



Dave Yost • Auditor of State

MADISON COUNTY
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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Commissioners:

Report on the Financial Statements

We have audited the accompanying cash basis 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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Madison County, Ohio, as of December 31, 2015, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Motor Vehicle Gas Tax, and Board of Developmental Disabilities funds thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Supplemental Information

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2017, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

January 31, 2017

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Madison County
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(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, 2015, within the limitations of the County's cash basis of accounting. Please read this in conjunction with the County's financial statements that begin on page 13.

Financial Highlights

Key financial highlights for 2015 are as follows:

Overall:

- Total net position increased by \$976,122 with governmental activities increasing by \$1,109,213 and business-type activities decreasing by \$133,091.
- Total cash receipts were \$35,481,475 in 2015.
- Total cash disbursements were \$34,505,353 in 2015.

Governmental Activities:

- Total program cash receipts were \$18,597,757 in 2015, while program cash disbursements were \$32,475,511.
- 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 \$5,079,366, \$6,123,136, \$3,316,971, \$5,994,108, \$5,356,929, \$4,236,619, and \$1,699,484, respectively, in 2015.

Business-Type Activities:

- Program cash receipts were \$1,671,076 for business-type activities, while corresponding cash disbursements were \$2,029,842.

Using this Basic Financial Report

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

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

Madison County
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Reporting the County as a Whole

Statement of Net Position and Statement of Activities

While this document contains the large number of funds used by the County to provide programs and activities, the view of the County as a whole looks at all cash basis financial transactions and asks the question, "How did we do financially during 2015?" The statement of net position and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid. These two statements report the County's net position and changes in net position. This change in net position is important because it tells the reader whether, for the County as a whole, the cash basis financial position of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

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

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

The analysis of the County's major funds begins on page 11. Fund financial statements provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's most significant funds that have been presented as major governmental funds are the General Fund, the Motor Vehicle Gasoline Tax Fund, and the Board of Developmental Disabilities Fund.

Madison County
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

Madison County
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

The County as a Whole

Recall that the statement of net position provides the perspective of the County as a whole. The table below provides a summary of the County's net cash position for 2015 and 2014:

Table 1
Net Cash Position

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Assets						
Equity in Pooled Cash and Cash Equivalents	\$17,254,687	\$16,145,474	\$607,718	\$740,809	\$17,862,405	\$16,886,283
Total Assets	17,254,687	16,145,474	607,718	740,809	17,862,405	16,886,283
Net Position						
Restricted for:						
Capital Projects	1,174,819	1,055,011	-	-	1,174,819	1,055,011
Debt service	56,710	15,456	-	-	56,710	15,456
General government	2,974,509	2,760,661	-	-	2,974,509	2,760,661
Public safety programs	1,660,134	1,539,003	-	-	1,660,134	1,539,003
Public works projects	1,417,068	1,336,867	-	-	1,417,068	1,336,867
Health services	3,213,497	3,848,451	-	-	3,213,497	3,848,451
Human services programs	1,863,556	1,749,035	-	-	1,863,556	1,749,035
Permanent Fund:						
Expendable	14,590	14,775	-	-	14,590	14,775
Nonexpendable	40,000	40,000	-	-	40,000	40,000
Other Purposes	263,565	263,565	-	-	263,565	263,565
Unrestricted	4,576,239	3,522,650	607,718	740,809	5,183,957	4,263,459
Total Net Position	<u>\$17,254,687</u>	<u>\$16,145,474</u>	<u>\$607,718</u>	<u>\$740,809</u>	<u>\$17,862,405</u>	<u>\$16,886,283</u>

Total assets and net position increased by \$976,122 from 2014 to 2015. \$12,678,448 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 \$5,183,957 is unrestricted and may be used to meet the County's ongoing obligations to citizens and creditors.

Madison County
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

The table below shows the changes in net cash position for 2015 and 2014.

Table 2 - Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Cash Receipts and Advances						
Program Cash Receipts						
Charges for Services and Sales	\$ 7,032,239	\$ 6,404,300	\$ 1,584,166	\$ 1,597,083	\$ 8,616,405	\$ 8,001,383
Operating Grants and Contributions	11,413,928	11,929,316	-	-	11,413,928	11,929,316
Capital Grants and Contributions	151,590	394,900	86,910	340,194	238,500	735,094
Total Program Cash Receipts	18,597,757	18,728,516	1,671,076	1,937,277	20,268,833	20,665,793
General Cash Receipts, and Advances						
Property Taxes	6,683,910	5,686,049	-	-	6,683,910	5,686,049
Sales Taxes	6,214,911	5,921,134	-	-	6,214,911	5,921,134
Grants and Entitlements not Restricted to Specific Programs	1,882,055	1,721,613	-	-	1,882,055	1,721,613
Advances In (Out)	(64,185)	(107,910)	64,185	107,910	-	-
Interest Receipts	42,563	53,312	-	-	42,563	53,312
Transfers In (Out)	(147,561)	(55,000)	147,561	55,000	-	-
Miscellaneous	375,274	406,627	13,929	43,383	389,203	450,010
Total General Cash Receipts, Transfers and Advances	14,986,967	13,625,825	225,675	206,293	15,212,642	13,832,118
Total Cash Receipts, Transfers and Advances	33,584,724	32,354,341	1,896,751	2,143,570	35,481,475	34,497,911
Program Cash Disbursements						
General Government						
Legislative & Executive	6,123,136	6,232,078	-	-	6,123,136	6,232,078
Judicial	3,316,971	3,120,756	-	-	3,316,971	3,120,756
Public Safety	4,236,619	3,619,861	-	-	4,236,619	3,619,861
Public Works	5,994,108	5,264,152	-	-	5,994,108	5,264,152
Health	5,356,929	5,380,823	-	-	5,356,929	5,380,823
Human Services	5,079,366	5,307,334	-	-	5,079,366	5,307,334
Conservation and Recreation	289,664	662,104	-	-	289,664	662,104
Miscellaneous	12,844	138,124	-	-	12,844	138,124
Capital Outlay	1,699,484	4,048,021	-	-	1,699,484	4,048,021
Debt Service						
Principal Retirement	240,326	324,715	-	-	240,326	324,715
Interest and Fiscal Charges	126,064	131,149	-	-	126,064	131,149
Total Program Cash Disbursements	32,475,511	34,229,117	-	-	32,475,511	34,229,117
Business - Type Activities Disbursements						
Airport Operations	-	-	632,016	677,337	632,016	677,337
Wastewater Treatment	-	-	1,397,826	1,510,582	1,397,826	1,510,582
Total Business Type Activities Disbursements	-	-	2,029,842	2,187,919	2,029,842	2,187,919
Total Cash Disbursements	32,475,511	34,229,117	2,029,842	2,187,919	34,505,353	36,417,036
Increase (Decrease) in Net Cash Position	1,109,213	(1,874,776)	(133,091)	(44,349)	976,122	(1,919,125)
Net Cash Position at Beginning of Year	16,145,474	18,020,250	740,809	785,158	16,886,283	18,805,408
Net Cash Position at End of Year	\$ 17,254,687	\$ 16,145,474	\$ 607,718	\$ 740,809	\$ 17,862,405	\$ 16,886,283

Madison County
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(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 19.78 percent and 18.39 percent, respectively, of cash receipts for governmental activities for Madison County in 2015. Charges for services and sales and operating grants and contributions made up 20.81 percent and 33.78 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. The table below shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements. The dependence upon tax receipts and intergovernmental monies for governmental activities is apparent. Most human services activities are supported through charges for services and sales and operating grants and contributions; for all governmental activities general cash receipts and advances support is 42.73 percent. The taxpayers and the State of Ohio, as a whole, provide the vast majority of resources for Madison County. The table below shows the changes in net cost of services for 2015 and 2014.

