



**MADISON COUNTY
FINANCIAL CONDITION**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

MADISON COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of County Commissioners
Madison County
P.O. Box 618 - Courthouse
London, Ohio 43140

We have audited the accompanying financial statements of Madison County, (the County) as of and for the year ended December 31, 2001. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-1-11 requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as described in Note 1, the County prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit, assets, liabilities, fund equities, and disclosures that, while material, can not be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the County, as of December 31, 2001, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual budgetary disbursements, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2002 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

JIM PETRO
Auditor of State

March 15, 2002

MADISON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Local Taxes	\$5,516,213	\$2,431,965	\$0	\$0	\$0	\$7,948,178
Special Assessments	0	0	0	520,284	0	520,284
Intergovernmental Receipts	1,051,784	11,678,375	0	0	0	12,730,159
Charges for Services	1,137,149	551,004	156,000	0	0	1,844,153
Fines, Licenses, and Permits	532,248	242,551	0	0	0	774,799
Miscellaneous	1,141,415	917,621	0	92,885	1,569	2,153,490
Total Cash Receipts	9,378,809	15,821,516	156,000	613,169	1,569	25,971,063
Cash Disbursements:						
General Government:						
Legislative and Executive	3,366,814	792,480	0	0	0	4,159,294
Judicial	1,417,701	110,834	0	0	0	1,528,535
Public Safety	1,306,240	441,843	0	0	0	1,748,083
Public Works	209,217	3,799,156	0	0	0	4,008,373
Health	50,095	3,733,868	0	0	0	3,783,963
Human Services	911,250	5,391,890	0	0	2,052	6,305,192
Miscellaneous	911,236	17	0	74	0	911,327
Debt Service:						
Bond Principal Payment	0	0	235,000	0	0	235,000
Note Principal Payment	67,500	50,000	0	255,010	0	372,510
Interest and Fiscal Charges	3,774	3,189	149,516	101,411	0	257,890
Capital Outlay	0	648,162	0	1,742,279	0	2,390,441
Total Cash Disbursements	8,243,827	14,971,439	384,516	2,098,774	2,052	25,700,608
Total Receipts Over/(Under) Disbursements	1,134,982	850,077	(228,516)	(1,485,605)	(483)	270,455
Other Financing Receipts/(Disbursements):						
Proceeds of Bonds	0	0	0	2,949,392	0	2,949,392
Proceeds of Notes	0	0	0	469,918	0	469,918
Transfers-In	0	284,793	234,000	1,250,000	0	1,768,793
Transfers-Out	(1,480,000)	(284,793)	0	(4,000)	0	(1,768,793)
OWDA Loan Proceeds	0	0	0	482,695	0	482,695
Other Financing Uses	(465,135)	0	0	0	0	(465,135)
Total Other Financing Receipts/(Disbursements)	(1,945,135)	0	234,000	5,148,005	0	3,436,870
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(810,153)	850,077	5,484	3,662,400	(483)	3,707,325
Fund Cash Balances, January 1, 2001	5,804,706	5,622,232	34,768	809,281	47,507	12,318,494
Fund Cash Balances, December 31, 2001	\$4,994,553	\$6,472,309	\$40,252	\$4,471,681	\$47,024	\$16,025,819

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

MADISON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY TYPES AND OTHER FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001

	Proprietary Fund Types			Totals (Memorandum Only)
	Enterprise	Internal Service	Agency	
Operating Receipts:				
Charges for Services	\$385,667	\$37,874	\$0	\$423,541
Other Operating Revenues	14,944	0	0	14,944
Total Operating Receipts	400,611	37,874	0	438,485
Operating Disbursements:				
Personal Services	111,065	42,141	0	153,206
Travel Transportation	0	0	0	0
Contractual Services	106,534	0	0	106,534
Supplies and Materials	198,157	0	0	198,157
Capital Outlay	43,624	0	0	43,624
Total Operating Disbursements	459,380	42,141	0	501,521
Operating Income/(Loss)	(58,769)	(4,267)	0	(63,036)
Non-Operating Receipts:				
Other Non-Operating Receipts	0	0	33,719,050	33,719,050
Total Non-Operating Receipts	0	0	33,719,050	33,719,050
Non-Operating Disbursements:				
Other Non-Operating Disbursements	0	0	33,584,105	33,584,105
Total Non-Operating Disbursements	0	0	33,584,105	33,584,105
Net Income	(58,769)	(4,267)	134,945	71,909
Fund Cash Balances, January 1, 2001	129,236	32,918	2,108,637	2,270,791
Fund Cash Balances, December 31, 2001	\$70,467	\$28,651	\$2,243,582	\$2,342,700

