

Madison County

Single Audit

January 1, 2004 through Decmeber 31, 2004

Fiscal Year Audited Under GAGAS: 2004

BALESTRA, HARR & SCHERER, CPAs, INC.
528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639, www.bhscpas.com



**Auditor of State
Betty Montgomery**

Board of Commissioners
Madison County
1 North Main Street
PO Box 47
London, Ohio 43140-0047

We have reviewed the Independent Auditor's Report of Madison County, prepared by Balestra, Harr & Scherer, CPAs, Inc. for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Madison County is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

November 30, 2005

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**MADISON COUNTY
TABLE OF CONTENTS**

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets –Modified Cash Basis.....	11
Statement of Activities –Modified Cash Basis.....	12
Fund Financial Statements:	
Statement of Modified Cash Basis Assets and Fund Balances and Modified Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances-Governmental Funds.....	13
Statement of Modified Cash Basis Assets and Fund Balances and Modified Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances-Proprietary Funds.....	14
Statement of Modified Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance – Budget and Actual (Budgetary Basis) – General Fund.....	15
Statement of Modified Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance – Budget and Actual (Budgetary Basis) –Motor Vehicle Gasoline Tax Fund	16
Statement of Modified Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance – Budget and Actual (Budgetary Basis) – Public Assistance Fund.....	17
Statement of Modified Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance – Budget and Actual (Budgetary Basis) – MRDD General Fund.....	18
Statement of Modified Cash Basis Assets and Net Cash Assets - Fiduciary Fund.....	19
Notes to the Basic Financial Statements.....	21
Schedule of Federal Awards Expenditures.....	40
Notes to the Schedule of Federal Awards Expenditures.....	41
Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	42
Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	44
Schedule of Findings and Questioned Costs – OMB Circular A-133 .§ .505	46
Schedule of Prior Audit Findings – OMB Circular A-133 § .315(b).....	47

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Madison County
P.O. Box 47
London, Ohio 43140

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 (the County), Ohio, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Matco Industries, Inc. which is included as a discrete presentation in the County's basic financial statements. These financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for Matco Industries, Inc., is based solely on the report of other auditors.

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

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, as discussed in Note 1, the accompanying financial statements and notes follow the modified cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2004, and the respective changes in modified cash basis financial position and the respective budgetary comparison for the General Fund, Motor Vehicle Gasoline Tax Fund, Public Assistance Fund and MRDD General Fund thereof for the year then ended in conformity with the accounting basis Note 1 describes.

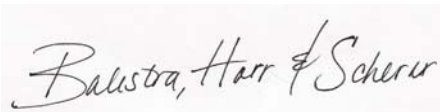
For the year ended December 31, 2004, the County revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2005 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The federal awards expenditure schedule is required by 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 basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
August 31, 2005

Madison County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2004
Unaudited

The discussion and analysis of Madison County's financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2004, 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 11.

Financial Highlights

Key financial highlights for 2004 are as follows:

Overall:

Total net assets increased \$1,560,543 with Governmental Activities increasing by \$1,325,999 and Business-Type Activities increasing by \$234,544.

Total cash receipts were \$32,747,961 in 2004.

Total program cash disbursements were \$31,187,418 in 2004.

Governmental Activities:

Total program cash receipts were \$17,812,511 in 2004, while program cash disbursements were \$30,344,846.

Program cash disbursements were primarily composed of Human Services, Legislative and Executive, Public Works, Health, and Capital Outlay related cash disbursements which were \$6,805,611, \$6,004,050, \$4,903,147, \$4,088,030 and \$3,602,584, respectively in 2004.

Business-Type Activities:

Program cash receipts were \$844,871 for Business-Type Activities, while corresponding cash disbursements were \$842,572. Proceeds from the issuance of debt were \$223,834 which is the primary reason for the increase in Net Assets in the Business-Type Activities.

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 Assets-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, the Public Assistance Fund, and the MRDD General Fund are the most significant funds and have been presented as major funds.

Madison County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2004
Unaudited

Reporting the County as a Whole

The County's Reporting Entity Presentation

This annual report includes all activities for which Madison County is fiscally responsible. These activities, defined as the County's reporting entity, are operated within separate legal entities that make up the primary government of Madison County and one other separate legal entity that is presented as a component unit. The primary government consists of Madison County; the component unit presentation includes the following separate legal entity:

- Matco Industries, Inc.

Statement of Net Assets and the 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 2004?" The Statement of Net Assets 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 assets 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 assets and changes in those assets. This change in net assets 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.

Madison County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2004
Unaudited

In the Statement of Net Assets and the Statement of Activities, the County is divided into three 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, 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 the goods or services provided. The County's wastewater treatment program is reported as business-type activities.

Component Unit Activities – Although Madison Community Housing, Inc. and Matco Industries, Inc. are separate legal entities, the County includes their activities since the County is financially accountable for these two entities.

Reporting the County's Most Significant Funds

Fund Financial Statements

The analysis of the County's major funds begins on page 9. Fund financial reports 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, the Public Assistance Fund and the MRDD General Fund.

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 Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross revenues and expenses on the Fund Financial Statements to the Statement of Activities due to transfers 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 statements for the County as a whole.

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 are reported.

Madison County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2004
Unaudited

The County as a Whole

Recall that the Statement of Net Assets provides the perspective of the County as a whole. Table 1 provides a summary of the County's Net Assets for 2004 compared to the prior year:

Table 1
Net Cash Assets

ASSETS	Governmental Activities		Business-Type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Equity in Pooled Cash & Cash Equivalents	<u>\$ 11,495,011</u>	<u>\$ 10,169,012</u>	<u>\$ 297,152</u>	<u>\$ 62,608</u>	<u>\$ 11,792,163</u>	<u>\$ 10,231,620</u>
Total Assets	<u>\$ 11,495,011</u>	<u>\$ 10,169,012</u>	<u>\$ 297,152</u>	<u>\$ 62,608</u>	<u>\$ 11,792,163</u>	<u>\$ 10,231,620</u>
NET ASSETS						
Restricted for:						
Debt Service	\$ 64,128	\$ 190,816	-	-	\$ 64,128	\$ 190,816
Capital Projects	1,038,979	984,972	-	-	1,038,979	984,972
Other Purposes	6,765,653	5,732,477	-	-	6,765,653	5,732,477
Unrestricted	<u>3,626,251</u>	<u>3,260,747</u>	<u>\$ 297,152</u>	<u>\$ 62,608</u>	<u>3,923,403</u>	<u>3,323,355</u>
Total Net Assets	<u>\$ 11,495,011</u>	<u>\$ 10,169,012</u>	<u>\$ 297,152</u>	<u>\$ 62,608</u>	<u>\$ 11,792,163</u>	<u>\$ 10,231,620</u>

Total assets and net assets increased by \$1,560,543 from 2003 to 2004.

