



**Auditor of State  
Betty Montgomery**



**FINANCIAL CONDITION  
MADISON COUNTY**

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# Auditor of State Betty Montgomery

## INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying financial statements of Madison County, (the County) as of and for the year ended December 31, 2003. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03 (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 described in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with accounting principles generally accepted in the United States of America. This basis of accounting 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, can not be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the County, as of December 31, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2004, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Our audit was performed for the purpose of forming an opinion on the financial statements of the County, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
**Auditor of State**

September 10, 2004

MADISON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND EXPENDABLE TRUST FUND:  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
Local Taxes	\$ 6,345,400	\$ 2,063,210	\$ -	\$ -	\$ -	\$ 8,408,610
Special Assessments	-	-	-	694,138	-	694,138
Intergovernmental Receipts	1,213,766	10,193,206	-	-	-	11,406,972
Charges for Services	1,339,318	622,576	204,125	24,071	-	2,190,090
Fines, Licenses, and Permits	440,295	317,379	-	-	-	757,674
Miscellaneous	481,008	469,595	-	150,722	1,049	1,102,374
<b>Total Cash Receipts</b>	<b>9,819,787</b>	<b>13,665,966</b>	<b>204,125</b>	<b>868,931</b>	<b>1,049</b>	<b>24,559,858</b>
<b>Cash Disbursements:</b>						
General Government:						
Legislative and Executive	4,083,594	669,066	-	-	-	4,752,660
Judicial	1,600,387	52,069	-	-	-	1,652,456
Public Safety	1,398,517	767,905	-	-	-	2,166,422
Public Works	144,630	3,904,645	-	334	-	4,049,609
Health	78,829	4,048,280	-	-	-	4,127,109
Human Services	660,718	5,386,443	-	-	381	6,047,542
Miscellaneous	1,265,062	-	-	-	-	1,265,062
Debt Service:						
Bond Principal Payment	-	-	205,000	-	-	205,000
Note Principal Payment	-	-	-	211,550	-	211,550
Interest and Fiscal Charges	-	-	184,618	96,424	-	281,042
Capital Outlay	-	339,445	-	7,726,645	-	8,066,090
<b>Total Cash Disbursements</b>	<b>9,231,737</b>	<b>15,167,853</b>	<b>389,618</b>	<b>8,034,953</b>	<b>381</b>	<b>32,824,542</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>588,050</b>	<b>(1,501,887)</b>	<b>(185,493)</b>	<b>(7,166,022)</b>	<b>668</b>	<b>(8,264,684)</b>
<b>Other Financing Receipts/(Disbursements):</b>						
Proceeds of Loans	-	-	-	7,234,724	-	7,234,724
Proceeds of Notes	-	-	-	224,204	-	224,204
Transfers-In	-	92,147	278,256	140,758	-	511,161
Transfers-Out	(326,293)	(138,523)	-	(46,345)	-	(511,161)
Other Financing Sources	-	532,385	-	-	-	532,385
Other Financing Uses	(675,615)	-	-	-	-	(675,615)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(1,001,908)</b>	<b>486,009</b>	<b>278,256</b>	<b>7,553,341</b>	<b>-</b>	<b>7,315,698</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(413,858)	(1,015,878)	92,763	387,319	668	(948,986)
Fund Cash Balances, January 1, 2003	3,671,216	6,676,375	98,052	597,651	48,499	11,091,793
<b>Fund Cash Balances, December 31, 2003</b>	<b>\$ 3,257,358</b>	<b>\$ 5,660,497</b>	<b>\$ 190,815</b>	<b>\$ 984,970</b>	<b>\$ 49,167</b>	<b>\$ 10,142,807</b>
Reserves for Encumbrances, December 31	\$ 2,200	\$ 112,423	\$ -	\$ -	\$ -	\$ 114,623

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

MADISON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY TYPES AND OTHER FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003

