FINANCIAL CONDITION
CHAMPAIGN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2007

Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION
CHAMPAIGN COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of County Commissioners, County Auditor, and County Treasurer:

We have audited the accompanying financial statements of Champaign County, (the County), as of and for the year ended December 31, 2007. 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 Champaign County as of and for the year ended December 31, 2007 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 19, 2008, 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.

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, 2007, 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.

Mary Taylor, CPA
Auditor of State

September 19, 2008

FINANCIAL CONDITION
CHAMPAIGN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Governmental Fund Types					
	General	**Special Revenue**	**Debt Service**	**Capital Projects**	**Permanent Fund**	**Totals (Memorandum Only)**
Receipts:						
Property Taxes	$1,676,744	$3,367,750				$5,044,494
Sales Tax	4,514,461					4,514,461
Charge for Services	859,961	1,596,242				2,456,203
Licenses & Permits	252,742	84,822				337,564
Fines & Forfeitures	73,868	63,462				137,330
Intergovernmental	1,195,969	11,432,093				12,628,062
Special Assessments				$16,153		16,153
Investment Income	803,973	275,223			$2,094	1,081,290
Rental Income	272,568					272,568
Other	540,929	1,147,978			351	1,689,258
Total Receipts	10,191,215	17,967,570		16,153	2,445	28,177,383
Disbursements:						
General Government:						
Legislative & Executive	3,247,409	1,134,970				4,382,379
Judicial	2,194,321	265,552				2,459,873
Public Safety	3,868,167	78,587				3,946,754
Public Works	102,052	5,042,478				5,144,530
Health	39,642	5,098,927				5,138,569
Human Services	300,229	5,972,388				6,272,617
Conservation & Recreation		69,750				69,750
Economic Development and Assistance		120,814				120,814
Other	3,410				657	4,067
Capital Outlay	56,601	120,947		57,490		235,038
Debt Service:						
Principal Retirement			$283,119			283,119
Interest and Fiscal Charge			153,408			153,408
Total Disbursements	9,811,831	17,904,413	436,527	57,490	657	28,210,918
Excess of Receipts Over (Under) Disbursements	379,384	63,157	(436,527)	(41,337)	1,788	(33,535)
Other Financing Sources (Uses):						
Sale of Fixed Assets	300	2				302
Advances - Out	(80,207)					(80,207)
Operating Transfers - In			436,527	7,058		443,585
Operating Transfers - Out	(385,466)	(58,119)				(443,585)
Total Other Sources (Uses)	(465,373)	(58,117)	436,527	7,058		(79,905)
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Uses	(85,989)	5,040		(34,279)	1,788	(113,440)
Fund Cash Balances, January 1	577,609	9,398,546	2,500	96,224	86,250	10,161,129
Fund Cash Balances, December 31	$491,620	$9,403,586	$2,500	$61,945	$88,038	$10,047,689
Reserve for Encumbrances	$194,214	$617,404	$0	$8,633	$0	$820,251

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

FINANCIAL CONDITION
CHAMPAIGN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Proprietary Fund Types		Fiduciary Fund Types		Totals
	Enterprise	Internal Service	Private Purpose Trust	Agency	(Memorandum Only)
Receipts:					
Charge for Services	$5,053,595	$119,798			$5,173,393
Other Operating Receipts	30		$18,448		18,478
Total Receipts	5,053,625	119,798	18,448		5,191,871
Disbursements:					
Personal Services	3,543,230	53,068			3,596,298
Contract Services	864,952				864,952
Supplies and Materials	476,838				476,838
Other	517,757				517,757
Debt Service:					
Principal Retirement	80,000				80,000
Interest and Fiscal Charge	20,950				20,950
Total Disbursements	5,503,727	53,068			5,556,795
Total Receipts Over (Under) Disbursements	(450,102)	66,730	18,448		(364,924)
Non-Operating Receipts (Disbursements)					
Other Non-Operating Revenue				$84,940,535	84,940,535
Intergovernmental	183,495				183,495
Sale of Fixed Assets	402,000				402,000
Other Non-Operating Disbursements		(24,263)	(50)	(84,469,830)	(84,494,143)
Total Non-Operating Receipts (Disbursements)	585,495	(24,263)	(50)	470,705	1,031,887
Income Before Advances	135,393	42,467	18,398	470,705	666,963
Advances-In	80,207				80,207
Net Income /(Deficit)	215,600	42,467	18,398	470,705	747,170
Fund Cash Balance January 1	246,866	132,419	113,388	5,018,825	5,511,498
Fund Cash Balance December 31	$462,466	$174,886	$131,786	$5,489,530	$6,258,668
Reserve for Encumbrances	$255,246	$0	$0	$0	$255,246