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

	2015		2014	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Governmental Activities				
General Government:				
Legislative and Executive	\$ 6,123,136	\$ 4,216,984	\$ 6,232,078	\$ 4,167,354
Judicial	3,316,971	2,046,527	3,120,756	2,044,241
Public Safety	4,236,619	2,732,902	3,619,861	2,462,089
Public Works	5,994,108	(278,439)	5,264,152	(207,681)
Health	5,356,929	2,583,691	5,380,823	2,154,323
Human Services	5,079,366	666,227	5,307,334	462,280
Conservation and Recreation	289,664	236,798	662,104	570,005
Miscellaneous	12,844	12,844	138,124	138,124
Capital Outlay	1,699,484	1,475,243	4,048,021	3,483,625
Debt Service:				
Principal Retirement	240,326	58,913	324,715	95,092
Interest and Fiscal Charges	126,064	126,064	131,149	131,149
Total Governmental Activities	<u>\$ 32,475,511</u>	<u>\$ 13,877,754</u>	<u>\$ 34,229,117</u>	<u>\$ 15,500,601</u>
Business - Type Activities				
Airport Operations	\$ 632,016	\$ 159,105	\$ 677,337	\$ (108,341)
Wastewater Treatment	1,397,826	199,661	1,510,582	358,983
Total Business - Type Activities	<u>\$ 2,029,842</u>	<u>\$ 358,766</u>	<u>\$ 2,187,919</u>	<u>\$ 250,642</u>

Business-Type Activities

Business-type activities include wastewater treatment services and a County-owned airport. Overall net position decreased from 2014 to 2015. Mainly program cash receipts support business-type activities and during 2015 program cash disbursements exceeded program cash receipts.

Madison County
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

The County's Funds

Information about the County's major funds starts on page 16. These funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$35,104,917 and cash disbursements and other financing uses of \$33,995,704. The net change in fund balance for the year was most significant in the General Fund cash balance which went from a balance of \$3,395,076 in 2014 to \$4,384,908 in 2015. This net change in fund balance was \$989,832.

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 were \$12,775,700. Total actual receipts and other financing sources were \$14,159,625. The original budget estimate and the final budget basis disbursements and other financing uses were \$12,105,214 and \$14,652,594, respectively. Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were \$13,095,924, \$1,063,701 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 \$1,699,484 in governmental funds and \$524,049 in proprietary funds during 2015.

Debt

Under the cash basis of accounting the County does not report bonds and long-term notes loans in the accompanying basic financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds and long-term notes and loans. At December 31, 2015, the County had \$541,681 in bonds and related long-term debt for governmental activities and \$5,583,794 in bonds and related long-term debt for business-type activities. Table 4 summarizes long-term obligations outstanding for the past two years:

Madison County
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Table 4
Outstanding Debt at December 31

	<u>2015</u>	<u>2014</u>
Government Activities:		
General Obligation Bonds	\$171,681	\$237,007
Special Revenue Bonds	370,000	545,000
Total Governmental Activities Debt	<u>541,681</u>	<u>782,007</u>
Business – Type Activities:		
OWDA Loans	5,463,285	5,840,734
OPWC Loan	120,509	132,560
Total Business – Type Activities Debt	<u>5,583,794</u>	<u>5,973,294</u>
Total Outstanding Debt	<u>\$6,125,475</u>	<u>\$6,755,301</u>

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, OHIO

STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2015

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 17,254,687	\$ 607,718	\$ 17,862,405
Total assets.	17,254,687	607,718	17,862,405
Net position:			
Restricted for:			
Capital projects	1,174,819	-	1,174,819
Debt service.	56,710	-	56,710
General government	2,974,509	-	2,974,509
Public safety programs	1,660,134	-	1,660,134
Public works projects	1,417,068	-	1,417,068
Health services	3,213,497	-	3,213,497
Human services programs.	1,863,556	-	1,863,556
Permanent fund			
Expendable	14,590	-	14,590
Nonexpendable	40,000	-	40,000
Other purposes	263,565	-	263,565
Unrestricted	4,576,239	607,718	5,183,957
Total net position.	\$ 17,254,687	\$ 607,718	\$ 17,862,405

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON COUNTY, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Cash Disbursements	Program Cash Receipts		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government:				
Legislative and executive	\$ 6,123,136	\$ 1,897,774	\$ 8,378	\$ -
Judicial	3,316,971	1,270,444	-	-
Public safety	4,236,619	1,216,641	287,076	-
Public works	5,994,108	1,505,763	4,766,784	-
Health	5,356,929	666,806	2,106,432	-
Human services	5,079,366	167,881	4,245,258	-
Conservation and recreation	289,664	52,866	-	-
Other	12,844	-	-	-
Capital outlay	1,699,484	72,651	-	151,590
Debt service:				
Principal retirement	240,326	181,413	-	-
Interest and fiscal charges	126,064	-	-	-
Total governmental activities	<u>32,475,511</u>	<u>7,032,239</u>	<u>11,413,928</u>	<u>151,590</u>
Business-type activities:				
Airport operations	632,016	386,001	-	86,910
Wastewater treatment	1,397,826	1,198,165	-	-
Total business-type activities	<u>2,029,842</u>	<u>1,584,166</u>	<u>-</u>	<u>86,910</u>
Total primary government	<u>\$ 34,505,353</u>	<u>\$ 8,616,405</u>	<u>\$ 11,413,928</u>	<u>\$ 238,500</u>

General cash receipts, advances and transfers:

Property taxes levied for:	
General purposes	
Developmental disabilities human services	
Special revenue	
Sales taxes	
Grants and entitlements not restricted to specific programs	
Investment receipts	
Miscellaneous	
Total general cash receipts	
Advances	
Transfers	
Total general cash receipts, advances and transfers	
Change in net position	
Net position at beginning of year	
Net position at end of year	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-Type Activities	Total
\$ (4,216,984)	\$ -	\$ (4,216,984)
(2,046,527)	-	(2,046,527)
(2,732,902)	-	(2,732,902)
278,439	-	278,439
(2,583,691)	-	(2,583,691)
(666,227)	-	(666,227)
(236,798)	-	(236,798)
(12,844)	-	(12,844)
(1,475,243)	-	(1,475,243)
(58,913)	-	(58,913)
(126,064)	-	(126,064)
<u>(13,877,754)</u>	<u>-</u>	<u>(13,877,754)</u>
-	(159,105)	(159,105)
-	(199,661)	(199,661)
-	(358,766)	(358,766)
<u>(13,877,754)</u>	<u>(358,766)</u>	<u>(14,236,520)</u>
3,626,960	-	3,626,960
2,433,887	-	2,433,887
623,063	-	623,063
6,214,911	-	6,214,911
1,882,055	-	1,882,055
42,563	-	42,563
375,274	13,929	389,203
<u>15,198,713</u>	<u>13,929</u>	<u>15,212,642</u>
(64,185)	64,185	-
(147,561)	147,561	-
<u>14,986,967</u>	<u>225,675</u>	<u>15,212,642</u>
1,109,213	(133,091)	976,122
<u>16,145,474</u>	<u>740,809</u>	<u>16,886,283</u>
<u>\$ 17,254,687</u>	<u>\$ 607,718</u>	<u>\$ 17,862,405</u>

