

Madison County
Single Audit
For the Year Ended December 31, 2012



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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Madison County, Madison County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2012 through December 31, 2012. 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. The Madison County is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 11, 2013

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Madison County
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Independent Auditor's Report

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Madison County, Ohio (the County), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Madison County, Ohio, as of December 31, 2012, and the respective changes in cash financial position and the respective budgetary comparison for the General, Motor Vehicle Gasoline Tax, Public Assistance, DD General, and Municipal Court-Special Projects Funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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. We draw attention to Note 2 of the financial statements, which describes the accounting basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 18 to the financial statements, during 2012, the County adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the County's financial statements that collectively comprise its basic financial statements. Management's Discussion and Analysis includes tables of net position, changes in net position, governmental and business-type activities, and long-term debt. The Schedule of Federal Awards Expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional analysis and are not a required part of the basic financial statements.

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in the Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

November 26, 2013

Madison County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

The discussion and analysis of Madison County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2012, 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 12.

Financial Highlights

Key financial highlights for 2012 are as follows:

Overall:

- Total net position increased by \$2,569,867 with governmental activities increasing by \$2,671,371 and business-type activities decreasing by \$101,504.
- Total cash receipts were \$33,892,189 in 2012.
- Total cash disbursements were \$31,322,322 in 2012.

Governmental Activities:

- Total program cash receipts were \$19,451,274 in 2012, while program cash disbursements were \$29,617,572.
- Program cash disbursements were primarily composed of human services, legislative and executive, judicial, public works, health, public safety and capital outlay related cash disbursements, which were \$5,416,833, \$6,014,223, \$2,573,878, \$5,633,113, \$3,843,647, \$3,318,511 and \$1,434,088, respectively, in 2012.

Business-Type Activities:

- Program cash receipts were \$1,616,115 for business-type activities, while corresponding cash disbursements were \$1,704,750.

Using this Basic Financial Report

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

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

Reporting the County as a Whole

Statement of Net Position and Statement of Activities

While this document contains the large number of funds used by the County to provide programs and activities, the view of the County as a whole looks at all cash basis financial transactions and asks the question, "How did we do financially during 2012?" The statement of net position and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid. These two statements report the County's net position and changes in net position. This change in net position is important because it tells the reader whether, for the County as a whole, the cash basis financial position of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

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

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

The analysis of the County's major funds begins on page 10. Fund financial 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, the DD General Fund and the Municipal Court-Special Projects Fund.

Madison County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Governmental Funds

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

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

Madison County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

The County as a Whole

Recall that the statement of net position provides the perspective of the County as a whole. Table 1 provides a summary of the County's net position for 2012 compared to the prior year:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Assets						
Equity in Pooled Cash and Cash Equivalents	\$18,543,493	\$15,872,122	\$827,468	\$928,972	\$19,370,961	\$16,801,094
Total Assets	\$18,543,493	\$15,872,122	\$827,468	\$928,972	\$19,370,961	\$16,801,094
Net Position						
Restricted for:						
Debt Service	\$58,261	\$59,954	\$0	\$0	\$58,261	\$59,954
Capital Projects	1,073,538	1,473,196	0	0	1,073,538	1,473,196
Children Services	1,061,572	1,119,086	0	0	1,061,572	1,119,086
Felony Delinquency	233,485	143,488	0	0	233,485	143,488
Municipal Court-Special Projects	3,190,951	2,793,161	0	0	3,190,951	2,793,161
Municipal Court Computerization	429,008	397,670			429,008	397,670
Motor Vehicle Gasoline Tax	1,074,201	717,406	0	0	1,074,201	717,406
Public Assistance	490,178	407,032	0	0	490,178	407,032
DD	3,784,190	2,444,133	0	0	3,784,190	2,444,133
Law Enforcement Trusts	334,899	290,936	0	0	334,899	290,936
Real Estate Assessment	1,428,242	1,302,632	0	0	1,428,242	1,302,632
911 Service	596,376	646,101	0	0	596,376	646,101
Indigent Drivers Alcohol Treatment	167,294	171,355	0	0	167,294	171,355
Child Support Enforcement	450,408	454,883	0	0	450,408	454,883
Community Development	0	247,807	0	0	0	247,807
Delinquent Tax Collections	442,688	402,965	0	0	442,688	402,965
Permanent Fund:						
Expendable	15,132	14,931	0	0	15,132	14,931
Nonexpendable	40,000	40,000	0	0	40,000	40,000
Other Purposes	1,517,022	854,011	0	0	1,517,022	854,011
Unrestricted	2,156,048	1,891,375	827,468	928,972	2,983,516	2,820,347
Total Net Position	\$18,543,493	\$15,872,122	\$827,468	\$ 928,972	\$19,370,961	\$16,801,094

Total assets and net position increased by \$2,569,867 from 2012 to 2011. \$16,387,445 of the County's net position is subject to external restrictions on how it may be used. The remaining balance of government-wide unrestricted net position of \$2,983,516 is unrestricted and may be used to meet the County's ongoing obligations to citizens and creditors.

Table 2 shows changes in net position for fiscal years 2012 and 2011.

Madison County
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Cash Receipts, Transfers, and Advances						
Program Cash Receipts						
Charges for Services and Sales	\$8,381,547	\$7,578,184	\$1,599,908	\$1,555,114	\$9,981,455	\$9,133,298
Operating Grants and Contributions	11,069,727	12,317,270	0	0	11,069,727	12,317,270
Capital Grants and Contributions	0	766,030	16,207	263,115	16,207	1,029,145
Total Program Cash Receipts	19,451,274	20,661,484	1,616,115	1,818,229	21,067,389	22,479,713
General Cash Receipts, and Advances						
Property Taxes	5,572,404	5,370,618	0	0	5,572,404	5,370,618
Sales Taxes	4,884,523	4,314,519	0	0	4,884,523	4,314,519
Grants and Entitlements not Restricted to Specific Programs	1,736,074	1,655,764	0	0	1,736,074	1,655,764
Advances In (Out)	18,463	17,614	(18,463)	(17,614)	0	0
Interest Receipts	237,008	126,131	264	1,183	237,272	127,314
Proceeds from Sale of Assets	8,488	343,181	0	4,570	8,488	347,751
Miscellaneous	380,709	83,229	5,330	1,388	386,039	84,617
Total General Cash Receipts, and Advances	12,837,669	11,911,056	(12,869)	(10,473)	12,824,800	11,900,583
Total Cash Receipts and Advances	32,288,943	32,572,540	1,603,246	1,807,756	33,892,189	34,380,296
Program Cash Disbursements						
General Government						
Legislative & Executive	6,014,223	6,390,718	0	0	6,014,223	6,390,718
Judicial	2,573,878	2,483,829	0	0	2,573,878	2,483,829
Public Safety	3,318,511	3,074,876	0	0	3,318,511	3,074,876
Public Works	5,633,113	5,166,491	0	0	5,633,113	5,166,491
Health	3,843,647	5,205,585	0	0	3,843,647	5,205,585
Human Services	5,416,833	5,677,381	0	0	5,416,833	5,677,381
Conservation and Recreation	169,031	135,773	0	0	169,031	135,773
Miscellaneous	88,631	181,063	0	0	88,631	181,063
Capital Outlay	1,434,088	2,290,332	0	0	1,434,088	2,290,332
Debt Service						
Principal Retirement	1,001,251	357,982	0	0	1,001,251	357,982
Interest and Fiscal Charges	124,366	135,789	0	0	124,366	135,789
Total Program Cash Disbursements	29,617,572	31,099,819	0	0	29,617,572	31,099,819
Business - Type Activities Disbursements						
Airport Operations	0	0	468,072	632,572	468,072	632,572
Wastewater Treatment	0	0	1,236,678	1,169,029	1,236,678	1,169,029
Total Business - Type Activities Disbursements	0	0	1,704,750	1,801,601	1,704,750	1,801,601
Total Cash Disbursements	29,617,572	31,099,819	1,704,750	1,801,601	31,322,322	32,901,420
Increase (Decrease) in Net Cash Position	2,671,371	1,472,721	(101,504)	6,155	2,569,867	1,478,876
Net Cash Position at Beginning of Year	15,872,122	14,399,401	928,972	922,817	16,801,094	15,322,218
Net Cash Position at End of Year	\$18,543,493	\$15,872,122	\$827,468	\$928,972	\$19,370,961	\$16,801,094

Madison County
Management's Discussion and Analysis
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Unaudited

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall monies generated by a voted levy do not increase solely as a result of inflation. Thus, the County's dependence upon property taxes is hampered by a lack of tax growth and it must return to voters to maintain a constant level of service. Property taxes and sales taxes made up 17 percent and 15 percent, respectively, of cash receipts for governmental activities for Madison County in 2012. Charges for services and sales and operating grants and contributions made up 26 percent and 34 percent, respectively of cash receipts for governmental activities for the County.