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

FINANCIAL CONDITION
CHAMPAIGN COUNTY

COMBINED STATEMENT OF RECEIPTS
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
Governmental Fund Types:			
General Fund	$9,967,720	$10,191,515	$223,795
Special Revenue Funds	17,192,365	17,967,572	775,207
Debt Service Funds	436,527	436,527	
Capital Projects Funds	12,600	23,211	10,611
Permanent Funds	1,300	2,445	1,145
Proprietary:			
Enterprise Funds	5,713,776	5,719,327	5,551
Internal Service Funds	37,000	119,798	82,798
Fiduciary Fund Type:			
Private Purpose Trust	2,000	18,448	16,448
Totals (Memorandum Only)	$33,363,288	$34,478,843	$1,115,555

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

FINANCIAL CONDITION
CHAMPAIGN COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2007

Fund Types/Fund	Prior Year Carryover Appropriations	2007 Appropriations	Total
Governmental:			
General Fund	$166,595	$10,394,587	$10,561,182
Special Revenue Funds	836,152	19,783,907	20,620,059
Debt Service Funds		436,527	436,527
Capital Projects Funds	300	80,859	81,159
Permanent Funds		838	838
Proprietary:			
Enterprise Fund	72,525	6,012,651	6,085,176
Internal Service Funds		91,088	91,088
Fiduciary:			
Private Purpose Trust Fund		10,000	10,000
Total (Memorandum Only)	$1,075,572	$36,810,457	$37,886,029

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

Actual 2007 Disbursements	Encumbrances Outstanding at 12/31/07	Total	Variance Favorable (Unfavorable)
$10,277,504	$194,214	$10,471,718	$89,464
17,962,532	617,404	18,579,936	2,040,123
436,527		436,527	
57,490	8,633	66,123	15,036
657		657	181
5,503,727	255,246	5,758,973	326,203
77,331		77,331	13,757
50		50	9,950
$34,315,818	$1,075,497	$35,391,315	$2,494,714

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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, and a Probate Judge/Juvenile 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:

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

District Board of Health
Child and Family First Council
Emergency Management Agency
Tri County Regional Jail
Champaign Countywide Public Safety Communications Center Council of Governments
Soil and Water Conservation District
Mental Health, Drug and Alcohol Services of Logan and Champaign County

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 1250 East Route 36, Urbana, Ohio 43078.

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 private purpose trust funds).

Permanent Funds - These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the County's programs.

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 of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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 -** Fiduciary funds include private purpose trust funds and agency funds.

Private Purpose Trust Funds -Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the County's own programs.

Agency Funds – Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The County disburses these funds as directed by the individual, organization or other government.

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.

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 2007 amounted to $803,973. Investments are stated at cost, which approximates fair market value.

During fiscal year 2007, 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, 2007. 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. The accompanying financial statements do not report these items as assets and depreciation is not recorded for these fixed assets under the cash basis of accounting.

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. Accumulated Leave

In certain instances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

F. 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;

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.

3. CASH AND INVESTMENTS (Continued)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, 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, 2007, consisted of the following:

Cash on hand:	$ 14,000
Deposits:	
Demand deposits:	
Interest bearing	910,116
Certificates of deposit, 4.88% to 5.61%	6,520,307
Total cash on hand and deposits	7,444,423
Investments:	
State Treasury Asset Reserve of Ohio (Star Ohio)	176,943
Money Market Accounts	5,463,065
Federal Home Loan Bank	3,221,926
Total investments	8,861,934
Total pooled cash and investments	$16,306,357

A. 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 $8,293,330. Based on criteria described in GASB Statement No. 3 amounts on deposit with financial institutions, including investments were covered by:

FDIC insured deposits	$ 400,000
Deposits collateralized by securities held by pledging financial Institution or its agent but not in County's name	$7,893,330
Total insured or collateralized	$8,293,330

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.

