

MADISON COUNTY, OHIO

**Basic Financial Statements
(Audited)**

**For the Year Ended
December 31, 2019**

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPARReport@ohioauditor.gov
(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of Madison County, prepared by Julian & Grube, Inc., for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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Keith Faber
Auditor of State
Columbus, Ohio

November 19, 2020

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MADISON COUNTY

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Independent Auditor's Report

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, business-type activities, each major fund, and the aggregate remaining fund information of Madison County, Ohio, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Madison 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 Madison 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 Madison County's internal control. Accordingly, we express no such 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, business-type activities, each major fund, and the aggregate remaining fund information of Madison County, Ohio, as of December 31, 2019, and the respective changes in cash financial position and where applicable cash flows and the respective budgetary comparison for the General, Motor Vehicle Gasoline 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 Madison County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matters

As discussed in Note 3 to the financial statements, Madison County adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Also, as discussed in Note 19 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of Madison County. We did not modify our opinion regarding these matters.

Other Matters

Supplementary 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 August 24, 2020 on our consideration of Madison 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 Madison County's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in black ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.
August 24, 2020

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Madison County
Management's Discussion and Analysis
For the Year Ended December 31, 2019

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, 2019, within the limitations of the County's cash basis of accounting. Please read this in conjunction with the County's financial statements that begin on page 11.

Financial Highlights

Key financial highlights for 2019 are as follows:

Overall:

- Total net position increased by \$1,810,450 with governmental activities increasing by \$964,043 and business-type activities increasing by \$846,407 from fiscal year 2018's restated balances.
- Total cash receipts were \$41,939,127 in 2019.
- Total cash disbursements were \$40,128,677 in 2019.

Governmental Activities:

- Total program cash receipts were \$20,560,287 in 2019, while program cash disbursements were \$36,330,395.
- 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 \$4,999,214, \$8,016,547, \$4,188,507, \$6,847,496, \$4,645,092, \$5,508,529, and \$1,677,867, respectively, in 2019.

Business-Type Activities:

- Program cash receipts were \$3,594,912 for business-type activities, while corresponding cash disbursements were \$3,798,282.

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 governmental funds and have been presented as major funds. The Airport Authority Fund is the County's most significant enterprise fund and has been presented as a major fund for proprietary funds.

Reporting the County as a Whole

Statement of Net Position and Statement of Activities

While this document contains the large number of funds used by the County to provide programs and activities, the view of the County as a whole looks at all cash basis financial transactions and asks the question, "How did we do financially during 2019?" 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, water 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 9. 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. The County's Airport Authority Fund was the only major proprietary fund.

Madison County
Management's Discussion and Analysis
For the Year Ended December 31, 2019

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 custodial funds. Only the cash held at year end for the custodial funds is reported.

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Madison County
Management's Discussion and Analysis
For the Year Ended December 31, 2019

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 2019 and 2018. The information for fiscal year 2018 has been restated as described in Note 3.

Table 1 - Net Cash Position

	Governmental Activities		Business-Type Activities		Totals	
	Restated		Restated		Restated	
	2019	2018	2019	2018	2019	2018
Assets						
Equity in Pooled Cash and Cash Equivalents	\$23,041,928	\$22,077,885	\$1,486,989	\$ 647,283	\$24,528,917	\$22,725,168
Cash in Segregated accounts	-	-	15,760	9,059	15,760	9,059
Total Assets	23,041,928	22,077,885	1,502,749	656,342	24,544,677	22,734,227
Net Position						
Restricted for:						
Capital Projects	1,382,780	1,523,928	-	-	1,382,780	1,523,928
Debt service	419,820	356,268	-	-	419,820	356,268
General government	4,721,952	4,262,751	-	-	4,721,952	4,262,751
Public safety programs	2,608,048	2,288,625	-	-	2,608,048	2,288,625
Public works projects	1,074,542	1,560,766	-	-	1,074,542	1,560,766
Health services	1,810,938	1,806,571	-	-	1,810,938	1,806,571
Human services programs	2,531,004	1,710,232	-	-	2,531,004	1,710,232
Permanent Fund:						
Expendable	4,244	3,847	-	-	4,244	3,847
Nonexpendable	50,000	50,000	-	-	50,000	50,000
Other Purposes	254,565	254,565	-	-	254,565	254,565
Unrestricted	8,184,035	8,260,332	1,502,749	656,342	9,686,784	8,916,674
Total Net Position	\$23,041,928	\$22,077,885	\$1,502,749	\$656,342	\$24,544,677	\$22,734,227

Total assets and net position increased by \$1,810,450 from 2018 to 2019. \$14,857,893 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 \$9,686,784 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, 2019

The table below shows the changes in net cash position for 2019 and 2018. The information for fiscal year 2018 has been restated as described in Note 3.

Table 2 - Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	Restated		Restated		Restated	
	2019	2018	2019	2018	2019	2018
Program Cash Receipts						
Charges for Services and Sales	\$ 7,458,375	\$ 7,828,484	\$ 3,589,639	\$ 2,015,298	\$ 11,048,014	\$ 9,843,782
Operating Grants and Contributions	12,696,668	11,834,099	-	-	12,696,668	11,834,099
Capital Grants and Contributions	405,244	194,756	5,273	6,027	410,517	200,783
Total Program Cash Receipts	20,560,287	19,857,339	3,594,912	2,021,325	24,155,199	21,878,664
General Cash Receipts						
Property Taxes	7,092,338	6,713,602	-	-	7,092,338	6,713,602
Sales Taxes	7,661,126	6,993,928	-	-	7,661,126	6,993,928
Grants and Entitlements not Restricted to Specific Programs	1,991,093	2,510,734	-	-	1,991,093	2,510,734
Interest Receipts	451,997	360,965	-	-	451,997	360,965
Miscellaneous	587,374	355,267	-	-	587,374	355,267
Total General Cash Receipts	17,783,928	16,934,496	-	-	17,783,928	16,934,496
Total Cash Receipts	38,344,215	36,791,835	3,594,912	2,021,325	41,939,127	38,813,160
Program Cash Disbursements						
General Government						
Legislative & Executive	8,016,547	6,767,357	-	-	8,016,547	6,767,357
Judicial	4,188,507	3,472,603	-	-	4,188,507	3,472,603
Public Safety	5,508,529	5,027,780	-	-	5,508,529	5,027,780
Public Works	6,847,496	6,140,263	-	-	6,847,496	6,140,263
Health	4,645,092	5,086,195	-	-	4,645,092	5,086,195
Human Services	4,999,214	5,950,212	-	-	4,999,214	5,950,212
Conservation and Recreation	434,779	406,887	-	-	434,779	406,887
Miscellaneous	996	992	-	-	996	992
Capital Outlay	1,677,867	1,358,609	-	-	1,677,867	1,358,609
Debt Service						
Principal Retirement	-	50,071	-	-	-	50,071
Interest and Fiscal Charges	11,368	111,108	-	-	11,368	111,108
Total Program Cash Disbursements	36,330,395	34,372,077	-	-	36,330,395	34,372,077
Business - Type Activities Disbursements						
Airport Operations	-	-	394,782	398,998	394,782	398,998
Wastewater Treatment	-	-	3,403,500	1,668,272	3,403,500	1,668,272
Total Business Type Activities Disbursements	-	-	3,798,282	2,067,270	3,798,282	2,067,270
Total Cash Disbursements	36,330,395	34,372,077	3,798,282	2,067,270	40,128,677	36,439,347
Advances and Transfers						
Advances In (Out)	(334,777)	897,684	334,777	(897,684)	-	-
Transfers In (Out)	(715,000)	(380,100)	715,000	380,100	-	-
Total Advances and Transfers	(1,049,777)	517,584	1,049,777	(517,584)	-	-
Increase (Decrease) in Net Cash Position	964,043	2,937,342	846,407	(563,529)	1,810,450	2,373,813
Net Cash Position at Beginning of Year (restated)						
	22,077,885	19,140,543	656,342	1,219,871	22,734,227	20,360,414
Net Cash Position at End of Year	\$ 23,041,928	\$ 22,077,885	\$ 1,502,749	\$ 656,342	\$ 24,544,677	\$ 22,734,227

Madison County
Management's Discussion and Analysis
For the Year Ended December 31, 2019

For governmental activities, the increase in total program cash receipts can be attributed to an increase in charges for services during the fiscal year and the increase in overall cash disbursements can be attributed to an increase in public works and human services disbursements.