The statement of activities shows the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements. The dependence upon tax receipts and intergovernmental monies for governmental activities is apparent. Most human services activities are supported through charges for services and sales and operating grants and contributions; for all governmental activities general cash receipts and advances support is 40 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

	2012		2011	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Governmental Activities				
General Government:				
Legislative and Executive	\$6,014,223	\$3,908,693	\$6,390,718	\$4,260,424
Judicial	2,573,878	1,216,195	2,483,829	921,760
Public Safety	3,318,511	1,812,608	3,074,876	1,765,664
Public Works	5,633,113	(449,660)	5,166,491	(861,722)
Health	3,843,647	884,166	5,205,585	1,665,808
Human Services	5,416,833	517,017	5,677,381	689,136
Conservation and Recreation	169,031	126,693	135,773	104,621
Miscellaneous	88,631	9,181	181,063	173,075
Capital Outlay	1,434,088	1,299,758	2,290,332	1,516,760
Debt Service:				
Principal Retirement	1,001,251	746,588	357,982	120,183
Interest and Fiscal Charges	124,366	95,059	135,789	82,626
Total Governmental Activities	<u>\$29,617,572</u>	<u>\$10,166,298</u>	<u>\$31,099,819</u>	<u>\$10,438,335</u>
Business - Type Activities				
Airport Operations	\$468,072	(\$4,507)	\$632,572	(\$52,642)
Wastewater Treatment	1,236,678	93,142	1,169,029	36,014
Total Business - Type Activities	<u>\$1,704,750</u>	<u>\$88,635</u>	<u>\$1,801,601</u>	<u>(\$16,628)</u>

Business-Type Activities

Business-type activities include wastewater treatment services and a County-owned airport. Overall net position decreased from 2011 to 2012. Mainly program cash receipts support business-type activities and during 2012 program cash disbursements exceeded program cash receipts.

Madison County
Management's Discussion and Analysis
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The County's Funds

Information about the County's major funds starts on page 14. These funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$33,835,457 and cash disbursements and other financing uses of \$31,164,086. The net change in fund balance for the year was most significant in the DD Fund cash balance which went from \$2,104,638 in 2011 to \$3,784,190 in 2012. This net change in fund balance was \$1,679,552.

General Fund Budgeting Highlights

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

For the General Fund, both the original budget estimate and the final budget basis receipts and other financing sources were \$11,450,000. Total actual receipts and other financing sources were \$12,315,055. Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were \$12,127,689, \$187,366 less than cash receipts.

Capital Assets and Debt Administration

Capital Assets

The County does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The County had capital outlay disbursements of \$1,434,088 in governmental funds and \$28,568 in proprietary funds during 2012.

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 and long-term notes and loans. At December 31, 2012, the County had \$1,501,383 in bonds and related long-term debt for governmental activities and \$6,719,064 in bonds and related long-term debt for business-type activities. Table 4 summarizes long-term obligations outstanding for the past two years:

Table 4
 Outstanding Debt at December 31

	2012	2011
Government Activities:		
General Obligation Bonds	\$458,509	\$598,509
Special Revenue Bonds	870,000	1,650,000
Tax Increment Financing Bonds	56,600	82,963
Installment-Caterpillar Tractor	116,274	171,162
Total Governmental Activities Debt	<u>1,501,383</u>	<u>2,502,634</u>
Business – Type Activities:		
OWDA Loans	6,562,402	6,895,250
OPWC Loan	156,662	168,713
Total Business – Type Activities Debt	<u>6,719,064</u>	<u>7,063,963</u>
Total Outstanding Debt	<u>\$8,220,447</u>	<u>\$9,566,597</u>

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Current Financial Related Activities

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

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

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

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's cash basis finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jennifer S. Hunter, CPA, County Auditor at Madison County, 1 North Main Street, London, Ohio 43140. Or e-mail at auditor@co.madison.oh.us.

Madison County
Statement of Net Position - Cash Basis
December 31, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$18,543,493	\$827,468	\$19,370,961
<i>Total Assets</i>	18,543,493	827,468	19,370,961
Net Position			
<i>Restricted for:</i>			
Debt Service	58,261	0	58,261
Capital Projects	1,073,538	0	1,073,538
Children Services	1,061,572	0	1,061,572
Felony Delinquency	233,485	0	233,485
Municipal Court Special Projects	3,190,951	0	3,190,951
Municipal Court Computerization	429,008	0	429,008
Motor Vehicle Gasoline Tax	1,074,201	0	1,074,201
Public Assistance	490,178	0	490,178
DD	3,784,190	0	3,784,190
Law Enforcement Trusts	334,899	0	334,899
Real Estate Assessment	1,428,242	0	1,428,242
911 Service	596,376	0	596,376
Indigent Drivers Alcohol Treatment	167,294	0	167,294
Child Support Enforcement	450,408	0	450,408
Delinquent Tax Collections	442,688	0	442,688
Permanent Fund:			
Expendable	15,132	0	15,132
Nonexpendable	40,000	0	40,000
Other Purposes	1,517,022	0	1,517,022
Unrestricted	2,156,048	827,468	2,983,516
<i>Total Net Position</i>	\$18,543,493	\$827,468	\$19,370,961

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, 2012

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities							
<i>Current:</i>							
<i>General Government:</i>							
Legislative and Executive	\$6,014,223	\$2,105,530	\$0	\$0	(\$3,908,693)	\$0	(\$3,908,693)
Judicial	2,573,878	1,357,683	0	0	(1,216,195)	0	(1,216,195)
Public Safety	3,318,511	1,026,618	479,285	0	(1,812,608)	0	(1,812,608)
Public Works	5,633,113	1,359,530	4,723,243	0	449,660	0	449,660
Health	3,843,647	910,335	2,049,146	0	(884,166)	0	(884,166)
Human Services	5,416,833	1,081,763	3,818,053	0	(517,017)	0	(517,017)
Conservation and Recreation	169,031	42,338	0	0	(126,693)	0	(126,693)
Miscellaneous	88,631	79,450	0	0	(9,181)	0	(9,181)
Capital Outlay	1,434,088	134,330	0	0	(1,299,758)	0	(1,299,758)
<i>Debt Service:</i>							
Principal Retirement	1,001,251	254,663	0	0	(746,588)	0	(746,588)
Interest and Fiscal Charges	124,366	29,307	0	0	(95,059)	0	(95,059)
<i>Total Governmental Activities</i>	<u>29,617,572</u>	<u>8,381,547</u>	<u>11,069,727</u>	<u>0</u>	<u>(10,166,298)</u>	<u>0</u>	<u>(10,166,298)</u>
Business-Type Activities							
Airport Operations	468,072	456,372	0	16,207	0	4,507	4,507
Wastewater Treatment	1,236,678	1,143,536	0	0	0	(93,142)	(93,142)
<i>Total Business-Type Activities</i>	<u>1,704,750</u>	<u>1,599,908</u>	<u>0</u>	<u>16,207</u>	<u>0</u>	<u>(88,635)</u>	<u>(88,635)</u>
<i>Total Primary Government</i>	<u>\$31,322,322</u>	<u>\$9,981,455</u>	<u>\$11,069,727</u>	<u>\$16,207</u>	<u>(10,166,298)</u>	<u>(88,635)</u>	<u>(10,254,933)</u>
General Cash Receipts and Advances:							
<i>Property Taxes Levied for:</i>							
General Purposes					2,814,771	0	2,814,771
DD Purposes					2,207,672	0	2,207,672
Other Purposes					549,961	0	549,961
Sales Taxes					4,884,523	0	4,884,523
Grants and Entitlements not Restricted to Specific Programs					1,736,074	0	1,736,074
Investment Earnings					237,008	264	237,272
Proceeds from Sale of Assets					8,488	0	8,488
Miscellaneous					380,709	5,330	386,039
<i>Total General Cash Receipts</i>					<u>12,819,206</u>	<u>5,594</u>	<u>12,824,800</u>
Advances					18,463	(18,463)	0
Change in Net Position					2,671,371	(101,504)	2,569,867
<i>Net Position at Beginning of Year</i>					<u>15,872,122</u>	<u>928,972</u>	<u>16,801,094</u>
<i>Net Position at End of Year</i>					<u>\$18,543,493</u>	<u>\$827,468</u>	<u>\$19,370,961</u>

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

Madison County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
December 31, 2012