3. CASH AND INVESTMENTS (Continued)

B. 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:

1. Bonds, notes or other obligations guaranteed by the United States;

2. Bonds, notes or other obligations issued by any federal government agency;

3. Certificates of deposit in accordance with Section 135.32 of the Ohio Revised Code;

4. 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;

5. Bonds and other obligations of Ohio, its political subdivisions, or other units or agencies of Ohio or its political subdivisions; and

6. The Ohio State Treasurer's investment pool (STAR Ohio).

All Investments are reported at fair value, which is based on quoted market prices. Investments are reported on the county records (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).

	Cash Value (Book) 12/31/07	Market Value	Investment Maturities (in years) <1	1-5
Star Ohio (uncategorized)	$ 176,943	$ 176,943	$ 176,943	
Money Market Accounts	5,463,065	5,463,065	5,463,065	
Federal Home Loan Bank	3,221,926	3,312,091	250,000	3,062,091
Total	$8,861,934	$8,952,099	$5,890,008	$3,062,091

The County’s deposits and investments, as of December 31, 2007, totaling $16,306,057 were held in six financial institutions as follows: 30.27% Champaign National Bank, 14.25% Citizens National Bank of Urbana, 28.05% Perpetual Federal Savings Bank, 6.58% First Central National Bank, 1.09% Star Ohio and 19.76% Champaign National Bank Trust (Government Investments held by Bank of New York). Of the 19.76% Government portfolio 100% was invested in Federal Home Loan 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.

4. NOTES PAYABLE AND LONG-TERM OBLIGATIONS

Obligations at December 31, 2007 were as follows:

	Balance 1/1/07	Additions	Reductions	Balance 12/31/07
Governmental Fund Notes:				
Capital Improvement Bond Anticipation Notes Issued 2003 – Variable Interest Rate	$473,328			$473,328
Governmental Fund Long-Term Obligations:				
County Various Purpose General Obligation Bonds - Issued 1998 -5.5%	820,000		200,000	620,000
County Building Refunding Bonds Issued 2005 -4.5%	1,995,000		25,000	1,970,000
Ohio Public Works Commission Issued 2003 - 0%	639,310		58,119	581,191
Total General Long-Term Obligations	3,454,310		283,119	3,171,191
Enterprise Fund Notes:				
County Home Self-Insurance Bond Anticipation Notes Issued 2006 – 7.15%	100,000			100,000
County Home Bond Anticipation Notes – Issued 2005 – 4.6%	100,000			100,000
Total Nursing Home Notes:	200,000			200,000
Enterprise Fund Obligation:				
County Home Improvement General Obligation Bonds - Issued 1997 - 5.5%	170,000		80,000	90,000

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 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 bonds refunded $1,865,000 principal on the general obligation bonds. 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 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 County Home Self Insurance Note in Anticipation of Bonds issued 2006 for the purpose of providing funds to pay the County Home's portion of the cost of establishing and maintaining a self-insurance program. The interest rate will be 7.15% 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 note matures not more than seven 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 Home Improvement General Obligation Bonds were issued in 1997 for the purpose of building improvements. The bonds mature 12/1/2008 with an interest rate of 5.5%.

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

In addition to the above general obligation bonds, the County has limited obligation bonds (conduit debt) totaling $182,128 with Champaign Residential Services, Inc. and $2,258,622 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.

In 2006 the County entered into an agreement with the County of Lorain (Catholic Health Partners) for Ohio Hospital Facilities Revenue bonds, Series 2006. Proposed bonds would not exceed $450,000,000. The bonds would not constitute a liability of Champaign County; instead, the bond would be the sole obligation of Catholic Health Partners.