	Proprietary Fund Types			Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
<b>Operating Revenues:</b>				
Charges for Services	\$ 427,045	\$ 42,282	\$ -	\$ 469,327
Other Operating Revenues	6,690	-	-	6,690
Total Operating Revenues	<u>433,735</u>	<u>42,282</u>	<u>-</u>	<u>476,017</u>
<b>Operating Expenses:</b>				
Personal Services	130,226	45,985	-	176,211
Contractual Services	77,444	-	-	77,444
Supplies and Materials	167,232	-	-	167,232
Capital Outlay	82,953	-	-	82,953
Total Operating Expenses	<u>457,855</u>	<u>45,985</u>	<u>-</u>	<u>503,840</u>
Operating Income/(Loss)	<u>(24,120)</u>	<u>(3,703)</u>	<u>-</u>	<u>(27,823)</u>
<b>Non-Operating Revenues:</b>				
Other Non-Operating Receipts	16,793	-	39,592,735	39,609,528
Total Non-Operating Revenues	<u>16,793</u>	<u>-</u>	<u>39,592,735</u>	<u>39,609,528</u>
<b>Non-Operating Expense:</b>				
Other Non-Operating Expense	-	-	39,104,142	39,104,142
Total Non-Operating Expense	<u>-</u>	<u>-</u>	<u>39,104,142</u>	<u>39,104,142</u>
Net Income	(7,327)	(3,703)	488,593	477,563
Fund Cash Balances, January 1, 2003	\$ 69,935	\$ 26,515	\$ 2,827,095	\$ 2,923,545
<b>Fund Cash Balances, December 31, 2003</b>	<b>\$ 62,608</b>	<b>\$ 22,812</b>	<b>\$ 3,315,688</b>	<b>\$ 3,401,108</b>

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



MADISON COUNTY

COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
DECEMBER 31, 2003

<u>Fund Types</u>	<u>Estimated Receipts</u>	<u>Actual Receipts</u>	<u>Variance Favorable (Unfavorable)</u>
General	\$ 9,246,945	\$ 9,819,787	\$ 572,842
Special Revenue	15,715,759	14,290,498	(1,425,261)
Debt Service	478,686	482,381	3,695
Capital Projects	7,411,666	8,468,617	1,056,951
Expendable Trust	1,000	1,049	49
Enterprise	477,644	450,528	(27,116)
Internal Service	<u>46,000</u>	<u>42,282</u>	<u>(3,718)</u>
Total All Funds	<u>\$ 33,377,701</u>	<u>\$ 33,555,142</u>	<u>\$ 177,441</u>

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

**MADISON COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS  
COMPARED WITH EXPENDITURE AUTHORITY  
DECEMBER 31, 2003**

Fund Types	Appropriations	Disbursements	Encumbrances	Variance Favorable (Unfavorable)
General	\$ 11,200,356	\$ 10,233,645	\$ 2,200	\$ 964,511
Special Revenue	17,064,950	15,306,376	112,423	1,646,151
Debt Service	389,618	389,618	-	(1)
Capital Projects	7,758,739	8,081,298	-	(322,559)
Expendable Trust	2,000	381	-	1,619
Enterprise	485,748	457,855	-	27,893
Internal Service	<u>49,570</u>	<u>45,985</u>	<u>-</u>	<u>3,585</u>
Total All Funds	<u>\$ 36,950,981</u>	<u>\$ 34,515,158</u>	<u>\$ 114,623</u>	<u>\$ 2,321,200</u>

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

**FINANCIAL CONDITION  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

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

The departments listed below maintain amounts of cash activity in a fiduciary capacity outside the control of the County Treasurer. While these departments are part of the primary government, these amounts are not included in the accompanying financial statements. The following table summarizes cash activity in these accounts during the year ended December 31, 2003.