	General	Motor Vehicle Gasoline Tax	Public Assistance	DD General	Municipal Court-Special Projects	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$2,166,935	\$1,074,201	\$490,178	\$3,784,190	\$3,190,951	\$7,837,038	\$18,543,493
<i>Total Assets</i>	<u>\$2,166,935</u>	<u>\$1,074,201</u>	<u>\$490,178</u>	<u>\$3,784,190</u>	<u>\$3,190,951</u>	<u>\$7,837,038</u>	<u>\$18,543,493</u>
Fund Balances							
Nonspendable	\$185,780	\$0	\$0	\$0	\$0	\$40,000	\$225,780
Restricted	0	1,074,201	490,178	3,784,190	3,190,951	7,145,674	15,685,194
Committed	0	0	0	0	0	662,251	662,251
Assigned	37,152	0	0	0	0	0	37,152
Unassigned	1,944,003	0	0	0	0	(10,887)	1,933,116
<i>Total Cash Basis Fund Balances</i>	<u>\$2,166,935</u>	<u>\$1,074,201</u>	<u>\$490,178</u>	<u>\$3,784,190</u>	<u>\$3,190,951</u>	<u>\$7,837,038</u>	<u>\$18,543,493</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 Cash Basis Fund Balances -
 Governmental Funds
 For the Year Ended December 31, 2012*

	General	Motor Vehicle Gasoline Tax	Public Assistance	DD General	Municipal Court-Special Projects	Other Governmental Funds	Total Governmental Funds
Cash Receipts							
Taxes	\$7,699,294	\$0	\$0	\$2,207,672	\$0	\$549,961	\$10,456,927
Charges for Services	2,237,395	930,846	736,870	766,255	0	1,481,684	6,153,050
Licenses and Permits	75,194	0	0	0	0	211,633	286,827
Fines and Forfeitures	537,420	82,199	0	0	425,051	366,540	1,411,210
Intergovernmental	1,222,308	4,484,760	2,102,423	2,520,627	0	2,475,683	12,805,801
Special Assessments	0	0	0	0	0	530,460	530,460
Interest	225,146	0	0	0	0	11,862	237,008
Other	351,387	3,761	5,251	0	0	20,310	380,709
<i>Total Receipts</i>	<i>12,348,144</i>	<i>5,501,566</i>	<i>2,844,544</i>	<i>5,494,554</i>	<i>425,051</i>	<i>5,648,133</i>	<i>32,261,992</i>
Cash Disbursements							
<i>Current:</i>							
<i>General Government:</i>							
Legislative and Executive	5,488,309	0	0	0	0	525,914	6,014,223
Judicial	2,317,743	0	0	0	21,477	234,658	2,573,878
Public Safety	2,115,251	0	0	0	0	1,203,260	3,318,511
Public Works	252,153	4,657,832	0	0	0	723,128	5,633,113
Health	130,091	0	0	3,549,529	0	164,027	3,843,647
Human Services	893,495	0	2,649,187	0	0	1,874,151	5,416,833
Conservation and Recreation	169,031	0	0	0	0	0	169,031
Miscellaneous	12,249	0	0	0	0	76,382	88,631
Capital Outlay	19,718	349,831	112,211	15,473	5,784	931,071	1,434,088
<i>Debt Service:</i>							
Principal Retirement	0	0	0	0	0	1,001,251	1,001,251
Interest and Fiscal Charges	0	2,868	0	0	0	121,498	124,366
<i>Total Disbursements</i>	<i>11,398,040</i>	<i>5,010,531</i>	<i>2,761,398</i>	<i>3,565,002</i>	<i>27,261</i>	<i>6,855,340</i>	<i>29,617,572</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>950,104</i>	<i>491,035</i>	<i>83,146</i>	<i>1,929,552</i>	<i>397,790</i>	<i>(1,207,207)</i>	<i>2,644,420</i>
Other Financing Sources (Uses)							
Proceeds from Sale of Assets	0	0	0	0	0	8,488	8,488
Advances In	198,112	0	0	0	0	828,074	1,026,186
Transfers In	26,200	0	0	0	0	512,591	538,791
Advances Out	(763,356)	(109,989)	0	0	0	(134,378)	(1,007,723)
Transfers Out	(135,500)	(24,251)	0	(250,000)	0	(129,040)	(538,791)
<i>Total Other Financing Sources (Uses)</i>	<i>(674,544)</i>	<i>(134,240)</i>	<i>0</i>	<i>(250,000)</i>	<i>0</i>	<i>1,085,735</i>	<i>26,951</i>
<i>Net Change in Fund Balances</i>	<i>275,560</i>	<i>356,795</i>	<i>83,146</i>	<i>1,679,552</i>	<i>397,790</i>	<i>(121,472)</i>	<i>2,671,371</i>
<i>Cash Basis Fund Balances at Beginning of Year</i>	<i>1,891,375</i>	<i>717,406</i>	<i>407,032</i>	<i>2,104,638</i>	<i>2,793,161</i>	<i>7,958,510</i>	<i>15,872,122</i>
<i>Cash Basis Fund Balances at End of Year</i>	<i>\$2,166,935</i>	<i>\$1,074,201</i>	<i>\$490,178</i>	<i>\$3,784,190</i>	<i>\$3,190,951</i>	<i>\$7,837,038</i>	<i>\$18,543,493</i>

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

Madison County
Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended December 31, 2012

	Original Balance	Final Balance	Actual	Variance with Final Budget
Receipts				
Taxes	\$7,409,000	\$7,409,000	\$7,699,294	\$290,294
Charges for Services	1,037,000	1,037,000	1,987,995	950,995
Licenses and Permits	85,000	85,000	75,194	(9,806)
Fines and Forfeitures	604,000	604,000	537,420	(66,580)
Intergovernmental	1,506,000	1,506,000	1,222,308	(283,692)
Interest	40,000	40,000	225,146	185,146
Other	769,000	769,000	343,386	(425,614)
<i>Total Receipts</i>	11,450,000	11,450,000	12,090,743	640,743
Disbursements				
<i>Current:</i>				
<i>General Government:</i>				
Legislative and Executive	5,172,288	5,736,294	5,331,351	404,943
Judicial	2,313,234	2,476,520	2,317,743	158,777
Public Safety	1,907,795	2,137,946	2,115,251	22,695
Public Works	258,009	258,009	252,153	5,856
Health	131,160	143,543	130,091	13,452
Human Services	822,119	872,825	893,495	(20,670)
Conservation and Recreation	169,331	169,331	169,031	300
Capital Outlay	15,000	29,000	19,718	9,282
<i>Total Disbursements</i>	10,788,936	11,823,468	11,228,833	594,635
<i>Excess of Receipts Over (Under) Disbursements</i>	661,064	(373,468)	861,910	1,235,378
Other Financing Sources (Uses)				
Advances In	0	0	198,112	198,112
Transfers In	0	0	26,200	26,200
Advances Out	0	0	(763,356)	(763,356)
Transfers Out	(248,356)	(288,856)	(135,500)	153,356
<i>Total Other Financing Sources (Uses)</i>	(248,356)	(288,856)	(674,544)	(385,688)
<i>Net Change in Fund Balances</i>	412,708	(662,324)	187,366	849,690
<i>Prior Year Encumbrances Appropriated</i>	27,606	27,606	27,606	0
<i>Fund Balances at Beginning of Year</i>	1,502,304	1,502,304	1,502,304	0
<i>Fund Balances at End of Year</i>	\$1,942,618	\$867,586	\$1,717,276	\$849,690

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

Madison County
Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
Motor Vehicle Gasoline Tax Fund
For the Year Ended December 31, 2012

	Original Balance	Final Balance	Actual	Variance with Final Budget
Receipts				
Charges for Services	\$930,846	\$930,846	\$930,846	\$0
Fines and Forfeitures	99,000	99,000	82,199	(16,801)
Intergovernmental	4,150,341	4,150,341	4,484,760	334,419
Interest	1,500	1,500	0	(1,500)
Other	0	0	3,761	3,761
<i>Total Receipts</i>	5,181,687	5,181,687	5,501,566	319,879
Disbursements				
<i>Current:</i>				
<i>General Government:</i>				
Public Works	4,929,079	4,738,816	4,732,124	6,692
Capital Outlay	112,000	212,000	349,831	(137,831)
<i>Debt Service:</i>				
Interest and Fiscal Charges	24,686	29,420	2,868	26,552
<i>Total Disbursements</i>	5,065,765	4,980,236	5,084,823	(104,587)
<i>Excess of Receipts Over Disbursements</i>	115,922	201,451	416,743	215,292
Other Financing Uses				
Advances Out	(155,036)	(263,565)	(109,989)	153,576
Transfers Out	(70,069)	(47,069)	(24,251)	22,818
<i>Total Other Financing Uses</i>	(225,105)	(310,634)	(134,240)	176,394
<i>Net Change in Fund Balances</i>	(109,183)	(109,183)	282,503	391,686
<i>Fund Balances at Beginning of Year</i>	717,406	717,406	717,406	0
<i>Fund Balances at End of Year</i>	\$608,223	\$608,223	\$999,909	\$391,686

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

Madison County
Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
Public Assistance Fund
For the Year Ended December 31, 2012