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, 2007:

Year Ending 12/31	Various Purpose Bonds		Refunding Bonds		Ohio Public Works Commission		County Home Improvement Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	200,000	34,100	25,000	75,750	29,060		90,000	4,950
2009	205,000	23,100	25,000	74,938	58,119			
2010	215,000	11,825	25,000	74,125	58,119			
2011			240,000	73,300	58,119			
2012			255,000	64,900	58,119			
2013-2017			1,400,000	170,700	290,595			
2018-2019					29,060			
Total	$620,000	$69,025	$1,970,000	$533,713	$581,191	$0	$90,000	$4,950

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.

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.

A. Casualty Coverage

For an occurrence prior to January 1, 2006 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.

5. RISK MANAGEMENT (Continued)

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to $350,000 per occurrence. Claims exceeding $350,000 are reinsured with APEEP in an amount not to exceed $2,650,000 for each claim and $10,000,000 in the aggregate per year. Governments can elect up to $10,000,000 in additional coverage 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 (prior to January 1, 2006) or $3,000,000 (on or subsequent to January 1, 2006) as noted above.

B. Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding $250,000 up to $600 million per occurrence. This amount was increased to $300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding $100,000 up to $300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, 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 values. If the stop loss is reached by payment of losses between $100,000 and $250,000 in 2006, or $100,000 and $300,000 in 2007, Travelers will then reinsure specific losses exceeding $100,000 up to their $600 million per occurrence limit. The aggregate stop-loss limit for 2007 was $2,014,548.

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.

C. 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, 2007 and 2006.

	2007	2006
Assets	$37,560,071	$36,123,194
Liabilities	(17,340,825)	(16,738,904)
Net Assets	$20,219,246	$19,384,290

At December 31, 2007 and 2006, respectively, the liabilities above include approximately $15.9 million and $15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately $15.0 million and $14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The County's share of these unpaid claims collectible in future years is approximately $239,651. This payable includes the subsequent year's contribution due if the County terminates participation, as described in the last paragraph below.

5. RISK MANAGEMENT (Continued)

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2005	$175,335
2006	$183,155
2007	$208,392

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they 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 contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

D. 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 2007 were levied after October 1, 2006 on the assessed value listed as of January 1, 2006, the lien date. Public utility property taxes collected in 2007 attached as a lien on December 31, 2006 and were levied after October 31, 2006. Taxpayers were required to pay one half of these taxes by February 15, 2007, with the remaining half due by July 18, 2007. Tangible personal property taxes collected in 2007, were levied after October 31, 2006 on the value listed as of December 31, 2006. Taxpayers were required to pay one half of these taxes by May 10, 2007 with the remaining balance due on October 20, 2007.

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 during 2007.

6. PROPERTY TAXES (Continued)

The assessed value by property classification, upon which the 2007 tax receipts were based, follows:

Real property	$632,660,790
Public utility real property	68,360
Tangible personal property	54,571,872
Public utility tangible personal property	27,782,340
Manufactured Homes	1,234,456
Total	$716,317,818

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 2.6 mills of the first 10 mills of assessed value. During 2007, in addition to the 2.6 mills, 8.1 mills have been levied based upon mills voted for the Senior Citizens, MRDD (Lawnview School), the Children's Service levy, a 9-1-1 levy, and Health District 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 1 ½ % percent upon certain retail sales made in the County. Tax receipts are credited to the general fund and amounted to $4,514,461 for 2007.

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 2007 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 2007 was $16,113 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 2007 was $243,745 and is reported as rental income in the general fund.

9. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent 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 is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a 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. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 9.5 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. The County's contribution rate for pension benefits for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 17.17 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

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 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. 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.

9. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2007, plan members were required to contribute 10 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 2006, the portion used to fund pension obligations was also 13 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.

10. POST-EMPLOYMENT BENEFITS

A. Ohio 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 qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. 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 statue. The 2007 local government employer contribution rate was 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement); 5 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 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 costs were assumed to increase between .50 and 6.00 percent annually for the next eight years and 4.00 percent annually after nine years.

All investments are carried at market value. 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 annually, not to exceed a 12 percent corridor.