MADISON COUNTY, OHIO

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>General</u>	<u>Motor Vehicle Gasoline Tax</u>	<u>Board of Developmental Disabilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 4,384,908	\$ 1,296,702	\$ 3,173,646	\$ 8,399,431	\$ 17,254,687
Total assets	<u>\$ 4,384,908</u>	<u>\$ 1,296,702</u>	<u>\$ 3,173,646</u>	<u>\$ 8,399,431</u>	<u>\$ 17,254,687</u>
Fund cash balances:					
Nonspendable	\$ 211,469	\$ -	\$ -	\$ 40,000	\$ 251,469
Restricted	-	1,296,702	3,173,646	8,168,100	12,638,448
Committed	-	-	-	191,331	191,331
Assigned	1	-	-	-	1
Unassigned	<u>4,173,438</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,173,438</u>
Total fund cash balances	<u>\$ 4,384,908</u>	<u>\$ 1,296,702</u>	<u>\$ 3,173,646</u>	<u>\$ 8,399,431</u>	<u>\$ 17,254,687</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	General	Motor Vehicle Gasoline Tax	Board of Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
Cash receipts:					
Property taxes	\$ 3,626,960	\$ -	\$ 2,433,887	\$ 623,063	\$ 6,683,910
Sales taxes	6,214,911	-	-	-	6,214,911
Charges for services	1,522,567	986,185	553,667	614,491	3,676,910
Licenses and permits	2,340	-	-	288,827	291,167
Fines and forfeitures	463,025	69,030	-	787,042	1,319,097
Intergovernmental	1,882,055	4,341,809	2,106,432	5,117,277	13,447,573
Special assessments	-	-	-	1,172,866	1,172,866
Investment income	42,449	33	-	81	42,563
Rental income	390,786	-	-	181,413	572,199
Reimbursements	5,364	-	-	-	5,364
Other	213,114	191	-	156,605	369,910
Total cash receipts	<u>14,363,571</u>	<u>5,397,248</u>	<u>5,093,986</u>	<u>8,941,665</u>	<u>33,796,470</u>
Cash disbursements:					
Current:					
General government:					
Legislative and executive	5,533,017	-	-	590,119	6,123,136
Judicial	2,904,988	-	-	411,983	3,316,971
Public safety	2,613,293	-	-	1,623,326	4,236,619
Public works	183,344	5,001,483	-	809,281	5,994,108
Health	63,964	-	5,249,258	43,707	5,356,929
Human services	363,372	-	-	4,715,994	5,079,366
Conservation and recreation	289,664	-	-	-	289,664
Other	12,844	-	-	-	12,844
Capital outlay	800	193,507	487,042	1,018,135	1,699,484
Debt service:					
Principal retirement	99,750	35,000	-	105,576	240,326
Interest and fiscal charges	21,108	2,671	-	102,285	126,064
Total cash disbursements	<u>12,086,144</u>	<u>5,232,661</u>	<u>5,736,300</u>	<u>9,420,406</u>	<u>32,475,511</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>2,277,427</u>	<u>164,587</u>	<u>(642,314)</u>	<u>(478,741)</u>	<u>1,320,959</u>
Other financing sources (uses):					
Advances in	138,702	-	-	21,409	160,111
Advances out	(197,994)	-	-	(26,302)	(224,296)
Transfers in	-	-	-	1,148,336	1,148,336
Transfers out	(1,228,303)	(55,594)	-	(12,000)	(1,295,897)
Total other financing sources (uses)	<u>(1,287,595)</u>	<u>(55,594)</u>	<u>-</u>	<u>1,131,443</u>	<u>(211,746)</u>
Net change in fund balance - cash basis	989,832	108,993	(642,314)	652,702	1,109,213
Fund balance - cash basis, January 1	<u>3,395,076</u>	<u>1,187,709</u>	<u>3,815,960</u>	<u>7,746,729</u>	<u>16,145,474</u>
Fund balance - cash basis, December 31	<u>\$ 4,384,908</u>	<u>\$ 1,296,702</u>	<u>\$ 3,173,646</u>	<u>\$ 8,399,431</u>	<u>\$ 17,254,687</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE
 GOVERNMENTAL FUNDS - BUDGETARY BASIS
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary basis receipts:				
Property taxes	\$ 3,206,000	\$ 3,206,000	\$ 3,626,960	\$ 420,960
Sales taxes	5,875,000	5,875,000	6,214,911	339,911
Charges for services	1,186,600	1,186,600	1,251,609	65,009
Licenses and permits	1,600	1,600	2,340	740
Fines and forfeitures	490,200	490,200	463,025	(27,175)
Intergovernmental	1,425,500	1,425,500	1,882,055	456,555
Investment income	34,800	34,800	42,449	7,649
Rental income	350,000	350,000	390,786	40,786
Reimbursements	3,000	3,000	5,364	2,364
Other	203,000	203,000	141,424	(61,576)
Total budgetary basis receipts	<u>12,775,700</u>	<u>12,775,700</u>	<u>14,020,923</u>	<u>1,245,223</u>
Budgetary basis disbursements:				
General government:				
Legislative and executive	4,914,270	5,794,488	5,130,144	664,344
Judicial	3,144,797	3,144,797	2,904,988	239,809
Public safety	2,891,470	2,891,470	2,613,293	278,177
Public works	206,368	206,368	183,344	23,024
Health	71,997	71,997	63,964	8,033
Human services	409,004	409,004	363,372	45,632
Conservation and recreation	326,040	326,040	289,664	36,376
Debt service:				
Principal retirement	116,595	116,595	99,750	16,845
Interest and fiscal charges	24,673	24,673	21,108	3,565
Total budgetary basis disbursements	<u>12,105,214</u>	<u>12,985,432</u>	<u>11,669,627</u>	<u>1,315,805</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements	<u>670,486</u>	<u>(209,732)</u>	<u>2,351,296</u>	<u>2,561,028</u>
Other financing sources (uses):				
Transfers out	-	(1,435,732)	(1,228,303)	207,429
Advances in	-	-	138,702	138,702
Advances out	-	(231,430)	(197,994)	33,436
Total other financing sources (uses)	<u>-</u>	<u>(1,667,162)</u>	<u>(1,287,595)</u>	<u>379,567</u>
Net change in fund balance - cash basis	670,486	(1,876,894)	1,063,701	2,940,595
Fund balance, January 1	<u>2,788,701</u>	<u>2,788,701</u>	<u>2,788,701</u>	<u>-</u>
Prior year encumbrances appropriated	<u>20,100</u>	<u>20,100</u>	<u>20,100</u>	<u>-</u>
Fund balance, December 31	<u>\$ 3,479,287</u>	<u>\$ 931,907</u>	<u>\$ 3,872,502</u>	<u>\$ 2,940,595</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE
GOVERNMENTAL FUNDS - BUDGETARY BASIS
MOTOR VEHICLE GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Charges for services	\$ 799,871	\$ 799,871	\$ 986,185	186,314
Fines and forfeitures	65,301	65,301	69,030	3,729
Intergovernmental	4,319,355	4,319,355	4,341,809	22,454
Investment income	-	-	33	33
Other	500	500	191	(309)
Total budgetary basis receipts	<u>5,185,027</u>	<u>5,185,027</u>	<u>5,397,248</u>	<u>212,221</u>
Budgetary basis disbursements:				
Current:				
Public works	5,352,733	5,851,033	5,001,483	849,550
Capital outlay	317,159	317,159	193,507	123,652
Debt service:				
Principal retirement	35,000	35,000	35,000	-
Interest and fiscal charges	26,011	26,011	2,671	23,340
Total budgetary basis disbursements	<u>5,730,903</u>	<u>6,229,203</u>	<u>5,232,661</u>	<u>996,542</u>
Excess of budgetary basis disbursements over budgetary basis receipts	<u>(545,876)</u>	<u>(1,044,176)</u>	<u>164,587</u>	<u>1,208,763</u>
Other financing uses:				
Transfers out	<u>(88,586)</u>	<u>(88,586)</u>	<u>(55,594)</u>	<u>32,992</u>
Total other financing uses	<u>(88,586)</u>	<u>(88,586)</u>	<u>(55,594)</u>	<u>32,992</u>
Net change in fund balance - cash basis	(634,462)	(1,132,762)	108,993	1,241,755
Fund balance, January 1	<u>1,187,709</u>	<u>1,187,709</u>	<u>1,187,709</u>	<u>-</u>
Fund balance, December 31	<u>\$ 553,247</u>	<u>\$ 54,947</u>	<u>\$ 1,296,702</u>	<u>\$ 1,241,755</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON COUNTY, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND CASH BALANCE
 GOVERNMENTAL FUNDS - BUDGETARY BASIS
 BOARD OF DEVELOPMENTAL DISABILITIES FUND
 FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Property taxes	\$ 2,400,000	\$ 2,400,000	\$ 2,433,887	\$ 33,887
Charges for services.	711,000	711,000	553,667	(157,333)
Intergovernmental.	2,413,300	2,413,300	2,106,432	(306,868)
Total budgetary basis receipts	<u>5,524,300</u>	<u>5,524,300</u>	<u>5,093,986</u>	<u>(430,314)</u>
Budgetary basis disbursements:				
Current:				
Health	5,954,900	5,954,900	5,249,258	705,642
Capital outlay.	77,000	77,000	487,042	(410,042)
Total budgetary basis disbursements	<u>6,031,900</u>	<u>6,031,900</u>	<u>5,736,300</u>	<u>295,600</u>
Net change in fund balance - cash basis	(507,600)	(507,600)	(642,314)	(134,714)
Fund balance, January 1	3,815,749	3,815,749	3,815,749	-
Prior year encumbrances appropriated	<u>211</u>	<u>211</u>	<u>211</u>	<u>-</u>
Fund balance, December 31	<u>\$ 3,308,360</u>	<u>\$ 3,308,360</u>	<u>\$ 3,173,646</u>	<u>\$ (134,714)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON COUNTY, OHIO