For business-type activities the decrease in total program cash receipts can be attributed to a decrease in capital contributions and grants for the Airport Authority and the increase in cash disbursements can be attributed to an increase in disbursements for capital outlay and increased activity related to the County's water treatment plant.

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall monies generated by a voted levy do not increase solely as a result of inflation. Thus, the County's dependence upon property taxes is hampered by a lack of tax growth and it must return to voters to maintain a constant level of service. Property taxes and sales taxes made up 18.50 percent and 19.98 percent, respectively, of cash receipts for governmental activities for Madison County in 2019. Charges for services and sales and operating grants and contributions made up 19.45 percent and 33.11 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 governmental 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 43.41 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 2019 and 2018.

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

	2019		2018	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Governmental Activities				
General Government:				
Legislative and Executive	\$ 8,016,547	\$ 5,658,080	\$ 6,767,357	\$ 4,445,410
Judicial	4,188,507	3,061,741	3,472,603	2,323,305
Public Safety	5,508,529	3,486,932	5,027,780	3,099,013
Public Works	6,847,496	117,301	6,140,263	401,136
Health	4,645,092	2,072,276	5,086,195	2,317,804
Human Services	4,999,214	239,330	5,950,212	988,674
Conservation and Recreation	434,779	355,634	406,887	311,942
Miscellaneous	996	996	992	992
Capital Outlay	1,677,867	830,644	1,358,609	679,828
Debt Service:				
Principal Retirement	-	-	50,071	(164,474)
Interest and Fiscal Charges	11,368	(52,826)	111,108	111,108
Total Governmental Activities	<u>\$ 36,330,395</u>	<u>\$ 15,770,108</u>	<u>\$ 34,372,077</u>	<u>\$ 14,514,738</u>
Business - Type Activities				
Airport Operations	\$ 394,782	\$ 188	\$ 398,998	\$ (11,042)
Wastewater Treatment	3,403,500	203,182	1,668,272	56,987
Total Business - Type Activities	<u>\$ 3,798,282</u>	<u>\$ 203,370</u>	<u>\$ 2,067,270</u>	<u>\$ 45,945</u>

Madison County
Management's Discussion and Analysis
For the Year Ended December 31, 2019

Business-Type Activities

Business-type activities include wastewater treatment services, water treatment services, and a County-owned airport. Overall net position decreased from 2018 to 2019. Mainly program cash receipts support business-type activities. The increase in advances out was the main reason for the decrease in net cash position at year-end.

The County's Funds

Information about the County's major funds starts on page 14. These funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$40,675,581 and cash disbursements and other financing uses of \$39,711,538. The net change in fund balance for the year was most significant in the General Fund cash balance which went from a balance of \$8,109,386 in 2018 to \$7,764,651 in 2019, the Board of Developmental Disabilities which went from a balance of \$1,756,443 in 2018 to a balance of \$1,709,865 in 2019, and in the Motor Vehicles Gasoline Tax Fund which went from a balance of \$1,328,907 in 2018 to a balance of \$889,836 in 2019. This net change in fund balance was a decrease of \$344,735 for the General Fund, a decrease of \$46,578 for the Board of Developmental Disabilities Fund, and a decrease of \$439,071 for the Motor Vehicles Gasoline Tax Fund.

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, the original budget basis receipts and the final budget basis receipts were \$16,493,610 and \$17,678,964, respectively. Total actual receipts and other financing sources were \$17,499,057. The original budget basis disbursements and other financing uses were \$14,532,108 and the final budget basis disbursements and other financing uses were \$18,135,255. Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were \$18,313,573 which is \$814,516 greater 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 \$1,667,867 in governmental funds and \$716,682 in proprietary funds during 2019.

Madison County
Management's Discussion and Analysis
For the Year Ended December 31, 2019

Debt

Under the cash basis of accounting the County does not report long-term 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 long-term loans. At December 31, 2019, the County had \$4,403,866 in loans for business-type activities. Table 4 summarizes long-term obligations outstanding for the past two years:

Table 4 - Outstanding Debt at December 31

	<u>2019</u>	<u>2018</u>
Business – Type Activities:		
OWDA Loans	\$4,331,560	\$4,633,341
OPWC Loan	72,306	84,356
Total Business – Type Activities Debt	<u>4,403,866</u>	<u>4,717,697</u>
Total Outstanding Debt	<u>\$4,403,866</u>	<u>\$4,717,697</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, 2019

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 23,041,928	\$ 1,486,989	\$ 24,528,917
Cash in segregated accounts	-	15,760	15,760
Total assets.	<u>23,041,928</u>	<u>1,502,749</u>	<u>24,544,677</u>
Net position:			
Restricted for:			
Capital projects	1,382,780	-	1,382,780
Debt service.	419,820	-	419,820
General government	4,721,952	-	4,721,952
Public safety programs	2,608,048	-	2,608,048
Public works projects	1,074,542	-	1,074,542
Health services	1,810,938	-	1,810,938
Human services programs.	2,531,004	-	2,531,004
Permanent fund			
Expendable	4,244	-	4,244
Nonexpendable	50,000	-	50,000
Other purposes	254,565	-	254,565
Unrestricted	<u>8,184,035</u>	<u>1,502,749</u>	<u>9,686,784</u>
Total net position.	<u>\$ 23,041,928</u>	<u>\$ 1,502,749</u>	<u>\$ 24,544,677</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON COUNTY, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Cash Receipts			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government:				
Legislative and executive.	\$ 8,016,547	\$ 2,358,467	\$ -	\$ -
Judicial.	4,188,507	1,121,057	5,709	-
Public safety.	5,508,529	1,630,633	390,964	-
Public works.	6,847,496	1,183,943	5,546,252	-
Health	4,645,092	430,062	2,142,754	-
Human services	4,999,214	148,895	4,610,989	-
Conservation and recreation	434,779	79,145	-	-
Other	996	-	-	-
Capital outlay	1,677,867	441,979	-	405,244
Debt service:				
Interest and fiscal charges	11,368	64,194	-	-
Total governmental activities.	<u>36,330,395</u>	<u>7,458,375</u>	<u>12,696,668</u>	<u>405,244</u>
Business-type activities:				
Airport operations	394,782	389,321	-	5,273
Water treatment.	934,442	725,383	-	-
Wastewater treatment	2,469,058	2,474,935	-	-
Total business-type activities.	<u>3,798,282</u>	<u>3,589,639</u>	<u>-</u>	<u>5,273</u>
Total primary government	<u>\$ 40,128,677</u>	<u>\$ 11,048,014</u>	<u>\$ 12,696,668</u>	<u>\$ 410,517</u>

General cash receipts, advances and transfers:

Property taxes levied for:	
General purposes	
Developmental disabilities human services	
911 operations	
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 (restated)	
Net position at end of year	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (5,658,080)	\$ -	\$ (5,658,080)
(3,061,741)	-	(3,061,741)
(3,486,932)	-	(3,486,932)
(117,301)	-	(117,301)
(2,072,276)	-	(2,072,276)
(239,330)	-	(239,330)
(355,634)	-	(355,634)
(996)	-	(996)
(830,644)	-	(830,644)
52,826	-	52,826
<u>(15,770,108)</u>	<u>-</u>	<u>(15,770,108)</u>
-	(188)	(188)
-	(209,059)	(209,059)
-	5,877	5,877
<u>-</u>	<u>(203,370)</u>	<u>(203,370)</u>
<u>(15,770,108)</u>	<u>(203,370)</u>	<u>(15,973,478)</u>
3,561,476	-	3,561,476
2,354,565	-	2,354,565
1,176,297	-	1,176,297
7,661,126	-	7,661,126
1,991,093	-	1,991,093
451,997	-	451,997
587,374	-	587,374
17,783,928	-	17,783,928
(334,777)	334,777	-
(715,000)	715,000	-
<u>16,734,151</u>	<u>1,049,777</u>	<u>17,783,928</u>
964,043	846,407	1,810,450
22,077,885	656,342	22,734,227
<u>\$ 23,041,928</u>	<u>\$ 1,502,749</u>	<u>\$ 24,544,677</u>