10. POST-EMPLOYMENT BENEFITS (Continued)

The number of active contributing participants in the traditional and combined plans was 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 374,979. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were $12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $30.7 billion and $18.7 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

B. State Teachers Retirement System

The County provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. The system is funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, (the latest information available) the balance in the Fund was $4.1 billion. For the year ended June 30, 2007, net health care costs paid by STRS were $265,558,000 and STRS had 122,934 eligible benefit recipients.

After the allocation for basic benefits, the remainder of the employer’s 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006.

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.

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 2007, Champaign County contributed $336,141 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 the period of January through June 2006, the Champaign County Commissioners served as the Council's administrative agent. Beginning July 1, 2006, the Mental Health, Drug and Alcohol Services Board of Logan and Champaign Counties became the Council's administrative agent.

C. Fairways Regional Council of Governments

The County is a participant in the Fairways Regional Council of Governments (the Council), a 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 2007, Champaign County made no contributions towards the operation of the Council.

D. 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 contracted with Champaign County to serve as its fiscal agent. During 2007, the County paid $346,766 to the COG for reimbursable capital expenditures.

12. JOINTLY GOVERNED ORGANIZATIONS (Continued)

E. 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 2007, 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. DEFFERED 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 and 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 EVENTS

A. Questioned Costs – Champaign County Department of Job and Family Services

On January 2, 2007, the Ohio Department of Job and Family Services issued questioned costs in the amount of $359,900.38 against Champaign County Department of Job and Family Services. This was the result of an audit for calendar year 2000. Counsel for the Champaign County Department of Job and Family Services is requesting sanctions not be taken in lieu of corrective action.

15. SUBSEQUENT EVENTS (Continued)

B. Sale of the Wellington Nursing and Rehabilitation Center - County Home

The County Commissioners accepted a sealed bid from Vancrest for the purchase of the Wellington Nursing and Rehabilitation Center for $3,065,000 in 2007. Due to laws and regulations, the sale was delayed, but Vancrest officially purchased the county home in August 2008. The corresponding outstanding debt issues related to the County Home were also retired.

C. Purchase of Bank Building

The County Commissioners approved and signed a purchase agreement with Urbana University to purchase the Bank Building on North Main Street in the amount of $300,000. The deed will be delivered upon the receipt of the payment balance on or before December 29, 2008.

D. Capital Improvement Bond Anticipation Notes

The County Commissioners accepted a bid from Citizen's National Bank for various capital improvement bond anticipation notes for $1,000,000 at a rate of 3.00% fixed rate effective March 12, 2008 and maturing on March 12, 2009.

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FINANCIAL CONDITION
CHAMPAIGN COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2007

FEDERAL GRANTOR ***Pass Through Grantor*** Program Title	**Pass Through Entity Number**	**Federal CFDA Number**	**Disbursements**
U.S. Department of Justice			
(Direct)			
Bulletproof Vest Partnership Program	FY07	16.607	$2,675
Total U.S. Department of Justice			2,675
U.S. Department of Housing & Urban Development			
(Passed through Ohio Department of Development)			
Community Development Block Grants/State's Program	BF-05-011-1	14.228	54,117
	BF-06-011-1		50,280
	BC-05-011-1		134,860
	BH-05-711-1		11,150
Total Community Development Block Grants/State's Program			250,407
Home Investment Partnerships Program	BC-05-011-2	14.239	180,492
Total U.S. Department of Housing & Urban Development			430,899
U.S. Department of Transportation			
(Passed through Ohio Department of Transportation)			
Highway Planning & Construction	69-8083-0-7-401	20.205	18,520
Formula Grants for Other Than Urbanized Areas	RPT-4011	20.509	277,723
Total U.S. Department of Transportation			296,243
U.S. Department of Education			
(Passed through Ohio Department of Education)			
Special Education Cluster:			
Special Education Grants to States	065896-6B-SF-2007	84.027	21,168
	065896-6B-SF-2008		9,148
Total Special Education Grants to States			30,316
Special Education - Preschool Grant	065896-PG-S1-2007	84.173	8,445
	065896-PG-S1-2008		9,415
Total Special Education - Preschool Grant			17,860
Total Special Education Cluster			48,176
Total U.S. Department of Education			48,176