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

MADISON COUNTY

COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
DECEMBER 31, 2001

Fund Types/Funds	Estimated Receipts	Actual Receipts	Variance Favorable (Unfavorable)
General	\$13,604,706	\$9,378,809	(\$4,225,897)
Special Revenue	22,075,157	16,051,516	(6,023,641)
Debt Service	425,736	390,000	(35,736)
Capital Projects	5,816,084	5,765,174	(50,910)
Expendable Trust	49,007	1,569	(47,438)
Enterprise	587,940	400,611	(187,329)
Internal Service	<u>67,418</u>	<u>37,874</u>	<u>(29,544)</u>
Totals	<u>\$42,626,048</u>	<u>\$32,025,553</u>	<u>(\$10,600,495)</u>

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

MADISON COUNTY

COMBINED STATEMENT OF BUDGETARY DISBURSEMENTS
COMPARED WITH EXPENDITURE AUTHORITY
DECEMBER 31, 2001

Fund Types/Funds	<u>Appropriations</u>	<u>Disbursements</u>	Variance Favorable (Unfavorable)
General	\$12,707,290	\$10,212,517	\$2,494,773
Special Revenue	17,463,484	15,233,433	2,230,051
Debt Service	384,540	384,516	24
Capital Projects	5,397,126	2,134,858	3,262,268
Expendable Trust	7,000	2,052	4,948
Enterprise	582,982	459,380	123,602
Internal Service	<u>43,434</u>	<u>42,141</u>	<u>1,293</u>
Totals	<u>\$36,585,856</u>	<u>\$28,468,897</u>	<u>\$8,116,959</u>

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

MADISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

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

The departments listed below maintain amounts of cash activity in a fiduciary capacity outside the control of the County Treasurer. While these departments are part of the primary government, these amounts are not included in the accompanying financial statements. The following table summarizes cash activity in these accounts during the year ended December 31, 2001.

Department	Beginning Cash Balances	2001		Ending Cash Balance
		Receipts	Disbursements	
Sheriff's Office	\$22,424	\$1,730,667	\$1,717,864	\$35,227
Sheriff (FOJ)	0	22,570	11,957	10,613
Airport Authority	2,551	300,675	298,640	4,586
Child Support Enforcement Agency	6,862	14,153	15,695	5,320
Municipal Court (Civil/Small Claims)	9,668	223,539	224,707	8,500
Municipal Court (Traffic/Criminal)	11,114	1,384,186	1,385,171	10,129
Probate Court	12,820	53,497	53,991	12,326
Juvenile Court	500	29,730	29,518	712
Clerk of Courts	244,918	5,013,796	5,116,118	142,596
Prosecuting Attorney (FOJ)	0	31,355	31,355	0
Totals	<u>\$310,857</u>	<u>\$8,804,168</u>	<u>\$8,885,016</u>	<u>\$230,009</u>

MADISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
(As Required by Various Statutes)

A. DESCRIPTION OF THE ENTITY (Continued)

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

Primary Government:

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

Component Units:

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt, or the levying of taxes. Madison County has the following component units as defined by GASB Statement 14:

Matco Industries Inc.
Madison Community Housing Inc.

Matco Industries Inc. received \$414,972 from the Madison County Board of Mental Retardation and Developmental Disabilities for contractual services for year ended December 31, 2001. Moreover, Matco Industries Inc. operates in a building owned by Madison County without cost, which has been deemed an in-kind contribution.