The \$7,868,760 portion of the County's net cash assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net cash assets of \$3,923,403 may be used to meet the government's ongoing obligations to citizens and creditors.

Madison County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2004
Unaudited

Table 2 shows changes in Net Assets for fiscal year 2004. Since this is the first year the County has prepared cash basis financial statements following GASB Statement 34, comparisons to fiscal year 2003 have not been compiled. In future years, a comparative analysis will be presented.

Table 2
Changes in Net Cash Assets

	Governmental Activities	Business-Type Activities	Totals
	<u>2004</u>	<u>2004</u>	
Cash Receipts			
<i>Program Cash Receipts</i>			
Charges For Services and Sales	\$ 3,152,603	\$ 844,871	\$ 3,997,474
Operating Grants and Contributions	13,272,695	-	13,272,695
Capital Grants & Contributions	1,387,213	-	1,387,213
Total Program Cash Receipts	17,812,511	\$ 844,871	\$ 18,657,382
<i>General Cash Receipts & Transfers</i>			
Property Taxes Levied for:			
General Purposes	5,603,492	-	5,603,492
Sales Taxes	4,389,103	-	4,389,103
Grants and Entitlements not			
Restricted to Specific Programs	939,337	-	939,337
Proceeds from Issuance of Debt	2,131,553	223,834	2,355,387
Transfers In (Out)	(8,411)	8,411	-
Interest Receipts	170,355	-	170,355
Miscellaneous	632,905	-	632,905
Total General Cash Receipts & Transfers	13,858,334	232,245	14,090,579
Total Cash Receipts & Transfers	31,670,845	1,077,116	32,747,961
Cash Disbursements			
<i>Program Cash Disbursements</i>			
General Government			
Legislative and Executive	\$ 6,004,050	-	6,004,050
Judicial	1,697,030	-	1,697,030
Public Safety	2,159,048	-	2,159,048
Public Works	4,903,147	-	4,903,147
Health	4,088,030	-	4,088,030
Human Services	6,805,611	-	6,805,611
Miscellaneous	486,294	-	486,294
Capital Outlay	3,602,584	-	3,602,584
Debt Service:			
Principal Retirement	332,531	-	332,531
Interest and Fiscal Charges	266,521	-	266,521
Total Program Cash Disbursements	30,344,846	-	30,344,846
<i>Business-Type Disbursements</i>			
Airport Operations	-	388,805	388,805
Wastewater Treatment	-	453,767	453,767
Total Business-Type Disbursements	-	842,572	842,572
Total Cash Disbursements	30,344,846	842,572	31,187,418
Increase In Net Cash Assets	1,325,999	234,544	1,560,543
Net Cash Assets at Beginning of Year (Restated)	10,169,012	62,608	10,231,620
Net Cash Assets at End of Year	11,495,011	\$ 297,152	\$ 11,792,163

Madison County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2004
Unaudited

Property taxes and sales taxes made up 18 percent and 14 percent, respectively, of cash receipts for governmental activities for Madison County in fiscal year 2004. Operating and capital grants and contributions made up 42 percent 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 grants offsetting those services. Table 3 shows, for government 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. Nearly 89 percent of health services activities and 88 percent of public works are supported through charges for services and operating grants and contributions; for all governmental activities general cash receipts and transfers support is 44 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

	2004	
	Total Cost of Service	Net Cost of Service
Governmental Activities		
General Government		
Legislative & Executive	6,004,050	\$ 4,257,519
Judicial	1,697,030	1,359,906
Public Safety	2,159,048	1,318,247
Public Works	4,903,147	581,304
Health	4,088,030	443,821
Human Services	6,805,611	1,635,609
Miscellaneous	486,294	394,750
Capital Outlay	3,602,584	2,233,140
Debt Service:		
Principal Retirement	332,531	141,644
Interest & Fiscal Charges	266,521	166,395
Total Governmental Activities	30,344,846	\$ 12,532,335
Business-Type Activities		
Airport Operations	388,805	(153,005)
Wastewater Treatment	453,767	150,706
Total Business-Type Activities	\$ 842,572	\$ (2,299)

Madison County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2004
Unaudited

Business-Type Activities

Business-type activities include wastewater treatment services and a County-owned airport.

Overall Net Assets increased \$234,544 from 2003 to 2004. Program cash receipts generally support business-type activities and during 2004 program cash receipts exceeded program cash disbursements by \$2,299. The proceeds from the issuance of debt primarily resulted in the above increase.

The County's Funds

Information about the County's major funds starts on page 13. These funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$31,724,539 and cash disbursements and other financing uses of \$30,398,540. The net change in fund balance for the year was most significant in the General Fund where the cash balance went from \$3,260,747 in 2003 to \$3,626,251 for 2004 and the MRDD Fund cash balance which went from \$367,862 in 2003 to \$563,283 for 2004.

The Motor Vehicle Gasoline Tax fund had cash basis disbursements in excess of cash receipts which resulted in a \$17,764 decrease in cash. The Public Assistance fund had cash receipts in excess of cash disbursements which resulted in a \$73,387 increase in cash.

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, final budget basis receipts and other financing sources were \$10,834,562, above original budget estimates of \$9,400,000.

Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were \$10,496,982, \$337,580 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 governmental activities capital outlay disbursements of \$3,602,584 and \$355,572 in business-type capital outlay disbursements during fiscal year 2004.

Debt

Under the cash basis of accounting the County does not report bonds, long-term notes or short-term notes 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, long-term notes and short-term notes. At December 31, 2004 the County had \$4,125,161 in bonds and related long-term debt for Governmental Activities and \$9,807,941 in bonds and related long-term debt for Business-Type Activities.

Madison County
 Management's Discussion and Analysis
 For the Fiscal Year Ended December 31, 2004
 Unaudited

Table 4 summarizes long-term obligations outstanding as of December 31, 2004:

Table 4
 Outstanding Debt

Government Activities:	
General Obligation Bonds	\$3,983,509
Special Assessment Bonds	<u>141,652</u>
Total Governmental Activities Debt	4,125,161
Business – Type Activities:	
OWDA Loans	9,582,428
OPWC Loan	<u>223,834</u>
Total Business – Type Activities Debt	<u>9,806,262</u>
Total Outstanding Debt	<u>\$13,931,423</u>

For more information regarding debt, see Note 3 to the basic financial statements.