MADISON COUNTY, OHIO

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2019

	<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	\$ 7,764,651	\$ 889,836	\$ 1,709,865	\$ 12,677,576	\$ 23,041,928
Total assets	<u>\$ 7,764,651</u>	<u>\$ 889,836</u>	<u>\$ 1,709,865</u>	<u>\$ 12,677,576</u>	<u>\$ 23,041,928</u>
Fund cash balances:					
Nonspendable.	\$ 290,400	\$ -	\$ -	\$ 50,000	\$ 340,400
Restricted	-	889,836	1,709,865	12,208,192	14,807,893
Committed.	-	-	-	419,384	419,384
Assigned.	364,312	-	-	-	364,312
Unassigned.	7,109,939	-	-	-	7,109,939
Total fund cash balances	<u>\$ 7,764,651</u>	<u>\$ 889,836</u>	<u>\$ 1,709,865</u>	<u>\$ 12,677,576</u>	<u>\$ 23,041,928</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, 2019

	General	Motor Vehicle Gasoline Tax	Board of Developmental Disabilities	Other Governmental Funds	Total Governmental Funds
Cash receipts:					
Property taxes	\$ 3,561,476	\$ -	\$ 2,354,565	\$ 1,176,297	\$ 7,092,338
Sales taxes	7,661,126	-	-	-	7,661,126
Charges for services	2,203,907	732,958	330,706	1,501,459	4,769,030
Licenses and permits	2,347	-	-	233,825	236,172
Fines and forfeitures	475,864	110,320	-	1,076,903	1,663,087
Intergovernmental	1,991,093	5,171,903	2,010,871	5,787,105	14,960,972
Special assessments	-	-	-	360,660	360,660
Investment income	445,460	5,566	-	3,088	454,114
Rental income	363,757	-	-	63,552	427,309
Reimbursements	2,641	-	-	-	2,641
Other	564,225	30	131,883	20,628	716,766
Total cash receipts	<u>17,271,896</u>	<u>6,020,777</u>	<u>4,828,025</u>	<u>10,223,517</u>	<u>38,344,215</u>
Cash disbursements:					
Current:					
General government:					
Legislative and executive	7,231,830	-	-	784,717	8,016,547
Judicial	3,869,215	-	-	319,292	4,188,507
Public safety	3,189,243	-	-	2,319,286	5,508,529
Public works	205,803	5,780,015	-	861,678	6,847,496
Health	64,724	-	4,544,618	35,750	4,645,092
Human services	325,338	-	-	4,673,876	4,999,214
Conservation and recreation	434,779	-	-	-	434,779
Other	996	-	-	-	996
Capital outlay	800	615,943	329,985	731,139	1,677,867
Debt service:					
Interest and fiscal charges	3,526	-	-	7,842	11,368
Total cash disbursements	<u>15,326,254</u>	<u>6,395,958</u>	<u>4,874,603</u>	<u>9,733,580</u>	<u>36,330,395</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>1,945,642</u>	<u>(375,181)</u>	<u>(46,578)</u>	<u>489,937</u>	<u>2,013,820</u>
Other financing sources (uses):					
Advances in	518,522	-	-	326,023	844,545
Advances out	(700,000)	-	-	(479,322)	(1,179,322)
Transfers in	-	29,032	-	1,457,789	1,486,821
Transfers out	(2,108,899)	(92,922)	-	-	(2,201,821)
Total other financing sources (uses)	<u>(2,290,377)</u>	<u>(63,890)</u>	<u>-</u>	<u>1,304,490</u>	<u>(1,049,777)</u>
Net change in fund balance - cash basis	(344,735)	(439,071)	(46,578)	1,794,427	964,043
Fund balance - cash basis, January 1 (restated)	<u>8,109,386</u>	<u>1,328,907</u>	<u>1,756,443</u>	<u>10,883,149</u>	<u>22,077,885</u>
Fund balance - cash basis, December 31	<u>\$ 7,764,651</u>	<u>\$ 889,836</u>	<u>\$ 1,709,865</u>	<u>\$ 12,677,576</u>	<u>\$ 23,041,928</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget Positive (Negative)
Budgetary basis receipts:				
Property taxes	\$ 3,505,500	\$ 3,598,091	\$ 3,561,476	\$ (36,615)
Sales taxes	6,750,000	7,739,890	7,661,126	(78,764)
Charges for services	2,426,910	1,933,798	1,914,119	(19,679)
Licenses and permits.	2,100	2,371	2,347	(24)
Fines and forfeitures.	464,500	480,756	475,864	(4,892)
Intergovernmental	2,287,501	2,011,563	1,991,093	(20,470)
Investment income	286,100	450,040	445,460	(4,580)
Rental income	350,000	367,497	363,757	(3,740)
Reimbursements.	2,000	2,668	2,641	(27)
Other	195,000	568,437	562,652	(5,785)
Total budgetary basis receipts	<u>16,269,611</u>	<u>17,155,111</u>	<u>16,980,535</u>	<u>(174,576)</u>
Budgetary basis disbursements:				
General government:				
Legislative and executive	5,749,895	7,164,661	7,263,351	(98,690)
Judicial.	3,034,934	3,811,643	3,951,745	(140,102)
Public safety	2,603,732	3,243,943	3,237,610	6,333
Public works	168,342	209,655	212,518	(2,863)
Health	52,943	65,936	69,544	(3,608)
Human services	266,119	331,428	331,601	(173)
Conservation and recreation	355,640	442,918	434,779	8,139
Debt service:				
Interest and fiscal charges	2,884	3,592	3,526	66
Total budgetary basis disbursements.	<u>12,234,489</u>	<u>15,273,776</u>	<u>15,504,674</u>	<u>(230,898)</u>
Excess of budgetary basis receipts over budgetary basis disbursements.	<u>4,035,122</u>	<u>1,881,335</u>	<u>1,475,861</u>	<u>(405,474)</u>
Other financing sources (uses):				
Transfers in	200,000	-	-	-
Transfers out.	(1,725,034)	(2,148,376)	(2,108,899)	39,477
Advances in	23,999	523,853	518,522	(5,331)
Advances out	(572,585)	(713,103)	(700,000)	13,103
Total other financing sources (uses).	<u>(2,073,620)</u>	<u>(2,337,626)</u>	<u>(2,290,377)</u>	<u>47,249</u>
Net change in fund balance - cash basis	1,961,502	(456,291)	(814,516)	(358,225)
Fund balance, January 1	6,574,197	6,574,197	6,574,197	-
Prior year encumbrances appropriated	<u>1,926</u>	<u>1,926</u>	<u>1,926</u>	<u>-</u>
Fund balance, December 31	<u>\$ 8,537,625</u>	<u>\$ 6,119,832</u>	<u>\$ 5,761,607</u>	<u>\$ (358,225)</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary basis receipts:				
Charges for services	\$ 955,347	\$ 732,958	\$ 732,958	-
Fines and forfeitures	80,000	110,320	110,320	-
Intergovernmental	4,741,674	5,171,903	5,171,903	-
Investment income	-	5,968	5,566	(402)
Other	200	30	30	-
Total budgetary basis receipts.	<u>5,777,221</u>	<u>6,021,179</u>	<u>6,020,777</u>	<u>(402)</u>
Budgetary basis disbursements:				
Current:				
Public works	5,404,361	5,780,014	5,799,293	(19,279)
Capital outlay	567,190	615,943	615,943	-
Total budgetary basis disbursements	<u>5,971,551</u>	<u>6,395,957</u>	<u>6,415,236</u>	<u>(19,279)</u>
Excess of budgetary basis disbursements over budgetary basis receipts.	<u>(194,330)</u>	<u>(374,778)</u>	<u>(394,459)</u>	<u>(19,681)</u>
Other financing sources (uses):				
Transfers in	-	29,032	29,032	-
Transfers out	(85,556)	(92,922)	(92,922)	-
Total other financing sources (uses)	<u>(85,556)</u>	<u>(63,890)</u>	<u>(63,890)</u>	<u>-</u>
Net change in fund balance - cash basis	(279,886)	(438,668)	(458,349)	(19,681)
Fund balance, January 1	<u>1,328,907</u>	<u>1,328,907</u>	<u>1,328,907</u>	<u>-</u>
Fund balance, December 31	<u>\$ 1,049,021</u>	<u>\$ 890,239</u>	<u>\$ 870,558</u>	<u>\$ (19,681)</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, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary basis receipts:				
Property taxes	\$ 2,355,000	\$ 2,354,565	\$ 2,354,565	\$ -
Charges for services.	411,800	330,706	330,706	-
Intergovernmental.	1,703,000	1,750,871	2,010,871	260,000
Other	98,000	131,883	131,883	-
Total budgetary basis receipts	<u>4,567,800</u>	<u>4,568,025</u>	<u>4,828,025</u>	<u>260,000</u>
Budgetary basis disbursements:				
Current:				
Health	5,193,000	4,544,618	5,106,091	(561,473)
Capital outlay.	360,000	329,984	339,780	(9,796)
Total budgetary basis disbursements	<u>5,553,000</u>	<u>4,874,602</u>	<u>5,445,871</u>	<u>(571,269)</u>
Excess of budgetary basis disbursements over budgetary basis receipts.	<u>(985,200)</u>	<u>(306,577)</u>	<u>(617,846)</u>	<u>(311,269)</u>
Other financing sources:				
Transfers in	250,000	-	-	-
Total other financing sources.	<u>250,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance - cash basis	(735,200)	(306,577)	(617,846)	(311,269)
Fund balance, January 1	1,448,443	1,448,443	1,448,443	-
Prior year encumbrances appropriated	<u>308,000</u>	<u>308,000</u>	<u>308,000</u>	<u>-</u>
Fund balance, December 31	<u>\$ 1,021,243</u>	<u>\$ 1,449,866</u>	<u>\$ 1,138,597</u>	<u>\$ (311,269)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON COUNTY, OHIO