STATEMENT OF NET POSITION - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Nonmajor Enterprise Funds
Assets:	
Equity in pooled cash and cash equivalents . .	<u>\$ 607,718</u>
Total assets.	<u>607,718</u>
Net position:	
Unrestricted	<u>607,718</u>
Total net position.	<u>\$ 607,718</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON COUNTY, OHIO

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN NET POSITION - CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Nonmajor Enterprise Funds
Operating receipts:	
Charges for services	\$ 770,890
Other	<u>135,031</u>
Total operating receipts	<u>905,921</u>
Operating disbursements:	
Personal services	343,174
Contract services	425,226
Materials and supplies	53,486
Capital outlay	<u>524,049</u>
Total operating disbursements	<u>1,345,935</u>
Operating receipts over operating disbursements	<u>(440,014)</u>
Nonoperating receipts (disbursements):	
Debt service:	
Principal retirement	(389,500)
Interest and fiscal charges	(266,143)
Intergovernmental receipts	86,910
Special assessments	678,245
Other nonoperating receipts	13,929
Other nonoperating disbursements	<u>(28,264)</u>
Total nonoperating receipts (disbursements)	<u>95,177</u>
Net disbursements over receipts before transfers and advances	<u>(344,837)</u>
Transfers in	147,561
Advances in	93,294
Advances out	<u>(29,109)</u>
Total transfers and advances	<u>211,746</u>
Change in net position	(133,091)
Net position at beginning of year	<u>740,809</u>
Net position at end of year	<u><u>\$ 607,718</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
AGENCY FUNDS
DECEMBER 31, 2015

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 4,326,444
Cash in segregated accounts	<u>647,359</u>
Total assets	<u>\$ 4,973,803</u>
Net position:	
Unrestricted.	<u>\$ 4,973,803</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 - REPORTING ENTITY

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

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

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

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

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

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or responsible to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt, or the levying of taxes. For the year ended December 31, 2015, the County reported no component units.

Separate Agencies

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

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

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 - REPORTING ENTITY - (Continued)

Other Organizations

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

The Tri-County Corrections Board is a joint venture for the establishment of a central jail facility for the use of Champaign, Madison and Union Counties. The operation of the jail is controlled by a joint board whose membership consists of the sheriff, one judge, and one commissioner from each of the participating counties. Each County's ability to influence the operations of the jail is limited to their representation on the board. Each County is charged for their share of the operating costs of the Center based on the number of individuals from their County in attendance. The County has an ongoing financial responsibility for this entity and, in 2015 contributed \$1,348,825 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 2015, the County's share of operating costs was \$319,406. Union County serves as the fiscal agent.

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

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

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

MADISON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 1 - REPORTING ENTITY - (Continued)

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

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

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

B. Basis of Accounting

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

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

C. Fund Accounting

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

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

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

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

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

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

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

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Enterprise Funds - These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination or receipts earned, disbursements incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The County's enterprise funds are used to account for airport operations and wastewater treatment. There were no major enterprise funds for 2015.