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

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

MADISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
(As Required by Various Statutes)

A. DESCRIPTION OF THE ENTITY (Continued)

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

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

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

The Tri-County Corrections Board is a joint venture for the establishment of a central jail facility for the use of Champaign, Madison, and Union Counties. The operation of the jail is controlled by a joint board whose membership consists of the sheriff, one judge, and one commissioner from each of the participating counties. Each county's ability to influence the operations of the jail is limited to their representation on the board. Each County equally shares in the operating cost of the jail. The County has ongoing financial responsibility for this entity and, in 2001, contributed \$431,927 toward the operation of this facility. Champaign County has been appointed the fiscal agent for the joint venture. Complete financial statements of the joint venture may be obtained from the Champaign County Auditor, Champaign County Courthouse, 200 North Main Street, Urbana, Ohio 43078-1680.

The Five County Joint Juvenile Detention and Rehabilitation Center is a jointly governed organization involving Union, Champaign, Delaware, Logan, 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 of the Union County Commissioners, two appointees of the Delaware County Commissioners, and one appointee from Champaign, Logan, 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. 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 of all participating counties. It is the intent of the District to be self-supporting and not require funding from the participating counties. Allen County, being the largest of the six counties, is the fiscal agent of the District.

MADISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
(As Required by Various Statutes)

A. DESCRIPTION OF THE ENTITY (Continued)

The County is associated with the following organization, which is defined as a related organization:

The County's probate judge is responsible for appointing members of the board of the Madison County Park District. In 2001, the County made no distributions to the Park District. The County is fiscal agent for the District, therefore, the activities of the District are reflected as an agency fund of the County.

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

B. BASIS OF ACCOUNTING

Although required by Ohio Administrative Code Section 117-1-11 to prepare its annual financial report in accordance with generally accepted accounting principles, the County chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as formerly prescribed or permitted by the Auditor of State.

C. FUND ACCOUNTING

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

MADISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
(As Required by Various Statutes)

C. FUND ACCOUNTING (Continued)

Capital Project Funds

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

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 of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

Internal Service Funds

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

FIDUCIARY FUND TYPES:

Trust and Agency Funds

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

D. BUDGETARY PROCESS

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

1. Budget

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

2. Estimated Resources

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

MADISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
(As Required by Various Statutes)

D. BUDGETARY PROCESS (Continued)

3. Appropriations

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

4. Encumbrances

The Ohio Revised Code requires the County to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried forward into the subsequent year.

E. PROPERTY, PLANT AND EQUIPMENT

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

F. UNPAID VACATION, PERSONAL AND SICK LEAVE

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

G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

MADISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

Deposits: At December 31, 2001, the carrying amount of the County's deposits was \$10,188,813 and the bank balance was \$10,918,376. Of the bank balance, \$400,000 was covered by federal depository insurance. The remainder of the bank balance is secured by a collateral pool established by the financial institution.

MADISON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

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

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

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

The County's investments at December 31, 2001, consisted of a Category 3 repurchase agreement. The carrying and fair value of this investment was \$8,179,706.

3. PRIOR PERIOD ADJUSTMENT

The Debt Service ending fund balance as of December 31, 2000, was overstated by \$140,480. A principal and interest payment of \$140,480 was due in December 1999, for the Human Services Building Refunding Bonds. The payment was not made until January 2000, however the County reflected the payment as an expenditure for 1999. The restatement to correct this error is reflected below.

<u>Fund Balance at</u> <u>12/31/00</u>	<u>Restated Fund Balance at</u> <u>1/1/01</u>
\$ 175,248	\$ 34,768

4. DEBT OBLIGATIONS

Debt outstanding at December 31, 2001, consisted of the following:

Engineer's Building Construction Bonds	
Principal Outstanding	\$ 2,804,392
Interest Rate(s)	3.40-5.00%
Engineer's Building Improvement Note	
Principal Outstanding	\$ 300,000
Interest Rate(s)	5.00%
Special Assessment Notes	
Principal Outstanding	\$ 169,918
Interest Rate(s)	5.51-5.82%

MADISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

4. DEBT OBLIGATIONS (Continued)

OWDA Construction Loans	
Principal Outstanding	\$1,673,103
Interest Rate	6.41-7.55%
Human Services Building Refunding Bonds	
Principal Outstanding	\$1,743,091
Interest Rate	4.3 - 5.2%

The Engineer's Building Construction Bond was issued for the construction of a new Engineering Facility.

