original Budgeted Receipts and Disbursements amounts in the amount of \$100,000 and \$400,000, respectively.

The following entries were not material to the County's 2014 financial statements and were not adjusted to the financial statements or to the County's accounting records:

**FINANCIAL CONDITION  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2014  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
---

**Finding 2014-002 (Continued)**

**Material Weakness – Financial Reporting (Continued)**

- Reclassification of property taxes revenue to intergovernmental revenue in the General Fund, in the amount of \$9,017 and adjustment of the property taxes revenue to be reflected at gross in the amount of \$62,446.
- Reclassification of property taxes revenue to intergovernmental revenue in the 911 Fund, in the amount of \$68,558 and adjustment of the property taxes revenue to be reflected at gross in the amount of \$15,426.
- Adjustment to reduce the special assessment revenue for an improperly classified transfer in, in which the transfer out was improperly recorded in the prior year, so it affects the beginning fund balance in the Ditch Fund in the amount of \$79,059.
- Regarding the budgetary versus actual statements, adjustments were required to the Original Budgeted Disbursements amount in the Motor Vehicle Gas Tax Fund in the amount of \$26,388.

Lastly, as discussed in Note 3 to the financial statements, the 2014 financial statements contained an error in their presentation within the Governmental Fund financial statements, which resulted in a restatement of the beginning fund balances.

Lack or failure of controls over the posting of financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data throughout the year.

We recommend the County develop policies and procedures to enhance its controls over recording of financial reporting to help ensure the information accurately reflects the activity of the County thereby increasing the reliability of the financial data throughout the year.

**Officials' Response:**

The County discussed these adjustments with the Auditor of State's office regarding our responsibility for departmental pay-ins. We will be taking a harder look at account numbers used on pay-ins to make sure they are accurately reflecting the correct account.

**Finding 2014-003**

**Material Noncompliance – Annual Financial Report**

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

**FINANCIAL CONDITION  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2014  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
---

**Finding 2014-003 (Continued)**

**Material Noncompliance – Annual Financial Report (Continued)**

Ohio Administrative Code § 117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the County prepared its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This presentation differs from accounting principles generally accepted in the United States of America (GAAP).

The accompanying financial statements and notes omitted assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38 the County may be fined for its failure to file the required financial report.

We recommend the County prepare its financial statements in accordance with GAAP.

**Officials' Response:**

It has always been and is still a goal to get the County's financial statements recorded on a GAAP basis. This is an ongoing project and we hope to be in compliance in the near future.

**Finding 2014-004**

**Finding for Recovery – Repaid under Audit**

As Chief Probation Officer for Juvenile Court, Tammy Stoops was responsible for supervising youth on probation, which included receiving payments for restitution, fines and court fees. Ohio Rev. Code § 2152.20 required that the monies were to be paid to the probation department on behalf of victims and remitted over to them.

During the Period, Ms. Stoops received \$1,815 in restitution payments from one of her probationers. Those funds were never deposited into the County bank account. Instead, Ms. Stoops had the County remit the restitution amount owed to the victims by obtaining the amount of \$1,815 from a grant fund through two separate voucher requests. In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies converted or misappropriated totaling \$1,815 is hereby issued against Tammy Stoops and in favor of the Madison County Juvenile Court Department.

On April 12, 2016, this finding for recovery was repaid by Tammy Stoops with a cashier's check. Accordingly, we considered this a finding for recovery repaid under audit.



**FINANCIAL CONDITION  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2014  
(Continued)**

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

**Officials' Response:**

Former County employee Tammy Stoops was tried and found guilty of misappropriating \$1,815 in restitution paid directly to her. Controls have been put into place and personnel changes in the court have ensured this will not be a reoccurrence.

**3. FINDINGS FOR FEDERAL AWARDS**

**Finding 2014-005**

**Material Noncompliance – Single Audit Deadline**

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section .300(e) further states, an auditee shall "Ensure that the audits required by this part are properly performed and submitted when due." Section .320(a) provides that single audits shall be completed and a reporting package submitted to the federal clearinghouse designated by OMB, within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The County expended in excess of \$500,000 in federal awards during the fiscal year ended December 31, 2014, however, it did not ensure that a single audit was conducted within the time period specified by OMB Circular A-133 Section .320(a). Further, no extension was granted; and therefore, the County failed to meet the filing deadline.

We recommend the County develop procedures to ensure that a single audit is conducted timely for any fiscal year in which the \$500,000 expenditure threshold is exceeded. We further recommend the County develop procedures for timely submission of their A-133 reporting package.

**Official's Response:** See corrective action plan.

**FINANCIAL CONDITION  
MADISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2013-001	Financial reporting (not filing on GAAP basis)	No	Repeated as Finding 2014-003
2013-002	Proper encumbrance of funds and excessive use of Then and Now certificates	No	Partially corrected
2013-003	Material Weakness – Cash Reconciliation	No	Repeated as Finding 2014-001
2013-004	Material Weakness – budgetary information within accounting system	No	Partially corrected
2013-005	Expenditures in excess of appropriations	Yes	
2013-006	Appropriations limited by estimated resources	Yes	
2013-007	Material Weakness – Financial Reporting	No	Repeated as Finding 2014-002
2013-008	Nine month deadline for single audits	No	Repeated as Finding 2014-005

**FINANCIAL CONDITION  
MADISON COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
DECEMBER 31, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-005	The delay in having a Single Audit completed was due to the delay in filing the financial statement report because of reconciling differences between the County Auditor and Treasurer. The County has developed new procedures to resolve the reconciliation issues and has already put these procedures into place for current operations.	Already completed	Jennifer Hunter and Donna Landis

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**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  
SEPTEMBER 27, 2016**