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

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

D. Cash Receipts-Exchange and Non-exchange Transactions

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

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

E. Cash Disbursements

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

F. Budgetary Process

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

MADISON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

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

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

G. Property, Plant and Equipment

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

H. Unpaid Vacation, Personal and Sick Leave

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

I. Long-term Obligations

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

J. Net Position

Net position represents the cash and cash equivalent balances of the County at year-end. Net position consists of cash receipts reduced by cash disbursements for the current year. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted for other purposes is comprised of net position restricted for grants. The County applies restricted resources when an expense is incurred for the purposes for which both restricted and unrestricted net position is available. None of the County's restricted net position of \$12,678,448 is restricted by enabling legislation.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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 2015, investments were limited to Village of Mount Sterling, Union and Range Township Securities and Central Township Joint Fire District Securities. All investments are reported at cost and are considered part of the cash management pool.

All interest receipts are reported in the General Fund except those specifically related to those funds deemed appropriate according to Board of County Commissioners policy. For 2015, interest receipts amounted to \$42,563, of which \$42,449 was recorded in the General Fund, \$33 was recorded in the Motor Vehicle Gasoline Tax Fund, and \$81 was recorded in the Mary Statler Expendable Trust Fund.

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

L. Operating Cash Receipts and Cash Disbursements

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

M. Fund Balance

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

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

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

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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

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

N. Interfund Transactions

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

O. Interfund Receivables/Payables

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

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2015, the County has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 effected the County's pension plan disclosures, as presented in Note 9 to the financial statements.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the County.

B. Compliance

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

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 \$8,173 as of December 31, 2015. The County’s carrying value and bank balance was \$22,108,599 and \$23,073,725, respectively, at December 31, 2015. 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, 2015:

	<u>Investment Balance</u>	<u>Maturity</u>	
		<u><1 year</u>	<u>>1 year</u>
Range Township Securities	\$97,800	\$13,600	\$84,200
Village of Mount Sterling Securities	62,100	20,000	42,100
Union Township Securities	31,750	31,750	-
Central Township Joint Fire District	125,000	62,000	63,000

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, 2016. The bonds bear interest at the rate of 4.40% per annum.

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

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

MADISON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County limits their investments to those authorized by State statute. The Union Township, Village of Mount Sterling, Range 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 10%, Range Township Securities was 31%, Village of Mount Sterling Securities was 20% and Central Townships Joint Fire District was 39%.

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.

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MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 5 - DEBT OBLIGATIONS

Under the cash basis of accounting, debt obligations are not reported as a liability in the accompanying basic financial statements. Debt obligations are reported for informational purposes only. Information regarding such changes in the County's long-term obligations during 2015 is as follows:

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015	Due in One Year
Governmental Activities Debt					
Human Services Building					
Refunding Bonds 3.2%	\$ 237,007	\$ -	\$ (65,326)	\$171,681	\$ 61,616
Engineer's Building					
Construction Bonds 3.4%	545,000	-	(175,000)	370,000	180,000
Total Governmental Activities Debt	<u>\$782,007</u>	<u>\$ -</u>	<u>\$(240,326)</u>	<u>\$541,681</u>	<u>\$241,616</u>
Business-Type Activities Debt					
OWDA loans					
I70/US42 Sewer Construction					
7.55%	\$ 111,464	\$ -	\$(111,464)	\$ -	\$ -
Burr Oaks Sewer Construction					
7.55%	12,697	-	(12,697)	-	-
Choctaw Lake Sewer					
Construction- 4.4%	5,654,637	-	(249,928)	5,404,709	261,046
Camp Wissalohican Sewer					
Construction- 6.41%	61,936	-	(3,360)	58,576	3,579
Total OWDA Loans	5,840,734	-	(377,449)	5,463,285	264,625
Choctaw Lake Sewer					
Construction OPWC-0%	132,560	-	(12,051)	120,509	12,051
Total Business-Type Activities Debt	<u>\$5,973,294</u>	<u>\$ -</u>	<u>\$(389,500)</u>	<u>\$5,583,794</u>	<u>\$276,676</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.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 5 - 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 \$1,866,124 and \$5,463,285, 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:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 241,616	\$ 106,609	\$ 348,225
2017	249,994	104,411	354,405
2018	<u>50,071</u>	<u>95,346</u>	<u>145,417</u>
Total	<u>\$ 541,681</u>	<u>\$ 306,366</u>	<u>\$ 848,047</u>

Business-Type Activities:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 276,676	\$ 215,914	\$ 492,590
2017	288,522	205,212	493,734
2018	300,899	194,030	494,929
2019	313,832	182,349	496,181
2020	327,345	170,144	497,489
2021 - 2025	1,861,660	647,644	2,509,304
2026 - 2030	<u>2,214,860</u>	<u>250,831</u>	<u>2,465,691</u>
Total	<u>\$ 5,583,794</u>	<u>\$ 1,866,124</u>	<u>\$ 7,449,918</u>

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 5 - DEBT OBLIGATIONS - (Continued)

In 2003, the Madison County Airport Authority entered into a loan agreement with the Madison County Board of Commissioners. The \$292,000 loan was for the renovation of the airport hangar. The loan is for 16 years at 5% interest. The monthly payment for this loan is \$2,345 which includes interest and principal. The principal and interest paid in 2015 was \$21,409 and \$6,731, 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, 2015 is \$113,232.

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 2015 was \$26,302 and \$1,183, 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 loan agreement was paid in full as of December 31, 2015.

In 2012, the Madison County Commissioners authorized issuance of Refunding Bonds in the principal amount of \$637,350. The Bonds were dated December 12, 2012 and were issued for the purpose of refunding debt on the County Engineer Building. The bonds are issued for a 6 year period at 2.75% per annum. The principal and interest paid in 2015 was \$104,700 and \$11,998, respectively. As this is an intra-county loan agreement between the County Commissioners and County Engineer, the principal and interest is not included in the long term debt obligations of the County. The total principal balance remaining as of December 31, 2015 is \$331,600.

In 2013, the Madison County Commissioners authorized issuance of Taxable County Land Improvement Bonds in the principal amount of \$125,000. The Bonds were dated October 21, 2013 and were issued for the purpose of improving and cleaning up land at the Water Treatment Plant. The bonds are issued for a 5 year period at 3.5% per annum. The interest paid in 2015 was \$3,227. As this is an intra-county loan agreement between the County Commissioners and the Water Treatment Plant, the principal and interest is not included in the long term debt obligations of the County. The total principal balance remaining as of December 31, 2015 is \$112,100.

In 2014, the Madison County Commissioners authorized issuance of Sanitary Sewer District Improvement Bonds in the principal amount of \$105,000. The Bonds were dated August 4, 2014 and were issued for the purpose of sanitary sewer improvements. The bonds are issued for a 5 year period at 2.25% per annum. The first payment is due June 1, 2017. The interest paid in 2015 was \$1,949. As this is an intra-county loan agreement between the County Commissioners and the Water Treatment Plant, the principal and interest is not included in the long term debt obligations of the County. The total principal balance remaining as of December 31, 2015 is \$105,000.

In 2014, the Madison County Commissioners authorized issuance of County Airport Improvement Bonds in the principal amount of \$40,000. The Bonds were dated August 4, 2014 and were issued for the purpose of various airport improvements. The bonds are issued for a 5 year period at 2.25% per annum. The principal and interest paid in 2015 was \$7,700 and \$772, respectively. As this is an intra-county loan agreement between the County Commissioners and the Water Treatment Plant, the principal and interest is not included in the long term debt obligations of the County. The total principal balance remaining as of December 31, 2015 is \$28,500.