2003

<b>Department</b>	<b>Beginning Cash Balance</b>	<b>Receipts</b>	<b>Disbursements</b>	<b>Ending Cash Balance</b>
Sheriff's Office	\$693,937	\$2,377,497	\$2,887,356	\$184,078
Sheriff (FOJ)	0	0	0	0
Airport Authority	4,047	331,413	314,556	20,904
Child Support Enforcement Agency	5,320	4,647	4,797	5,170
Municipal Court (Civil/Small Claims)	13,683	339,587	339,585	13,412
Municipal Court (Traffic/Criminal)	12,880	1,200,022	1,201,460	11,442
Probate Court	12,160	54,007	54,916	11,251
Juvenile Court	1,479	33,482	32,926	2035
Clerk of Courts	163,026	328,091	303,705	187,412
Prosecuting Attorney (FOJ)	59	32,288	32,211	136
Prosecuting Attorney (MCDFF)	1,230	2,554	840	2,944
Veterans Memorial Foundation	207,199	2,200	40,120	169,279
<b>Totals</b>	<b>\$1,115,020</b>	<b>\$4,705,788</b>	<b>\$5,212,472</b>	<b>\$608,063</b>

**FINANCIAL CONDITION  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. DESCRIPTION OF THE ENTITY (Continued)**

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

**Primary Government:**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Madison County, this includes the 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 has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt, or the levying of taxes. Madison County has the following component units as defined by GASB Statement 14:

Matco Industries Incorporated  
Madison Community Housing Incorporated

Matco Industries Incorporated received \$787,810 from the Madison County Board of Mental Retardation and Developmental Disabilities for contractual services for the year ended December 31, 2003. Moreover, Matco Industries Incorporated operates in a building owned by Madison County without cost, which has been determined to be an in-kind contribution.

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

As custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury.

In the case of the separate agencies and districts listed below, the County serves as fiscal agent but the organizations are not considered part of Madison County. Accordingly, the activity of the following organizations is presented as agency funds within the combined financial statements:

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

**FINANCIAL CONDITION  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. DESCRIPTION OF THE ENTITY (Continued)**

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

The Tri-County Corrections Board is a joint venture for the establishment of a central jail facility for the use of Champaign, Madison and Union Counties. The operation of the jail is controlled by a joint board whose membership consists of the sheriff, one judge, and one commissioner from each of the participating counties. Each County's ability to influence the operations of the jail is limited to their representation on the board. 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 2003, contributed \$1,010,507 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 2003, the County's share of operating costs was \$218,250. 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 2003, 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.

**FINANCIAL CONDITION  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. BASIS OF ACCOUNTING**

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, 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 expenditures 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 in the preceding paragraph.

**C. FUND ACCOUNTING**

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

**GOVERNMENTAL FUND TYPES:**

**General Fund**

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

**Special Revenue**

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

**Debt Service**

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

**Capital Projects**

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

**FINANCIAL CONDITION  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. FUND ACCOUNTING (Continued)**

**PROPRIETARY FUND TYPES:**

**Enterprise**

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

**Internal Service**

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

**FIDUCIARY FUND TYPES:**

**Trust and Agency**

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

**D. BUDGETARY PROCESS**

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

**1. Budget**

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

**2. Estimated Resources**

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

**FINANCIAL CONDITION  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. BUDGETARY PROCESS**

**3. Appropriations**

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

**4. Encumbrances**

The Ohio Revised Code requires the County to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

**E. PROPERTY, PLANT AND EQUIPMENT**

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

**F. UNPAID VACATION, 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.

**G. TOTAL COLUMNS ON FINANCIAL STATEMENTS**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

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

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



**FINANCIAL CONDITION  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency, or instrumentality;
3. Interim deposits in the eligible institutions applying for interim monies as provided in Section 135.08 of the Revised Code. The award of interim deposits shall be made in accordance with Section 135.09 of the Revised Code and the treasurer or governing board shall determine that Periods for which such interim deposits are to be made and shall award such interim deposits for such periods, provided that any eligible institution receiving an interim deposit award may, upon notification that the award has been made decline to accept the interim deposit in which event the award shall be made as though such institution had not applied for such interim; deposit.
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division 1 or 2 of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions mentioned in Section 135.03 of the Revised Code; and
6. The State Treasurer's investment pool (STAR Ohio).
7. Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of the purchase in an amount not to exceed twenty five percent of the interim monies available for investment at any one time.