STATEMENT OF NET POSITION - CASH BASIS
 PROPRIETARY FUNDS
 DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds		Total
	Airport Authority Fund	Nonmajor Enterprise Funds	
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 50,569	\$ 1,436,420	\$ 1,486,989
Cash in segregated accounts	15,760	-	15,760
Total assets.	66,329	1,436,420	1,502,749
Net position:			
Unrestricted	66,329	1,436,420	1,502,749
Total net position.	\$ 66,329	\$ 1,436,420	\$ 1,502,749

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, 2019

	Business-Type Activities - Enterprise Funds		Total
	Airport Authority Fund	Nonmajor Enterprise Funds	
Operating receipts:			
Charges for services	\$ 237,784	\$ 1,913,707	\$ 2,151,491
Other	151,537	746,853	898,390
Total operating receipts	<u>389,321</u>	<u>2,660,560</u>	<u>3,049,881</u>
Operating disbursements:			
Personal services	85,544	935,465	1,021,009
Contract services	281,748	990,931	1,272,679
Materials and supplies	1,246	194,948	196,194
Capital outlay	3,019	713,663	716,682
Other	21,061	71,525	92,586
Total operating disbursements	<u>392,618</u>	<u>2,906,532</u>	<u>3,299,150</u>
Operating disbursements over operating receipts	<u>(3,297)</u>	<u>(245,972)</u>	<u>(249,269)</u>
Nonoperating receipts (disbursements):			
Debt service:			
Principal retirement	-	(313,831)	(313,831)
Interest and fiscal charges	(2,164)	(183,137)	(185,301)
Intergovernmental receipts	5,273	-	5,273
Special assessments	-	539,758	539,758
Total nonoperating receipts (disbursements)	<u>3,109</u>	<u>42,790</u>	<u>45,899</u>
Net disbursements over receipts before advances and transfers	<u>(188)</u>	<u>(203,182)</u>	<u>(203,370)</u>
Transfers in	-	715,000	715,000
Advances in	-	400,000	400,000
Advances out	(30,223)	(35,000)	(65,223)
Total advances and transfers	<u>(30,223)</u>	<u>1,080,000</u>	<u>1,049,777</u>
Change in net position	(30,411)	876,818	846,407
Net position at beginning of year (restated)	<u>96,740</u>	<u>559,602</u>	<u>656,342</u>
Net position at end of year	<u>\$ 66,329</u>	<u>\$ 1,436,420</u>	<u>\$ 1,502,749</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON COUNTY, OHIO

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2019

	<u>Custodial</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 4,418,530
Cash in segregated accounts	<u>681,679</u>
Total assets	<u>5,100,209</u>
Net position:	
Restricted for individuals, organizations and other governments .	<u>5,100,209</u>
Total net position	<u><u>\$ 5,100,209</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON COUNTY, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Custodial
Additions:	
Intergovernmental	\$ 3,685,037
Amounts received as fiscal agent	4,074,128
Licenses, permits and fees for other governments	8,563,247
Fines and forfeitures for other governments	2,703,047
Property tax collection for other governments	46,027,206
Sheriff sales collections for others	105,248
Other custodial fund collections	113,539
Total additions	65,271,452
Deductions:	
Distributions to the State of Ohio	189,080
Distributions of state funds to other governments	3,731,497
Distributions as fiscal agent	3,850,632
Licenses, permits and fees distributions to other governments	8,313,948
Fines and forfeitures distributions to other governments	2,679,303
Property tax distributions to other governments	46,178,538
Sheriff sales distributions to other governments	173,102
Other custodial fund disbursements	114,930
Total deductions	65,231,030
Net change in fiduciary net position	40,422
Net position beginning of year (restated)	5,059,787
Net position end of year	\$ 5,100,209

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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), 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, 2019, the County reported one component unit.

Blended Component Unit

The Madison County Airport Authority (the Airport) was created by resolution of the Madison County Commissioners under the authority of Ohio Revised Code Chapter 308. The Airport is governed by a board of trustees appointed by the County Commissioners. The board of trustees has the authority to exercise all of the powers and privileges provided under law. Although the Airport is a legally separate entity, it is, in substance, part of the County's operations. Therefore, the Airport is reported as a blended component unit of the County. The Airport is reported as a major enterprise fund.

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 custodial funds within the financial statements:

Madison County - London County 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, 2019

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 and amended by GASB Statements 39 and 61:

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 2019 contributed \$1,823,703 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 2019, the County's share of operating costs was \$579,618. 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 a custodial fund of the County.

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

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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 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.

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.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

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 or committed to a particular purpose.

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

Enterprise Funds - These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination or 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, wastewater treatment, and water treatment. The following is the County's major enterprise fund for fiscal year 2019:

Airport Authority Fund - The Airport Authority Fund is a major enterprise fund that accounts for various activities related to the operation of the Madison County Airport Authority.

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 custodial funds. The County's only fiduciary funds are custodial funds.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

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

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

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.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

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 \$14,857,893 is restricted by enabling legislation.

K. Cash and Cash Equivalents

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. County funds are maintained in several checking accounts as well as invested in certificates of deposit with terms of one to twelve months, 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 2019, investments were limited to Somerford Township Securities, Madison County Agricultural Society Securities, and City of London 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 2019, interest receipts amounted to \$454,114, of which \$445,460 was recorded in the General Fund, \$5,566 was recorded in the Motor Vehicle Gasoline Tax Fund, \$2,117 in the Permanent Improvement Fund (a nonmajor governmental fund), \$89 in the Board of Elections grant fund (a nonmajor governmental fund), and \$882 was recorded in the Mary Statler Expendable Trust Fund (a nonmajor governmental 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.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

L. Operating Cash Receipts and Cash Disbursements

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

M. Fund Balance

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

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

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

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

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

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

The County applies restricted resources first when 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.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

N. Interfund Transactions

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

O. Interfund Receivables/Payables

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

P. Pensions/Other Postemployment Benefits (OPEB)

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Fund Balances/Restatement of Net Position

For fiscal year 2019, the County has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations", GASB Statement No. 84 "Fiduciary Activities", GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements" and GASB Statement No. 90 "Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the County.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the County will no longer be reporting agency funds. The County reviewed its fiduciary funds to determine the appropriate classification under GASB Statement No. 84. The implementation of GASB Statement No. 84 resulted in the restatement of the County's financial statements.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the County; however, certain note disclosures in Note 5 have been modified to conform to the new requirements.

GASB Statement No. 90 improves consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the County.

A fund cash balance restatement is required in order to implement GASB Statement No 84. The January 1, 2019 fund cash balances have been restated as follows:

	<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>
Fund cash balance (deficit)					
at December 31, 2018	\$ 8,219,622	\$ 1,328,907	\$ 1,756,443	\$ 10,866,149	\$ 22,171,121
Reclassification of fiduciary funds	<u>(110,236)</u>	<u>-</u>	<u>-</u>	<u>17,000</u>	<u>(93,236)</u>
Restated fund cash balance (deficit)					
at January 1, 2019	<u>\$ 8,109,386</u>	<u>\$ 1,328,907</u>	<u>\$ 1,756,443</u>	<u>\$ 10,883,149</u>	<u>\$ 22,077,885</u>

A net cash position restatement is required in order to implement GASB Statement No 84. The governmental activities and business-type activities at January 1, 2019 have been restated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net cash position (deficit)		
at December 31, 2018	\$ 22,171,121	\$ 647,283
Reclassification of fiduciary funds	<u>(93,236)</u>	<u>9,059</u>
Restated net cash position (deficit)		
at January 1, 2019	<u>\$ 22,077,885</u>	<u>\$ 656,342</u>

	<u>Airport Authority</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Net cash position (deficit)			
at December 31, 2018	\$ 87,681	\$ 559,602	\$ 647,283
Reclassification of fiduciary funds	<u>9,059</u>	<u>-</u>	<u>9,059</u>
Restated net cash position (deficit)			
at January 1, 2019	<u>\$ 96,740</u>	<u>\$ 559,602</u>	<u>\$ 656,342</u>

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

Due to the implementation of GASB Statement No. 84, the new classification of custodial funds is reporting a beginning net cash position of \$5,059,787. Also related to the implementation of GASB Statement No. 84, the County will no longer be reporting agency funds. At December 31, 2018, agency funds reported assets and net cash position of \$4,975,710.