MADISON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 5 - DEBT OBLIGATIONS - (Continued)

In 2015, the Madison County Commissioners authorized issuance of Sanitary Sewer District Improvement Bond Anticipation Notes in the principal amount up to \$552,500. The Bond Anticipation Notes were dated November 9, 2015 and were issued for the purpose of sanitary sewer improvements. As of December 31, 2015, \$93,294 had been issued with the remaining \$459,206 available for future issuances. The bonds are issued for a 1 year period at 2.50% per annum. As this is an intra-county loan agreement between the County Commissioners and the Water Treatment Plant, the principal and interest is not included in the long term debt obligations of the County. The total principal balance remaining as of December 31, 2015 is \$93,294.

NOTE 6 - PROPERTY TAXES

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

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

The full tax rate applied to real property for calendar year 2015 was \$10.60 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$8.32 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$9.70 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these reductions is reimbursed to the County by the State of Ohio.

Telephone and inter-exchange telecommunications companies, or entities leasing property to these companies are required to file a list of personal property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for calendar year 2015 was \$10.60 per \$1,000 of assessed valuation.

The assessed values upon which fiscal year 2015 taxes were collected are:

Residential/Agricultural	\$931,300,070
Commercial/Industrial	146,208,290
Other Real Property	314,200
Public Utilities Personal Property	<u>42,934,400</u>
Total Assessed Valuation	<u>\$1,120,756,960</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.

MADISON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 7 - PERMISSIVE SALES AND USE TAX

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

Proceeds of the tax are credited entirely to the General Fund. Sales and Use tax revenue for 2015 amounted to \$6,214,911.

NOTE 8 - INSURANCE

A. General Risk

The County is exposed to various risks of loss related to torts, theft or damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2015, 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. In accordance with the cash basis of accounting, as more fully described in Note 2, the County does not record a liability for any incurred but unpaid claims as of year-end.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

For 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported December 31, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

MADISON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

The net pension liability reported on the statement of net position represents a liability or asset to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the County’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the County’s obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions are financed; however, the County does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes any net pension liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - County employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. County employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS’ Traditional Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension Plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension Plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

MADISON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2015 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %
2015 Actual Contribution Rates			
Employer:			
Pension	12.0 %	14.1 %	14.1 %
Post-employment Health Care Benefits	<u>2.0 %</u>	<u>4.0 %</u>	<u>4.0 %</u>
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>11.5 %</u>	<u>12.1 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The County's contractually required contribution was \$1,590,820 for 2015.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - County licensed teachers participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

MADISON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among 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. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For January 1, 2015 through June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. For July 1, 2015 through December 31, 2015, plan members were required to contribute 13 percent of their annual covered salary. The County was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2015 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was \$48,643 for 2015.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Pension Liabilities/Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and Combined Plan, respectively, were measured as of December 31, 2014, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. STRS total pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability or asset was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	STRS	Total
Proportionate share of the net pension liability	\$ 12,229,250	\$ 826,039	\$ 13,055,289
Proportion of the net pension liability	0.10139400%	0.00298888%	

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.75 percent
Future salary increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or ad hoc COLA	3 percent, simple
Investment rate of return	8 percent
Actuarial cost method	Individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.31 %
Domestic equities	19.90	5.84
Real estate	10.00	4.25
Private equity	10.00	9.25
International equities	19.10	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

Discount Rate - The discount rate used to measure the total pension liability was 8 percent for both the Traditional Pension Plan and the Combined Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
County's proportionate share of the net pension liability:	\$ 22,498,315	\$ 12,229,250	\$ 3,580,222

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the County's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
County's proportionate share of the net pension liability	\$ 1,147,430	\$ 826,039	\$ 554,255

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2015 local government employers contributed 14.00% of covered payroll (18.10% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2015 was 2.00% for members in the state and local category and 4.00% for members in the public safety and law enforcement categories.

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

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$265,229, \$236,549, and \$113,857, respectively; 100% has been contributed for 2015, 2014 and 2013.

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

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 10 - POSTRETIREMENT BENEFIT PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS did not allocate any percentage of employer contributions to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2015, 2014 and 2013 were \$0, \$1,526 and \$2,877, respectively. The full amount has been contributed for 2015, 2014 and 2013.

NOTE 11 - CONDUIT DEBT OBLIGATIONS

During 1997, the County served as the issuer of \$2,700,000 in Multifamily Housing Revenue Bonds. The proceeds were used by a private corporation to fund the construction of an assisted living facility. The amount outstanding on this issue is \$1,880,000. 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 \$3,420,000. In 2005, the County served as the issuer of \$11,125,000 in Hospital Facilities Multi-mode Variable Rate Revenue Refunding and Improvement Bonds. The proceeds were used to refund outstanding Hospital Improvement Revenue Refunding Bonds and to acquire, construct, improve and equip certain Hospital facilities. The County also served as issuer of \$1,700,000 in Hospital Facilities Revenue Bonds, the proceeds of which will be used to acquire, construct, improve and equip certain Hospital facilities. The amount outstanding on both issues is \$8,065,000. 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.

NOTE 12 - HOSPITAL AGREEMENT

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

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

MADISON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 13 - INTERFUND TRANSACTIONS

Transfers made during the year ended December 31, 2015, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 1,228,303
Motor Vehicle Gasoline Tax Fund	-	55,594
Other Governmental Funds	1,148,336	12,000
Total Governmental Funds	<u>1,148,336</u>	<u>1,295,897</u>
Other Enterprise Funds	147,561	-
Total All Funds	<u>\$ 1,295,897</u>	<u>\$ 1,295,897</u>

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

Advances made during the year ended December 31, 2015 were as follows:

	<u>Advances In</u>	<u>Advances Out</u>
General Fund	\$ 138,702	\$ 197,994
Other Governmental Funds	21,409	26,302
Total Governmental Funds	<u>\$ 160,111</u>	<u>\$ 224,296</u>
Other Enterprise Funds	93,294	29,109
Total All Funds	<u>\$ 253,405</u>	<u>\$ 253,405</u>

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

NOTE 14 - CONTINGENCIES AND LITIGATION

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

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

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 15 - BUDGETARY BASIS FUND BALANCES

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

	General	Motor Vehicle Gasoline Tax	Board of Developmental Disabilities
Budgetary Basis Fund Balances	\$1,063,701	\$108,993	\$(642,314)
Encumbrances	1	-	-
Fund Balances of Funds Combined with the General Fund for Reporting Purposes	(73,870)	-	-
Fund Cash Balances	\$989,832	\$108,993	\$(642,314)

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MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 16 - FUND BALANCES