Current Financial Related Activities

Madison County has had positive net changes in fund balances for 2004. However, as the preceding information shows, the County heavily depends on property and sales taxes as well as intergovernmental monies.

Since the receipts do not always 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 citizen's, 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 Jim Williamson, County Auditor at Madison County, 1 North Main Street, London, Ohio 43140 or e-mail at auditor@co.madison.oh.us.

Madison County
Statement of Net Assets-Cash Basis
As of December 31, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Matco Industries, Inc.
ASSETS				
Equity in Pooled Cash & Cash Equivalents	\$ 11,495,011	\$ 297,152	\$ 11,792,163	\$ 1,120,209
Total Assets	<u>\$ 11,495,011</u>	<u>\$ 297,152</u>	<u>\$ 11,792,163</u>	<u>\$ 1,120,209</u>
NET ASSETS				
Restricted for:				
Debt Service	\$ 64,128	\$ -	\$ 64,128	\$ -
Capital Projects	1,038,979	-	1,038,979	-
Other Purposes	6,765,653	-	6,765,653	1,120,209
Unrestricted	3,626,251	297,152	3,923,403	-
Total Net Assets	<u>\$ 11,495,011</u>	<u>\$ 297,152</u>	<u>\$ 11,792,163</u>	<u>\$ 1,120,209</u>

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

Madison County
Statement of Activities-Cash Basis
For the year ended December 31, 2004

	Program Cash Receipts				Net Cash (Disbursements) Receipts and Changes in Net Cash Assets			Component Unit
	Program Cash Disbursements	Charges for Services & Sales	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total	Matco Industries, Inc.
Governmental Activities								
General Government								
Legislative & Executive	\$ 6,004,050	\$ 975,528	\$ 771,003	\$ -	\$ (4,257,519)	\$ -	\$ (4,257,519)	\$ -
Judicial	1,697,030	299,924	37,200	-	(1,359,906)	-	(1,359,906)	-
Public Safety	2,159,048	317,915	522,886	-	(1,318,247)	-	(1,318,247)	-
Public Works	4,903,147	349,117	3,972,726	-	(581,304)	-	(581,304)	-
Health	4,088,030	284,766	3,359,443	-	(443,821)	-	(443,821)	-
Human Services	6,805,611	612,670	4,557,332	-	(1,635,609)	-	(1,635,609)	-
Miscellaneous	486,294	86,727	4,817	-	(394,750)	-	(394,750)	-
Capital Outlay	3,602,584	10,601	47,288	1,311,555	(2,233,140)	-	(2,233,140)	-
Debt Service:								
Principal Retirement	332,531	117,048	-	73,839	(141,644)	-	(141,644)	-
Interest & Fiscal Charges	266,521	98,307	-	1,819	(166,395)	-	(166,395)	-
Total Governmental Activities	30,344,846	3,152,603	13,272,695	1,387,213	(12,532,335)		(12,532,335)	-
Business-Type Activities								
Airport Operations	388,805	541,810	-	-	-	153,005	153,005	-
Wastewater Treatment	453,767	303,061	-	-	-	(150,706)	(150,706)	-
Total Business-Type Activities	842,572	844,871	-	-		2,299	2,299	-
Total Primary Government	\$ 31,187,418	\$ 3,997,474	\$ 13,272,695	\$ 1,387,213	(12,532,335)	2,299	(12,530,036)	-
Component Unit:								
Matco Industries, Inc.	1,414,202	1,409,777	-	-				\$ (4,425)
Total Component Unit	\$ 1,529,575	\$ 1,601,319	\$ -	\$ -				\$ (4,425)

General Cash Receipts and Transfers

Property Taxes Levied for:				
General Purposes	5,603,492	-	5,603,492	-
Sales Taxes	4,389,103	-	4,389,103	-
Grants and Entitlements not Restricted to Specific Programs	939,337	-	939,337	-
Proceeds from Issuance of Debt	2,131,553	223,834	2,355,387	-
Transfers In (Out)	(8,411)	8,411	-	-
Interest Receipts	170,355	-	170,355	-
Miscellaneous	632,905	-	632,905	-
Total General Cash Receipts and Transfers	13,858,334	232,245	14,090,579	-
Change in Net Cash Assets	1,325,999	234,544	1,560,543	(4,425)
Net Cash Assets Beginning of Year (As Restated)	10,169,012	62,608	10,231,620	1,124,634
Net Cash Assets End of Year	\$ 11,495,011	\$ 297,152	\$ 11,792,163	\$ 1,120,209

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

Madison County
Statement of Cash Basis Assets and Fund Balances and
Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds - Cash Basis
For the Year Ended December 31, 2004

	<u>General</u>	<u>Motor Vehicle Gasoline Tax</u>	<u>Public Assistance</u>	<u>MRDD General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
CASH RECEIPTS:						
Taxes	\$ 7,436,569	\$ -	\$ -	\$ 2,090,498	\$ 465,528	\$ 9,992,595
Charges for Services	1,432,272	209	-	41,534	881,214	2,355,229
Licenses & Permits	2,975	-	-	-	40,107	43,082
Fines & Forfeitures	424,439	83,410	-	-	246,444	754,293
Intergovernmental Receipts	1,026,220	4,646,795	3,615,705	2,011,600	3,755,436	15,055,756
Special Assessments	-	-	-	-	543,488	543,488
Interest Income	170,355	-	-	-	-	170,355
All Other Revenue	341,732	-	-	-	291,173	632,905
TOTAL CASH RECEIPTS	10,834,562	4,730,414	3,615,705	4,143,632	6,223,391	29,547,703
CASH DISBURSEMENTS:						
General Government						
Legislative & Executive	5,132,350	-	-	-	871,700	6,004,050
Judicial	1,669,167	-	-	-	27,863	1,697,030
Public Safety	1,548,576	-	-	-	610,472	2,159,048
Public Works	148,969	4,748,178	-	-	6,000	4,903,147
Health	67,183	-	-	3,948,210	72,636	4,088,030
Human Services	1,363,744	-	3,542,318	-	1,899,549	6,805,611
Miscellaneous	485,374	-	-	-	920	486,294
Capital Outlay	-	-	-	-	3,602,584	3,602,584
Debt Service						
Bond Principal Payment	-	-	-	-	210,000	210,000
Note Principal Payment	-	-	-	-	122,531	122,531
Interest & Fiscal Charges	-	-	-	-	266,521	266,521
TOTAL CASH DISBURSEMENTS	10,415,363	4,748,178	3,542,318	3,948,210	7,690,776	30,344,846
EXCESS (DEFICIENCY) OF CASH RECEIPTS OVER (UNDER) CASH DISBURSEMENTS	419,198	(17,764)	73,387	195,422	(1,467,385)	(797,143)
OTHER FINANCING SOURCES (USES):						
Proceeds of Loans	-	-	-	-	2,131,553	2,131,553
Operating Transfers-In	-	-	-	-	45,283	45,283
Operating Transfers-Out	(53,694)	-	-	-	-	(53,694)
TOTAL OTHER FINANCING SOURCES (USES)	(53,694)	-	-	-	2,176,836	2,123,142
NET CHANGE IN FUND CASH BALANCES	365,505	(17,764)	73,387	195,422	709,451	1,325,999
CASH BASIS FUND BALANCE, AT BEGINNING OF YEAR (as restated, See Note 10)	3,260,747	662,283	389,717	367,862	5,488,403	10,169,012
CASH BASIS FUND BALANCE, AT END OF YEAR	\$ 3,626,251	\$ 644,519	\$ 463,104	\$ 563,284	\$ 6,197,854	\$ 11,495,011
CASH BASIS ASSETS AT END OF YEAR						
Equity in Pooled Cash and Cash Equivalents	\$ 3,626,251	\$ 644,519	\$ 463,104	\$ 563,284	\$ 6,197,854	\$ 11,495,011
CASH BASIS FUND BALANCES AT END OF YEAR						
Reserved for Encumbrances	27,925	-	-	-	79,305	107,230
Unreserved, Undesignated	3,598,326	644,519	463,104	563,284	6,118,549	11,387,781
TOTAL CASH BASIS FUND BALANCES	\$ 3,626,251	\$ 644,519	\$ 463,104	\$ 563,284	\$ 6,197,854	\$ 11,495,011