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 basic 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 basic financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

Ohio Administrative Code Section 117-2-02 provides each public office shall maintain an accounting system and accounting records. Bank reconciliations were not reconciled to a zero unidentified difference. The County did not maintain an accounting system and accounting records required by Ohio Administrative Code Section 117-2-02.

Ohio Revised Code Sections 5705.41(B) and 5705.40 require that no subdivision expend money unless it has been appropriated. It also requires the County to amend supplemental appropriations. Contrary to Ohio Revised Code Sections 5705.41(B) and 5705.40, the County had actual expenditures exceeding final budgeted disbursements in the General, Motor Vehicle Gasoline Tax, Public Assistance, Board of Developmental Disabilities, Child Support Enforcement, Airport Authority, and Water District funds.

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 mean 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; and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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. Certain bankers' acceptance (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; 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. Except as noted above, an investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the County and must be purchased with the expectation that it will be held to maturity.

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

Deposits: Custodial credit risk is the risk that, in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the County and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019, certain County financial institutions did not participate in the OPCS while certain other financial institutions did participate in the OPCS. Those financial institutions that did participate were approved for a reduced collateral rate through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the County to a successful claim by the FDIC.

The County had cash on hand of \$12,584 as of December 31, 2019. The County's carrying value and bank balance was \$29,240,201 and \$28,915,067, respectively, at December 31, 2019. The entire bank balance was either covered by FDIC or collateralized in accordance with the provisions identified in the preceding paragraph.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments: The County had the following investments as of December 31, 2019:

	<u>Investment Balance</u>	<u>Maturity</u>	
		<u><1 year</u>	<u>>1 year</u>
Somerford Township Securities	\$ 292,500	\$ 144,100	\$ 148,400
City of London Securities	69,200	22,400	46,800
Fairground Improvement Securities	30,401	7,294	23,107

In 2016, Somerford Township authorized the issuance and sale of \$700,000 Fire/EMS Building Improvement Bonds Series 2016 for the purpose of financing a portion of the costs of improving the Fire and EMS Building. The County of Madison, Ohio purchased such bonds upon the terms set forth under the proposal. The bond principal shall be payable in annual installments every September 1 commencing on September 1, 2017 and ending on September 1, 2021. The bonds bear interest at the rate of 3.00% per annum.

In 2017, the City of London authorized the issuance and sale of \$112,000 Equipment Acquisition Bonds for the purpose of paying the cost of acquiring a new skid steer and wheel loader. 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, 2018 and ending on June 1, 2022. The bonds bear interest at the rate of 3.00% per annum.

In 2018, the Madison County Agricultural Society authorized the issuance and sale of \$37,500 Fairground Improvement Bonds Series 2018 for the purpose of financing improvements to the county fairgrounds. The County of Madison, Ohio purchased such bonds upon the terms set forth under the proposal. The bond principal shall be payable in annual installments every March 1 commencing on March 1, 2019 and ending on March 1, 2023. The bonds bear interest at the rate of 2.75% per annum.

The County has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the County's recurring fair value measurements as of December 31, 2019. All of the County's investments measured at fair value are valued using quoted market prices (Level 1 inputs).

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 Somerford Township, City of London, and Madison County Agricultural Society 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 Somerford Township Securities was 74.60%, Madison County Agricultural Society Securities was 7.75%, and City of London Securities was 17.65%.

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

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2019:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 29,240,201
Investments	392,101
Cash on hand	<u>12,584</u>
Total	<u>\$ 29,644,886</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 23,041,928
Business-type activities	1,502,749
Custodial funds	<u>5,100,209</u>
Total	<u>\$ 29,644,886</u>

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 2019 is as follows:

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019	Due in One Year
Business-Type Activities Debt					
<i><u>Direct Borrowings/Direct Placements:</u></i>					
OWDA loans					
Choctaw Lake Sewer					
Construction- 4.4%	\$ 4,586,216	\$ -	\$ (297,456)	\$ 4,288,760	\$ 310,688
Camp Wissalohican Sewer					
Construction- 6.41%	<u>47,125</u>	<u>-</u>	<u>(4,325)</u>	<u>42,800</u>	<u>4,606</u>
Total OWDA Loans	4,633,341	-	(301,781)	4,331,560	315,294
Choctaw Lake Sewer					
Construction OPWC-0%	<u>84,356</u>	<u>-</u>	<u>(12,050)</u>	<u>72,306</u>	<u>12,051</u>
Total Business-Type Activities Debt	<u>\$ 4,717,697</u>	<u>\$ -</u>	<u>\$ (313,831)</u>	<u>\$ 4,403,866</u>	<u>\$ 327,345</u>

The OWDA loans from direct borrowings was issued by the Ohio Water Development Authority for construction of sewer districts in the Camp Wissalohican subdivision and the Choctaw Lake subdivision. In the event of default, the OWDA may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the County to pay any fines, penalties, interest, or late charges associated with the default. 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 principal and interest remaining to be paid on these loans is \$4,331,560 and \$1,068,619, respectively. Principal and interest on the bonds are paid from the Camp Wissalohican water fund, Camp Wissalohican sewer fund, Choctaw Lake sewer fund, and the I70/42 sewer usage fund.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 5 - DEBT OBLIGATIONS - (Continued)

The OPWC loan from direct borrowings was issued by the Ohio Public Works Commission for construction of the Choctaw Lake Sewer District. In the event of default, the OPWC may charge an 8% default interest rate from the date of the default to the date of the payment and charge the County for all costs incurred by the OPWC in curing the default, or at its discretion, declare the entire principal amount of loan then remaining unpaid, together with all accrued interest and other charges, become immediately due and payable.

This loan is interest-free. User fees charged to residents of this District are used to pay this debt. Principal and interest on loans are paid from the Camp Wissalohican sewer fund and the I70/42 sewer usage fund.

Annual debt service requirements to maturity for debt for directly borrowed business-type activities, including interest are as follows:

Year Ending <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 327,345	\$ 170,144	\$ 497,489
2021	341,466	157,402	498,868
2022	356,221	144,070	500,291
2023	371,638	130,151	501,789
2024	387,750	115,607	503,357
2025 - 2029	2,139,333	336,789	2,476,122
2030	<u>480,113</u>	<u>14,456</u>	<u>494,569</u>
Total	<u>\$ 4,403,866</u>	<u>\$ 1,068,619</u>	<u>\$ 5,472,485</u>

In 2003, the Madison County Airport Authority entered into a loan agreement with the Madison County Board of Commissioners. The \$292,000 loan was for the renovation of the airport hangar and is considered a direct borrowing. 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 2019 was \$26,023 and \$2,117, 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, 2019 is \$16,311.

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 and are considered a direct borrowing. The first payment was due June 1, 2017. The principal and interest paid in 2019 was \$35,000 and \$788, 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. As of December 31, 2019, the County has no future obligations outstanding related to this bond.

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 and are considered a direct borrowing. The principal and interest paid in 2019 was \$4,200 and \$47, respectively. As this is an intra-county loan agreement between the County Commissioners and the Airport, the principal and interest is not included in the long term debt obligations of the County. As of December 31, 2019, the County has no future obligations outstanding related to this bond.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 5 - DEBT OBLIGATIONS - (Continued)

In 2016, the Madison County Commissioners authorized the issuance of Special Assessment Ditch Bonds in the principal amount up to \$226,225. The Special Assessment Bonds were dated November 1, 2016 and were issued for the purpose of ditch improvements. The bonds are issued for a 5-year period at 3.00% per annum and are considered a direct borrowing. The principal and interest paid in 2019 was \$53,200 and \$4,932, respectively. As this is an intra-county loan agreement between the County Commissioners and the County Treasurer, the principal and interest is not included in the long term debt obligations of the County. The total principal balance remaining as of December 31, 2019 is \$111,200.