FINANCIAL CONDITION
CHAMPAIGN COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2007

FEDERAL GRANTOR ***Pass Through Grantor*** Program Title	**Pass Through Entity Number**	**Federal CFDA Number**	**Disbursements**
U.S. Department of Health & Human Services			
(Passed through Area Agency on Aging, Planning & Service Area)			
Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	FY07	93.044	27,352
(Passed through Ohio Department of Mental Retardation)			
Social Services Block Grant:			
Title XX	FY07	93.667	17,862
	FY08		8,574
Total Social Services Block Grant			26,436
State Children's Insurance Program	N/A	93.767	397
Medical Assistance Program:			
Targeted Case Management (TCM)	FY07	93.778	165,116
Waiver - Individual Options and Level 1	FY07		534,917
Total Medical Assistance Program			700,033
Total U.S. Department of Health & Human Services			754,218
U.S. Department of Labor			
(Passed through Area 7 Workforce Investment Board)			
Workforce Investment Act (WIA) Cluster:			
WIA Adult Program	N/A	17.258	70,917
WIA Adult Program - Administration	N/A		1,944
Total WIA Adult Program			72,861
WIA Youth Activities	N/A	17.259	34,178
WIA Youth Activities - Administration	N/A		1,558
Total WIA Youth Activities			35,736
WIA Dislocated Workers	N/A	17.260	63,158
WIA Dislocated Workers - Administration	N/A		2,318
Total WIA Dislocated Workers			65,476
Total Workforce Investment Act Cluster			174,073
Total U.S. Department of Labor			174,073
U.S. Election Assistance Commission			
(Passed through Ohio Secretary of State)			
Voter Education and Poll Worker Training Grant	05-SOS-HAVA-11	39.011	5,163
Total U.S. Election Assistance Commission			5,163
U.S. Environmental Protection Agency			
(Passed through Ohio Environmental Protection Agency)			
Nonpoint Source Implementation Grants	C9-975500006-0	66.460	20,345
Total U.S. Environmental Protection Agency			20,345
Total			$1,731,792

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

NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED DECEMBER 31, 2007

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (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 and Ohio Environmental Protection Agency to other governments or not-for-profit agencies (subrecipients). As described in Note A, the County records expenditures of Federal awards to subrecipients 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 subrecipients 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.

NOTE D – VOTER EDUCATION AND POLL WORKER TRAINING GRANT

The County received the Voter Education and Poll Worker Training Grant in previous audit periods; however the entire funds were not expended prior to the grant expiration period. As a result, the County returned $5,018 to the Ohio Secretary of State during 2007.

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Mary Taylor, CPA
Auditor of State

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

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

To the Board of County Commissioners, County Auditor, and County Treasurer:

We have audited the financial statements of Champaign County, (the County), as of and for the year ended December 31, 2007, and have issued our report thereon dated September 19, 2008, wherein we noted the County prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-007 through 2007-010.

Internal Control Over Financial Reporting
(Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the County's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-007 is also a material weakness.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated September 19, 2008.

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 2007-001 through 2007-006.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 19, 2008.

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

We intend this report solely for the information and use of the audit committee, management, Board of County Commissioners, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 19, 2008

Mary Taylor, CPA
Auditor of State

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

To the Board of County Commissioners, County Auditor, and County Treasurer:

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 each of its major federal programs for the year ended December 31, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. 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 each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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Internal Control Over Compliance
(Continued)

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that the County's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 19, 2008

FINANCIAL CONDITION
CHAMPAIGN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2007

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Adverse
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	No
(d)(1)(vii)	**Major Programs (list):**	CFDA #14.228 – Community Development Block Grants/State's Program CFDA #93.778 – Medical Assistance Program
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

FINDING NUMBER 2007-001

Non-Compliance

Ohio Administrative Code Section 117-2-03 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). The County, however, prepared its annual financial report for 2007 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. In addition, various other administrative remedies may be taken against the County.

The County is a large and complex government. To provide citizens and other concerned readers of the financial statements access to the assets, liabilities, fund equities, and required disclosures, the County should prepare its annual financial reports in accordance with generally accepted accounting principles.