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

**FINANCIAL CONDITION  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

**Cash on Hand:** At December 31, 2003, the County had cash on hand in the Treasury of \$13,007.

**Deposits:** At December 31, 2003, the carrying amount of the County's deposits was \$8,643,915 and the bank balance was \$9,057,258. Of the bank balance, \$300,071 was covered by federal deposit insurance; the remainder is secured by a collateral pool established by the financial institution.

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

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

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

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

The County's investments at December 31, 2003, consisted of Category 3 repurchase agreements. The carrying and fair value of investment was \$4,900,000.

**3. DEBT OBLIGATIONS**

Debt outstanding at December 31, 2003, consisted of the following:

Special Assessment Loans	
Principal Outstanding	\$200,649
Interest Rate(s)	2.52-3.49%
 OWDA Construction Loans	
Principal Outstanding	\$7,453,826
Interest Rate(s)	4.40-7.55%
 Human Services Building Refunding Bonds	
Principal Outstanding	\$1,543,509
Interest Rate(s)	3.95-5.20%
 Engineer's Building Construction Bonds	
Principal Outstanding	\$2,650,000
Interest Rate(s)	3.80-5.00%

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.

**FINANCIAL CONDITION  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**3. DEBT OBLIGATIONS (Continued)**

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.

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

The annual requirements to amortize the Special Assessment Loans outstanding as of December 31, 2003, including interest payments, are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2004	\$58,996
2005	36,981
2006	21,292
2007	21,292
2008	<u>62,087</u>
Total	\$200,648

The annual requirements to amortize the OWDA Construction Loans outstanding as of December 31, 2003, including interest payments, are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2004	\$ 154,404
2005	154,404
2006	154,404
2007	154,404
2008	154,404
2009-2013	772,021
2014-2018	390,557
2019-2023	36,385
2024-2027	<u>29,109</u>
Total	\$ 2,000,092

The OWDA Construction Loan for the Choctaw Lake Sewer District has 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 annual requirements to amortize the Human Services Building Construction Bonds outstanding as of December 31, 2003, including interest payments, are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2004	\$153,888
2005	154,938
2006	155,685
2007	156,120
2008	156,233
2009-2013	781,663
2014-2018	<u>755,000</u>
Total	<u>\$2,313,527</u>

**FINANCIAL CONDITION  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**3. DEBT OBLIGATIONS (Continued)**

The annual requirements to amortize the Engineer's Building Construction Bonds outstanding as of December 31, 2003, including interest payments, are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2004	\$233,048
2005	233,868
2006	229,383
2007	229,783
2008	229,863
2009-2013	1,162,013
2014-2018	1,156,475
2019-2020	<u>462,500</u>
 Total	 <u>\$3,936,933</u>

**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, state permits later payment dates to be established.

The full tax rate applied to real property for calendar year 2003 was \$10.10 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$8.20 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$8.55 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 2003 was \$10.10 per \$1,000 of assessed valuation.

The assessed values upon which fiscal year 2003 taxes were collected are:

Residential/Agricultural	\$500,005,370
Commercial/Industrial	81,303,740
Other Real Property	155,410
General Personal Property	69,773,590
Public Utilities Personal Property	<u>42,008,430</u>
Total Assessed Valuation	<u>\$693,246,540</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.

**FINANCIAL CONDITION  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**5. 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 2003, 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 additional, 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 2003 were \$285,900.

**6. RETIREMENT SYSTEMS**

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

Contribution rates are prescribed by the Ohio Revised Code. As of December 31, 2003, the County's Deputy Sheriffs contributed 10.1% of their wages to the fund, while the County contributed 16.7%. With the exception of the certified teaching personnel employed by the Mental Retardation Developmental Disabilities Board, all other County employees contributed 8.5% of their gross wages to the fund, while the County contributed 13.55% of its employees' gross wages.

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

**7. 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.

**FINANCIAL CONDITION  
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003  
(Continued)**

**8. 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 7 above, the County has issued conduit debt on behalf of MCHI. The County amends the lease agreement when ever 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.

**FINANCIAL CONDITION  
MADISON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

Federal Grantor; PASS-THROUGH GRANTOR; Program Title	Pass-Through Grantor Number	Federal CFDA #	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Pass through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Food Distribution	N/A	10.550	\$0	3,907
National School Lunch	066100-03- PU	10.555	9,547	0
<b>Total U.S. Department of Agriculture</b>			\$9,547	3,907
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>				
<i>Direct:</i>				
Home Investment Partnership Program	B-C-045	14.239	113,915	0
<i>Pass through Ohio Department of Development:</i>				
Community Development Block Grant/State's Program	B-F-045	14.228	112,003	0
<b>Total U.S. Department of Housing and Urban Development</b>			225,918	0
<b><u>U.S. DEPARTMENT OF LABOR</u></b>				
<i>Pass through Ohio Department of Jobs and Family Services:</i>				
Workforce Investment Act – Adult			68,968	0
Workforce Investment Act – Adult Administrative			17,123	0
Workforce Investment Act – Adult Total		17.258	86,091	0
Workforce Investment Act – Youth			69,494	0
Workforce Investment Act – Youth Administrative			17,672	0
Workforce Investment Act – Youth Total		17.259	87,166	0
Workforce Investment Act – Dislocated Workers			21,501	0
Workforce Investment Act – Dislocated Worker Administrative			2,620	0
Workforce Investment Act – Dislocated Workers Total		17.260	24,121	0
<b>Total U. S. Department of Labor</b>			197,378	0
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>				
<i>Pass through Ohio Department of Mental Retardation and Developmental Disabilities:</i>				
Medical Assistance Program	31-6400075	93.778	518,258	0
Social Services Block Grant	31-6400075	93.667	35,509	0
<b>Total U.S. Department of Health and Human Services</b>			553,767	0
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Pass through Ohio Department of Education:</i>				
Special Education – Preschool Grant		84.173	23,988	0

**FINANCIAL CONDITION  
MADISON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2003  
(Continued)**

**U.S. DEPARTMENT OF JUSTICE**

*Pass through Ohio Department of  
Criminal Justice:*

Byrne Formula Grant Program	16.579	4,338	0
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**U.S. DEPARTMENT OF HOMELAND  
SECURITY**

*Pass Ohio Emergency Management  
Agency:*

Emergency Management Performance Grants	EMC-GR-7006	97.042	33,289	0
State and Local All Hazards Emergency Operations Planning	EMC-GR-7026/7027	97.051	44,498	0
Preparedness Equipment Program	TE-CX-0106 MUP-30015	97.004	58,706	0
<b>Total U.S. Department of Homeland Security</b>			136,493	0

**FEDERAL EMERGENCY MANAGEMENT  
AGENCY**

*Pass through Ohio Emergency  
Management Agency:*

Public Assistance Grant Program	83.544	40,147	0	
Pre-Disaster Mitigation Program	83.557	1,143	0	
<b>Total Federal Emergency Management Agency</b>			41,290	0
<b>TOTAL FEDERAL AWARDS</b>			\$1,192,719	\$3,907

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



**FINANCIAL CONDITION  
MADISON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

**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, 2003, 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.

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of Madison County, Ohio, (the County) as of and for the year ended December 31, 2003, and have issued our report thereon dated September 10, 2004, which noted the County prepares its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03 (B). 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.

#### **Compliance**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially effect 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* which is described in the accompanying schedule of findings as item 2003-01. We also noted a certain immaterial instance of noncompliance that we have reported to management of the County in a separate letter dated September 10, 2004.

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

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated September 10, 2004.

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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 black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
**Auditor of State**

September 10, 2004



## Auditor of State Betty Montgomery

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

#### Compliance

We have audited the compliance of Madison County, Ohio (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that is applicable to its major federal programs for the year ended December 31, 2003. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

As described in item 2003-02 in the accompanying schedule of findings, the County did not comply with requirements regarding Cash Management that are applicable to its Home Investment Partnerships Program Grant. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2003. We noted an instance of noncompliance that does not require inclusion in this report that we have reported to management of the County in a separate letter dated September 10, 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.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. A reportable condition involves a matter coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 2003-03.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we the reportable condition described above is not a material weakness. We noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the County in a separate letter dated September 10, 2004.

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.



**Betty Montgomery**  
**Auditor of State**

September 10, 2004

**MADISON COUNTY**  
**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2003**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	Yes
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified - Home Investment Partnerships Program Unqualified – Workforce Investment Act
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #14.239 – Home Investment Partnerships Program (HOME)  CFDA #17.258 (Adult), 17.259 (Youth), 17.260 (Dislocated Worker) – Workforce Investment Act (WIA)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**MADISON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2003  
(Continued)**

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

<b>Finding Number</b>	2003-01
-----------------------	---------

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 clarifies the requirements of the Ohio Rev. Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepares its financial statements 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. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, can not 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 consider the benefits of preparing its annual financial report in accordance with the generally accepted accounting principles.



MADISON COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2003  
(Continued)

3. FINDINGS FOR FEDERAL AWARDS

**Material Noncompliance  
Cash Management**

Finding Number	2003-02
CFDA Title and Number	CFDA #14.239 – Home Investment Partnerships Program (HOME)
Federal Agency	Department of Housing and Urban Development
Pass Through Entity	Ohio Department of Development

The Ohio Department of Development Office of Housing and Community Partnership *Financial Management Rules and Regulations Handbook* Section A (3)(f), requires grantees to develop a cash management system to ensure compliance with the Fifteen Day Rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance less than \$5,000 within fifteen days of receipt of any funds.

The County maintained cash balances on hand in excess of \$5,000 for more than fifteen days. The County received the following monies which were not entirely disbursed before additional monies were requested and received: \$22,000 on January 24, 2003; \$27,000 on June 27, 2003; \$81,798 on September 8, 2003; and \$44,184 on December 16, 2003. In all four instances, the County maintained cash balances in excess of \$5,000 for longer than fifteen days.

We recommend the County and Grant Consultant establish a cash management control sufficient to reduce and maintain the amount of funds on hand at or below \$5,000 for the specified period.

**Reportable Condition  
Allowable Costs**

Finding Number	2003-03
CFDA Title and Number	CFDA #17.258 (Adult), 17.259 (Youth), 17.260 (Dislocated Worker) – Workforce Investment Act (WIA)
Federal Agency	Department of Labor
Pass Through Entity	Ohio Department of Jobs and Family Services

The Ohio Department of Jobs and Family Services (ODJFS) requires all counties to allocate Department of Job and Family Services' (DJFS) salaries as indirect costs to its various DJFS programs using Random Moment Sampling (RMS). While Madison County follows the prescribed method, the result appears to be over stated.

This apparently occurs due to the fact the County employs two full-time people at \$40k/year to work on WIA. (Most counties use contract employees for this.) As such, when the time studies are performed, these two individuals are charging the WIA program regularly which increases the percentage of indirect cost to be allocated to WIA. This situation caused RMS to allocate \$180k of indirect costs to the WIA program. The County received \$220k in WIA funding and currently only has 2 citizens receiving WIA services.

**MADISON COUNTY**

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**DECEMBER 31, 2003**  
**(Continued)**

**Reportable Condition**  
**Allowable Costs**  
**(continued)**

Finding Number	2003-03
CFDA Title and Number	CFDA #17.258 (Adult), 17.259 (Youth), 17.260 (Dislocated Worker) – Workforce Investment Act (WIA)
Federal Agency	Department of Labor
Pass Through Entity	Ohio Department of Jobs and Family Services

Although, the accounting system places limitations on the allocation of salaries to WIA, the County is following ODJFS guidelines, therefore a questioned cost was not issued.

We recommend the Board of Commissioners consider changing WIA's full-time employees to contract employees, thus allowing costs to be better reflected as direct rather than indirect.

MADISON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2003

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <b>Explain:</b>
2002-001	Citation for not reporting in accordance with GAAP.	No	Not Corrected.





**Auditor of State  
Betty Montgomery**

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## **FINANCIAL CONDITION**

### **MADISON COUNTY**

#### **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
OCTOBER 14, 2004**