In 2018, the Madison County Commissioners authorized the issuance of Ditch Equipment Bonds in the principal amount up to \$111,372. The bonds were dated March 21, 2018 and were issued for the purpose of purchasing equipment. The bonds are issued for a 3-year period at 2.61% per annum and are considered a direct borrowing. The principal and interest paid in 2019 was \$36,122 and \$2,910, respectively. As this is an intra-county loan agreement between the County Commissioners and the County Treasurer, the principal and interest is not included in the long term debt obligations of the County. The total principal balance remaining as of December 31, 2019 is \$75,250.

In 2019, the Madison County Commissioners authorized the issuance of Water Treatment Plant Improvement Bonds Series 2019 in the principal amount up to \$400,000. The Improvement Bonds were dated February 12, 2019 and were issued for the purpose of improving the County's Water Treatment plant. The bonds are issued for a 5-year period at 3.00% per annum and are considered a direct borrowing. The first principal and interest payment is due March 1, 2020. As this is an intra-county loan agreement between the County Commissioners and the Water District, the principal and interest will not be included in the long term debt obligations of the County. The total principal balance remaining as of December 31, 2019 is \$400,000.

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 2019 was \$10.80 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$7.40 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$9.87 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 2019 was \$10.80 per \$1,000 of assessed valuation.

MADISON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which fiscal year 2019 taxes were collected are:

Residential/Agricultural	\$ 966,185,560
Commercial/Industrial	136,648,910
Other Real Property	259,540
Public Utilities Personal Property	65,939,970
Total Assessed Valuation	<u>\$ 1,169,033,980</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. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through custodial funds.

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 2019 amounted to \$7,661,126.

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 2019, 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.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

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/asset 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/asset 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/asset 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, other than full-time teachers, 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 Pension 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, 2019

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
Traditional Plan 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	Traditional Plan 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	Traditional Plan 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
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% 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
Traditional Plan 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	Traditional Plan 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	Traditional Plan 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, 2019**

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 3.00% 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 3.00%.

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 1.00% 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 1.00% 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 3.00% 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.

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MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	State and Local	Public Safety	Law Enforcement
2019 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee ***	10.0 %	*	**
2019 Actual Contribution Rates			
Employer:			
Pension	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits ****	0.0 %	0.0 %	0.0 %
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

*** Member contributions within the combined plan are not used to fund the defined benefit retirement allowance

**** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4.00%.

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

The County's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$2,343,626 for 2019.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - 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 website 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% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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 to 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. For 2019, plan members were required to contribute 14% of their annual covered salary. The County was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The 2019 contribution rates were equal to the statutory maximum rates.

The County's contractually required contribution to STRS was \$41,279 for 2019.

Net Pension Liabilities/Assets

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2018, 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's total pension liability was measured as of June 30, 2019, 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.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Following is information related to the proportionate share:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	STRS	Total
Proportion of the net pension liability/asset prior measurement date	0.10465200%	0.13563000%	0.05100000%	0.00281600%	
Proportion of the net pension liability/asset current measurement date	<u>0.10549400%</u>	<u>0.13927700%</u>	<u>0.06412400%</u>	<u>0.00256358%</u>	
Change in proportionate share	<u>0.00084200%</u>	<u>0.00364700%</u>	<u>0.01312400%</u>	<u>-0.00025242%</u>	
Proportionate share of the net pension liability	\$ 28,892,668	\$ -	\$ -	\$ 566,919	\$ 29,459,587
Proportionate share of the net pension asset	-	155,743	1,461	-	157,204

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 was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

Wage inflation	3.25%
Future salary increases, including inflation COLA or ad hoc COLA	3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple
Investment rate of return	
Current measurement date	7.20%
Prior measurement date	7.50%
Actuarial cost method	Individual entry age

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected 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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94% for 2018.

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 2018 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed income	23.00 %	2.79 %
Domestic equities	19.00	6.21
Real estate	10.00	4.90
Private equity	10.00	10.81
International equities	20.00	7.83
Other investments	18.00	5.50
Total	<u>100.00 %</u>	<u>5.95 %</u>

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2018 was 7.50%. 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 contractually required rates, as actuarially determined. 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 for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate - The following table presents the County's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.20%, as well as what the County's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.20%) or one-percentage-point higher (8.20%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
County's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 42,682,872	\$ 28,892,668	\$ 17,432,884
Combined Plan	(51,532)	(155,743)	(231,200)
Member-Directed Plan	(641)	(1,461)	(2,565)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation are presented below:

	July 1, 2019
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

For the July 1, 2019, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation**	Long-Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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 7.45%, 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 (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
County's proportionate share of the net pension liability	\$ 828,489	\$ 566,919	\$ 345,487

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability/Asset

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability/asset represents the County's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability/asset 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 these estimates annually.

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care was 0.00% for the Traditional and Combined plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.00%.

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

The County's contractually required contribution was \$16,725 for 2019.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For 2019, STRS did not allocate any employer contributions to post-employment health care.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Net OPEB Liabilities/Asset

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. STRS's total OPEB asset was measured as of June 30, 2019, and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation as of that date. The County's proportion of the net OPEB asset was based on the County's share of contributions to the retirement plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and OPEB expense:

	OPERS	STRS	Total
Proportion of the net OPEB liability/asset prior measurement date	0.10334000%	0.00281600%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.10483600%</u>	<u>0.00256400%</u>	
Change in proportionate share	<u>0.00149600%</u>	<u>-0.00025200%</u>	
 Proportionate share of the net OPEB liability (asset)	 \$ 13,668,140	 \$ (42,459)	 \$ 13,625,681

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 health care costs for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25 to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	3.96%
Prior Measurement date	3.85%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.50%
Municipal Bond Rate	
Current measurement date	3.71%
Prior Measurement date	3.31%
Health Care Cost Trend Rate	
Current measurement date	10.00% initial, 3.25% ultimate in 2029
Prior Measurement date	7.50%, initial 3.25%, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care 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.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 5.60% for 2018.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	100.00 %	5.16 %

Discount Rate - A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - The following table presents the County's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96%, as well as what the County's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96%) or one-percentage-point higher (4.96%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
County's proportionate share of the net OPEB liability	\$ 17,486,645	\$ 13,668,140	\$ 10,631,419

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
County's proportionate share of the net OPEB liability	\$ 13,138,048	\$ 13,668,140	\$ 14,278,663

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2019, actuarial valuation, compared with July 1, 2018, are presented below:

	July 1, 2019		July 1, 2018	
Inflation	2.50%		2.50%	
Projected salary increases	12.50% at age 20 to 2.50% at age 65		12.50% at age 20 to 2.50% at age 65	
Investment rate of return	7.45%, net of investment expenses, including inflation		7.45%, net of investment expenses, including inflation	
Payroll increases	3.00%		3.00%	
Cost-of-living adjustments (COLA)	0.00%		0.00%	
Discounted rate of return	7.45%		7.45%	
Health care cost trends				
	Initial	Ultimate	Initial	Ultimate
Medical				
Pre-Medicare	6.00%	4.00%	6.00%	4.00%
Medicare	5.00%	4.00%	5.00%	4.00%
Prescription Drug				
Pre-Medicare	9.62%	4.00%	8.00%	4.00%
Medicare	4.00%	4.00%	-5.23%	4.00%

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation**</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

** The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

Discount Rate - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2019.