	Original Balance	Final Balance	Actual	Variance with Final Budget
Receipts				
Charges for Services	\$736,870	\$736,870	\$736,870	\$0
Intergovernmental	2,125,677	2,125,677	2,102,423	(23,254)
Other	25,000	25,000	5,251	(19,749)
<i>Total Receipts</i>	2,887,547	2,887,547	2,844,544	(43,003)
Disbursements				
<i>Current:</i>				
Human Services	3,173,109	3,123,109	2,743,787	379,322
Capital Outlay	100,000	150,000	112,211	37,789
<i>Total Disbursements</i>	3,273,109	3,273,109	2,855,998	417,111
<i>Net Change in Fund Balances</i>	(385,562)	(385,562)	(11,454)	374,108
<i>Fund Balances at Beginning of Year</i>	407,032	407,032	407,032	0
<i>Fund Balances at End of Year</i>	\$21,470	\$21,470	\$395,578	\$374,108

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

Madison County
Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
DD General Fund
For the Year Ended December 31, 2012

	Original Balance	Final Balance	Actual	Variance with Final Budget
Receipts				
Taxes	\$2,193,896	\$2,224,224	\$2,207,672	(\$16,552)
Charges for Services	609,720	618,149	766,255	148,106
Intergovernmental	2,257,884	2,219,127	2,520,627	301,500
<i>Total Receipts</i>	5,061,500	5,061,500	5,494,554	433,054
Disbursements				
<i>Current:</i>				
Health	3,955,850	3,955,850	3,552,207	403,643
Capital Outlay	78,000	78,000	15,473	62,527
<i>Total Disbursements</i>	4,033,850	4,033,850	3,567,680	466,170
<i>Excess of Receipts Over Disbursements</i>	1,027,650	1,027,650	1,926,874	899,224
Other Financing Uses				
Transfers Out	(250,000)	(250,000)	(250,000)	0
<i>Total Other Financing Uses</i>	(250,000)	(250,000)	(250,000)	0
<i>Net Change in Fund Balances</i>	777,650	777,650	1,676,874	899,224
<i>Fund Balances at Beginning of Year</i>	2,104,638	2,104,638	2,104,638	0
<i>Fund Balances at End of Year</i>	\$2,882,288	\$2,882,288	\$3,781,512	\$899,224

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

Madison County
Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
Municipal Court-Special Projects Fund
For the Year Ended December 31, 2012

	Original Balance	Final Balance	Actual	Variance with Final Budget
Receipts				
Fines and Forfeitures	\$0	\$0	\$425,051	\$425,051
<i>Total Receipts</i>	0	0	425,051	425,051
Disbursements				
<i>Current:</i>				
Judicial	0	21,477	21,477	0
Capital Outlay	0	5,784	5,784	0
<i>Total Disbursements</i>	0	27,261	27,261	0
<i>Net Change in Fund Balances</i>	0	(27,261)	397,790	425,051
<i>Fund Balances at Beginning of Year</i>	2,793,161	2,793,161	2,793,161	0
<i>Fund Balances at End of Year</i>	\$2,793,161	\$2,765,900	\$3,190,951	\$425,051

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

Madison County
Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2012

	Other Enterprise Funds
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$827,468</u>
<i>Total Assets</i>	827,468
Net Position	
Unrestricted	<u>827,468</u>
<i>Total Net Position</i>	<u><u>\$827,468</u></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 Net Position - Cash Basis
 Proprietary Funds
 For the Year Ended December 31, 2012*

	Other Enterprise Funds
Operating Cash Receipts	
Charges for Services	\$940,582
Special Assessments	659,326
<i>Total Operating Receipts</i>	1,599,908
Operating Cash Disbursements	
Personal Services	453,549
Contractual Services	482,556
Supplies and Materials	51,906
Capital Outlay	28,568
<i>Total Operating Disbursements</i>	1,016,579
<i>Operating Cash Receipts Over Operating Cash Disbursements</i>	583,329
Nonoperating Cash Receipts (Cash Disbursements)	
Grants	16,207
Interest	264
Proceeds from Sale of Assets	5,330
Principal Retirement	(344,899)
Interest and Fiscal Charges	(326,581)
Other Non-Operating Expenses	(16,691)
<i>Total Nonoperating Cash Receipts (Cash Disbursements)</i>	(666,370)
<i>Loss before Advances</i>	(83,041)
Advances Out	(18,463)
<i>Change in Net Position</i>	(101,504)
<i>Net Position at Beginning of Year</i>	928,972
<i>Net Position at End of Year</i>	\$827,468

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

Madison County
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
December 31, 2012

	<u>Agency Funds</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$5,892,743
Cash and Cash Equivalents in Segregated Accounts	<u>861,562</u>
<i>Total Assets</i>	6,754,305
Net Position	
Unrestricted	<u>6,754,305</u>
<i>Total Net Position</i>	<u><u>\$6,754,305</u></u>

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

1. REPORTING ENTITY

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

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

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

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

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

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed 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. For the year ended December 31, 2012, the County reported no component units.

Separate Agencies

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

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

Other Organizations

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

The Tri-County Corrections Board is a joint venture for the establishment of a central jail facility for the use of Champaign, Madison and Union Counties. The operation of the jail is controlled by a joint board whose membership consists of the sheriff, one judge, and one commissioner from each of the participating counties. Each County's ability to influence the operations of the jail is limited to their representation on the board. Each County is charged for their share of the operating costs of the Center based on the number of individuals from their County in attendance. The County has an ongoing financial responsibility for this entity and,

Madison County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

1. REPORTING ENTITY (Continued)

in 2012 contributed \$1,382,373 toward the operation of this facility. Champaign County has been appointed the fiscal agent for the joint venture. Complete financial statements of the joint venture may be obtained from the Champaign County Auditor, 1512 S Hwy 68, Suite B300, Urbana, Ohio 43078.

The Central Ohio Youth Center, formerly the Five-County Joint Juvenile Detention and Rehabilitation Center, is a jointly governed organization involving Union, Champaign, Delaware, and Madison Counties. The Center provides facilities for the training, treatment, and rehabilitation of delinquent, dependent, abused or neglected children and was established under Section 2151.34 of the Ohio Revised Code. The operation of the Center is controlled by a joint board of trustees whose membership consists of two appointees from the host County, Union, and one each from Champaign, Delaware and Madison Counties. Each County's ability to influence the operations of the Center is limited to their representation on the Board of Trustees. Appropriations are adopted by the joint Board of Trustees who exercise control over the operation, maintenance, and construction of the Center. Each County is charged for their share of the operating costs of the Center based on the number of individuals from their County in attendance. In 2012, the County's share of operating costs was \$224,080. Union County serves as the fiscal agent.

Madison County participates in a jointly governed Solid Waste Management District along with Allen, Champaign, Hardin, Shelby, and Union Counties. The District was established following the requirements of House Bill 592. The Board of Directors consists of County Commissioners from each County. Each County's ability to influence the operations of the District is limited to their representation on the Board of Directors. The original funding for the District was contributed by each County based on its population compared to the total population for all participating counties. It is the intent of the District to be self-supporting. Allen County, the largest of the six Counties, is fiscal agent of the District.

The 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Basis of Accounting

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

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

C. Fund Accounting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

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

General Fund

The General Fund is the operating fund of the County and is used to account for all financial resources except those required by law or contract to be accounted for in another fund. The General Fund is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Motor Vehicle Gasoline Tax Fund

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

Public Assistance Fund

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.

DD General Fund

The DD 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 developmentally disabled individuals.

Municipal Court-Special Projects Fund

The Municipal Court Special Projects Fund is a major special revenue fund that accounts for fines and forfeitures revenue to provide for the current services to the community and the future expansion of the municipal court.

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

Proprietary Funds

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

Enterprise Funds

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination or 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. There were no major enterprise funds for 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds

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

Agency Funds

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

D. Cash Receipts-Exchange and Non-exchange Transactions

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

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

E. Cash Disbursements

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

F. Budgetary Process

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Property, Plant and Equipment

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

H. Unpaid Vacation, Personal and Sick Leave

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

I. Long-term Obligations

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

J. Net Position

Net position represents the cash and cash equivalent balances of the County at year-end. Net position consists of cash receipts reduced by cash disbursements for the current year. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted for other purposes is comprised of net position restricted for grants. The County applies restricted resources when an expense is incurred for the purposes for which both restricted and unrestricted net position is available. None of the County's restricted net position of \$16,387,445 is restricted by enabling legislation.

K. Cash and Cash Equivalents

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. County funds are maintained in several checking accounts as well as invested in certificates of deposit with terms of one to twelve months, governmental securities, and a money market fund account. Individual fund balance integrity is maintained through the County's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents". Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. Cash and cash equivalents that are held in segregated accounts, and not included in the County Treasury, are recorded as "cash and cash equivalents in segregated accounts".