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

Fund Balances	General	Motor Vehicle Gasoline Tax	Board of Developmental Disabilities	Other Governmental Funds	Total
<i>Nonspendable</i>					
Unclaimed Monies	\$ 211,469	\$ -	\$ -	\$ -	\$ 211,469
Statler Trust	-	-	-	40,000	40,000
Total	211,469	-	-	40,000	251,469
<i>Restricted</i>					
General Government	-	-	-	2,974,509	2,974,509
Public Safety	-	-	-	1,660,134	1,660,134
Public Works	-	1,296,702	-	120,366	1,417,068
Health	-	-	3,173,646	39,851	3,213,497
Human Services	-	-	-	1,863,556	1,863,556
Other	-	-	-	263,565	263,565
Capital Projects	-	-	-	1,174,819	1,174,819
Debt Service	-	-	-	56,710	56,710
Statler Trust	-	-	-	14,590	14,590
Total	-	1,296,702	3,173,646	8,168,100	12,638,448
<i>Committed</i>					
Capital Projects	-	-	-	160,725	160,725
Public Works	-	-	-	30,606	30,606
Total	-	-	-	191,331	191,331
<i>Assigned</i>					
Future Purchases	1	-	-	-	1
<i>Unassigned</i>					
Total	4,173,438	-	-	-	4,173,438
Total	\$4,384,908	\$1,296,702	\$3,173,646	\$8,399,431	\$17,254,687

MADISON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 17 - ENCUMBRANCES

At December 31, 2015, the County had encumbrance commitments in governmental funds as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General Fund	\$ 1
Real Estate Assessment	417,544
CHIP Federal Block Grant Fund	25,327
Felony Delinquent Care and Custody	<u>5,565</u>
Total	<u>\$ 448,437</u>

Madison County

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Federal Grantor
Pass-Through Grantor

Program/Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
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	10.561	G-1415-11-5389 / G-1617-11-5543	237,797
<i>Passed Through the Ohio Department of Education</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	N/A	2,189
Cash Assistance:			
National School Lunch Program	10.555	N/A	5,048
National School Breakfast Program	10.553	N/A	2,996
Total Nutrition Cluster			<u>10,233</u>
Total United States Department of Agriculture			248,030
United States Department of Housing and Urban Development			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grants/State's Program	14.228	B-C-12-1BS-1	580
Community Development Block Grants/State's Program	14.228	B-F-13-1BS-1	290,260
Community Development Block Grants/State's Program	14.228	B-F-14-1BS-1	82,196
Total Community Development Block Grants/State's Program			<u>373,036</u>
Home Investment Partnership Program	14.239	B-C-12-1BS-2	24,747
Total United States Department of Housing and Urban Development			397,783
United States Department of Labor			
<i>Passed through Ohio Department of Job and Family Services</i>			
Workforce Investment Act Cluster:			
Workforce Investment Act- Adult Program	17.258	2013-7349-1 / 2014-7349-1	105,964
Workforce Investment Act- Adult Program Administration	17.258	2013-7349-1 / 2014-7349-1	2,653
Workforce Investment Act- Adult Program Total			<u>108,617</u>
Workforce Investment Act-Youth Activities	17.259	2013-7349-1 / 2014-7349-1	49,012
Workforce Investment Act-Youth Activities Administration	17.259	2013-7349-1 / 2014-7349-1	690
Workforce Investment Act-Youth Activities Total			<u>49,702</u>
WIA Dislocated Workers	17.278	2013-7349-1 / 2014-7349-1	34,120
WIA Dislocated Workers - Administration	17.278	2013-7349-1 / 2014-7349-1	681
WIA Dislocated Workers Total			<u>34,801</u>
Workforce Investment Act Cluster Total			<u>193,120</u>
Total United States Department of Labor			193,120
United States Department of Transportation			
<i>Direct from the Federal Government:</i>			
Airport Improvement Program	20.106	N/A	221,631
Airport Improvement Program	20.106	N/A	43,412
Total Airport Improvement Program			<u>265,043</u>
<i>Passed through the Ohio Department of Transportation</i>			
Highway Planning and Construction Program	20.205	16707	56,910
Total United States Department of Transportation			321,953

Madison County

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

Federal Grantor
Pass-Through Grantor

Program/Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
United States Department of Education			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
Special Education-Grants to States	84.027	N/A	10,734
Special Education-Preschool Grants	84.173	N/A	12,695
Total Special Education Cluster			<u>23,429</u>
Total United States Department of Education			23,429
United States Department of Health and Human Services			
<i>Passed Through Ohio Department of Job and Family Services:</i>			
Promoting Safe and Stable Families	93.556	G-1415-11-5389 / G-1617-11-5543	36,852
Temporary Assistance for Needy Families	93.558	G-1415-11-5389 / G-1617-11-5543	424,981
Child Support Enforcement	93.563	G-1415-11-5389 / G-1617-11-5543	394,303
Child Care and Development Block Grant	93.575	G-1415-11-5389 / G-1617-11-5543	50,696
Community-Based Child Abuse Prevention Grants	93.590	G-1415-11-5389 / G-1617-11-5543	3,000
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1415-11-5389 / G-1617-11-5543	52,764
Foster Care - Title IV-E - Foster Care	93.658	G-1415-11-5389 / G-1617-11-5543	157,231
Adoption Assistance	93.659	G-1415-11-5389 / G-1617-11-5543	88,391
Chafee Foster Care Independence Program	93.674	G-1415-11-5389 / G-1617-11-5543	13,048
Medical Assistance Program	93.778	G-1415-11-5389 / G-1617-11-5543	448,201
<i>Passed Through Ohio Department of Developmentally Disabled</i>			
Medical Assistance Program			
Medicaid Administration (MAC)	93.778	31-64000075	128,004
Social Services Block Grant	93.667	31-64000075	27,626
<i>Passed Through Ohio Department of Job and Family Services:</i>			
Social Services Block Grant	93.667	G-1415-11-5389 / G-1617-11-5543	<u>338,818</u>
Total United States Department of Health and Human Services			2,163,915
United States Department of Homeland Security			
<i>Passed Through Ohio Emergency Management Agency</i>			
Emergency Management Performance Grants	97.042	EMW-2014EP-00064-S01	72,550
Emergency Management Performance Grants	97.042	EMW-2015EP-00034-S01	10,713
Total Emergency Management Performance Grants			<u>83,263</u>
Total United States Department of Homeland Security			83,263
United States Election Assistance Commission			
<i>Passed through Ohio Secretary of State</i>			
Help America Vote Act	90.401	N/A	<u>1,240</u>
Total United States Department of Election Assistance Commission			1,240
Total Expenditures of Federal Awards			<u>3,432,733</u>

The accompanying notes are an integral part of this schedule.

MADISON COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 2 CFR 200.510(b)(6) FOR THE YEAR ENDED DECEMBER 31, 2015

Note A – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Madison County (the County's) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C – Child Nutrition Cluster

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

Note D – Food Donation Program

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 E – 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.

Note F – Matching Requirements

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

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Dave Yost • Auditor of State

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

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

To the Board of Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Madison County, (the County) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 31, 2017, where we noted the County uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. We consider findings 2015-001 and 2015-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2015-003 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-004.