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

Madison County
Statement of Cash Basis Assets and Fund Balances and Cash Receipts,
Cash Disbursements and Changes in Cash Basis Fund Balances
Proprietary Funds - Cash Basis
For the Fiscal Year Ended December 31, 2004

	<u>Other Enterprise Funds</u>
OPERATING CASH RECEIPTS	
Charges for Services	\$ 824,246
Other Operating Revenues	20,625
TOTAL OPERATING CASH RECEIPTS	844,871
OPERATING CASH DISBURSEMENTS	
Personal Services	188,874
Contract Services	98,161
Supplies & Materials	199,965
Capital Outlay	355,572
TOTAL OPERATING CASH DISBURSEMENTS	842,572
OPERATING CASH RECEIPTS OVER OPERATING CASH DISBURSEMENTS	2,299
NON-OPERATING CASH RECEIPTS	
Operating Transfers-In	8,411
Proceeds from issuance of debt	223,834
TOTAL NON-OPERATING CASH RECEIPTS	232,245
CHANGE IN NET CASH ASSETS	234,544
NET CASH ASSETS AT BEGINNING OF YEAR	\$ 62,608
NET CASH ASSETS AT END OF YEAR	\$ 297,152
CASH BASIS ASSETS AT END OF YEAR	
Equity in Pooled Cash and Cash Equivalents	\$ 297,152
CASH BASIS FUND BALANCES AT END OF YEAR	
Unreserved, Undesignated	\$ 297,152

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

Madison County
Statement of Cash Receipts, Cash Disbursements,
and Changes in Fund Cash Balance -Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2004

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
BUDGETARY BASIS RECEIPTS:				
Taxes	\$ 6,316,000	\$ 6,316,000	\$ 7,436,569	\$ 1,120,569
Charges for Services	1,320,000	1,320,000	1,432,272	112,272
Licenses & Permits	4,000	4,000	2,975	(1,025)
Fines & Forfeitures	414,000	414,000	424,439	10,439
Intergovernmental Receipts	877,000	877,000	1,026,220	149,220
Interest Income	-	-	170,355	170,355
All Other Revenue	469,000	476,427	341,732	(134,695)
TOTAL RECEIPTS	9,400,000	9,407,427	10,834,562	1,427,135
BUDGETARY BASIS DISBURSEMENTS:				
General Government				
Legislative & Executive	4,802,237	5,433,467	5,160,275	273,193
Judicial	1,877,964	1,880,833	1,669,167	211,666
Public Safety	1,720,774	1,782,796	1,548,576	234,219
Public Works	249,344	249,344	148,969	100,375
Health	80,692	80,692	67,183	13,509
Human Services	825,119	851,119	1,363,744	(512,625)
Miscellaneous	2,165,495	2,167,995	485,374	1,682,620
TOTAL DISBURSEMENTS	11,721,625	12,446,245	10,443,288	2,002,957
Excess of Receipts Over (Under) Disbursements	(2,321,625)	(3,038,818)	391,273	3,430,091
OTHER FINANCING USES:				
Operating Transfers-Out	-	-	(53,694)	53,694
TOTAL OTHER FINANCING USES	-	-	(53,694)	53,694
Excess of Receipts Over (Under) Disbursements and Other Financing Uses	(2,321,625)	(3,038,818)	337,580	3,376,398
Fund Balance at Beginning of Year (As Restated, See Note 10)	3,258,547	3,258,547	3,258,547	
Prior Year Encumbrances Appropriated	2,199	2,199	2,199	-
Fund Balance at End of Year	<u>\$ 939,121</u>	<u>\$ 221,928</u>	<u>\$ 3,598,326</u>	<u>\$ 3,376,398</u>

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

Madison County
Statement of Cash Receipts, Cash Disbursements,
and Changes in Fund Cash Balance-Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2004

	Motor Vehicle Gasoline Tax Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget
BUDGETARY BASIS RECEIPTS:				
Charges for Services	\$ 2,000	\$ 2,000	\$ 209	\$ (1,791)
Fines & Forfeitures	82,000	82,000	83,410	1,410
Intergovernmental Receipts	<u>4,769,631</u>	<u>4,769,631</u>	<u>4,646,795</u>	<u>(122,836)</u>
TOTAL RECEIPTS	4,853,631	4,853,631	4,730,414	(123,217)
BUDGETARY BASIS DISBURSEMENTS:				
Public Works	<u>4,848,631</u>	<u>5,219,410</u>	<u>4,748,178</u>	<u>471,232</u>
TOTAL DISBURSEMENTS	<u>4,848,631</u>	<u>5,219,410</u>	<u>4,748,178</u>	<u>471,232</u>
Excess of Receipts Over (Under) Disbursements	5,000	(365,779)	(17,764)	348,015
Fund Balance at Beginning of Year	<u>662,283</u>	<u>662,283</u>	<u>662,283</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 667,283</u>	<u>\$ 296,504</u>	<u>\$ 644,519</u>	<u>\$ 348,015</u>