The Engineer's Building Improvement Note was issued for the renovation of various county facilities.

The outstanding special assessment notes at December 31, had been issued for one year or less. Proceeds from these notes were used for land purchase, ditch maintenance and repair, and related fees.

The OWDA loans were issued by the Ohio Water Development Authority. These loans were issued to provide the County with funds for construction of sewer districts in the Burr Oaks Subdivision, the I-70/U.S. Route 42 Interchange, and Camp Wisslohican Subdivision. The loans are collateralized by sewer receipts.

The annual requirements to amortize all note debt outstanding as of December 31, 2001, including interest payments, are as follows:

Special Assessment Notes
\$ 169,918

The annual requirements to amortize the OWDA loans outstanding as of December 31, 2001, including interest payments, are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2002	\$ 147,127
2003	156,015
2004	156,015
2005	156,015
2006	156,015
2007-2011	780,078
2012-2016	569,312
2017-2021	44,440
2022-2026	44,440
2027	8,888
Total	<u>\$2,218,360</u>

MADISON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)

4. DEBT OBLIGATIONS (Continued)

The annual requirements to amortize the Human Services Building Construction Bonds outstanding as of December 31, 2001, including interest payments, are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2002	\$156,300
2003	157,738
2004	153,886
2005	154,936
2006	155,685
2007-2011	783,477
2012-2016	765,540
2017-2018	<u>300,000</u>
Total	<u>\$ 2,627,562</u>

The annual requirements to amortize the Engineer's Building Construction Bonds outstanding as of December 31, 2001, including interest payments, are as follows:

<u>Year Ending December 31</u>	<u>Amount</u>
2002	\$ 230,430
2003	231,880
2004	233,048
2005	233,868
2006	229,383
2007-2011	1,156,015
2012-2016	1,159,711
2017-2020	<u>924,905</u>
Total	<u>\$ 4,399,240</u>

The County issued \$2,028,092 of current interest bonds to provide resources that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$1,745,000 of refunded debt. As a result, the refunded bonds are considered to be defeased. This advance refunding was undertaken to reduce total debt service payments over the next 24 years by \$227,813.

5. PROPERTY TAXES

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

Real property taxes become a lien on all non-exempt real property located in the County on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established

MADISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

5. PROPERTY TAXES (Continued)

The full tax rate applied to real property for calendar year 2000 was \$8.30 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$7.35 per \$1,000 of assessed valuation for real property classified as residential/ agricultural and \$7.35 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 homestead and rollback reductions is reimbursed to the County by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for calendar year 2000 was \$8.50 per \$1,000 of assessed valuation.

The assessed values upon which fiscal year 2001 taxes were collected are:

Real Property - 2000 Valuation	
Residential/Agricultural	\$ 430,301,320
Commercial/Industrial	71,585,340
Other Real Property	191,610
Tangible Personal Property - 2000 Valuation	
General	63,242,130
Public Utilities	43,413,790
	<hr/>
Total Valuation	<u><u>\$ 608,734,190</u></u>

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

6. INSURANCE

The County maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

7. RETIREMENT SYSTEMS

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

MADISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(Continued)**

7. RETIREMENT SYSTEMS (Continued)

Contribution rates are prescribed by the Ohio Revised Code. As of December 31, 2001, the County's Deputy Sheriffs contributed 10.1% of their wages to the fund, while the County contributed 16.7%. With the exception of the certified teaching personnel employed by the Mental Retardation and Developmental Disabilities Board, all other County employees contributed 8.5% of their gross wages to the fund, while the County contributed 13.55% of its employees' gross wages.