During 2012, investments were limited to Union and Deer Creek Township Securities, City of London Securities, London City School District Securities and Central Township Joint Fire District Securities. All investments are reported at cost and are considered part of the cash management pool.

All interest receipts are reported in the General Fund except those specifically related to those funds deemed appropriate according to Board of County Commissioners policy. For 2012, interest receipts amounted to \$237,272, of which \$225,146 was recorded in the General Fund, \$11,661 was recorded in the Permanent Improvement Fund, \$30 was recorded in the I70/42 Sewer Usage Fund, \$10 was recorded in the Burr Oaks Sewer Usage Fund, \$224 was recorded in the Choctaw Lake Construction Fund, and \$201 was recorded in the Mary Statler Expendable Trust Fund.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Operating Cash Receipts and Cash Disbursements

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

M. Fund Balance

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Interfund Transactions

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

O. Interfund Receivables/Payables

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

3. DEPOSITS AND INVESTMENTS

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

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

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

Madison County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

3. DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

The County had cash on hand of \$344,200 as of December 31, 2012. The County's bank balance was \$24,073,466. The entire bank balance was either covered by FDIC or collateralized in accordance with the provisions identified in the preceding paragraph.

Investments: The County had the following investments as of December 31, 2012:

	<u>Investment Balance</u>	Maturity	
		<u><1 year</u>	<u>>1 year</u>
City of London Securities	\$94,000	\$47,000	\$47,000
London City Schools Securities	2,080,000	2,080,000	0
Deer Creek Township Securities	124,700	40,000	84,700
Union Township Securities	183,500	58,250	125,250
Central Township Joint Fire District	<u>300,000</u>	<u>57,000</u>	<u>243,000</u>
	<u>\$2,782,200</u>	<u>\$2,282,250</u>	<u>\$499,950</u>

In 2010, Union Township authorized the issuance and sale of \$250,000 Building Construction Bonds Series 2010 for the purpose of constructing, equipping and furnishing a new township hall. The County of Madison, Ohio purchased such bonds upon the terms set forth in such proposal. The bond principal shall be payable in annual installments every December 1st, commencing on December 1, 2011 and ending on December 1, 2015. The bonds bear interest at the rate of 4.40% per annum.

3. DEPOSITS AND INVESTMENTS (continued)

In 2011, the City of London authorized the issuance and sale of \$139,000 Street Sweeper Acquisition Bonds Series 2011 for the purpose of paying the cost of acquiring a street sweeper. The County of Madison, Ohio purchased such bonds upon the terms set forth in such proposal. The bond principal shall be payable in annual installments every June 1st, commencing on June 1, 2012 and ending on June 1, 2014. The bonds bear interest at the rate of 2.50% per annum.

In 2011, London City School District authorized the issuance and sale of \$4,155,000 Refunding Bonds Series 2011 for the purpose of currently refunding school building construction and improvement bonds dated October 16, 2011. The County of Madison, Ohio purchased such bonds upon the terms set forth in such proposal. The bond principal shall be payable in annual installments every December 1, commencing on December 1, 2011 and ending on December 1, 2013. Interest shall be payable in semi-annual installments every June 1st and December 1st, also commencing on December 1, 2011. The bonds bear interest at the rate of 3.75% per annum.

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

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

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

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

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's investment policy allows investments in Repurchase Agreements, Certificates of Deposit or within financial institutions with the State of Ohio as designated by the Federal Reserve Board and other investments permitted by the Ohio Revised Code. The County's investment in Union Township Securities was 7%, City of London Securities was 3%, London City School District Securities was 75%, Deer Creek Township Securities was 4%, and Central Townships Joint Fire District was 11%.

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

Madison County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

4. DEBT OBLIGATIONS

Under the cash basis of accounting, debt obligations are not reported as a liability in the accompanying basic financial statements. Debt obligations are reported for informational purposes only. Information regarding such changes in the County's long-term obligations during 2012 is as follows:

	Balance 12/31/2011	Additions	Deletions	Balance 12/31/2012	Due in One Year
Governmental Activities Debt					
Human Services Building					
Refunding Bonds 3.2%	\$598,509	\$0	\$140,000	\$458,509	\$150,000
Engineer's Building					
Construction Bonds 3.4%	1,650,000	0	780,000	870,000	160,000
Charleston/Chillicothe					
TIF-4.82%	82,963	0	26,363	56,600	27,634
Caterpillar Tractor-3.89%	171,162	0	54,888	116,274	57,026
Total Governmental Activities Debt	<u>\$2,502,634</u>	<u>\$0</u>	<u>\$1,001,251</u>	<u>\$1,501,383</u>	<u>\$394,660</u>
Business-Type Activities Debt					
OWDA loans					
I70/US42 Sewer Construction					
7.55%	\$400,952	\$0	\$89,564	\$311,388	\$96,326
Burr Oaks Sewer Construction					
7.55%	81,114	0	21,167	59,947	22,765
Choctaw Lake Sewer					
Construction- 4.4%	6,342,350	0	219,336	6,123,014	229,093
Camp Wissalohican Sewer					
Construction- 6.41%	70,834	0	2,781	68,053	2,962
Total OWDA Loans	<u>6,895,250</u>	<u>0</u>	<u>332,848</u>	<u>6,562,402</u>	<u>351,146</u>
Choctaw Lake Sewer					
Construction OPWC-0%	168,713	0	12,051	156,662	12,051
Total Business-Type Activities Debt	<u>\$7,063,963</u>	<u>\$0</u>	<u>\$344,899</u>	<u>\$6,719,064</u>	<u>\$363,197</u>

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

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

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

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

Madison County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

4. DEBT OBLIGATIONS (continued)

The OWDA loans were issued by the Ohio Water Development Authority for construction of sewer districts in the Burr Oaks subdivision, the I-70/U.S. Route 42 Interchange, the Camp Wissalohican subdivision and the Choctaw Lake subdivision. The County has pledged future customer revenues, net of specified operating expenses, to repay this debt. The loans are payable through their final maturities solely from net revenues applicable to these funds. Total interest and principal remaining to be paid on these loans is \$2,899,091 and \$6,562,402, respectively.

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

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

Governmental Activities:

Year Ending December 31	Principal	Interest	Total
2013	\$394,660	\$ 88,680	\$483,340
2014	324,716	153,335	478,051
2015	240,327	142,887	383,214
2016	241,616	138,110	379,726
2017	249,994	101,873	351,867
2018	50,070	95,867	145,937
Total	<u>\$1,501,383</u>	<u>\$720,752</u>	<u>\$2,222,135</u>

Business-Type Activities:

Year Ending December 31	Principal	Interest	Total
2013	\$363,197	\$ 299,271	\$662,468
2014	382,571	279,896	662,467
2015	389,501	259,323	648,824
2016	276,676	238,665	515,341
2017	288,522	226,820	515,342
2018-2022	1,639,763	936,943	2,576,706
2023-2027	1,998,969	549,997	2,548,966
2028-2030	1,379,865	108,176	1,488,041
Total	<u>\$6,719,064</u>	<u>\$2,899,091</u>	<u>\$9,618,155</u>

In 2003, the Madison County Airport Authority entered into a loan agreement with the Madison County Board of Commissioners. The \$292,000 loan was for the renovation of the airport hangar. The loan is for 16 years at 5% interest. The monthly payment for this loan is \$2,345 which includes interest and principal. The principal and interest paid in 2012 was \$18,464 and \$11,633, respectively. As this is an intra-county loan agreement between the Board of Commissioners and the Airport Authority, the principal and interest is not included in the long term debt obligations of the County. The principal balance remaining as of December 31, 2012 is \$174,450.

Madison County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

4. DEBT OBLIGATIONS (continued)

In 2010, the Madison County Auditor's office entered into a loan agreement with the Madison County Treasurer. The aggregate principal of \$481,743 Various Purpose Refunding Bonds dated September 15, 2010 were for the purpose of refunding various debt obligations. The 5 bonds numbered R-1 through R-5 are for one year increments at 4.50% per annum. The first payment was due to the Madison County Treasurer on June 1, 2011. The principal and interest paid in 2012 was \$137,983 and \$11,611, respectively. As this is an intra-county loan agreement between the County Auditor and County Treasurer, the principal and interest is not included in the long term debt obligations of the County. The total principal balance remaining as of December 31, 2012 is \$120,043.

In 2012, the Madison County Commissioners authorized issuance of Refunding Bonds in the principal amount of \$630,000. The Bonds were dated December 12, 2012 and were issued for the purpose of refunding debt on the County Engineer Building. The bonds are issued for a 6 year period at 2.75% per annum. The first payment will be due to the County Treasurer December 1, 2013. The total principal balance remaining as of December 31, 2012 is \$630,000.

