



**Auditor of State  
Betty Montgomery**



**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Honorable County Commissioners  
Honorable County Auditor  
Honorable County Treasurer  
Champaign County  
1512 South U.S. Highway 68, Suite A100  
Urbana, Ohio 43078

We have audited the accompanying financial statements of Champaign County, (the County), as of and for the year ended December 31, 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03 (B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the County as of and for the year ended December 31, 2005 in accordance with accounting principles generally accepted in the United States of America.

The County has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2006, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Honorable County Commissioners  
Honorable County Auditor  
Honorable County Treasurer  
Champaign County  
Independent Accountants' Report  
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We conducted our audit to opine on the County's financial statements. The Federal Awards Expenditure Schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected this schedule to the auditing procedures applied in our audit of the County's financial statements. For reasons stated in the third paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the County, as of December 31, 2005, or its changes in financial position or its cash flows for the year then ended. Therefore we are unable to express, and we do not express, an opinion on the Federal Awards Expenditure Schedule.

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

**Betty Montgomery**  
Auditor of State

September 26, 2006

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Types</u>	<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Receipts:</b>						
Property Taxes	\$1,491,305	\$3,525,669				\$5,016,974
Sales Tax	4,313,050					4,313,050
Charge for Services	920,590	1,026,041				1,946,631
Licenses & Permits	471,050	74,285				545,335
Fines & Forfeitures	79,627	79,797				159,424
Intergovernmental	1,261,818	10,151,984		\$254,014		11,667,816
Special Assessments	500			15,620		16,120
Investment Income	414,070	143,118			\$802	557,990
Rental Income	291,833					291,833
Other	476,720	2,483,051			22,244	2,982,015
<b>Total Receipts</b>	<u>9,720,563</u>	<u>17,483,945</u>		<u>269,634</u>	<u>23,046</u>	<u>27,497,188</u>
<b>Disbursements:</b>						
General Government:						
Legislative & Executive	2,878,084	640,304				3,518,388
Judicial	2,061,091	221,661				2,282,752
Public Safety	3,229,000	217,182				3,446,182
Public Works	100,972	4,795,986		254,014		5,150,972
Health	40,316	4,962,601				5,002,917
Human Services	253,511	5,666,569				5,920,080
Conservation & Recreation		69,785				69,785
Economic Development and Assistance		61,112				61,112
Capital Outlay	3,957	85,648		270,712	1,437	361,754
Debt Service:						
Principal Retirement			\$383,119			383,119
Interest and Fiscal Charge			312,800			312,800
<b>Total Disbursements</b>	<u>8,566,931</u>	<u>16,720,848</u>	<u>695,919</u>	<u>524,726</u>	<u>1,437</u>	<u>26,509,861</u>
Excess of Receipts Over (Under) Disbursements	<u>1,153,632</u>	<u>763,097</u>	<u>(695,919)</u>	<u>(255,092)</u>	<u>21,609</u>	<u>987,327</u>
<b>Other Financing Sources (Uses):</b>						
Proceeds of Notes & Bonds				200,000		200,000
Refunding bonds issued			2,010,000			2,010,000
Payments on refunding bonds			(1,865,000)			(1,865,000)
Advances - In	32,000	340,893				372,893
Advances - Out	(3,604)	(337,289)				(340,893)
Operating Transfers - In		62,711	548,345	11,853		622,909
Operating Transfers - Out	(736,634)	(120,830)				(857,464)
<b>Total Other Sources (Uses)</b>	<u>(708,238)</u>	<u>(54,515)</u>	<u>693,345</u>	<u>211,853</u>		<u>142,445</u>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Uses	445,394	708,582	(2,574)	(43,239)	21,609	1,129,772
Fund Cash Balances, January 1,	595,400	7,606,100	5,074	113,363	135,663	8,455,600
<b>Fund Cash Balances, December 31,</b>	<u><b>\$1,040,794</b></u>	<u><b>\$8,314,682</b></u>	<u><b>\$2,500</b></u>	<u><b>\$70,124</b></u>	<u><b>\$157,272</b></u>	<u><b>\$9,585,372</b></u>

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

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-Expendable Trust</u>	<u>Agency</u>	
<b>Receipts:</b>					
Charge for Services	\$5,473,909	\$44,366			\$5,518,275
Other Operating Receipts	97,734	512,287			610,021
Total Receipts	<u>5,571,643</u>	<u>556,653</u>			<u>6,128,296</u>
<b>Disbursements:</b>					
Personal Services	3,662,664	970,699			4,633,363
Contract Services	916,908				916,908
Supplies and Materials	494,396				494,396
Other	399,699				399,699
Debt Service:					
Principal Retirement	70,000				70,000
Interest and Fiscal Charge	17,325				17,325
Total Disbursements	<u>5,560,992</u>	<u>970,699</u>			<u>6,531,691</u>
Total Receipts Over (Under) Disbursements	10,651	(414,046)			(403,395)
<b>Non-Operating Receipts (Disbursements)</b>					
Other Non-Operating Revenue			\$1,656	\$81,146,176	81,147,832
Proceeds of Notes	100,000				100,000
Other Non-Operating Disbursements				(81,086,011)	(81,086,011)
Total Non-Operating Receipts (Disbursements)	<u>100,000</u>		<u>1,656</u>	<u>60,165</u>	<u>161,821</u>
Income Before Operating Transfers	110,651	(414,046)	1,656	60,165	(241,574)
Operating Transfers-In		234,555			234,555
Advances-Out	(32,000)				(32,000)
Net Income /(Deficit)	78,651	(179,491)	1,656	60,165	(39,019)
Fund Cash Balance January 1,	<u>172,079</u>	<u>242,020</u>	<u>82,033</u>	<u>4,600,007</u>	<u>5,096,139</u>
<b>Fund Cash Balance December 31,</b>	<b><u>\$250,730</u></b>	<b><u>\$62,529</u></b>	<b><u>\$83,689</u></b>	<b><u>\$4,660,172</u></b>	<b><u>\$5,057,120</u></b>

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



**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF RECEIPTS  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Governmental Fund Types:</b>			
General Fund	\$9,238,535	\$9,720,563	\$482,028
Special Revenue Funds	16,738,615	17,546,656	808,041
Debt Service Funds	548,345	548,345	
Capital Projects Funds	478,135	481,487	3,352
<b>Proprietary:</b>			
Enterprise Funds	5,527,100	5,671,643	144,543
Internal Service Funds	497,908	791,208	293,300
<b>Fiduciary Fund Types:</b>			
Expendable Trust Funds	2,348	23,046	20,698
Non Expendable Trust Funds	1,500	1,656	156
<b>Totals (Memorandum Only)</b>	<b>\$33,032,486</b>	<b>\$34,784,604</b>	<b>\$1,752,118</b>

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

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<u>Fund Types/Fund</u>	<u>Prior Year Carryover Appropriations</u>	<u>2005 Appropriations</u>	<u>Total</u>
<b>Governmental:</b>			
General Fund	\$159,014	\$9,568,080	\$9,727,094
Special Revenue Funds	1,335,280	19,582,574	20,917,854
Debt Service Funds		550,920	550,920
Capital Projects Funds	36,476	529,448	565,924
<b>Proprietary:</b>			
Enterprise Funds		5,647,408	5,647,408
Internal Service Funds		974,820	974,820
<b>Fiduciary:</b>			
Expendable Trust Fund		11,155	11,155
Non Expendable Trust Funds			
<b>Total (Memorandum Only)</b>	<u>\$1,530,770</u>	<u>\$36,864,405</u>	<u>\$38,395,175</u>

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

<u>Actual 2005 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/05</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$9,303,565	\$659,731	\$9,963,296	(\$236,202)
16,841,678	713,097	17,554,775	3,363,079
695,919		695,919	(144,999)
524,726		524,726	41,198
5,560,992	180,680	5,741,672	(94,264)
970,699		970,699	4,121
1,437		1,437	9,718
<u>\$33,899,016</u>	<u>\$1,553,508</u>	<u>\$35,452,524</u>	<u>\$2,942,651</u>

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**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**1. REPORTING ENTITY AND BASIS OF PRESENTATION**

Champaign County, Ohio (the County) was established in 1805 by an act of the Ohio General Assembly. It operates as a political subdivision of the State of Ohio exercising only those powers conferred by the legislature. Champaign County voters elect a total of eleven legislative and administrative county officials. The three-member Board of Commissioners is the legislative and executive body of the County. The County Auditor is the chief fiscal officer and tax assessor and the County Treasurer serves as the custodian of all county funds and as tax collector. In addition, there are six other elected administrative officials provided for by Ohio law, which include the Clerk of Courts, Recorder, Coroner, Engineer, Prosecuting Attorney and Sheriff. The judicial branch of the County is comprised of a Common Pleas Judge, a Probate Judge and a Court of Appeals Judge.

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

**A. Reporting entity**

Governmental Accounting Standards Board indicates that the criteria for including a potential component unit within the reporting entity is the County Commissioner's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of this ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the accountability for fiscal matters and the ability to influence operations significantly.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the County or whether the activity is conducted within the geographic boundaries of the County and is generally available to its residents.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the County is able to exercise oversight responsibility.

Based on the criteria established by the Codification of Governmental Accounting and Financial Reporting Standards (GAFRS), the financial activities of the various potential component units are (1) part of the reporting entity of the County and included in the financial statements; (2) reported as Agency funds in the financial statements; (3) Joint Ventures and disclosed in the notes to the financial statements; or (4) excluded from the reporting entity.

The Champaign County Board of Mental Retardation and Developmental Disabilities is included as a part of the reporting entity and is presented in the financial statements, although governed by its own board, the County Commissioners have oversight responsibility.

The County Treasurer, as the custodian of public funds, invests all public monies held on deposit in the County treasury. In the case of separate agencies, boards and commissions as listed below, the County serves as fiscal agent but does not exercise primary oversight responsibility. Accordingly, the activity of the following districts and entities have been included in the County's financial statements as Agency Funds:

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)**

District Board of Health  
Child and Family First Council  
Emergency Management Agency  
Tri County Regional Jail

Although the following entities meet the scope of public service criterion, the County exercises no oversight responsibility. The entities may be related to the County in that the organizations may share the County name or the County may provide resources to support them as monies are available. The governing authorities of these entities are selected independently of Champaign County officials. Each individual governing authority may: (1) designate its own management; (2) have total control over their operations; (3) be solely responsible for reviewing, approving and revising its own budget; (4) have the ability to issue and be responsible for its own debt; (5) function as fiscal manager by controlling the collection and disbursement of funds and holding title to assets; and (6) have the ability to generate their own revenue. The following organizations are excluded from the reporting entity:

Champaign County Board of Education  
Champaign County Agricultural Society  
Champaign County Law Library Association  
Champaign County Council on Aging  
Champaign County Historical Society  
Champaign County Community Improvement Corporation  
Champaign County Cooperative Extension Services  
Champaign County Air Pollution Control Board  
Champaign County Conservancy District  
Mercy Memorial Hospital

**Lawnview Industries, Inc.:** Lawnview Industries, Inc. (Lawnview) is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. Lawnview, under contractual agreement with the Champaign County Board of Mental Retardation and Developmental Disabilities (MRDD), provides sheltered employment, while educating and training the mentally retarded and developmentally disabled citizens of Champaign County. MRDD reimburses and provides certain operating expenses as necessary for the operation of Lawnview. Based on the significant services and resources provided by the County (MRDD) to Lawnview and Lawnview's sole purpose of providing assistance to the mentally retarded or developmentally disabled adults of Champaign County, Lawnview is a component unit of the County. However, the County reports on the cash basis of accounting which does not reflect component units within the financial statements and related note disclosures. Complete financial statements for Lawnview may be obtained from the administrative offices at 1250 East Route 36, Urbana, Ohio 43078.

**Home Options, Inc.:** Home Options, Inc. is a legally separate, not-for-profit corporation. It provides housing exclusively for Board of MRDD clients. MRDD reimburses and provides certain operating expenses as necessary for the operation of Home Options, Inc. Based on the significant services and resources provided by the County (MRDD) to Home Options, Inc. and Home Options' sole purpose of providing assistance to the mentally retarded or developmentally disabled adults of Champaign County, Home Options, Inc. is a component unit of the County. However, the County reports on the cash basis of accounting which does not reflect component units within the financial statements and related note disclosures. Complete financial statements for Home Options, Inc. may be obtained from the administrative offices at 2200 South U.S. Highway 68, Urbana, Ohio 43078.

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)**

**B. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the County chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

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

**C. Fund Accounting**

The County maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

**1. Governmental Fund Types**

**General Fund** - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** - The Special Revenue Funds are used to account for revenues derived from specific taxes, grants or other restricted revenue sources. Legal or regulatory provisions or administrative action specifies the uses and limitations of each special revenue fund.

**Debt Service Funds** - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**Capital Projects Funds** - Capital Project Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

**2. Proprietary Fund Types**

**Enterprise Funds** - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)**

**Internal Service Funds** - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County or to other government units on a cost-reimbursement basis.

**3. Fiduciary Fund Types**

**Trust and Agency Funds** - Fiduciary Funds are used to account for assets held on behalf of outside parties, including other government units, or on behalf of other funds within the County. When these assets are held under the terms of a formal trust agreement, either a non-expendable trust fund or an expendable trust fund is used. The terms "non-expendable" and "expendable" refer to whether or not the County is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Budgetary Process**

The County is required by state law to adopt annual budgets for all funds, except fiduciary funds specifically exempted by statute. Listed below are the major steps of the budget preparation process:

**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**

The County Budget Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year.

Prior to December 31, the County must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources.

The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1 unencumbered fund balances. However, those fund balances are available for appropriations.

**3. Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.



**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

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

**4. Encumbrances**

The County is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**B. Cash and Investments**

The County Treasurer invests all active and inactive county funds. Active county funds are invested in overnight money market accounts with local commercial banks. Inactive funds are invested in certificates of deposit. The County pools its cash for investment purposes to capture the highest return. Investment income credited to the General Fund during 2005 amounted to \$414,070. Investments are stated at cost, which approximates fair market value.

During fiscal year 2005, investments of the County were limited to the State Treasury Asset Reserve of Ohio (STAROhio), certificates of deposits, government securities and money market funds. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the Securities and Exchange Commission (SEC) as an investment company, but does operate in a manner consistent with Rule 2a7 on the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 2005. The fair value of the County's investment in the STAR Ohio pool is equal to its position in the pool.

**C. Property, Plant and Equipment**

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**D. Insurance**

The County is insured with the Public Entities Pool of Ohio for most risks including, but not limited to, property damage, health care and personal injury.

**E. Total Columns on Combined Financial Statements**

Total columns on the combined financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Interfund eliminations have not been made in the aggregation of this data.

**3. CASH AND INVESTMENTS**

The Treasurer is responsible for selecting depositories and investing funds. Monies held by the County are classified by State Statute into two categories. Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained 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.

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**3. CASH AND INVESTMENTS (Continued)**

Monies held by the County which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

- A. United States Treasury Notes, Bills, Bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
- B. Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- C. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- D. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
- E. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
- F. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- G. The State Treasurer's investment pool (STAR Ohio);
- H. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
- I. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and
- J. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**3. CASH AND INVESTMENTS (Continued)**

The County's carrying amount of cash and investments as of December 31, 2005, consisted of the following:

<b>Cash on hand:</b>		\$ 14,000
<b>Deposits:</b>		
Demand deposits:		
Interest bearing	1,215,859	
Certificates of deposit, 3.26% to 4.88%	<u>5,784,727</u>	
Total cash on hand and deposits		<u>\$ 7,014,586</u>
 <b>Investments:</b>		
State Treasury Asset Reserve of Ohio (Star Ohio)	\$ 160,325	
United States Treasury Note	444,316	
Federal Home Loan Bank	166,618	
Federal Home Loan Mortgage Corporation	305,467	
Federal National Mortgage Association	944,171	
Federal Farm Credit Bank	916,402	
Money market funds	<u>4,690,607</u>	
Total investments		<u>7,627,906</u>
 Total pooled cash and investments		 \$14,642,492

**Deposits**

Except for items in-transit, the carrying value of deposits by the respective depositories equates to the carrying value by the County. All deposits are collateralized with eligible securities and letters of credit, as described by the Ohio Revised Code, in amounts equal to at least 105% of the County's carrying value of the deposits (demand deposits and certificates of deposit). Such collateral, as permitted by the State of Ohio, is held in each respective depository bank's collateral pool at a federal reserve bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds.

The year-end bank balance of all County deposits was \$7,885,242. Based on criteria described in GASB Statement No. 3 amounts on deposit with financial institutions, including investments were covered by:

FDIC insured deposits	\$ 300,000
Deposits collateralized by securities held by pledging financial Institution or its agent but not in County's name	<u>\$7,585,242</u>
Total insured or collateralized	<u>\$7,885,242</u>

**Custodial credit risk** is the risk that in the event of bank failure, 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. Protection of the County's cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value to the pooled collateral must equal at least 105 percent of public funds deposited. Trustees including the Federal Reserve Bank and designated third parties of the financial institutions hold collateral.

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**3. CASH AND INVESTMENTS (Continued)**

**Investments**

Monies held in the County Treasury are pooled for the purpose of investment management. The County invests in those instruments identified in Section 135.35 of the Ohio Revised Code. Specifically, authorized investment instruments consist of:

All Investments are reported below at fair value, which is based on quoted market prices. Investments are reported on books (Cash Value) at cost plus accretion or minus amortization. Investment ratings are: Standard & Poor's highest AAA rating for Star Ohio and Standard & Poor's AAA & Moody's AAA rating for US Governments and US Government Agencies held in Champaign National Bank Trust Account (Securities held by Bank of New York).

	<b>Cash Value (Book) 12/31/05</b>	<b>Fair Value</b>	<b>Investment (in years) &lt;1</b>	<b>Maturities 1-5</b>
Star Ohio (uncategorized)	\$ 160,325	\$ 160,873	\$ 160,873	
Money Market Funds	\$4,690,607	\$4,710,676	\$4,710,676	
U.S. Treasury Note	\$ 444,316	\$ 446,202	\$ 446,202	
Federal Home Loan Bank	\$ 166,618	\$ 172,867	\$ 172,867	
Federal Home Loan Mortgage Corp	\$ 305,467	\$ 296,532	\$ 296,532	
Federal National Mortgage Assoc	\$ 944,171	\$ 914,402	\$ 914,402	
Federal Farm Credit Bank	\$ 916,402	\$ 909,892	\$ 659,892	\$250,000
<b>Total</b>	<b>\$7,627,906</b>	<b>\$7,611,444</b>	<b>\$7,361,444</b>	<b>\$250,000</b>

The County's deposits and investments, as of December 31, 2005, totaling \$15,533,475 were held in five financial institutions as follows: 20.95% Champaign National Bank, 13.77% Citizens National Bank of Urbana, 46.36% Perpetual Federal Savings Bank, 1.04% Star Ohio and 17.88% Champaign National Bank Trust (Government Investments held by Bank of New York). Of the 17.88% Government portfolio 16.24% was invested in US Treasury Notes, 6.31% was invested in Federal Home Loan Bank, 10.83% was invested in Federal Home Loan Mortgage Corporation, 33.31% was invested in Federal National Mortgage Association and 33.31% was invested in Federal Farm Credit Bank.

Custodial credit risk for investments is the same as listed above under **Deposits**.

**Interest Rate Risk.** The County's investment policy does not address interest rate risk. Ohio revised code requires that an investment mature within five years from the date of purchase and that an investment must be purchased with the expectation that it will be held to maturity.

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**4. NOTES PAYABLE AND LONG-TERM OBLIGATIONS**

Obligations at December 31, 2005 were as follows:

	<u>Balance 1/1/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/05</u>
<b>Notes</b>				
County Home Bond Anticipation Notes Issued 2005	\$ 0	\$100,000	\$0	\$100,000
Capital Improvement Bond Anticipation Notes Issued 2003 – Variable Interest Rate	323,328	200,000	150,000	373,328
	<u>\$323,328</u>	<u>\$300,000</u>	<u>\$150,000</u>	<u>\$473,328</u>
<b>General Long-Term Obligations:</b>				
County Various Purpose General Obligation Bonds - Issued 1998 -5.5%	\$3,045,000	\$0	\$2,040,000	\$1,005,000
County Building Refunding Bonds Issued 2005 -4.5%	0	2,010,000	0	2,010,000
Ohio Public Works Commission Issued 2003 – 0%	755,548	0	58,119	697,429
Total General Long-Term Debt	<u>\$3,800,548</u>	<u>\$2,010,000</u>	<u>\$2,098,119</u>	<u>\$3,712,429</u>
<b>Enterprise Fund Obligation:</b>				
Nursing Home Improvement General Obligation Bonds - Issued 1998 - 5.5%	<u>\$315,000</u>		<u>\$70,000</u>	<u>\$245,000</u>

The Capital Improvement Bond Anticipation Note was issued for the purpose of constructing building improvements and telephone equipment, including a 911 system. The interest rate varies and equals the difference between the prime rate and 1.5%. The notes mature not more than 5 years from the issuance date.

The County Home Bond Anticipation Note, Series 2005 was issued for the purpose of paying part of the cost of acquiring and constructing improvements to the County Home. The interest rate will be 4.6% until 2011 when it is subject to change to the lenders prime rate less 10 basis points to produce an equivalent tax-exempt yield to the lender. The notes mature not more than 15 years from the issuance date.

The County Building Refunding Bonds issued 2005 were issued for the purpose of interest savings on the County Various Purpose General Obligation Bonds issued 1998. The bonds were issued at 4.5%. The county made \$175,000 in principal payments and refunded \$1,865,000 principal on the original general obligation bonds in 2005. The remainder of the principal of the general obligation bonds will be paid over the next 5 years concluding on December 1, 2010. The County Building Refunding Bonds will be paid over the next 12 years.

The Nursing Home Improvement General Obligation Bonds were issued in 1998 for the purpose of building improvements. The bonds mature 12/1/2008 with an interest rate of 5.5%.

The Ohio Public Works Commission loan was obtained for the purpose of funding capital improvement projects. The loan has a 0% interest rate, and will be repaid over 16 years.

In addition to the above general obligation bonds the County has limited obligation bonds totaling \$130,101 with Champaign Residential Services, Inc. and \$2,434,336 with Urbana University. In the event of default by the agencies, the County's obligation would be limited to revenue derived from the rental or sale of buildings.

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**4. NOTES PAYABLE AND LONG-TERM OBLIGATIONS (Continued)**

The following table summarizes the County's future debt service requirements for General Obligation Bonds and Enterprise Fund General Obligation Bonds as of December 31, 2005:

Year Ending 12/31	Various Purpose Bonds		Refunding Bonds		Ohio Public Works Commission		Nursing Home Improvement Bonds		County Home Note	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$185,000	\$55,275	\$15,000	\$77,013	\$29,060	\$0	\$75,000	\$13,475	\$0	\$0
2007	200,000	45,100	25,000	76,563	58,119		80,000	9,350	0	5,213
2008	200,000	34,100	25,000	75,750	58,119		90,000	4,950	0	4,600
2009	205,000	23,100	25,000	74,938	58,119				0	4,600
2010	215,000	11,825	25,000	74,125	58,119				20,000	4,600
2011-2015			1,305,000	273,300	290,595				80,000	9,200
2016-2017			590,000	35,600	145,298					
<b>Total</b>	<b>\$1,005,000</b>	<b>\$169,400</b>	<b>\$2,010,000</b>	<b>\$687,289</b>	<b>\$697,429</b>	<b>\$0</b>	<b>\$245,000</b>	<b>\$27,775</b>	<b>\$100,000</b>	<b>\$28,213</b>

The general obligation bonds contain no sinking fund requirements or significant bond limitations or restrictions and are backed by the full faith and credit of the County. Historically, the County has appropriated enterprise fund revenues for payment of general obligations debt for enterprise system improvements.

**5. RISK MANAGEMENT**

The County is exposed to various risks of property and casualty losses, and injuries to employees.

The County insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

**Public Entities Pool of Ohio**

The County belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty Coverage**

PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**5. RISK MANAGEMENT (Continued)**

**Property Coverage**

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**Financial Position**

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004.

<b>Casualty Coverage</b>	<b>2005</b>	<b>2004</b>
Assets	\$29,719,675	\$27,437,169
Liabilities	(15,994,168)	(13,880,038)
Retained earnings	<u>\$13,725,507</u>	<u>\$13,557,131</u>
<b>Property Coverage</b>	<b>2005</b>	<b>2004</b>
Assets	\$4,443,332	\$3,648,272
Liabilities	(1,068,245)	(540,073)
Retained earnings	<u>\$3,375,087</u>	<u>\$3,108,199</u>

The Casualty Coverage assets and retained earnings above include approximately \$14.3 million and \$12 million of unpaid claims to be billed to approximately 430 member governments in the future, as of December 31, 2005 and 2004, respectively. PEP will collect these amounts in future annual premium billings when PEP's related liabilities are due for payment. The County's share of these unpaid claims is approximately \$366,310.

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**5. RISK MANAGEMENT (Continued)**

**County Employee Benefit Consortium of Ohio, Inc.**

The County is participating in an insurance group purchasing pool for employee benefit plan costs which was established under the authority granted by Section 9.833 of the Ohio Revised Code. The County Employee Benefit Consortium of Ohio, Inc (CEBCO) was established to assist political subdivisions of the State of Ohio in controlling employee benefit plan costs.

CEBCO is responsible for obtaining and providing to members within 90 days after the last day of the fiscal year, a written report by a member of the American Academy of Actuaries concerning the benefit program.

This report shall certify whether the amounts reserved by CEBCO to cover potential cost of health care benefits for eligible officials, employees, and dependents are sufficient and are computed in accordance with accepted loss reserving standards. Each member political subdivision has a voting representative on the CEBCO Board.

**6. PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the County. Real property taxes collected during 2005 were levied after October 1, 2004 on the assessed value listed as of January 1, 2004, the lien date. Public utility property taxes collected in 2005 attached as a lien on December 31, 2004 and were levied after October 31, 2004. Taxpayers were required to pay one half of these taxes by February 23, 2005, with the remaining half due by July 15, 2005. Tangible personal property taxes collected in 2005, were levied after October 31, 2004 on the value listed as of December 31, 2004. Taxpayers were required to pay one half of these taxes by May 10, 2005 with the remaining balance due on October 20, 2005.

Public utility property taxes are assessed on tangible personal property at true value, while other tangible personal property assessments are 25% of true value. True value is based on cost and established by the State. Assessed values on real property are established by State law at 35% of appraised market value. A revaluation of all property is required to be completed every sixth year, with a statistical update every third year. The last revaluation was completed in 2001.

The assessed value by property classification, upon which the 2005 tax receipts were based, follows:

Real property	\$ 592,094,070
Public utility real property	136,950
Tangible personal property	79,118,542
Public utility tangible personal property	31,059,240
Manufactured Homes	<u>1,427,090</u>
Total	<u>\$ 703,835,892</u>

Ohio law prohibits taxation from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. Currently, the County levies 2.2 mills of the first 10 mills of assessed value. During 2005, in addition to the 2.2 mills, 5.2 mills have been levied based upon mills voted for the Senior Citizens, MRDD (Lawnview School) and the Children's Service levy.

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



**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**7. LOCAL SALES TAX**

For the purpose of providing additional general revenues, the Champaign County Commissioners have levied a tax at the rate of 1 ½ % percent upon certain retail sales made in the County. Tax receipts are credited to the general fund and amounted to \$4,313,050 for 2005.

**8. PROPERTY LEASE REVENUE**

The County leased 150 acres to a farmer for a three-year period beginning March 1, 2004, at an annual rent of \$12,710, with optional annual rental updates. Total rental income on the farm for 2005 was \$12,710 and is reported as rental income in the general fund.

The County leased office space in downtown Urbana at Miami Square. Total rental income from Miami Square for 2005 was \$21,561 and is reported as rental income in the general fund.

The County leased office space in South Point Center to various agencies. Total rental income from South Point for 2005 was \$257,412 and is reported as rental income in the general fund.

**9. DEFINED BENEFIT-PENSION PLANS**

**A. Ohio Public Employees Retirement System**

Champaign County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan (TP) is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan (MD) is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan (CO) is a cost-sharing, multiple-employer defined pension plan that has elements of both a defined benefit and defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the Member-Directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6705 or 1-800-222-PERS (7377).

For the year ended December 31, 2005 the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2005 was 13.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 16.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for employee and employer contributions.

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**9. DEFINED BENEFIT-PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

The County participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005 plan members were required to contribute 9.3 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2004, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2005, were 10% of covered payroll for members and 14% for employers. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**10. POST-RETIREMENT BENEFITS**

**A. Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local employer contribution rate for local government was 13.55 percent of covered payroll and 5.0 percent was used to fund health care for the year. For both the public safety and law enforcement divisions, the 2005 employer rate was 16.70 percent, and 5 percent was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

OPEB's are advance-funded on an actuarially determined basis. At year-end 2005, the number of active contributing participants in the Traditional and Combined Plans totaled 376,109. The County's actual contributions for 2005 which were used to fund post-employment benefits were \$682,024. \$10.8 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2004, (the latest information available). The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCCP) with an effective date of January 1, 2007. The HCCP restructures OPERS' Health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**10. POST-RETIREMENT BENEFITS (Continued)**

**B. State Teachers Retirement System**

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Ohio Revised Code (ORC), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30 2005, the board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2004, 4.5 percent of covered payroll was allocated to the fund.

The balance in the Health Care Stabilization Fund was \$2.8 billion on June 30, 2005. For the County, this amount equaled \$16,636 for 2005.

For the year ended June 30, 2005, net health care costs paid by STRS were \$352,301,000. There were 108,294 eligible benefit recipients.

**11. PENDING LITIGATION**

The County is a defendant in a number of lawsuits pertaining to matters, which are incidental to performing routine governmental and other functions. No material claims are outstanding.

The County participates in certain federal and state assisted grants and programs that are subject to financial compliance audits by the grantor agencies or their representatives. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Such audits could lead to reimbursements to the grantor agencies. It is the opinion of management, that the reimbursement, if any, will not have a material effect on the County's financial position.

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**12. JOINTLY GOVERNED ORGANIZATIONS**

**A. Central Ohio Youth Center**

The Central Ohio Youth 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 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. Union County serves as the fiscal agent. 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. During 2005, Champaign County contributed \$339,598 for operations of the Center.

**B. Champaign County Child and Family Council**

The Champaign County Child and Family Council was established under Section 121.37 of the Ohio Revised Code to provide help to families seeking government services. These services are provided through coordination, collaboration and cooperation of parents and of public and private agencies and shall foster and develop resources, which minimize barriers and enable families to build on their strengths to enhance their quality of life. Council membership is set by statute and includes the chair of the board of county commissioners, or an individual designated by the board. Appropriations are adopted by the Champaign County Budget Commission and the Champaign County Auditor serves as the fiscal agent. During 2005, the Champaign County Commissioners served as the Council's administrative agent but did not contribute any funds.

**C. Council of Governments**

**Fairways Regional Council of Governments**

The County is a participant in the Fairways Regional Council of Governments (the Council), jointly governed organization with Champaign and Madison Counties. The purpose of the Council is to provide supported living services and family support services for mentally retarded and disabled individuals and their families. The Council started providing these services in September 1998 and is established under section 167 of the Ohio Revised Code. The Council is governed by a three-member board of directors, consisting of the superintendents of the participating Counties MRDD Boards. Champaign County has no ongoing financial responsibility to the Board. During 2005, Champaign County made no contributions towards the operation of the Council.

**Champaign Countywide Public Safety Communications System Council of Governments**

The County entered into an agreement in April 2005 with the Champaign Countywide Public Safety Communications System Council of Governments (COG) whereby the City of Urbana and the County created the COG for the purpose of operating an enhanced 9-1-1 system. The COG has contracted with the Champaign County Auditor to perform Auditor Services and with the Champaign County Treasurer to perform Treasurer Services.

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**12. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**D. North Central Ohio Solid Waste Management District**

Champaign County participates in a Multi-County Solid Waste District (the District), along with Allen, Hardin, Marion, 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. Allen County serves as the fiscal agent for the District. Initial funding for the District was contributed by each county based on the individual county's population as compared to the total of all participating counties' populations.

Champaign County initially contributed approximately 12 percent of the total funds contributed. In 1994, the District became self-supporting and does not anticipate having to rely on future support coming from funds given to the District by the six counties involved. The County did not contribute to the District nor does it anticipate doing so in the future. Complete financial statements can be obtained from the North Central Ohio Solid Waste Management District, Allen County, Ohio.

**13. JOINT VENTURE**

**Tri-County Regional Jail** – Champaign County is a participant in the Tri-County Regional jail, which is a joint prison capable of minimum, medium, and maximum security. The prison was built to house convicted criminals from Madison, Union and Champaign Counties. The governing board consists of the Champaign County Sheriff and the Common Pleas Judge from each of the aforementioned counties, with the judge from Champaign County chairing the board. The Champaign County Auditor serves as fiscal agent for the Jail. During 2005, Champaign County contributed \$1,374,776 towards the operation of the jail. Financial information can be obtained by writing the Champaign County Auditor, 1512 South U.S. Highway 68, Urbana, OH 43078.

**14. DEFERRED COMPENSATION PLANS**

Champaign County employees and elected officials may participate in deferred compensation plans created in accordance with Internal Revenue Code Section 457, one offered by the State of Ohio the other by the County Commissioners Association of Ohio. Participation is on a voluntary payroll deduction basis. Each plan permits deferral compensation until future years. According to the plans, the deferred compensation is not available to employees until termination, retirement, or unforeseeable emergency.

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b>U.S. Department of Justice</b>			
(Direct)			
Juvenile Accountability Incentive Block Grants	2004 JV 011 B067	16.523	<u>13,156</u>
<b>U.S. Department of Housing &amp; Urban Development</b>			
(Passed through Ohio Department of Development)			
Community Development Block Grants/State's Program	BF-03-011-1	14.228	15,904
	BF-04-011-1		41,658
	BC-05-011-1		4,000
	BC-05-011-2		6,000
	BC-99-011-1		<u>32</u>
Total Community Development Block Grants/State's Program			<u>67,594</u>
Emergency Shelter Program	BL-04-011-1	14.231	<u>24,150</u>
Total U.S. Department of Housing & Urban Development			<u>91,744</u>
<b>U.S. Department of Transportation</b>			
(Passed through Ohio Department of Transportation)			
Highway Planning & Construction	PID 75851	20.205	68,045
Formula Grants for Other Than Urbanized Areas	RPT-4011	20.509	184,011
	RPT-4011		<u>19,462</u>
Total Formula Grants for Other Than Urbanized Areas			<u>203,473</u>
Total U.S. Department of Transportation			<u>271,518</u>
<b>U.S. Department of Education</b>			
(Passed through Ohio Department of Education)			
<i>Special Education Cluster:</i>			
Special Education Grants to States	065896-6B-SF-2004	84.027	6,371
	065896-6B-SF-2005		15,250
	065896-6B-SF-2006		<u>2,429</u>
Total Special Education Grants to States			<u>24,050</u>
Special Education - Preschool Grant	065896-PG-S1-2004	84.173	4,473
	065896-PG-D7-2005		7,198
	065896-PG-D7-2006		<u>934</u>
Total Special Education - Preschool Grant			<u>12,605</u>
Total Special Education Cluster			<u>36,655</u>
Rehabilitation Service Commission	N/A	84.126	<u>645</u>
Total U.S. Department of Education			<u>37,300</u>

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b>U.S. Department of Health &amp; Human Services</b>			
(Passed through Ohio Department of Mental Retardation and Developmental Disabilities)			
Social Services Block Grant: Title XX	FY05 FY06	93.667	21,368 10,369
Total Social Services Block Grant			<u>31,737</u>
State Children's Insurance Program	N/A	93.767	4,208
Medical Assistance Program	FY05- CAFS FY05- TCM Waiver	93.778	798,994 180,485 7,350
Total Medical Assistance Program			<u>986,829</u>
(Passed through Area Agency on Aging, Planning & Service Area) Special Programs for the Aging Title III, Part B Grants	FY04	93.044	<u>33,999</u>
Total U.S. Department of Health & Human Services			<u>1,056,773</u>
<b>U.S. Department of Labor</b>			
(Passed through Area 7 Workforce Investment Board)			
Workforce Investment Act - Adult Workforce Investment Act - Adult Administrative Total Workforce Investment Act - Adult Program	PY03/PY04/FY04 PY04/FY05	17.258	50,269 1,686
			<u>51,955</u>
Workforce Investment Act - Youth Workforce Investment Act - Youth Administrative Total Workforce Investment Act - Youth Activities	PY03/PY04/FY04 PY04/FY05	17.259	64,425 2,410
			<u>66,835</u>
Workforce Investment Act - Dislocated Workers Workforce Investment Act - Dislocated Workers Administrative Total Workforce Investment Act - Dislocated Workers	PY03/PY04/FY04 PY04/FY05	17.260	75,799 2,169
			<u>77,968</u>
Reed Act		17.225	<u>41,109</u>
Total U.S. Department of Labor			<u>237,867</u>
<b>U.S. Department of Homeland Security</b>			
(Passed through Ohio Emergency Management Agency)			
Disaster Assistance	DR-1580-OH EM-3198-OH	97.036	21,964 17,694
Total Disaster Assistance			<u>39,658</u>
Total Federal Financial Assistance			<u>\$1,748,016</u>

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



**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**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 - SUBRECIPIENTS**

The County passes-through certain Federal assistance received from the Ohio Department of Development to other governments or not-for-profit agencies (sub-recipients). As described in Note A, the County records expenditures of Federal awards to sub-recipients when paid in cash.

The sub-recipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the County is responsible for monitoring sub-recipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

**NOTE C - MATCHING REQUIREMENTS**

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

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## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Honorable County Commissioners  
Honorable County Auditor  
Honorable County Treasurer  
Champaign County  
1512 South U.S. Highway 68, Suite A100  
Urbana, Ohio 43078

We have audited the financial statements of Champaign County, (the County), as of and for the year ended December 31, 2005, and have issued our report thereon dated September 26, 2006 wherein we noted that the County prepared its financial statements using accounting practices the Auditor of State established rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the County's management dated September 26, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-001, 2005-002 and 2005-003. In a separate letter to the County's management dated September 26, 2006, we reported other matters related to noncompliance we deemed immaterial.