Sensitivity of the County's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease	Current Discount Rate	1% Increase
County's proportionate share of the net OPEB asset	\$ 36,230	\$ 42,459	\$ 47,696
	1% Decrease	Current Trend Rate	1% Increase
County's proportionate share of the net OPEB asset	\$ 48,147	\$ 42,459	\$ 35,493

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 \$1,455,000. 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 \$2,955,000. In 2017, the County served as the issuer of \$45,000,000 in Hospital Facilities Revenue Bonds. The proceeds were used to refund outstanding Hospital Improvement Revenue Refunding Bonds and to acquire, construct, improve and equip certain Hospital facilities. The 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. These bonds do not constitute a general obligation, debt or indebtedness of the County. None of the full faith and credit to taxing power of the County is 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, 2019**

NOTE 13 - INTERFUND TRANSACTIONS

Transfers made during the year ended December 31, 2019, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 2,108,899
Motor Vehicle Gasoline Tax Fund	29,032	92,922
Other Governmental Funds	<u>1,457,789</u>	<u>-</u>
Total Governmental Funds	1,486,821	2,201,821
Nonmajor Enterprise Fund	<u>715,000</u>	<u>-</u>
Total All Funds	<u>\$ 2,201,821</u>	<u>\$ 2,201,821</u>

Transfers from the Motor Vehicle Gasoline Tax and General Funds to non-major governmental funds were made to provide monies to subsidize operations. The transfers to 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, 2019 were as follows:

	<u>Advances In</u>	<u>Advances Out</u>
General Fund	\$ 518,522	\$ 700,000
Other Governmental Funds	<u>326,023</u>	<u>479,322</u>
Total Governmental Funds	844,545	1,179,322
Airport Authority Fund	-	30,223
Nonmajor Enterprise Fund	<u>400,000</u>	<u>35,000</u>
Total Enterprise Funds	400,000	65,223
Total All Funds	<u>\$ 1,244,545</u>	<u>\$ 1,244,545</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 5 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, 2019

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	\$ (814,516)	\$ (458,349)	\$ (617,846)
Encumbrances	364,312	19,278	571,268
Fund Balances of Funds			
Combined with the General			
Fund for Reporting Purposes	105,469	-	-
Fund Cash Balances	<u>\$ (344,735)</u>	<u>\$ (439,071)</u>	<u>\$ (46,578)</u>

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MADISON COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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	\$ 290,400	\$ -	\$ -	\$ -	\$ 290,400
Statler Trust	-	-	-	50,000	50,000
Total	290,400	-	-	50,000	340,400
<i>Restricted</i>					
General Government	-	-	-	4,721,952	4,721,952
Public Safety	-	-	-	2,608,048	2,608,048
Public Works	-	889,836	-	184,706	1,074,542
Health	-	-	1,709,865	101,073	1,810,938
Human Services	-	-	-	2,531,004	2,531,004
Other	-	-	-	254,565	254,565
Capital Projects	-	-	-	1,382,780	1,382,780
Debt Service	-	-	-	419,820	419,820
Statler Trust	-	-	-	4,244	4,244
Total	-	889,836	1,709,865	12,208,192	14,807,893
<i>Committed</i>					
Capital Projects	-	-	-	413,960	413,960
Public Works	-	-	-	5,424	5,424
Total	-	-	-	419,384	419,384
<i>Assigned</i>					
Future Purchases	364,312	-	-	-	364,312
<i>Unassigned</i>					
	7,109,939	-	-	-	7,109,939
Total	\$ 7,764,651	\$ 889,836	\$ 1,709,865	\$ 12,677,576	\$ 23,041,928

MADISON COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

NOTE 17 - ENCUMBRANCES

At December 31, 2019, the County had encumbrance commitments in governmental funds as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General Fund	\$ 364,312
Motor Vehicle Gasoline Tax	19,278
Board of Developmental Disabilities	561,473
Nonmajor governmental	<u>1,367,516</u>
Total	<u>\$ 2,312,579</u>

NOTE 18 - TAX ABATEMENTS

Other governments entered into property tax abatement agreements with property owners under both the Community Reinvestment Agreement (“CRA”) program with the taxing districts of the County. The CRA program is a directive incentive tax exemption program benefiting property owners who renovate or construct new buildings. Under this program, the County designates areas to encourage revitalization of the existing housing stock and the development of new structures. These tax abatements reduce assessed value by a percentage agreed upon by all parties that authorize these types of agreements. The agreements affect the property tax receipts collected and distributed to the County. Under the agreements, the County’s property taxes were reduced by \$827,716 during fiscal year 2019. The County is not receiving any amounts from these other governments in association with the forgone property tax revenue.

NOTE 19 – SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the County. The County's investment portfolio and the pension and other employee benefit plan in which the County participates may incur a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the County's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

SUPPLEMENTARY INFORMATION

Madison County
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

Federal Grantor <i>Pass-Through Grantor</i> Program Title	Pass-Through Entity's Number	Federal CFDA Number	(A) (B) (D) Disbursements
United States Department of Agriculture			
<i>Passed through Ohio Department of Job and Family Services:</i>			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	G-1819-11-5770	10.561	221,500
Total SNAP Cluster			<u>221,500</u>
<i>Passed Through the Ohio Department of Education:</i>			
Child Nutrition Cluster:			
(C) (E) School Breakfast Program	2019	10.553	2,904
(C) (E) National School Lunch Program	2019	10.555	4,600
Total Child Nutrition Cluster			<u>7,504</u>
Total United States Department of Agriculture			<u>229,004</u>
United States Department of Housing and Urban Development			
<i>Passed Through Ohio Department of Development:</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	B-C-17-1BS-1	14.228	85,945
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	B-F-18-1BS-1	14.228	72,800
Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			<u>158,745</u>
Home Investment Partnership Program	B-C-17-1BS-2	14.239	131,019
Total United States Department of Housing and Urban Development			<u>289,764</u>
United States Department of Labor			
<i>Passed through Ohio Department of Job and Family Services and Passed through Montgomery County Auditor, Workforce Investment Act, Area 7:</i>			
WIOA Cluster:			
WIA Adult Program	2019-7349-1	17.258	56,521
WIA Youth Activities	2019-7349-1	17.259	109,589
WIA Dislocated Workers Formula Grants	2019-7349-1	17.278	17,206
Total WIOA Cluster			<u>183,316</u>
Total United States Department of Labor			<u>183,316</u>
United States Department of Transportation			
<i>Passed through Ohio Department of Transportation:</i>			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	PID 106948	20.205	19,592
Highway Planning and Construction	PID 109166	20.205	34,083
Total Highway Planning and Construction Cluster			<u>53,675</u>
Total United States Department of Transportation			<u>53,675</u>

-Continued

Madison County
Schedule of Expenditures of Federal Awards (continued)
For the Year Ended December 31, 2019

Federal Grantor <i>Pass-Through Grantor</i> Program Title	Pass-Through Entity's Number	Federal CFDA Number	(A) (B) (D) Disbursements
United States Department of Education			
<i>Passed Through Ohio Department of Education:</i>			
Special Education Cluster:			
(E) Special Education_Grants to States	2019	84.027	16,354
(E) Special Education_Preschool Grants	2019	84.173	6,238
Total Special Education Cluster			<u>22,592</u>
(E) (F) Special Education-Grants for Infants and Families	N/A	84.181	<u>126,378</u>
Total United States Department of Education			<u>148,970</u>
Election Assistance Commission			
<i>Passed Through Ohio Secretary of State</i>			
(E) HAVA Election Security Grant	N/A	90.404	<u>56,000</u>
Total Election Assistance Commission			<u>56,000</u>
United States Department of Health and Human Services			
<i>Passed Through Ohio Department of Job and Family Services:</i>			
(E) (G) Promoting Safe and Stable Families	N/A	93.556	28,026
Promoting Safe and Stable Families	G-1819-11-5770	93.556	<u>81,735</u>
Total Promoting Safe and Stable Families			<u>109,761</u>
TANF Cluster:			
(F) Temporary Assistance for Needy Families	190OHTANF	93.558	57,763
Temporary Assistance for Needy Families	G-1819-11-5770	93.558	<u>553,975</u>
Total TANF Cluster			<u>611,738</u>
Child Support Enforcement	G-1819-11-5770	93.563	<u>264,915</u>
CCDF Cluster:			
Child Care and Development Block Grant	G-1819-11-5770	93.575	<u>40,574</u>
Total CCDF Cluster			<u>40,574</u>
<i>Passed Through the Miami Valley Child Development Center:</i>			
(E) Head Start	N/A	93.600	<u>256,971</u>
<i>Passed Through the Ohio Department of Job and Family Services:</i>			
Foster Care_Title IV-E	G-1819-11-5770	93.658	<u>220,357</u>
Adoption Assistance	G-1819-11-5770	93.659	<u>102,506</u>
John H. Chafee Foster Care Program for Successful Transition to Adulthood	G-1819-11-5770	93.674	<u>18,943</u>
Stephanie Tubbs Jones Child Welfare Services Program	G-1819-11-5770	93.645	<u>33,219</u>
Social Services Block Grant	G-1819-11-5770	93.667	411,566
(F) Social Services Block Grant	1905OH5ADM	93.667	<u>27,676</u>
Total Social Services Block Grant			<u>439,242</u>
Medicaid Cluster:			
(F) (E) State Medicaid Fraud Control Units	N/A	93.775	23,110
(F) Medical Assistance Program	1905OH5ADM	93.778	213,870
Medical Assistance Program	G-1819-11-5770	93.778	<u>395,126</u>
Total Medicaid Cluster			<u>632,106</u>
(E) Block Grants for Preevention and Treatment of Substance Abuse	N/A	93.959	<u>77,007</u>
Total United States Department of Health and Human Services			<u>2,807,339</u>
United States Department of Homeland Security			
<i>Passed Through Ohio Emergency Management Agency:</i>			
Emergency Management Performance Grants	EMC-2017-EP-00006-S01	97.042	<u>55,573</u>
Total United States Department of Homeland Security			<u>55,573</u>
Total Federal Awards Expenditures			<u>3,823,641</u>

MADISON COUNTY, OHIO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 2 CFR § 200.510(b)(6) FOR THE YEAR ENDED DECEMBER 31, 2019

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) under programs of the federal government for the year ended December 31, 2019. 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, or changes in net position of the County.