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

Madison County
Statement of Cash Receipts, Cash Disbursements,
and Changes in Fund Cash Balances- Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2004

Public Assistance Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget
BUDGETARY BASIS RECEIPTS:				
Intergovernmental Receipts	\$ 3,980,215	\$ 3,980,215	\$ 3,615,705	\$ (364,510)
TOTAL RECEIPTS	3,980,215	3,980,215	3,615,705	(364,510)
BUDGETARY BASIS DISBURSEMENTS:				
Human Services	3,920,000	3,892,019	3,542,318	349,700
TOTAL DISBURSEMENTS	3,920,000	3,892,019	3,542,318	349,700
Excess of Receipts Over Disbursements	60,215	88,196	73,387	(14,810)
Fund Balance at Beginning of Year	389,717	389,717	389,717	-
Fund Balance at End of Year	\$ 449,932	\$ 477,913	\$ 463,104	\$ (14,810)

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

Madison County
Statement of Cash Receipts, Cash Disbursements,
and Changes in Fund Cash Balance- Budget and Actual (Budgetary Basis)
For the Year Ended December 31, 2004

MRDD General Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget
BUDGETARY BASIS RECEIPTS:				
Taxes	1,950,000	1,950,000	2,090,498	140,498
Charges for Services	50,000	50,000	41,534	(8,466)
Intergovernmental Receipts	2,165,000	2,165,000	2,011,600	(153,400)
TOTAL RECEIPTS	4,165,000	4,165,000	4,143,632	(21,368)
BUDGETARY BASIS DISBURSEMENTS:				
Health	4,298,000	4,298,000	3,948,210	349,790
TOTAL DISBURSEMENTS	4,298,000	4,298,000	3,948,210	349,790
Excess of Receipts Over (Under) Disbursements	(133,000)	(133,000)	195,422	328,422
Fund Balance at Beginning of Year	367,862	367,862	367,862	-
Fund Balance at End of Year	\$ 234,862	\$ 234,862	\$ 563,284	\$ 328,422

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

Madison County
Statement of Cash Basis Assets and
Net Cash Assets
Fiduciary Fund
As of December 31, 2004

	<u>Agency</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 3,587,714
Total Assets	<u>\$ 3,587,714</u>
Net Cash Assets	<u>\$ 3,587,714</u>

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

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Madison County
Notes to the Basic Financial Statements
December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. A County Auditor and County Treasurer are responsible for fiscal control of the resources of the County. Services provided by the County include, but are not limited to, general government, public safety, public works, health, human services, and administration of justice.

DESCRIPTION OF THE ENTITY

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.

Primary Government:

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Madison County, this includes the Madison County Board of Mental Retardation and Developmental Disabilities (MRDD); 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:

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 to 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.

Matco Industries Incorporated (Matco) is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. The workshop, under a contractual agreement with the Madison County Board of MRDD provides sheltered employment for mentally retarded or handicapped adults in Madison County. Matco received \$784,000 from the Madison County Board of MRDD for contractual services for the year ended December 31, 2004 and use of a County owned building without cost, which has been determined to be an in-kind contribution. Based on the significant resources provided by the County and the workshop's sole purpose of providing assistance to the retarded and handicapped adults of Madison County, the workshop is a component unit of Madison County. Separately issued financial statements can be obtained from Matco.

The County has elected to include the above component unit in the accompanying basic financial statements.

Madison County
Notes to the Basic Financial Statements
December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DESCRIPTION OF THE ENTITY (Continued)

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 Fiduciary 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 Law Library Association

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 ongoing financial responsibility for this entity and, in 2004, contributed \$1,133,485 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, Champaign County Courthouse, 200 North Main Street, Urbana, Ohio 43078-1680.

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 2004, the County's share of operating costs was \$253,546. 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 and not require funding from the participating Counties. Allen County, being the largest of the six Counties, is the fiscal agent of the District.

The 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. In 2004, the County made no distributions to the Park District.

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

Madison County
Notes to the Basic Financial Statements
December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF PRESENTATION

For fiscal year 2004 the County has implemented the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. However, there are no adjustments to beginning fund balances or net cash assets since the basis of accounting has not changed. The County's basic financial statements consist of government-wide statements, including a statement of net cash assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets 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 assets-cash basis presents the cash basis financial condition of governmental 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 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.

The Government-wide Financial Statements also display information regarding one legally separate entity or component unit, for which the County is fiscally responsible. This component unit is Matco Industries, Inc. and is described further in these notes to the basic financial statements.

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.

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 standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary 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 basis of accounting described above.

Madison County
Notes to the Basic Financial Statements
December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

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.

For comparability purposes, the component unit financial information has been presented on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP).

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 legal 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. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The difference between governmental fund assets and cash disbursements is reported as fund balance. 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

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.

Public Assistance

The Public Assistance Special Revenue Fund is a major special revenue fund that accounts for various federal and state grants as well as transfers from the General Fund used to provide public assistance to general relief recipients, pay their providers of medical assistance, and for certain public social services.

MRDD General

The MRDD General Special Revenue 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 mentally retarded and developmentally disabled individuals.

Madison County
Notes to the Basic Financial Statements
December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 type.

Enterprise

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

FIDUCIARY FUND TYPES:

Fiduciary fund reporting focuses on net assets and changes in net assets. 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.

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.

CASH DISBURSEMENTS

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

BUDGETARY PROCESS

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

Madison County
Notes to the Basic Financial Statements
December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BUDGETARY PROCESS (Continued)

Budget

In accordance with Section 5747.53 of the Ohio Revised Code, the County Budget Commission has provided for the apportionment of undivided local government funds under an alternative method that has been approved by governmental subdivisions within the County. Under this alternative method, the County Budget Commission has waived the requirement for the Taxing Authority of a subdivision to adopt a tax budget.

Estimated Resources

The County Budget Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources that states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the County must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the County Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during the year. The budget figures that appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications. Prior to year-end, the County Commissioners passed appropriations that reflected actual expenditures/expenses for the year.

Encumbrances

The County is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

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.

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.

Madison County
Notes to the Basic Financial Statements
December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

LONG-TERM OBLIGATIONS

In general, bonds and long-term loans, and capital leases 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.

NET CASH ASSETS

Net cash assets represent the difference between assets and liabilities. Net cash assets consist of cash reduced by cash disbursements for the current year. Net assets are reported as restricted when there are limitations imposed on their 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 assets restricted for grants. The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents consist of the total of fund cash balances of all funds as of December 31, 2004. 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 and a repurchase agreement. Individual fund balance integrity is maintained through the County's records. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. 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 calendar year 2004, interest receipts amounted to \$170,355, all of which was recorded in the General Fund.

The County records all its investments at cost. For presentation on the statement of net assets-cash basis, investments of the cash management pool are considered to be cash equivalents. The County has invested in a repurchase agreement with a cost of \$8,507,000 during calendar year 2004.

Investments with original maturities of three months or less at the time they are purchased by the County are reported as cash equivalents.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

State Statute classifies monies held by the County into two categories. Active monies means an amount of public monies determined to be necessary to meet current demands upon the County treasury. Active monies must be maintained 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 deposited or invested in the following securities:

1. Bonds, notes, or other obligations of, or guaranteed by, the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;

Madison County
Notes to the Basic Financial Statements
December 31, 2004

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

3. Written repurchase and reverse repurchase agreements in the securities listed above;
4. Bond and other obligations of the State of Ohio, its political subdivision, or other units or agencies of this State 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 consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
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 exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed 5 percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed two hundred seventy days and in an amount not to exceed 10 percent of the County's total average portfolio.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At December 31, 2004, the County had cash on hand in the Treasury of \$4,579.

Deposits: At December 31, 2004, the carrying amount of the County's deposits was \$6,868,298 and the bank balance was \$8,071,414. Of the bank balance, \$489,011 was covered by federal deposit insurance; the remainder is secured by a collateral pool established by the financial institution. Although all Ohio statutory requirements for the collateralization of deposits had been followed, noncompliance with federal requirements could potentially prevent the County from exercising a successful claim as a secured creditor against the FDIC and render them a general creditor for the uncollateralized amount.

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

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

Madison County
Notes to the Basic Financial Statements
December 31, 2004

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

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

The County's investments at December 31, 2004, consisted of Category 3 repurchase agreements. The carrying and fair value of investment was \$8,507,000.

A reconciliation between the classification of cash and cash equivalents and investments on the financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash</u> <u>Equivalents/Deposits</u>	<u>Investments</u>
Basic Financial Statements	\$15,379,877	\$0
Cash on Hand	(4,579)	
Investments:		
Repurchase Agreements	<u>(8,507,000)</u>	<u>8,507,000</u>
GASB Statement No. 3	<u>\$6,868,298</u>	<u>\$8,507,000</u>

Madison County
Notes to the Basic Financial Statements
December 31, 2004

3. 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 presented for informational purposes only. However, information regarding such changes in the County's long-term obligations during 2004 is as follows:

	Balance at 12/31/03	Additions	Deletions	Balance 12/31/2004
<i>Governmental Activities Debt</i>				
Human Services Building Refunding Bonds 3.2%	1,543,509	-	100,000	1,443,509
Engineer's Building Construction Bonds 3.4%	2,650,000	-	110,000	2,540,000
<i>Special Assessment Loans</i>				
Scenic Hills Ditch Note 3.19%	14,515	-	14,515	-
PH Roberts Ditch Note 2.52%	31,377	-	15,688	15,689
Fitzgerald Ditch Note 3.49%	7,500	-	7,500	-
Yutzy Ditch Note 3.22%	79,606	-	11,145	68,461
Bidwell Bridenstine Note 2.95%	26,198	-	3,930	22,268
Dunkin Ditch Note 2.87%	41,452	-	6,218	35,234
Total Special Assessment Loans	200,648	-	58,996	141,652
<i>Total Governmental Activities Debt</i>	<u>4,394,157</u>	<u>-</u>	<u>268,996</u>	<u>4,125,161</u>
<i>Business-Type Activities Debt</i>				
<i>OWDA Loans</i>				
I70/42 Sewer Construction 7.55%	924,549	-	50,032	874,517
Burr Oaks Sewer Construction 7.55%	204,859	-	11,824	193,035
Choctaw Lake Sewer Construction 4.4%	6,297,247	2,131,553	-	8,428,800
Camp Wissalohican 6.41%	87,755	-	1,679	86,076
Total OWDA Loans	7,514,410	2,131,553	63,535	9,582,428
Choctaw Lake Sewer Construction OPWC 0%	-	223,834	-	223,834
<i>Total Business -Type Activities Debt</i>	<u>7,514,410</u>	<u>2,355,387</u>	<u>63,535</u>	<u>9,806,262</u>

The Special Assessment Loans outstanding at December 31 consist of notes and bonds issued for one to five year terms. Proceeds from these notes were used for land purchase, ditch construction, and related fees.

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 Wisslohican subdivision and the Choctaw Lake subdivision. These loans are collateralized by sewer receipts.

The OPWC loan was issued by the Ohio Public Works Commission for construction of the Choctaw Lake sewer district. This loan is interest-free and is collateralized by sewer receipts.

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 Job and Family 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.

Madison County
Notes to the Basic Financial Statements
December 31, 2004

3. DEBT OBLIGATIONS (Continued)

The Engineer's Building Construction Bonds were issued for construction of an Engineering Facility.

Annual debt service requirements to maturity for debt, including interest of \$2,597,875 are as follows:

Year Ending December 31,	G.O. Bonds	Refunding Bonds	Special Assessment
2005	154,938	233,867	38,030
2006	155,685	229,383	21,946
2007	156,120	229,782	21,946
2008	156,233	229,863	64,000
2009	161,073	229,613	-
2010-2014	775,590	1,163,532	-
2015-2019	600,000	1,156,843	-
2020-2024	-	231,000	-
Total	<u>2,159,639</u>	<u>3,703,883</u>	<u>145,922</u>

Year Ending December 31,	OWDA Loans	OPWC Loan
2005	154,404	-
2006	154,404	6,025
2007	154,404	12,051
2008	154,404	12,051
2009	154,404	12,051
2010-2014	772,021	60,255
2015-2019	243,430	60,255
2020-2024	36,386	60,255
2025-2029	21,831	24,102
Total	<u>1,845,688</u>	<u>247,045</u>

The OWDA Construction Loan for the Choctaw Lake Sewer District have not been finalized since the project is not complete. Therefore the debt service payments relating to the Choctaw Lake Sewer District have not been included in the amortization schedule shown above. The construction costs of this project are accounted for in a capital projects governmental fund and the proceeds of this debt are also recorded in this fund.

Madison County
Notes to the Basic Financial Statements
December 31, 2004

4. PROPERTY TAXES

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

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

The full tax rate applied to real property for calendar year 2004 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 \$8.68 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$8.96 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.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for calendar year 2004 was \$10.60 per \$1,000 of assessed valuation.

The assessed values upon which fiscal year 2004 taxes were collected are:

Residential/Agricultural	\$529,648,730
Commercial/Industrial	91,848,420
Other Real Property	167,090
General Personal Property	66,101,940
Public Utilities Personal Property	<u>38,445,350</u>
Total Assessed Valuation	<u>\$726,211,530</u>

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

5. 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 the warrant payable to the County.

Proceeds of the tax are credited entirely to the General Fund. Sales and Use tax revenue for 2004 amounted to \$4,389,103.

Madison County
Notes to the Basic Financial Statements
December 31, 2004

6. 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 2004, the County contracted with the County Risk Sharing Authority (CORSA) for property, general liability, commercial fleet, liability, employee's benefit, data processing equipment, 911 equipment, County Engineer contractor equipment, valuable paper's, theft/disappearance/destruction for inside and outside, crime coverage, forgery and alteration of checks, and umbrella liability insurance.

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 2004 were \$365,240. In accordance with the cash basis of accounting, as more fully described in Note 1, the County does not record a liability for any incurred but unpaid claims as of year end.

7. DEFINED BENEFIT RETIREMENT PLANS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.

The Member-Directed Plan (MD) – 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 member and (vested) employer contributions plus any investment earnings thereon.

The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. The 2004 member contribution rates were 8.5% for members in classifications other than law enforcement and public safety. Members in the law enforcement classification, which consists generally of sheriffs and deputy sheriffs contributed at a rate of 10.1%. Public safety division members contributed at 9%. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6701 or 1-800-222-7377.

The 2004 employer contribution rate for local government employer units was 13.55% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2004 was 16.7%. The County's contributions to OPERS for the years ended December 31, 2004, 2003 and 2002 were \$1,542,731, \$1,710,106 and \$1,540,235, respectively.

Madison County
Notes to the Basic Financial Statements
December 31, 2004

7. DEFINED BENEFIT RETIREMENT PLANS (Continued)

State Teachers Retirement System

Certified teachers employed by the school for the Mentally Retarded/ Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution or other agency controlled, managed and supported, in part, by the state or any political subdivision thereof. STRS Ohio provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits - Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Madison County
Notes to the Basic Financial Statements
December 31, 2004

7. DEFINED BENEFIT RETIREMENT PLANS (Continued)

Combined Plan Benefits - Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offer by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependent. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio Law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years' credited service who become disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries and the County was required to contribute 14%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's contributions for pension obligations to STRS for the years ended December 31, 2004, 2003 and 2002 were \$47,880, \$60,616 and \$49,149, respectively.

STRS Ohio issues a publicly available financial report. Additional information or copies of STRS Ohio's 2003 *Comprehensive Annual Financial Report* may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, or by visiting the STRS Ohio Web site www.strsoh.org.

8. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, and survivor benefits as well as postretirement health care coverage to qualifying members of both the Traditional and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage.

Madison County
Notes to the Basic Financial Statements
December 31, 2004

8. POSTEMPLOYMENT BENEFITS (Continued)

In order to qualify for post-retirement health care coverage, age and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered to be an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, the rate was 13.55% of covered payroll for both fiscal years 2004 and 2003; 4.0% was used to fund health care for the year 2004 and 5.0% was used to fund health care for the year 2003.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

Summary of Assumptions:

Actuarial Review - The assumptions and calculations below were based on OPERS' latest Actuarial Reviews performed as of December 31, 2003.

Funding Method - An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability.

Assets Valuation Method - All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

Investment Return - The investment assumption rate for 2003 was 8.00%.

Active Employee Total Payroll - An annual increase of 4.0%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from .50% to 6.30%.

Health Care - Health care cost were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

Madison County
Notes to the Basic Financial Statements
December 31, 2004

8. POSTEMPLOYMENT BENEFITS (Continued)

OPEBs are advance-funded on an actuarially determined basis. The number of active contributing participants in the Traditional Pension and Combined Plans totaled 369,885 for 2004. The employer contributions that were used to fund postemployment benefits were \$455,414 for 2004. \$10.5 billion represents the actuarial value of OPERS' net assets available for OPEBs at December 31, 2003.

The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

OPERS Retirement Board adopts a Health Care Preservation Plan:

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

State Teachers Retirement System: The County provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certificated employees and their dependents through the Ohio Public Employees Retirement System (OPERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare B premiums. Pursuant to the Revised Code (R. C.), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefits recipients pay a portion of the health care costs in the form of a monthly premium

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. Through June 30, 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion on June 30, 2004.

For the fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 eligible benefit recipients.

9. 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 assistant living facility. The amount outstanding on this issue is \$2,600,000. In 1998, the County served as the issuer of \$8,900,000 in Hospital Improvement and Refunding Revenue Bonds. The proceeds were used to refund outstanding Hospital Improvement Revenue Refunding Bonds and to acquire, construct, improve and equip certain Hospital facilities. The amount outstanding on this issue is \$8,780,000. These bonds do not constitute a general obligation, debt or indebtedness of the County. 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. None are the full faith and credit to taxing power of the County pledged to make repayment. The County served as the issuer of \$1,700,000 in Hospital Facilities Revenues Bonds. The proceeds will be used to refund outstanding Hospital Improvement Revenue Refunding Bonds and to acquire, construct, improve and equip certain Hospital facilities.

Madison County
Notes to the Basic Financial Statements
December 31, 2004

10. 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 9 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.

11. RESTATEMENT OF FUND CASH BALANCES

In 2004, the County elected to continue presenting its annual financial report on a modified cash basis; however, the County presented the cash basis financial statements in a GASB 34-like format. As a result, there was a reclassification of certain Expendable Trust funds and there were some adjustments made for tax monies in an Agency fund that had not been transferred to respective governmental funds as of December 31, 2004.

The transition from governmental and proprietary fund balances to GASB 34-like fund balances is presented below.