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

8. CONDUIT DEBT OBLIGATIONS

During 1997, the County served as the issuer of \$2,700,000 in Multifamily Housing Revenue Bonds. The proceeds were used by a private corporation to fund the construction of an assistant living facility. Also, in 1998, the County served as the issuer of \$8,900,000 in Hospital Improvement and Refunding Revenue Bonds. The proceeds were used to refund outstanding Hospital Improvement Revenue Refunding Bonds and to acquire, construct, improve and equip certain Hospital facilities. These bonds do not constitute a general obligation, debt or indebtedness of the County. Neither is the full faith and credit to taxing power of the County pledged to make repayment.

9. HOSPITAL AGREEMENT

In 1975, the County ceased business activity at the County hospital. However, the County maintained 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 8 above, the County has issued Conduit Debt on behalf of MCHI. The County amends the lease agreement when ever new conduit debt is issued, with the most current amendment being in 1998.

According to the most recent lease agreement the County only charges MCHI a "Basic Rent", for the lease. Basic Rent has been defined as an amount necessary to make the deposits required in the Bond Indenture and any other amounts required under the Lease to be paid as Basic Rent on or prior to the respective Rental Payment Dates during the lease term.

MADISON COUNTY

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001**

Federal Grantor/ Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass Through Entity Number	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u>				
Pass through State Department of Education:				
Food Commodities Distribution	10.550	N/A	\$0	3,064
National School Lunch Program	10.555	066100-03-PU	<u>6,547</u>	<u>3,064</u>
Total U.S. Department of Agriculture			6,547	3,064
<u>U.S. Department of Housing and Urban Development</u>				
Pass through State Department of Development:				
Community Development Block Grant/State's Program	14.228	B-F-045	105,980	-
HOME Investment Partnerships Program	14.239	B-C-045	<u>237,915</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			343,895	-
<u>U.S. Department of Labor</u>				
Pass through State Department of Jobs and Family Services:				
Workforce Investment Act	17.255		207,000	-
<u>U.S. Department of Health and Human Services</u>				
Pass through State Department of Mental Retardation and Developmental Disabilities:				
Medical Assistance Program	93.778	31-6400075	434,503	-
Social Services Block Grant	93.667	31-6400075	<u>25,779</u>	<u>-</u>
Total U.S. Department of Health and Human Services			460,282	-
<u>U.S. Department of Education</u>				
Pass through State Department of Education:				
Special Education - Preschool Grant	84.173		13,354	-
Title I, Grants to Local Educational Agencies	84.010	C1 - S1	8,507	-
Total U.S. Department of Education			<u>21,861</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$1,039,585</u>	<u>\$3,064</u>

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

MADISON COUNTY

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At December 31, 2001, the County had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

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



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Madison County
P.O. Box 618 - Courthouse
London, Ohio 43140

We have audited the financial statements of Madison County, Ohio (the County) as of and for the year ended December 31, 2001, and have issued our report thereon dated March 15, 2002, wherein we noted the County did not adopt accounting principles generally accepted in the United States of America, which principles are required by the Ohio Administrative Code. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-60649-01. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated March 15, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated March 15, 2002.

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

JIM PETRO
Auditor of State

March 15, 2002



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

Compliance

We have audited the compliance of Madison County, Ohio (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that is applicable to its major federal program for the year ended December 31, 2001. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that is applicable to its major federal program for the year ended December 31, 2001.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs.

In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Madison County
Report on Compliance With Requirements Applicable to Each Major
Federal Program and Internal Control Over Compliance
In Accordance With OMB Circular A-133
Page 2

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

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

JIM PETRO
Auditor of State

March 15, 2002

MADISON COUNTY

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

Finding Number	2001-60649-01
-----------------------	---------------

Ohio Admin. Code Section 117-1-11 requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, can not be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

MADISON COUNTY

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2001
(Continued)**

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

Finding Number	2001-60649-01
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We recommend the County consider the benefits of preparing its annual financial report in accordance with the generally accepted accounting principles.

3. FINDINGS FOR FEDERAL AWARDS

None

MADISON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2000-60649-01	Citation for not reporting in accordance with GAAP.	No	Not Corrected.
2000-60649-02	Citation for not utilizing the encumbering method of accounting.	No	Partially Corrected.



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MADISON COUNTY FINANCIAL CONDITION

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 9, 2002