County's Response to Findings

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

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

January 31, 2017



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Commissioners:

Report on Compliance for Each Major Federal Program

We have audited the Madison County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Madison County's major federal programs for the year ended December 31, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

Management's Responsibility

The County's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Madison County complied, in all material respects with the compliance requirements referred to above that could directly and materially affects each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

January 31, 2017

MADISON COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2015

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	<ul style="list-style-type: none"> • Temporary Assistance for Needy Families (TANF), CFDA #93.558 • Medicaid Assistance Program (Title XIX), CFDA #93.778 • Social Services Block Grant (SSBG), CFDA #93.667 • Airport Improvement Program, CFDA #20.106
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

MADISON COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2015
(Continued)

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

FINDING NUMBER 2015-001

Material Weakness – Cash Reconciliation

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

The County Auditor was not reconciled with the bank/Treasurer at year end. During our testing, we noted there was a remaining unreconciled balance of \$42,912.24.

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

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

Officials' Response:

See corrective action plan.

FINDING NUMBER 2015-002

Material Weakness – Financial Reporting

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

The following adjustments and reclassifications were material to the County's 2015 financial statements, and as such, were adjusted to the financial statements:

- Reclassification of special assessments revenue, in the nonmajor enterprise funds, from operating revenue to nonoperating revenue in the amount of \$678,245 due to the purpose of the assessment.
- Regarding the budgetary versus actual statements, an adjustment was required to the Original Budgeted Disbursements Amount in the Motor Vehicle Gas Tax Fund in the amount of \$498,300.
- Regarding the budgetary versus actual statements, an adjustment was required to the Original Budgeted Disbursements Amounts in the General Fund, in the amount of \$2,547,380.

The following entries were not material to the County's 2015 financial statements and were not adjusted to the financial statements or to the County's accounting records:

MADISON COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2015
(Continued)

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

FINDING NUMBER 2015-002 (Continued)

Material Weakness – Financial Reporting (Continued)

- Several adjustments and reclassifications entries were noted during our property taxes testing. These errors were further explained in Finding 2015-003.
- Adjustment to increase capital outlay expenditures in the Other Governmental Funds in the amount of \$30,518, due to the amount reported on the trial balances not being properly reflected on the financial statements.
- Regarding the budgetary versus actual statements, adjustments were required to the Final Budgeted Disbursements amount in the General Fund in the amount of \$420,921.
- Regarding the budgetary versus actual statements, adjustments were required to the Original Budgeted Disbursements and Original Budgeted Receipts amounts in the Board of Developmental Disabilities Fund in the amount of \$18,700 and \$300,000, respectively.
- An adjustment to the cash balance in the General fund, based on changes made to the year-end cash reconciliation. The adjustment was to reduce Cash by \$269,258 for an expenditure that wasn't properly recorded at year-end.

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

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

Officials' Response:

See corrective action plan.

FINDING NUMBER 2015-003

Significant Deficiency – Revenue Monitoring System

A monitoring system by the County Auditor should be in place to prevent or detect material misstatements for the accurate presentation of the County's financial statements.

During our testing, particularly related to the property taxes and intergovernmental receipts, it was noted that the County's process is to send a check to each of the departments receiving a tax settlement, allow the department to review the settlement and prepare a pay-in, and then the receipt is posted to the County's accounting system once the pay-in is received. These pay-ins are posted to the County's accounting system, as indicated by the department, and reviews over the accuracy of these postings is not always completed by the Auditor's office. We noted several instances where property taxes were recorded as intergovernmental receipts, intergovernmental receipts were posted as property taxes, and property taxes were posted at net. The following table shows the posting errors found during our testing:

MADISON COUNTY
SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2015
(Continued)

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

FINDING NUMBER 2015-003 (Continued)

Significant Deficiency – Revenue Monitoring System (Continued)

Posting Error	
General Fund: Property taxes revenue being posted at net (not posting auditor and treasurer fees)	\$80,061
General Fund: Manufactured homes receipts not properly posted and other fees posted as tax receipts	\$11,016
Board of Developmental Disabilities Fund: Property taxes posted at net (not posting auditor and treasurer fees)	\$56,186
Board of Developmental Disabilities Fund: Intergovernmental revenue posted as property taxes	\$262,976
Board of Developmental Disabilities Fund: Property taxes revenue posted as Intergovernmental revenue	\$150,000
Other Governmental Funds: Property taxes revenue being posted at net (not posting auditor and treasurer fees)	\$12,926
Other Governmental Funds: Intergovernmental revenue posted as property taxes	\$65,517

While none of the errors noted above resulted in material audit adjustments needing to be made to the financial statements, we believe that these errors could have a significant impact on future financial statements if the County’s review process is not enhanced to detect such errors. Timely and accurate posting of these receipts may also help to reduce the issues noted during the cash reconciliation, as referenced in Finding 2015-001.

We recommend the County Auditor take steps to ensure the accurate posting of transactions, received from all departments, to the ledgers. By exercising accuracy in recording financial activity, the County can reduce posting errors and increase the reliability of the financial data throughout the year.

Officials’ Response:

See corrective action plan.

MADISON COUNTY

SCHEDULE OF FINDINGS

2 CFR § 200.515

DECEMBER 31, 2015

(Continued)

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

FINDING NUMBER 2015-004

Material Noncompliance – Annual Financial Report

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

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

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

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

Officials' Response:

See corrective action plan.

3. FINDINGS FOR FEDERAL AWARDS

None.

MADISON COUNTY

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material Weakness – Cash Reconciliation; First issued during the 2014 audit	Repeated as Finding 2015-001	Unreconciled cash balance still existed at year end; the County Auditor and Treasurer were still working to get their reconciling practice into place during this audit period.
2014-002	Material Weakness – Financial Reporting; First issued during the 2014 audit	Repeated as Finding 2015-002	Reoccurred due to the County Auditor’s office was working to get a proper review practice in place during the audit period.
2014-003	Material Noncompliance – Annual Financial Report; First issued during the 2014 audit	Repeated as Finding 2015-004	The County has still not filed their financial statements on the GAAP basis.
2014-004	Finding for Recovery – Repaid Under Audit	Fully corrected	Finding was repaid under the prior audit.
2014-005	Material Noncompliance – Single Audit Deadline	Finding no longer valid.	The requirements of Uniform Guidance are different than that of A-133, therefore, this finding no longer applies.

MADISON COUNTY

**CORRECTIVE ACTION PLAN
2 CFR 200.511(b)
DECEMBER 31, 2015**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2015-001	The County Auditor and Treasurer have established new reconciling procedures and are working together to ensure they're reconciling together on a regular basis.	Already completed	Jennifer Hunter and Donna Landis
2015-002	The County Auditor's office has put into place a new policy, which now requires a greater level of detailed review for all transactions before they're posted to the accounting system.	Already completed	Jennifer Hunter
2015-003	The County Auditor's office has established a new review process which requires review of line items for all pay-ins that are received. Any items appearing to be miscoded will be corrected by the Auditor's office and the individual department will be notified of the change.	Already completed	Jennifer Hunter
2015-004	The County Auditor is planning, along with their independent accounting firm, to eventually report the County's financial statements on the GAAP basis.	No completion date established	Jennifer Hunter

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Dave Yost • Auditor of State

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 7, 2017**