5. PROPERTY TAXES

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

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

The full tax rate applied to real property for calendar year 2012 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 \$8.33 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$9.32 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these reductions is reimbursed to the County by the State of Ohio.

Telephone and inter-exchange telecommunications companies, or entities leasing property to these companies are required to file a list of personal property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for calendar year 2012 was \$10.60 per \$1,000 of assessed valuation.

The assessed values upon which fiscal year 2012 taxes were collected are:

Residential/Agricultural	\$757,746,310
Commercial/Industrial	120,753,670
Other Real Property	262,950
Public Utilities Personal Property	<u>31,825,120</u>
Total Assessed Valuation	<u>\$910,588,050</u>

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

6. PERMISSIVE SALES AND USE TAX

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

Proceeds of the tax are credited entirely to the General Fund. Sales and Use tax revenue for 2012 amounted to \$4,884,523.

7. 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 2012, the County contracted with the County Risk Sharing Authority (CORSA) for property, general liability, commercial fleet, liability, employee benefit, data processing equipment, 911 equipment, County Engineer contractor equipment, valuable papers additional, theft/disappearance/destruction for inside and outside, crime coverage, forgery and alteration of checks, and umbrella liability insurance. Insurance coverage stayed the same as in the prior year. Settlement amounts on claims have not exceeded insurance coverage in any of the past three years. There have been no significant changes in coverage from the prior year.

B. Health

The County provides fully insured health coverage to its employees through Anthem with the exception of the County Engineer's Department. Beginning December 1, 1991, the County Engineer provided employees with self-funded insurance through Managed Care of America, formerly Buckeye Employee Benefit Services, Inc. Claims paid in calendar year 2012 were \$433,672. In accordance with the cash basis of accounting, as more fully described in Note 2, the County does not record a liability for any incurred but unpaid claims as of year end.

8. DEFINED BENEFIT RETIREMENT PLAN

A. Ohio Public Employees Retirement System

All County full-time employees, other than teachers of the School of Developmental Disabilities, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Plan (TP) is a cost-sharing, multiple-employer defined benefit plan. The Member-Directed Plan (MD) is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings. The Combined Plan (CO) is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, 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, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145

8. DEFINED BENEFIT RETIREMENT PLAN (continued)

of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, or by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2012, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. The 2012 member contribution rates were 10.0% of covered payroll for members in state and local classifications. Public safety and law enforcement members contributed 11.5% and 12.1%, respectively. The 2012 employer contribution rate for state and local employers was 14.00% of covered payroll. The law enforcement and public safety division employer contribution rate was 18.10% of covered payroll.

The County's required contributions to OPERS for the years ended December 31, 2012, 2011, and 2010 were \$1,753,434, \$1,241,977, and \$1,768,171, respectively. 100 percent has been contributed for 2012, 2011 and 2010.

B. State Teachers Retirement System

Certified teachers employed by the school for the Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee 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, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

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 of their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the 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 to the DB 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 years or more 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

8. DEFINED BENEFIT RETIREMENT PLAN (continued)

annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits - Benefits are established under Sections 3307.80 to 3370.89 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.

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.

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 an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

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

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. 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 DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB 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.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, 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, 2012, 2011, and 2010 were \$34,373, \$32,531, and \$41,758, respectively. 100 percent has been contributed for 2012, 2011 and 2010.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's 2012 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E Broad St, Columbus, OH 43215-3771, or by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

9. POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

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

In order to qualify for post-employment 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 meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contributions are expressed as a percentage of the covered payroll of active members. In 2012, state and local employers contributed at a rate of 14.0% of covered payroll and public safety and law enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2012. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2013 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2013. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

9. POSTEMPLOYMENT BENEFITS (CONTINUED)

The employer contributions that were used to fund post-employment benefits were \$643,280 for 2012, \$473,698 for 2011, and \$548,336 for 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

B. State Teachers Retirement System

Plan Description – STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy –Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended December 31, 2012, 2011, and 2010. The 14% employer contribution rate is the maximum rate allowed under Ohio law. The County's contributions for health care for the years ended December 31, 2012, 2011 and 2010 were \$2,483, \$2,502, and \$2,983 respectively. 100% has been contributed for 2012, 2011 and 2010.

10. CONDUIT DEBT OBLIGATIONS

During 1997, the County served as the issuer of \$2,700,000 in Multifamily Housing Revenue Bonds. The proceeds were used by a private corporation to fund the construction of an assisted living facility. The amount outstanding on this issue is \$2,120,000. Also, in 2002, the County served as the issuer of \$4,200,000 in Multifamily Housing Mortgage Revenue Bonds. The proceeds were used by a private corporation to acquire, construct and equip a multifamily residential rental housing facility. The amount outstanding on this issue is \$3,690,000. In 2005, the County served as the issuer of \$11,125,000 in Hospital Facilities Multi-mode Variable Rate Revenue Refunding and Improvement Bonds. The proceeds were used to refund outstanding Hospital Improvement Revenue Refunding Bonds and to acquire, construct, improve and equip certain Hospital facilities. The County also served as issuer of \$1,700,000 in Hospital Facilities Revenue Bonds, the proceeds of which will be used to acquire, construct, improve and equip certain Hospital facilities. The amount outstanding on both issues is \$9,385,000. These bonds do not constitute a general obligation, debt or indebtedness of the County. None are the full faith and credit to taxing power of the County pledged to make repayment.

Madison County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

11. 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 10 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.

12. INTERFUND TRANSACTIONS

Transfers made during the year ended December 31, 2012, were as follows:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$26,200	\$135,500
Motor Vehicle Gasoline Tax Fund	0	24,251
DD General Fund	0	250,000
Other Governmental Funds	<u>512,591</u>	<u>129,040</u>
	<u>\$538,791</u>	<u>\$538,791</u>

Transfers from the Motor Vehicle Gasoline Tax, DD General, and General Funds to non-major funds were made to provide monies for principal and interest payments. The transfers between non-major governmental funds and to the General Fund were to move unrestricted balances to support programs and projects accounted for in other funds or for reimbursements. All transfers were made in compliance with the Ohio Revised Code.

Advances made during the year ended December 31, 2012 were as follows:

	<u>Advances In</u>	<u>Advances Out</u>
General Fund	\$198,112	\$763,356
Motor Vehicle Gasoline Tax Fund	0	109,989
Other Governmental Funds	828,074	134,378
Total Governmental Funds	<u>1,026,186</u>	<u>1,007,723</u>
Other Enterprise Funds	0	18,463
Total All Funds	<u>\$1,026,186</u>	<u>\$1,026,186</u>

Most advances are due to lags between the dates when goods and services are provided, transactions are recorded in the accounting system, and payments between funds are made. Advances also are lending/borrowing arrangements between funds that are long-term in nature. The purpose of these advances is to allow the County to exercise its authority to use the inactive monies in funds to invest in its own securities. See Note 4 for more information.

Madison County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

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 or its designee. These audits could lead to a request for reimbursement to the grantor for expenditures disallowed under terms of the grant. Based on prior experience, management believes such disallowances, if any, will be immaterial.

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

14. BUDGETARY BASIS FUND BALANCES

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

	General	Motor Vehicle Gasoline Tax	Public Assistance	DD General	Municipal Court-Special Projects
Budgetary Basis Fund Balances	\$1,717,276	\$999,909	\$395,578	\$3,781,512	\$3,190,951
Encumbrances	37,152	74,292	94,600	2,678	0
Fund Balances of Funds Combined with the General Fund for Reporting Purposes	412,507	0	0	0	0
Fund Cash Balances	\$2,166,935	1,074,201	490,178	\$3,784,190	\$3,190,951

15. ENCUMBRANCES

At December 31, 2012, the County had encumbrance commitments in governmental funds as follows:

<i>Major Funds</i>	
General Fund	\$37,152
Motor Vehicle Gasoline Tax	74,292
Public Assistance	94,600
DD General	2,678
Total Major Funds	<u>208,722</u>
<i>Nonmajor Funds</i>	
Real Estate Assessment Fund	513,128
CHIP Federal Block Grant Fund	11,246
Sheriff Vehicle Acquisition Fund	2,418
Dog & Kennel Fund	8,334
EMA EMPG/SHSP	11,938
911 Special Levy	13,705
Total Nonmajor Funds	<u>560,769</u>
Total All Funds	<u>\$769,491</u>

Madison County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

16. FUND BALANCES

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

Fund Balances	General Fund	Motor Vehicle Gasoline Tax Fund	Public Assistance Fund	DD General Fund	Municipal Court - Special Projects Fund	Other Governmental Funds	Total
<i>Nonspendable</i>							
Unclaimed Monies	\$185,780	\$0	\$0	\$0	\$0	\$0	\$185,780
Statler Trust	0	0	0	0	0	40,000	40,000
Total	185,780	0	0	0	0	40,000	225,780
<i>Restricted</i>							
General Government	0	0	0	0	3,190,951	2,864,132	6,055,083
Public Safety	0	0	0	0	0	1,611,852	1,611,852
Public Works	0	1,074,201	0	0	0	745,628	1,819,829
Health	0	0	0	3,784,190	0	50,927	3,835,117
Human Services	0	0	490,178	0	0	1,605,329	2,095,507
Capital Projects	0	0	0	0	0	4,168	4,168
Debt Service	0	0	0	0	0	248,506	248,506
Statler Trust	0	0	0	0	0	15,132	15,132
Total	0	1,074,201	490,178	3,784,190	3,190,951	7,145,674	15,685,194
<i>Committed</i>							
Capital Projects	0	0	0	0	0	662,251	662,251
<i>Assigned</i>							
Future Purchases	37,152	0	0	0	0	0	37,152
<i>Unassigned</i>							
	1,944,003	0	0	0	0	(10,887)	1,933,116
Total	\$2,166,935	\$1,074,201	\$490,178	\$3,784,190	\$3,190,951	\$7,837,038	\$18,543,493

17. COMPLIANCE

The Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its financial report in accordance with generally accepted accounting principles. Contrary to this requirement, the County has elected to prepare its annual financial report on a cash basis.