NOTE B – 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 not elected 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 – MATCHING REQUIREMENTS

Certain Federal programs require 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.

NOTE E – PASS-THROUGH GRANT NUMBER

A pass-through grant number was unable to be obtained for this grant.

NOTE F – OHIO DEPARTMENT OF DEVELOPMENTAL DISABILITIES

This portion of the grant was passed through the Ohio Department of Developmental Disabilities.

NOTE G – OHIO DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES

This portion of the grant was passed through the Ohio Department of Mental Health and Addiction Services.

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards***

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 Madison County, Ohio, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Madison County's basic financial statements and have issued our report thereon dated August 24, 2020, wherein we noted Madison County uses a special purpose framework other than generally accepted accounting principles. Also, as discussed in Note 3, Madison County adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Furthermore, as discussed in Note 19 to the financial statements for the year ended December 31, 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Madison 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 Madison County's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of Madison County's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether Madison County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2019-001 through 2019-003.

Madison County's Responses to Findings

Madison County's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not subject Madison County's responses to the auditing procedures applied in the audit of the financial statements 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 Madison County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering Madison County's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
August 24, 2020

**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***

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 Madison County's 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, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies Madison County's major federal programs.

Management's Responsibility

Madison 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 Madison County's compliance for each of Madison 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 Madison 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 Madison County's major programs. However, our audit does not provide a legal determination of Madison 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 affect each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control over Compliance

Madison 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 Madison 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 Madison 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's compliance requirement will not be prevented, or timely detected or corrected. *A significant deficiency in internal over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Julian & Grube, Inc.
August 24, 2020

MADISON COUNTY

SCHEDULE OF FINDINGS

2 CFR § 200.515

DECEMBER 31, 2019

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses 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)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses 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 (listed):	TANF Cluster; Social Services Block Grant (CFDA #93.667); Medicaid Cluster
(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, 2019

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2019-001

Noncompliance:

Ohio Revised Code Section 117.38 provides each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38. Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 GAAP. There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time.

The County has made a conscious decision to present cash basis financial statements due to the cost requirements of presenting financial statements conforming to GAAP.

Failure to prepare proper GAAP financial statements may result in the County being fined or other administrative remedies.

We recommend the County prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Finding Number	2019-002
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Noncompliance/Material Weakness - Reconciliations:

Ohio Administrative Code Section 117-2-02 provides each public office shall maintain an accounting system and accounting records sufficient to (1) enable the public office to identify, assemble, analyze, classify, record and report its transactions, (2) maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), (3) document compliance with finance-related legal and contractual requirements and (4) prepare financial statements required by Ohio Administrative Code Section 117-2-03. The completion of timely monthly bank reconciliations to zero unidentified differences is critical to maintaining an accounting system and accounting records sufficient to the above requirements.

Bank reconciliations were not reconciled to a zero unidentified difference. At year end the remaining unidentified differences amounted to \$27,503. The County did not maintain an accounting system and accounting records required by Ohio Administrative Code Section 117-2-02.

The current policies and procedures for monthly bank reconciliations does not allow the County to agree the book balance to the bank balance with \$0 unknown reconciling differences.

MADISON COUNTY

SCHEDULE OF FINDINGS

2 CFR § 200.515

DECEMBER 31, 2019

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)	
Finding Number	2019-002 - (Continued)

Without timely monthly bank reconciliations to a zero unidentified differences the County is at risk of mis-postings of receipts and disbursements which could lead to inaccurate financial reporting and the potential for misstatement.

We recommend the County design and implement additional policies and procedures to facilitate more accurate and detailed reconciliations. The County should also consider having an outside third-party review the accounting system and accounting records to complete a full reconciliation to identify all unknown differences between the book and bank balances.

Finding Number	2019-003
----------------	----------

Noncompliance:

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. Also, Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure be made by resolution and comply with the same provisions of the law as used in making the original appropriations.

The County had actual disbursements exceeding final budgeted disbursements in the following funds:

	<u>Appropriations</u>	<u>Disbursements</u>	<u>Excess</u>
General Fund	17,422,152	17,613,573	\$ 191,421
Motor Vehicle Gasoline Tax Fund	6,488,879	6,508,158	19,279
Public Assistance Fund	2,877,235	3,075,689	198,454
Board of Developmental Disabilities Fund	4,874,602	5,445,871	571,269
Child Support Enforcement Fund	438,400	519,257	80,857
Airport Authority Fund	425,004	468,856	43,852
Water District Fund	934,442	1,047,157	112,715

This indicates that appropriations were not properly modified throughout the year and at year end.

With actual disbursements exceeding final budgeted disbursements, the County is expending monies that have not been appropriated, which may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend the County comply with the Ohio Revised Code Sections 5705.41(B) and 5705.40 and the Auditor of State Bulletin 97-010 by monitoring disbursements, so they do not exceed lawful appropriations and amending the budget prior to year-end. This may be achieved by monitoring the budget more closely and on a continual basis and making appropriation amendments as necessary, subsequent to the passage of permanent appropriations.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

Jennifer S. Hunter CPA

Madison County Auditor



1 North Main Street
 PO Box 47
 London, OH 43140-0047
 Telephone: (740) 852-9717
 Fax: (740) 852-5752
Email: auditor@co.madison.oh.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR § 200.511(b) DECEMBER 31, 2019

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2018-001	Unknown	<u>Noncompliance</u> - Ohio Admin. 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.	Not Corrected	Finding repeated as 2019-001 as the County prepared cash basis financial statements.
2018-002	2018	<u>Significant Deficiency - Reconciliations</u> - Ohio Administrative Code Section 117-2-02 provides each public office shall maintain an accounting system and accounting records. The completion of timely monthly bank reconciliations to zero unidentified differences is critical to maintaining an accounting system and accounting records sufficient to the above requirements. Bank reconciliations were not reconciled to a zero unidentified difference. At year end the remaining unidentified differences amounted to \$30,439.	Not Corrected	Finding repeated as 2019-002 as the County bank reconciliations were not reconciled to a zero unidentified difference.
2018-003	2018	<u>Noncompliance</u> - Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated. Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. The County had actual disbursements exceeding final budgeted disbursements by \$307,999 for the Board of Developmental Disabilities Fund.	Not Corrected	Finding repeated as 2019-003 as the County had actual disbursements exceeding final budgeted disbursements.

Jennifer S. Hunter CPA

Madison County Auditor



1 North Main Street
 PO Box 47
 London, OH 43140-0047
 Telephone: (740) 852-9717
 Fax: (740) 852-5752
Email: auditor@co.madison.oh.us

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2019

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	The County Auditor is planning, along with their independent accounting firm, to eventually report the County's financial statements on the GAAP basis.	Unknown	Jennifer Hunter, Auditor
2019-002	The County Auditor is working closely with the County Treasurer's office to establish processes to reconcile book balance with bank balance each month.	December 31, 2020	Jennifer Hunter, Auditor
2019-003	The Auditor's office had made some changes in 2019 in how the final Certificate of Available Resources was prepared. These changes were made based on information that led us to believe that the final appropriations on the certificate should be the same as the final disbursements. After additional conversations with our audit team, it is now understood that these figures should be the final budgeted amount. Our funds were actually in compliance if these final budgeted figures would have been used on the year end Certificate - there were no funds that had spent more than what was appropriated.	December 31, 2020	Jennifer Hunter, Auditor

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OHIO AUDITOR OF STATE KEITH FABER



MADISON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/3/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov