



**Auditor of State
Betty Montgomery**

**FINANCIAL CONDITION
CHAMPAIGN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types - For the Year Ended December 31, 2003.....	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Cash Balances - All Proprietary Fund Types and Similar Fiduciary Funds – For the Year Ended December 31, 2003	4
Combined Statement of Receipts - Budget and Actual For the Year Ended December 31, 2003	5
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority - For the Year Ended December 31, 2003	6
Notes to the Financial Statements	9
Schedule of Federal Awards Expenditures - For the Year Ended December 31, 2003	26
Notes to Schedule of Federal Awards Expenditures.....	28
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	29
Independent Accountants' Report on Compliance with Requirements Applicable To Major Federal Programs and Internal Control Over Compliance In Accordance With OMB Circular A-133	31
Schedule of Findings.....	33
Schedule of Prior Audit Findings	38
Corrective Action Plan.....	39

This page intentionally left blank.



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, 2003, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the accompanying financial statements and notes follow the basis of cash receipts and disbursements. This is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances of Champaign County, as of December 31, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2004, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Honorable County Commissioners
Honorable County Auditor
Honorable County Treasurer
Champaign County
Independent Accountants' Report
Page 2

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

July 30, 2004

**FINANCIAL CONDITION
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Types</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Receipts:						
Property Taxes	\$1,406,920	\$3,486,577				\$4,893,497
Sales Tax	2,900,339					2,900,339
Charge for Services	989,218	890,010				1,879,228
Licenses & Permits	243,727	70,013				313,740
Fines & Forfeitures	101,292	77,527				178,819
Intergovernmental	1,192,817	9,782,887				10,975,704
Special Assessments				\$13,536		13,536
Investment Income	268,883	84,439			\$459	353,781
Rental Income	272,286					272,286
Other	431,001	921,858			1,963	1,354,822
Total Receipts	7,806,483	15,313,311		13,536	2,422	23,135,752
Disbursements:						
General Government:						
Legislative & Executive	2,643,435	584,423				3,227,858
Judicial	1,676,205	284,674				1,960,879
Public Safety	3,535,534	209,707				3,745,241
Public Works	98,559	3,948,661				4,047,220
Health	43,482	4,972,427				5,015,909
Human Services	203,216	5,093,895				5,297,111
Conservation & Recreation		68,611				68,611
Economic Development and Assistance		27,000				27,000
Other	56,440				2,408	58,848
Capital Outlay	16,488			968,452		984,940
Debt Service:						
Principal Retirement		227,871	239,752			467,623
Interest and Fiscal Charge			186,608			186,608
Total Disbursements	8,273,359	15,417,269	426,360	968,452	2,408	25,087,848
Excess of Receipts Over (Under) Disbursements	(466,876)	(103,958)	(426,360)	(954,916)	14	(1,952,096)
Other Financing Sources (Uses):						
Proceeds of Notes & Bonds		412,568		971,786		1,384,354
Advances - In	81,000			1,091		82,091
Advances - Out	(6,091)					(6,091)
Operating Transfers - In	453,129	580,462	426,367			1,459,958
Operating Transfers - Out	(368,248)	(849,372)		(242,338)		(1,459,958)
Total Other Sources (Uses)	159,790	143,658	426,367	730,539		1,460,354
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Uses	(307,086)	39,700	7	(224,377)	14	(491,742)
Fund Cash Balances, January 1,	1,022,022	7,320,229	2,610	303,100	137,663	8,785,624
Fund Cash Balances, December 31,	\$714,936	\$7,359,929	\$2,617	\$78,723	\$137,677	\$8,293,882

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, 2003**

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	Non-Expendable Trust	Agency	
Receipts:					
Charge for Services	\$5,186,036	\$34,438			\$5,220,474
Other Operating Receipts	962	1,620,885			1,621,847
Total Receipts	5,186,998	1,655,323			6,842,321
Disbursements:					
Personal Services	3,195,635	32,470			3,228,105
Contract Services	1,002,260				1,002,260
Supplies and Materials	472,478				472,478
Other	306,475	1,724,105			2,030,580
Debt Service:					
Principal Retirement	65,000				65,000
Interest and Fiscal Charge	24,750				24,750
Total Disbursements	5,066,598	1,756,575			6,823,173
Total Receipts Over (Under) Disbursements	120,400	(101,252)			19,148
Non-Operating Receipts (Disbursements)					
Other Non-Operating Revenue			\$948	\$76,520,238	76,521,186
Intergovernmental		255,282			255,282
Other Non-Operating Disbursements				(76,718,247)	(76,718,247)
Total Non-Operating Receipts (Disbursements)		255,282	948	(198,009)	58,221
Income Before Operating Transfers	120,400	154,030	948	(198,009)	77,369
Advances-In		5,000			5,000
Advances-Out		(81,000)			(81,000)
Net Income /(Deficit)	120,400	78,030	948	(198,009)	1,369
Fund Cash Balance January 1,	164,226	192,847	80,063	4,515,662	4,952,798
Fund Cash Balance December 31,	\$284,626	\$270,877	\$81,011	\$4,317,653	\$4,954,167

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

CHAMPAIGN COUNTY
COMBINED STATEMENT OF RECEIPTS
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental Fund Types:			
General Fund	\$8,272,602	\$8,259,612	(\$12,990)
Special Revenue Funds	16,351,132	16,306,341	(44,791)
Debt Service Funds	426,362	426,367	5
Capital Projects Funds	112,375	985,322	872,947
Proprietary:			
Enterprise Funds	5,184,417	5,186,998	2,581
Internal Service Funds	1,831,565	1,910,605	79,040
Fiduciary Fund Types:			
Expendable Trust Funds	680	2,422	1,742
Non Expendable Trust Funds	1,270	948	(322)
Totals (Memorandum Only)	<u>\$32,180,403</u>	<u>\$33,078,615</u>	<u>\$898,212</u>

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

CHAMPAIGN COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2003

Fund Types/Fund	Prior Year Carryover Appropriations	2003 Appropriations	Total
Governmental:			
General Fund	\$120,059	\$9,185,817	\$9,305,876
Special Revenue Funds	531,773	19,440,818	19,972,591
Debt Service Funds		428,862	428,862
Capital Projects Funds	1,554	392,246	393,800
Proprietary:			
Enterprise Funds	120	5,296,506	5,296,626
Internal Service Funds		1,933,324	1,933,324
Fiduciary:			
Expendable Trust Funds		13,356	13,356
Total (Memorandum Only)	\$653,506	\$36,690,929	\$37,344,435

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

Actual 2003 Disbursements	Encumbrances Outstanding at 12/31/03	Total	Variance Favorable (Unfavorable)
\$8,641,607	\$159,118	\$8,800,725	\$505,151
16,266,641	472,689	16,739,330	3,233,261
426,360		426,360	2,502
1,210,790	4,349	1,215,139	(821,339)
5,066,598	151,780	5,218,378	78,248
1,756,575	400	1,756,975	176,349
2,408		2,408	10,948
<u>\$33,370,979</u>	<u>\$788,336</u>	<u>\$34,159,315</u>	<u>\$3,185,120</u>

This page intentionally left blank.

**FINANCIAL CONDITION
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

1. REPORTING ENTITY AND BASIS OF PRESENTATION

Champaign County, (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, 2003
(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 to be 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

Lawview Industries, Inc.: Lawview Industries, Inc. (Lawview) is a legally separate, not-for-profit corporation, served by a self-appointing board of trustees. Lawview, 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 Lawview. Based on the significant services and resources provided by the County (MRDD) to Lawview and Lawview's sole purpose of providing assistance to the mentally retarded or developmentally disabled adults of Champaign County, Lawview 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 Lawview 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, 2003
(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 choose 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, 2003
(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.

**FINANCIAL CONDITION
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Project Fund by \$821,339 for the year ended December 31, 2003. This was due to the County's failure to record/budget \$871,786 disbursed by the Ohio Public Works Commission on-behalf-of Champaign County directly to the applicable vendor.

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 2003 amounted to \$268,883, which includes \$250,082 assigned from other funds. Investments are stated at cost, which approximates fair market value.

During fiscal year 2003, 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, 2003. 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.

**FINANCIAL CONDITION
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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;

**FINANCIAL CONDITION
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

3. CASH AND INVESTMENTS (Continued)

- 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.

The County's cash and investments as of December 31, 2003, consisted of the following:

Cash on hand:	\$ 14,000
Deposits:	
Demand deposits:	
Interest bearing	793,210
Certificates of deposit, 2.63% to 3.375%	<u>5,305,902</u>
Total cash on hand and deposits	\$ <u>6,113,112</u>
 Investments:	
State Treasury Asset Reserve of Ohio (Star Ohio)	\$ 35,186
Federal Home Loan Bank	539,466
Federal Home Loan Mortgage Corporation	761,016
Federal National Mortgage Association	917,496
Federal Farm Credit Bank	802,969
Money market funds	<u>4,078,804</u>
Total investments	<u>7,134,937</u>
Total pooled cash and investments	\$ <u>13,248,049</u>

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.

**FINANCIAL CONDITION
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

3. CASH AND INVESTMENTS (Continued)

The year-end bank balance of all County deposits was \$6,113,112 including \$206,289 in accounts not held by the County Treasurer. 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>5,813,112</u>
Total insured or collateralized	<u>\$ 6,113,112</u>

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:

- A. Bonds, notes or other obligations guaranteed by the United States;
- B. Bonds, notes or other obligations issued by any federal government agency;
- C. Certificates of deposit in accordance with Section 135.32 of the Ohio Revised Code;
- D. Repurchase agreements under the terms of which agreement the County purchases and the seller agrees unconditionally to repurchase any of the securities listed in 1 or 2;
- E. Bonds and other obligations of Ohio, its political subdivisions, or other units or agencies of Ohio or its political subdivisions; and
- F. The Ohio State Treasurer's investment pool (STAR Ohio).

Based upon criteria described in GASB Statement No. 3, the County's investments are categorized below to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes investments that are uninsured or unregistered, with securities held by the counterpart's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer at a federal reserve bank, or by its trust department or agent but not in the County's name.

	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Star Ohio	\$ -	-	35,186	35,186
Money Market Funds	-	4,078,804	4,078,804	4,078,804
Federal Home Loan Bank	539,466	-	539,466	539,466
Federal Home Loan Mortgage Corporation	761,016	-	761,016	761,016
Federal National Mortgage Association	917,496	-	917,496	917,496
Federal Farm Credit Bank	<u>802,969</u>	-	<u>802,969</u>	<u>802,969</u>
Total	<u>\$ 3,020,947</u>	<u>\$ 4,078,804</u>	<u>\$ 7,134,937</u>	<u>\$ 7,134,937</u>

**FINANCIAL CONDITION
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

4. NOTES PAYABLE AND LONG-TERM OBLIGATIONS

Obligations at December 31, 2003 were as follows:

	<u>Balance 1/1/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/03</u>
Notes				
Simon-Kenton Promissory Note 0%		\$412,568	\$227,871	\$184,697
Capital Improvement Bond Anticipation Notes Issued 2003 – variable interest rate		100,000		100,000
		<u>512,568</u>	<u>227,871</u>	<u>284,697</u>
General Long-Term Obligations:				
County Various Purpose General Obligation Bonds – Issued 1998 at 5.5%	\$3,370,000		\$160,000	\$3,210,000
Miami Square Renovation Notes – Issued 1992 at 6.5%	29,160		21,633	7,527
Ohio Public Works Commission – 0%		871,786	58,119	813,667
Total General Long-Term Debt	<u>\$3,399,160</u>	<u>\$871,786</u>	<u>\$239,752</u>	<u>\$4,031,194</u>
Enterprise Fund Obligation:				
Nursing Home Improvement General Obligation Bonds – Issued 1998 at 5.5%	<u>\$450,000</u>		<u>\$65,000</u>	<u>\$385,000</u>

The Simon Kenton Promissory note was obtained by the County, from the Simon Kenton Pathfinders, Inc. for the purpose of constructing a bike trail in the County. The money will be repaid from a grant from the Ohio Department of Natural Resources (ODNR), and the repayment schedule is to be within 15 days of the County receiving reimbursement from ODNR.

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 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.

The Miami Square Renovation note issue will be paid through the Debt Service Fund from rental income of the Miami Square Offices transferred from the General Fund as needed to pay principal and interest. The original promissory note for the Miami Square Renovation was for \$168,000 and as of December 31, 2003 had a balance of \$7,527.

In addition to the above general obligation bonds, the County has limited obligation bonds totaling \$735,711 with Champaign Residential Services, Inc., \$690,000 with the Champaign County YMCA, and \$2,589,872 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.

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, 2003:

**FINANCIAL CONDITION
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

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

Year Ending December 31,	Ohio Public Works Commission		Nursing Home Improvement Bonds		Miami Square Renovation Notes		Various Purpose Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$29,060	\$0	\$70,000	\$21,175	\$7,527	\$103	\$165,000	\$176,550
2005	58,119		70,000	17,325			175,000	167,475
2006	58,119		75,000	13,475			185,000	157,850
2007	58,119		80,000	9,350			200,000	147,674
2008	58,119		90,000	4,950			200,000	136,675
2009-2013	290,595						1,135,000	509,850
2014-2018	261,536						1,150,000	162,250
Total	<u>\$813,667</u>	<u>\$0</u>	<u>\$385,000</u>	<u>\$66,275</u>	<u>\$7,527</u>	<u>\$103</u>	<u>\$3,210,000</u>	<u>\$1,458,324</u>

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 loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. During 2003, the County contracted with Public Entities Pool of Ohio for liability, property and crime insurance.

Coverage provided by the insurance pool are as follows:

Liability	
(A) General, Auto, and Police Liability Combined (per occurrence)	\$6,000,000
(B) Public Official Liability	2,000,000
(C) Police Professional Liability	2,000,000
(D) Property, Inland Marine, and Fidelity Coverage	1,000,000
(E) Automobile Physical Damage Coverage (agreed valuation as needed)	

The County is self-insured for health insurance benefits. Premiums are paid into the internal service fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program.

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 2003 were levied after October 1, 2002 on the assessed value listed as of January 1, 2002, the lien date. Public utility property taxes collected in 2003 attached as a lien on December 31, 2002 and were levied after October 31, 2002. Taxpayers were required to pay one half of these taxes by February 15, 2003, with the remaining half due by July 20, 2003. Tangible personal property taxes collected in 2003, were levied after October 31, 2002 on the value listed as of December 31, 2002. Taxpayers were required to pay one half of these taxes by May 10, 2003 with the remaining balance due on October 20, 2003.

**FINANCIAL CONDITION
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

6. PROPERTY TAXES (Continued)

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 2003 tax receipts were based, follows:

Real property	\$ 551,123,090
Public utility real property	136,450
Tangible personal property	85,596,390
Public utility tangible personal property	<u>31,245,040</u>
Total	<u>\$668,100,970</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 2003, 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.

7. LOCAL SALES TAX

For the purpose of providing additional general revenues, the Champaign County Commissioners have levied a tax at the rate of one percent upon certain retail sales made in the County. Also added ½ % effective July 1, 2003 with the first proceeds received in September 2003. Tax receipts are credited to the general fund and amounted to \$2,900,339 for 2003.

8. PROPERTY LEASE REVENUE

The County leased 150 acres to a farmer for a three-year period beginning March 1, 2001, at an annual rent of \$11,140, with optional annual rental updates. Total rental income on the farm for 2003 was \$11,140 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 2003 was \$21,090 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 2003 was \$238,932 and is reported as rental income in the general fund.

**FINANCIAL CONDITION
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

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, 2003, 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 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for employee and employer contributions.

The County's required contributions, representing 100% of employer contribution's for the periods ended December 31, 2003, 2002, and 2001 were \$1,848,304, 1,652,880 and \$1,709,743, respectively. Member and employer contributions actually made for Traditional, Combined and Member-Directed Plan participants will be provided upon written request.

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.

**FINANCIAL CONDITION
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

9. DEFINED BENEFIT-PENSION PLANS (Continued)

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, 2003, 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 2002, 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, 2003, were 9.3% of covered payroll for members and 14% for employers. Effective July 1, 2003, the member contribution rate increased to the statutory maximum of 10%. The County was required to contribute 14 percent; 9.5 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. The County's required contributions for pension obligations to STRS for the years ended December 31, 2003, 2002, and 2001 were \$51,758, \$50,410, and \$59,158, equal to the required contributions for each year. Member and employer contributions actually made for Defined Contribution and Combined Plan participants will be provided upon written request.

**FINANCIAL CONDITION
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(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 Postemployment 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 2003 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 2003 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, 2002, 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 2003, the number of active contributing participants in the Traditional and Combined Plans totaled 364,881. The County's actual contributions for 2003 which were used to fund postemployment benefits were \$682,024. \$10.0 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002, (the latest information available). The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care option. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

**FINANCIAL CONDITION
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(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 2003, 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, 2002. 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, 2003. For the County, this amount equaled \$16,636 for 2003.

For the year ended June 30, 2003, 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, 2003
(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, 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 2003, Champaign County contributed \$168,879 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 2003, the Champaign County Commissioners served as the Council's administrative agent but did not contribute any funds.

C. Fairways Regional Council of Governments

The County is a participant in the Fairways Regional Council of Governments (the Council), jointly governed organization with Champaign, Greene, 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 2003, Champaign County made contributions of \$7,000 towards the operation of the Council.

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.

**FINANCIAL CONDITION
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 2003, Champaign County contributed \$966,634 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.

15. SUBSEQUENT EVENT

The County has Limited Obligation Bonds totaling \$735,711 with Champaign Residential Services, Inc as disclosed in Note 4. On July 1, 2004, \$348,579 was paid on this obligation due to the sale of property at 1020 Scioto Street, Urbana, Ohio.

**CHAMPAIGN COUNTY FINANCIAL CONDITION
CHAMPAIGN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. Department of Justice			
(Direct)			
Local Law Enforcement Block Grants Program (Passed through Ohio Department of Youth Services)	2001-LE-LEB-3525	16.592	\$110
Juvenile Accountability Incentive Block Grants (Passed through Ohio Office of Criminal Justice Services)	2002-JB-013-A067	16.523	11,900
	2000-JB-013-A067S		<u>5,258</u>
Total Juvenile Accountability Incentive Block Grants (Passed through Ohio Department of Youth Services)			17,158
Juvenile Employment Training Service Program	1999-JJ-IN4-0708	16.540	<u>24,951</u>
Total U.S. Department of Justice			42,219
U.S. Department of Housing & Urban Development			
(Passed through Ohio Department of Development)			
Community Deveolpment Block Grants/State's Program	BF-01-011-1	14.228	120,589
	BF-02-011-1		31,225
	BF-03-011-1		3,061
	BF-03-011-1		<u>27,458</u>
Total Community Deveolpment Block Grants/State's Program			182,333
Community Deveolpment Block Grants/Emergency Shelter Program	BL-03-011-1	14.231	23,000
	BL-02-011-1		<u>23,000</u>
Total Community Deveolpment Block Grants/Emergency Shelter Program			46,000
Total U.S. Department of Housing & Urban Development			228,333
U.S. Department of Transportation			
(Passed through Ohio Department of Transportation)			
Pathfinders Grant	PID 75184	20.205	120,000
Public Transportation for Nonurbanized Areas	RPT-4011-020-011	20.509	205,099
	RPT-4011-021-021		<u>11,639</u>
Total Public Transportation for Nonurbanized Areas			<u>216,738</u>
Total U.S. Department of Transportation			336,738

CHAMPAIGN COUNTY FINANCIAL CONDITION
CHAMPAIGN COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. Department of Education			
(Passed through Ohio Department of Education)			
<i>Special Education Cluster:</i>			
Special Education Grants to States	065896-6B-SF-2004P	84.027	3,470
	065896-6B-SF-2003P		15,877
	065896-6B-SF-2002P		1,440
Total Special Education Grants to States			<u>20,787</u>
Special Education - Preschool Grant	065896-PG-S1-2003P	84.173	6,221
	065896-PG-D7-2004P		1,351
	065896-PG-D7-2003P		15,100
Total Special Education - Preschool Grant			<u>22,672</u>
Total Special Education Cluster			43,459
Innovative Education Program Strategies	065896-CA-S1-2004	84.298	272
	065869-CA-S1-2003		12
Total Innovative Education Program Strategies			<u>284</u>
Total U.S. Department of Education			<u>43,743</u>
U.S. Department of Health & Human Services			
(Passed through Ohio Department of Mental Retardation)			
Social Services Block Grant:			
Title XX	FY04	93.667	20,965
	FY03		31,855
	FY02		52
Total Social Services Block Grant			<u>52,872</u>
(Passed through Ohio Department of Mental Retardation)			
Medical Assistance Program	FY03	93.778	720,488
(Passed through Area Agency on Aging, Planning & Service Area)			
Special Programs for the Aging Title III, Part B Grants	FY03	93.044	12,563
	FY03		15,035
	FY03		8,978
Total Special Programs for the Aging Title III, Part B Grants			<u>36,576</u>
Total U.S. Department of Health & Human Services			809,936
U.S. Department of Labor			
(Passed through Ohio Department of Job and Family Services)			
Workforce Investment Act - Adult	FY01	17.258	12,051
Workforce Investment Act - Adult	FY02		72,591
Workforce Investment Act - Adult	FY03		13,790
Workforce Investment Act - Adult Administrative	FY03		30,197
Total Workforce Investment Act - Adult			<u>128,629</u>
Workforce Investment Act - Youth	FY01	17.259	45,324
Workforce Investment Act - Youth	FY02		(17,441)
Workforce Investment Act - Youth	FY03		4,437
Workforce Investment Act - Youth Administrative	FY03		5,265
Total Workforce Investment Act - Youth			<u>37,585</u>
Workforce Investment Act - Dislocated Workers	FY01	17.260	5,719
Workforce Investment Act - Dislocated Workers	FY02		(8,182)
Workforce Investment Act - Dislocated Workers	FY03		10,381
Workforce Investment Act - Dislocated Workers Administrative	FY03		6,210
Total Workforce Investment Act - Dislocated Workers			<u>14,128</u>
Total U.S. Department of Labor			<u>180,342</u>
Total Federal Financial Assistance			<u><u>\$1,641,311</u></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, 2003**

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.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL 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, 2003, and have issued our report thereon dated July 30, 2004, wherein we noted the County prepared its financial statements on a basis of accounting other than as prescribed by Ohio Administrative Code Section 117-2-03 (B). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to the County's management in a separate letter dated July 30, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-004.

**Internal Control Over Financial Reporting
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted certain immaterial matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the County's management in a separate letter dated July 30, 2004.

This report is intended 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, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

July 30, 2004



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND 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 are applicable to each of its major federal programs for the year ended December 31, 2003. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

**Internal Control Over Compliance
(Continued)**

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings as item 2003-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above as item 2003-005 to be a material weakness.

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



Betty Montgomery
Auditor of State

July 30, 2004

**FINANCIAL CONDITION
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE YEAR ENDED DECEMBER 31, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<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)?	Yes
<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?	Yes
<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?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #93.778, Medical Assistance Program CFDA #17.258, 17.259, 17.260 - Workforce Investment Act Cluster
<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**

**NONCOMPLIANCE GAAP REPORTING
FINDING NUMBER 2003-001**

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 2003 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 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.

**NONCOMPLIANCE CERTIFYING THE AVAILABILITY OF FUNDS
FINDING NUMBER 2003-002**

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 \$1,000 (\$3,000, effective April 7, 2003) 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 County.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by the legislative authority, effective September 26, 2003) against any specific line item account over a period not exceeding three months (three month limitation was eliminated effective September 26, 2003) or 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.

NONCOMPLIANCE CERTIFYING THE AVAILABILITY OF FUNDS
FINDING NUMBER 2003-002
Continued

- 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 Financial Condition 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.

The County did not properly certify the availability of funds prior to purchase commitment for 15% 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 fund 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's Fiscal Officer 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.

We recommend the County certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the County incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

NONCOMPLIANCE FAILURE TO RECORD ON-BEHALF PAYMENTS
FINDING NUMBER 2003-003

AOS Bulletin 2000-008 states that a local government shall include in its official or amended certificate of estimated resources the amount of grant or project application monies anticipated to be received into the project fund during the fiscal year, along with its matching requirements, if appropriate. The fund appropriations should include the amount necessary to meet the obligations to be incurred during the fiscal year.

The County failed to record \$871,786 disbursed in 2003 by OPWC (Ohio Public Works Commission) on-behalf-of Champaign County. In addition the County failed to include this revenue in their official or amended certificate of estimated resources. Furthermore, the County did not include the necessary appropriations for the year, contrary to the above requirements.

The County should follow the guidance in AOS Bulletin 2000-008 to accurately present on-behalf-of receipts and disbursements. The financial statements were adjusted to present the OPWC receipts and expenditures made on-behalf-of the County.

**REPORTABLE CONDITION HEALTH INSURANCE INFUSION PAYMENT
 FINDING NUMBER 2003-004**

On November 26, 2002, the Board of Commissioners authorized an immediate infusion to the Health Insurance Fund in the amount of \$400,000 to be prorated by department. The departments were notified they could make a transfer of funds payable to an intergovernmental account code within the Health Insurance Fund. During 2002, six departments transferred their obligations to the fund and the amounts were recorded as intergovernmental revenue on the revenue ledger; however, the amounts were correctly reported on the County's financial statements as other revenue. During 2003, seven other departments had transferred their obligations, but the amounts were recorded on the revenue ledger and reported on the County financial statements as intergovernmental revenue. The failure to properly classify the revenues resulted in misstated financial statements.

As of March 26, 2004, three departments had not yet remitted their obligations, approximately \$115,000, to the infusion. The uncollected revenues have resulted in an understatement of revenues for the Internal Service Fund.

We recommend the County review its collections for infusion and contact the three remaining departments for their obligations. By collecting this revenue, the County will increase its revenue and decrease its chances of diminishing health insurance fund balances. We also recommend the County reclassify its infusion revenue from intergovernmental to other revenue. By reclassifying the infusion revenue, the County will improve its financial reporting and accountability and decrease its chances of presenting misstated information to the public. The financial statements were adjusted for \$255,282 to properly present the infusion revenue.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING FOR FEDERAL AWARDS

<i>Finding Number</i>	2003-005
<i>CFDA Title and Number</i>	All CFDA Titles and Numbers
<i>Federal Award Number / Year</i>	All Federal Award Numbers
<i>Federal Agency</i>	All Federal Agencies
<i>Pass-Through Agency</i>	All Pass-Through Agencies

Federal Revenue

OMB Circular A-133 section .310 requires federal recipients and subrecipients to identify in their accounts all federal awards received and expended, as well as the federal programs under which they were granted. The current chart of accounts utilized by Champaign County does not differentiate federal fund receipts and expenditures from state fund transactions. In assessing the appropriateness and completeness of the County's identification of federal programs in the schedule of federal awards expenditure, it must be determined whether the required reports for Federal awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

The County has not prepared the federal schedule of awards expenditures in prior years, the County does not have a system in place to differentiate federal program revenues and expenditures from state revenues and expenditures. The County's chart of accounts does provide a logical sequence by fund, revenue source, and expenditure classification, the various departments are not using the correct code for federal dollars. It is also difficult to compare receipts and expenditures for a department or for a specific project since the receipt codes do not always correspond to the expenditure codes. The posting of federal awards according to the current chart of accounts could result in a significant misstatement to the federal schedule of awards expenditure.

Due to the structure of the accounting records maintained by the County, some departments were unable to prepare accurate and complete schedules of federal assistance for 2003. The County's departmental federal schedules required extensive revision in order to present the accompanying Schedule of Federal Awards Expenditure accurately for 2003.

Champaign County should evaluate their current chart of accounts and make the necessary changes to the account codes to enable County departments to post federal program transactions consistently to accounts codes which are identified specifically for federal receipts or expenditures.

**FINANCIAL CONDITION
CHAMPAIGN COUNTY
FISCAL YEAR END**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 §.315 (b)**

<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; <i>Explain:</i>
2002-001	Ohio Rev. Code 5101.144 - Noncompliance	Yes	
2002-002	Ohio Administrative Code Section 117-2-03 (B)	No	Repeated as finding 2003-001
2002-003	Federal Revenue/expenditure Posting	No	Repeated as finding 2003-005

**FINANCIAL CONDITION
CHAMPAIGN COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 §.315 (c)
FOR THE YEAR ENDED DECEMBER 31, 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	Preparation of financial statements in accordance with Generally Accepted Accounting Principles.	Correction Not Anticipated	Bonnie Warman County Auditor
2003-005	Notify all departments of proper revenue and expenditure codes for federal programs.	December 31, 2004	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 4, 2004**