Honorable County Commissioners  
Honorable County Auditor  
Honorable County Treasurer  
Champaign County  
Independent Accountants' Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the fiscal report review committee, management, and the Board of County Commissioners, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

September 26, 2006



## **Auditor of State Betty Montgomery**

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

Honorable County Commissioners  
Honorable County Auditor  
Honorable County Treasurer  
Champaign County  
1512 South U.S. Highway 68, Suite A100  
Urbana, Ohio 43078

#### **Compliance**

We have audited the compliance of Champaign County, (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 apply to its major federal program for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal program. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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, Champaign County complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2005.

#### **Internal Control Over Compliance**

The County's management 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 directly and materially affect a major federal program 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.

**Internal Control Over Compliance  
(Continued)**

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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated September 26, 2006.

We intend this report solely for the information and use of the fiscal report review committee, management, Board of County Commissioners, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

September 26, 2006

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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

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

**FINDING FOR RECOVERY  
FINDING NUMBER 2005-001**

**Ohio Rev. Code Section 325.19** states, in part, that, "Each full-time employee... after service of one year with the county or any political subdivision of the state, shall have earned and will be due upon the attainment of the first year of employment, and annually thereafter, eighty hours of vacation leave with full pay."

B. Bradley Berry, an employee of the Child Support Enforcement Agency (CSEA), was paid vacation compensation for 54.25 hours in the amount of \$1,122.98 upon his termination of employment. Mr. Berry was hired on September 13, 2004 by the county and resigned effective April 29, 2005. Check # 23199 was issued to Mr. Berry on May 13, 2005 by Champaign County at the direction of Judith Russell, CSEA Department head. Mr. Berry was ineligible to receive such compensation due to his employment by the county for less than the one year as required by the Ohio Rev. Code.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against B. Bradley Berry, former employee of CSEA of Champaign County, Judith Russell, CSEA Department Head, Champaign County Auditor Bonnie M. Warman and her bonding company, Ohio Farmers Insurance Company, joint and severally, in favor of Champaign County's Child Support Enforcement Agency fund in the amount of \$1,122.98.

**Officials Response:**

Individuals Response: I (Mr. Berry) was an employee of the Champaign County Child Support Enforcement Agency. I resigned effective April 29, 2005 and was advised by the County that I would be compensated for my outstanding leave. It is my position Champaign County and the acting Child Support Enforcement Director made the conscious decision to pay my outstanding vacation leave, regardless of the State's vacation leave policy, and that Counties operate under separate autonomy from the State and are free to expend certain monies as they please.

County Commissioners Response: The Champaign County Commissioners are in the process of actively pursuing the recovery of these funds.

**NONCOMPLIANCE - GAAP REPORTING  
FINDING NUMBER 2005-002**

**Ohio Administrative Code Section 117-2-03 (B)** requires the County to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the County prepared its annual financial report for 2005 in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, assets, liabilities, fund equities, 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. The County should prepare their annual financial reports in accordance with generally accepted accounting principles.

**Officials Response:**

County Commissioners Response: The Champaign County Commissioners are conducting a cost/benefit analysis with the assistance of the Champaign County Auditor to consider GAAP reporting for fiscal year 2006.



**NONCOMPLIANCE CERTIFYING THE AVAILABILITY OF FUNDS  
FINDING NUMBER 2005-003**

**Ohio Rev. Code Section 5705.41(D)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the County can authorize the drawing of a warrant for the payment of the amount due. The County has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$100, may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority, against any specific line item account over a period not running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket certificate** – The County may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

In 2005, the County did not properly certify the availability of funds prior to purchase commitment for 30% of the expenditures tested and there was no evidence that the County followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the County's funds exceeding budgetary spending limitations, we recommend that the County Auditor certify that the funds are or will be available prior to the obligation by the County. When prior certification is not possible, "then and now" certification should be used.

**NONCOMPLIANCE CERTIFYING THE AVAILABILITY OF FUNDS  
FINDING NUMBER 2005-003 (Continued)**

We recommend the County certify purchases to which section 5705.41(D) applies. The County Auditor should issue purchase orders for all payments. The most convenient certification method is to use super blanket certificates for recurring monthly items, such as utilities. In addition, the County Auditor should sign the certification at the time the County incurs a commitment, and only when the requirements of 5705.41(D) are satisfied.

**Officials Response:**

County Commissioners Response: The Champaign County Commissioners will continue to work with the Auditor to assure that purchase orders are utilized for all expenditures.

**3. FINDINGS FOR FEDERAL AWARDS**

None

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
FISCAL YEAR END DECEMBER 31, 2005**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: <b><i>Explain:</i></b>
2004-001	Ohio Administrative Code Section 117-2-03(B) – failure to prepare financial statements in accordance with generally accepted accounting principles.	No	Repeated as finding 2005-002
2004-002	Ohio Rev. Code Section 5705.41(D) – failure to certify the availability of funds prior to entering into purchase commitments.	No	Repeated as finding 2005-003
2004-005	Preparation of complete and accurate federal awards expenditure schedule.	Yes	N/A

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
FOR THE YEAR ENDED DECEMBER 31, 2005**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2005-001	Vigorously pursuing the recovery of funds	Unknown	Bonnie Warman County Auditor
2005-002	Investigating the possibility of preparing financial statements in accordance with generally accepted accounting principles for 2006	12/31/06	Bonnie Warman County Auditor
2005-003	Purchase orders are being utilized for all expenditures including utilities	current	Bonnie Warman County Auditor



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

## **FINANCIAL CONDITION**

### **CHAMPAIGN 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  
NOVEMBER 9, 2006**