	General Fund	Motor Vehicle Gasoline Tax	Public Assistance	MRDD General	Other Governmental Funds	Total Governmental Activities
Fund Balance						
December 31, 2003	\$ 3,257,358	\$ 662,283	\$ 389,717	\$ 367,862	\$ 5,465,587	\$ 10,142,807
Reclassification of Internal Service Funds	-	-	-	-	22,812	\$ 22,812
Correction of an Error	3,389	-	-	-	4	\$ 3,393
Adjusted Fund Balance	<u>\$ 3,260,747</u>	<u>\$ 662,283</u>	<u>\$ 389,717</u>	<u>\$ 367,862</u>	<u>\$ 5,488,403</u>	<u>\$ 10,169,012</u>
					Business-Type Activity	
The restatement of business activity:						
Fund Balance December 31, 2003					\$ 22,812	
Reclassification of Internal Service Fund					<u>(22,812)</u>	
Business Activities Adjusted Net Assets at December 31, 2003					<u>\$ -</u>	

Madison County
Notes to the Basic Financial Statements
December 31, 2004

12. TRANSFERS

	Transfers In	Transfers Out
Major Fund		
General		\$53,694
Other Governmental Funds		
Non-Major Debt Service Funds		
Engineer Bond Retirement	\$10,214	-
Engineer Bond Retirement	\$35,069	-
Other Non-Major Proprietary Funds		-
C. Wissalohican Sewer Maintenance	\$ 8,411	-
Total	\$53,694	\$53,694

During the year the County provided transfers to the above funds to subsidize them in accordance with the funds' needs.

13. CONTINGENCIES AND LITIGATION

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

The County is party to legal proceedings. The County's Management is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the County.

**MADISON COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Federal Grantor; PASS-THROUGH GRANTOR; Program Title	Pass-Through Grantor Number	Federal CFDA #	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u>				
<i>Passed Through Ohio Dept. of Education:</i>				
Child Nutrition Cluster:				
Food Distribution	N/A	10.550	\$ 0	\$3,442
National School Lunch	066100-03-PU	10.555	9,528	0
Total U.S. Dept. of Agriculture			9,528	3,442
<u>U.S. Department of Housing and Urban Development</u>				
<i>Passed Through Ohio Dept. of Development:</i>				
Community Development Block Grant/State's Program	B-F-045	14.228	190,706	0
HOME Investment Partnerships Program	B-C-045	14.239	166,932	0
Total U.S. Dept. of Housing and Urban Development			357,638	0
<u>U.S. Department of Labor</u>				
<i>Passed Through Ohio Dept. of Jobs and Family Services:</i>				
Workforce Investment Act – Adult			115,605	
Workforce Investment Act – Adult Administrative			8,206	
Workforce Investment Act – Adult Total	N/A	17.258	123,811	0
Workforce Investment Act – Youth Activities			36,719	
Workforce Investment Act – Youth Activities Administrative			1,881	
Workforce Investment Act – Youth Activities Total	N/A	17.259	38,600	0
Workforce Investment Act – Dislocated Workers			15,585	
Workforce Investment Act – Dislocated Worker Administrative			835	
Workforce Investment Act – Dislocated Workers Total	N/A	17.260	16,420	0
Total U. S. Dept. of Labor			178,831	0
<u>U.S. Department of Health and Human Services</u>				
<i>Passed Through Ohio Dept. of Mental Retardation and Developmental Disabilities:</i>				
Medical Assistance Program	31-6400075	93.778	502,609	0
Social Services Block Grant	31-6400075	93.667	61,621	0
State Children's Insurance Program	31-6400075	93.767	779	0
Total U.S. Dept. of Health and Human Services			565,009	0
<u>U.S. Department of Education</u>				
<i>Passed Through Ohio Dept. of Education:</i>				
Special Education Grants to State	6BSF-2005/2004	84.027	11,462	
Special Education – Preschool Grant	PGS1-2005/2004	84.173	12,645	
Even Start – State Educational Agencies	EVS1-2005/2004	84.213	146,314	
State Grants for Innovative Programs	G2S1-2005/2004	84.298	395	
Total U. S. Dept. of Education			170,816	0
<u>U.S. Department of Justice</u>				
<i>Passed Through Ohio Dept. of Criminal Justice:</i>				
Byrne Formula Grant Program	N/A	16.579	17,017	0
<u>U.S. Department of Homeland Security</u>				
<i>Passed Through Ohio Dept. of Emergency Management Disaster Assistance:</i>				
Emergency Management Performance Grants	EMC-GR-7007 EM-T5-0001	97.042	2,328	0
Citizen Corps	EMC-GR-7066 GC-T4-0025	97.053	6,286	0
State Domestic Preparedness Equipment Support Program	TE-CX-0106 MUP-30015	97.004	217,603	0
Pre-Disaster Mitigation Program	GC-T4-0025	97.047	4,570	0
Total U.S. Dept. of Homeland Security			230,787	0
Total Federal Awards			\$1,529,626	\$3,442

Legend:

N/A-Pass-Through Grantor Entity Number Not Available.

See accompanying Notes to Schedule of Federal Awards Expenditures.

Madison County
Notes to the Schedule of Federal Awards Expenditures
December 31, 2004

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agricultural, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At December 31, 2004, the County had no significant food commodities in inventory.

NOTE C – MATCHING REQUIREMENTS

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

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Commissioners
Madison County
P.O. Box 47
London, Ohio 43140

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Madison County, London Ohio (the County), as of and for the year ended December 31, 2004 which collectively comprise the County's basic financial statements and have issued our report thereon dated August 31, 2005, wherein we noted the County prepared its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2004-001.

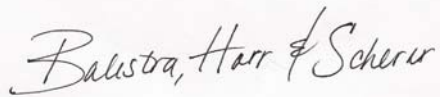
We noted certain other matters that we reported to management of the County in a separate letter dated August 31, 2005.

Madison County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards*

Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
August 31, 2005

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Commissioners
Madison County
P.O. Box 47
London, Ohio 43140

Compliance

We have audited the compliance of the Madison County (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

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

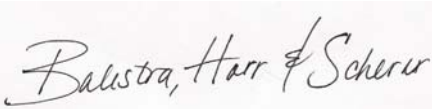
Madison County

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133

Page 2

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

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



Balestra, Harr & Scherer, CPAs, Inc.
August 31, 2005

MADISON COUNTY
DECEMBER 31, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Medical Assistance Program, CFDA#93.778, State Domestic Preparedness Equipment Support Program, CFDA#97.004
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

MADISON COUNTY
DECEMBER 31, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

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

Finding Number 2004-001

Noncompliance Citation

Ohio Rev. Code Section 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 Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38

Ohio Admin. 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 in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. 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 Section 117.38 the County may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the County prepare its annual financial report in accordance with generally accepted accounting principles.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

Madison County
DECEMBER 31, 2004
SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-01	Material citation for not reporting in accordance with GAAP	No	Not Corrected
2003-02	Material Non-Compliance Citation with regard to Fifteen Day Rule related to CFDA#14.239 Home Investment Partnerships Program (HOME)	Yes	Corrected
2003-03	Reportable Condition for Allowable Costs related to indirect costs for WIA program	Yes	Corrected



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

FINANCIAL CONDITION

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 15, 2005**