The County did not always properly encumber funds prior to commitment, which is contrary to Ohio Revised Code Section 5705.41(D).

The County's single audit was not completed by the required deadline as required by Office of Management and Budget (OMB) Circular A-133 Section .320(a).

18. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

For 2012, the County has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53" Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62"

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The implementation of this statement did not result in any change in the County's financial statements.

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change in the County's financial statements.

GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the County's 2012 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The implementation of this statement did not result in any change in the County's financial statements.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of this statement did not result in any change in the County's financial statements.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the County's financial statements.

19. SUBSEQUENT EVENTS

On September 30, 2013, the County approved the issuance of a \$125,000 water treatment loan.

Madison County
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2012

Federal Grantor Pass-Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Disbursements	Non Cash Disbursements
United States Department of Agriculture				
<i>Passed through the Ohio Department of Job and Family Services:</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1213-11-0074	10.561	\$255,124	\$0
			255,124	0
<i>Passed Through the Ohio Department of Education</i>				
Child Nutrition Cluster:				
School Breakfast Program	3L70	10.553	4,256	0
National School Lunch Program	3L60	10.555	6,007	1,698
Total Nutrition Cluster			10,263	1,698
Total United States Department of Agriculture			265,387	1,698
United States Department of Housing and Urban Development				
<i>Passed Through Ohio Department of Development:</i>				
Community Development Block Grants/State's Program	B-C-10-1BS-1	14.228	242,833	0
Community Development Block Grants/State's Program	B-F-11-1BS-1	14.228	100,650	0
Total Community Development Block Grants/State's Program			343,483	0
Home Investment Partnership Program	B-C-10-1BS-2	14.239	44,500	0
Total United States Department of Housing and Urban Development			387,983	0
United States Department of Labor				
<i>Passed Through Ohio Department of Job and Family Services and Passed through Montgomery County</i>				
Workforce Investment Act Cluster:				
Workforce Investment Act - Adult Program			129,678	0
Workforce Investment Act - Adult Program Administration			6,311	0
Workforce Investment Act - Adult Program Total	2011-7349-1 / 2012-7349-1	17.258	135,989	0
Workforce Investment Act - Youth Activities			141,980	0
Workforce Investment Act - Youth Activities Administration			5,891	0
Workforce Investment Act - Youth Activities Total	2011-7349-1 / 2012-7349-1	17.259	147,871	0
Workforce Investment Act - Dislocated Workers			93,765	0
Workforce Investment Act - Dislocated Workers Administration			4,945	0
Workforce Investment Act - Dislocated Workers Total	2011-7349-1 / 2012-7349-1	17.260	98,710	0
Workforce Investment Act Cluster Total			382,570	0
<i>Passed Through Ohio Department of Job and Family Services:</i>				
Employment Services Cluster				
Employment Service	2011-7349-1 / 2012-7349-1	17.207	696	0
WIA National Emergency Grants	2011-7349-1 / 2012-7349-1	17.277	10,922	0
Employment Services Cluster Total			11,618	0
Total United States Department of Labor			394,188	0
United States Department of Transportation				
<i>Passed through the Ohio Department of Transportation</i>				
Highway Planning and Construction - Recovery Act				
Highway Planning and Construction	PID - 16705	20.205	22,510	0
Highway Planning and Construction	PID - 89455	20.205	4,722	0
Highway Planning and Construction	PID - 90495	20.205	50,000	0
Highway Planning and Construction	PID - 91537	20.205	48,879	0
Highway Planning and Construction	PID - 91665	20.205	150,000	0
Total Highway Planning and Construction			276,111	0
<i>Passed through the Ohio Department of Transportation</i>				
Capital Assistance Program for Eledrly Persons and Persons with Disabilities	CRD-0049 005011	20.513	8,258	0
Total United States Department of Transportation			284,369	0
United States Department of Education				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Cluster:				
Special Education_Grants to States	3M20	84.027	10,260	0
Special Education_Preschool Grants	3C50	84.173	13,080	0
Total Special Education Cluster			23,340	0

Madison County
Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2012

Federal Grantor <i>Pass-Through Grantor</i> Program Title	Pass-Through Entity's Number	Federal CFDA Number	Disbursements	Non Cash Disbursements
<i>Passed through the Ohio Department of Health</i>				
Special Education-Grants for Infants and Families	04910021HG0312		84,181	\$34,449
Special Education-Grants for Infants and Families	04910021HG0413		84,181	7,913
Total Special Education - Grants for Infants and Families			<u>168,362</u>	<u>0</u>
Total United States Department of Education			65,702	0
United States Election Assistance Commission				
<i>Passed Through the Ohio Secretary of State</i>				
Help America Vote Act Requirements Payments	N/A	90.401	896	0
Total United States Election Assistance Commission			896	0
United States Department of Health and Human Services				
<i>Passed Through Ohio Department of Job and Family Services:</i>				
Promoting Safe and Stable Families	G-1213-11-0074	93.556	43,561	0
Temporary Assistance for Needy Families	G-1213-11-0074	93.558	526,800	0
Child Support Enforcement	G-1213-11-0074	93.563	336,370	0
<i>Child Care and Development Block Grant Cluster:</i>				
Child Care and Development Block Grant	G-1213-11-0074	93.575	40,236	0
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	G-1213-11-0074	93.596	25,708	0
Total Child Care and Development Block Grant Cluster			<u>65,944</u>	<u>0</u>
Child Welfare Services_State Grants	G-1213-11-0074	93.645	48,706	0
<i>Foster Care Title IV-E:</i>				
Foster Care Title IV-E - admin	G-1213-11-0074	93.658	20,726	0
Foster Care Title IV-E - maintenance	G-1213-11-0074	93.658	130,149	0
Total Foster Care Title IV-E			<u>150,875</u>	<u>0</u>
<i>Adoption Assistance:</i>				
Adoption Assistance	G-1213-11-0074	93.659	58,123	0
<i>Social Services Block Grant:</i>				
Social Services Block Grant	G-1213-11-0074	93.667	215,137	0
Chafee Foster Care Independence Program	G-1213-11-0074	93.674	1,971	0
Children's Health Insurance Programs	G-1213-11-0074	93.767	8,155	0
Medical Assistance Program	G-1213-11-0074	93.778	331,934	0
<i>Passed Through Ohio Department of Developmental Disabilities:</i>				
Social Services Block Grant	31-64000075	93.667	28,942	0
<i>Medical Assistance Program:</i>				
Medicaid Administration (MAC)	31-64000075	93.778	94,961	0
<i>Passed Through the Ohio Secretary of State</i>				
Voting Access for Individuals with Disabilities - Grants for Protection and Advocacy Systems	N/A	93.617	2,753	0
Total United States Department of Health and Human Services			1,914,232	0
United States Department of Homeland Security				
<i>Passed Through Ohio Emergency Management Agency:</i>				
Hazard Mitigation Grant	FEMA-DR-1805-OH	97.039	7,751	0
<i>Emergency Management Performance Grants:</i>				
Emergency Management Performance Grants	2010-EP-00-0003	97.042	5,500	0
Emergency Management Performance Grants	2011-EP-00003-01	97.042	26,870	0
Emergency Management Performance Grants	2012-EP-00004-01	97.042	13,255	0
Total Emergency Management Performance Grants			<u>45,625</u>	<u>0</u>
<i>Homeland Security Grant Program:</i>				
Homeland Security Grant Program	2010-SS-T0-0012	97.067	17,679	0
Homeland Security Grant Program	2009-SS-T9-0089	97.067	5,500	0
Homeland Security Grant Program	EMW-2011-SS-00070	97.067	11,764	0
Total Homeland Security Grant Program			<u>34,943</u>	<u>0</u>
Total United States Department of Homeland Security			88,319	0
Total Federal Awards Expenditures			<u>\$3,401,076</u>	<u>\$1,698</u>

N/A - pass-through entity number not available.

See the accompanying notes to the schedule of federal awards expenditures.

Madison County
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2012

Note 1 – Significant Accounting Policies

The accompanying schedule of federal awards expenditures (the schedule) includes the federal grant activity of the County and has been prepared on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 – Matching Requirements

Certain Federal programs require that the County contribute non-federal funds (matching funds) to support the Federally-funded programs. The County complied with applicable matching requirements. The expenditure of non-federal matching funds is not included in the schedule.

Note 3 – Community Development Block Grant Program

The County administers a home rehabilitation program with funds provided by the U.S. Department of Housing and Urban Development, through the Ohio Department of Development, under the Community Development Block CHIP Grant Program. The purpose of this program is to provide funds for home improvements made for low and moderate income homeowners. The County administers these funds and makes payments directly to the independent contractors providing the rehabilitation services. The funds provided are secured as a lien on the homeowner's residence for ten years. The County requires a 20% payback of the funds by the homeowner after ten years. The lien is removed from the residence after the 20% has been repaid. The County uses the payback amounts for future home rehabilitation projects. December 31, 2012 cash balances for the CDBG Program and the Home Program were \$381 and \$109,830, respectively.

Note 4 – Food Donation

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

Note 5 – Child Nutrition Cluster

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first.

Note 6 – Medicaid

During the calendar year, the County Board of Developmental Disabilities received a refund for eFMAP (ARRA) funds to the Medical Assistance Program (CFDA #93.778) in the amount of \$282 from the Ohio Department of Developmental Disabilities. This refund was a correction to the eFMAP percentage of four billing cycles during July and August 2009. This revenue is not listed on the County's Schedule of Federal Awards Expenditures since the underlying expenses occurred in prior reporting periods.

Note 7 – Medicaid

During the calendar year, the County Board of Developmental Disabilities received a settlement for the 2007 Cost Report from the Ohio Department of Developmental Disabilities for the Medicaid Program (CFDA #93.778) in the amount of \$1,850. The Cost Report settlement was for settlement of the difference between the statewide payment rate and the rate calculated based upon actual expenditures for Medicaid services. This revenue is not listed on the County's Schedule of Federal Awards Expenditures since the underlying expenses occurred in prior reporting periods.

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
1 North Main Street
London, Ohio 43140-0047

We have audited 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, the financial statements the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Madison County (the County) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 26, 2013, wherein we noted the County followed the cash basis of accounting rather than accounting principles generally accepted in the United States of America. We also noted the County implemented Governmental Accounting Standards Board Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as findings 2012-3 and 2012-4 in the accompanying schedule of findings and questioned costs to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described as finding 2012-2 in the accompanying schedule of findings and questioned costs to be a significant deficiency.

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

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2012-1 and 2012-2.

County's Responses to Findings

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

Purpose of this Report

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



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

November 26, 2013

**Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Madison County's, Ohio (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2012. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-5. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

Madison County, Ohio
Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133
Page 3

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

November 26, 2013

Madison County
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Year Ended December 31, 2012

Section I – Summary of Auditor’s Results

<i>Financial Statements</i>	
Type of financial statement opinion:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes
<i>Federal Awards</i>	
Internal control over major program(s):	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any auditing findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes
Identification of major program(s):	Community Development Block Grants/State's Program (CFDA #14.228) Temporary Assistance for Needy Families (CFDA #93.558) Medical Assistance Program (CFDA #93.778) Child Support Enforcement (CFDA #93.563) Workforce Investment Act Cluster (CFDA #17.258, #17.259, and #17.260)
Dollar threshold used to distinguish between type A and type B programs:	Type A: >\$300,000 Type B: All Others
Auditee qualified as low-risk auditee?	No

Madison County
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Year Ended December 31, 2012

Section II – Financial Statement Findings

Finding 2012-1

Noncompliance – Financial Reporting

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

Ohio Administrative Code 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 the modified cash basis of accounting. The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures. Pursuant to Ohio Revised Code Section 117.38, the County is subject to fines and various other administrative remedies. The County should consider filing on a GAAP basis in order to comply with state regulations.

Client Response:

Financial statement reporting in accordance with GAAP is still a goal and a priority for Madison County. This has been an ongoing issue over prior years and hopefully will be resolved in the future.

Finding 2012-2

Noncompliance/Significant Deficiency – Proper Encumbrance of Funds and Excessive Use of Then and Now Certificates

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the County Auditor that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The statute provides the following exceptions to this basic requirement:

Then and Now Certificate: This exception provides that, if the County Auditor can certify that both at the time that the contract or order was made and at the time that he/she is completing his/her certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$100 for counties, may be paid by the County Auditor without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

During the course of testing, we noted that four percent of disbursements tested had invoices preceding the encumbrance date and that the County appears to excessively use "then and now" certificates, with 32 percent of disbursements testing utilizing such certification.

Madison County
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Year Ended December 31, 2012

Finding 2012-2 (Continued)

Noncompliance/Significant Deficiency – Proper Encumbrance of Funds and Excessive Use of Then and Now Certificates (Continued)

The County should implement budgetary monitoring procedures to ensure that funds are properly and timely encumbered prior to commitment. Additionally, then and now certification should be used only as an exception and not as common procedure.

Client Response:

It appears that there are two specific departments that issue the then and now certificates rather than go through the purchase order process. These departments will get personalized letters stating the requirements for purchase orders to refresh their understanding. Procedures have been reviewed with staff regarding initiating then and nows.

Finding 2012-3

Material Weakness – Cash Reconciliations

In order to have sound internal controls, the County Auditor should reconcile her books with the bank/Treasurer on a monthly basis. The County Auditor was not reconciled with the bank/Treasurer at year end. The reconciliation was not completed until September of 2013. Not timely reconciling can lead to errors and/or irregularities going undetected for a significant amount of time. The County Auditor should implement the appropriate procedures to ensure that they reconcile with the bank/Treasurer at least on a monthly basis.

Client Response:

The Auditor's office currently reconciles on a fund basis with the Treasurer's office monthly. The Treasurer has always reconciled with the bank monthly. There has never been a process in place to reconcile all three on a monthly basis. We are currently working on a process to put that in place.

Finding 2012-4

Material Weakness – Internal Control Over Financial Reporting

A monitoring system by the County should be in place to prevent or detect misstatements and for the identification of changes in accounting pronouncements for the fair presentation of the County's financial report. Additionally, an established chart of accounts within an accounting system is imperative to assist in ensuring that transactions are properly classified. Errors were identified within a number of receipt and disbursement line items within the financial report. Adjustments and reclassifications were required to fairly present these statements. Furthermore, the County failed to implement newly effective accounting standards. The County appears to lack a functioning monitoring process over financial reporting to ensure that line items properly classified or recognized in the financial statements and that changes in accounting standards are properly implemented. The County also utilizes an accounting system that does not have an established chart of accounts and does not maintain any form of cross-reference between the general ledger and the presentation in the financial statements. The County should implement the appropriate monitoring procedures and establish a formal chart of accounts and cross-reference between the chart of accounts and the financial statement presentation to ensure that financial statements are fairly stated.

Client Response:

We are looking at an outside source to assist with financial statement preparation and GASB implementation for the upcoming year.

Madison County
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Year Ended December 31, 2012

Section III – Federal Award Findings and Questioned Costs

Finding 2012-5

Noncompliance – Nine Month Deadline for Single Audits

Office of Management and Budget (OMB) Circular A-133 Section .320(a) states that that audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor’s report or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The County’s single audit was not completed by the required deadline. The County should implement the appropriate procedures to ensure that the appropriate deadlines are met.

Client Response:

We have implemented procedures for the current year to ensure that items needed for the audit are completed soon after year-end.

Madison County
Schedule of Prior Audit Findings
OMB Circular A-133 Section .315(b)
For the Year Ended December 31, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2011-1	Noncompliance with ORC Section 117.38/OAC Section 117-2-03(B) – Failure to Report on Required Accounting Basis	No	Not Corrected - Reissued as Finding 2012-1
Finding 2011-2	Noncompliance/Significant Deficiency – Proper Encumbrance of Funds and Excessive Use of Then and Now Certificates	No	Not Corrected – Reissued as Finding 2012-2
Finding 2011-3	Material Weakness – Cash Reconciliations	No	Not Corrected – Reissued as Finding 2012-3
Finding 2011-4	Noncompliance Citation – Nine Month Deadline for Single Audits	No	Not Corrected – Reissued as Finding 2012-5



Dave Yost • Auditor of State

MADISON COUNTY

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 24, 2013**