County Auditor Response:

The County finds no justification for the expense of taxpayer dollars that would be necessary to prepare the annual financial reports in accordance with generally accepted accounting principles.

FINDING NUMBER 2007-002

Non-Compliance

Ohio Rev. Code Section 5715.23 states that annually, immediately after the county board of revision has acted upon the assessments for the current year as required under section 5715.16 of the Revised Code and the county auditor has given notice by advertisement in two newspapers that the valuations have been revised and are open for public inspection as provided in section 5715.17 of the Revised Code, each auditor shall make out and transmit to the tax commissioner an abstract of the real property of each taxing district in his county, in which he shall set forth the aggregate amount and valuation of each class of real property in such county and in each taxing district therein as it appears on his tax list or the statements and returns on file in his office and an abstract of the current year's true value of land valued for such year under section 5713.31 of the Revised Code as it appears in the current year's agricultural land tax list.

The County Auditor filed the required abstract; however, the abstract was incorrect due to significant fundamental or clerical errors. The differences in valuations were corrected for the property tax bills. The valuation errors consisted of:

- An overstatement of $1,128,990 for one owner with three parcels due to a change in land use and data entry error;
- An overstatement of $1,682,710 for valuing County owned property that is tax exempt;
- An overstatement of $2,950,050 for square footage doubled on new construction;
- An overstatement of $5,120,580 due to data input on new construction; and
- An understatement of $3,447,335 was identified from non-statistical audit sampling of the tax duplicates.

**FINDING NUMBER 2007-002
(Continued)**

The overstated errors caused significant valuation changes for two taxing districts that affected reduction factors utilized by the Ohio Department of Taxation to determine effective rates of taxation on property owners. Additionally, there was little evidence that the County Auditor has implemented internal controls to determine the accuracy of the reported valuations or that there is an ongoing assessment of the control environment to provide for reliable reporting to the Ohio Department of Taxation and to the political sub-divisions of the County.

To strengthen internal accounting controls, to reduce errors, and to provide public officials with reasonable assurance that property valuation amounts are correct, the County Auditor should implement the following procedures:

- Property valuations certified to the Ohio Department of Taxation should be reconciled and agreed to the valuations utilized for the tax duplicates to minimize errors that could materially affect the reduction factors;
- Material changes to property valuations after the valuations have been utilized by the Ohio Department of Taxation to calculate reduction factors should be reported to the Ohio Department of Taxation to determine the affect upon the taxing districts; and
- The County Auditor should implement procedures to prevent and detect, in a timely manner, errors in valuations as they are entered or changed within the computerized accounting system.

County Auditor Response:

Officials did not respond to this finding.

FINDING NUMBER 2007-003

Non-Compliance

Ohio Rev. Code Section 321.31 governs the payment of tax settlements from the county treasury to the political subdivisions and boards and requires the treasurer to “immediately” pay such moneys to the political subdivisions and boards.

Ohio Rev. Code Section 135.351(B)(2) requires moneys due to boards and subdivisions under section 321.31 of the Revised Code, to pay and distribute such moneys within five business days after the final date prescribed by law for such settlement, or if the settlement date is lawfully extended, within five business days after the date of such lawful extension.

If the county fails to make any payment and distribution required by division (B) of Ohio Rev. Code Section 135.351 within the time periods prescribed by that division, the county shall pay to the appropriate other political subdivision, taxing district, or special district any interest that the county has received or will receive on any moneys or advance described in that division which accrues after the date such moneys or advance should have been distributed, together with the principal amount of such moneys or advance. The county shall make this payment of principal and interest within five business days after the treasurer or other appropriate officer of such other political subdivision or district files a written demand for payment with the county auditor.

Champaign County did not comply with the aforementioned requirements in remitting property tax settlements to the boards and subdivisions of the County. A calculation of the settlement dates with the boards and subdivisions of the county determined Champaign County should have remitted property tax monies to the subdivisions no later than April 20, 2007 and October 3, 2007 for the first and second half settlements, respectively. The County remitted tax settlements on May 17, 2007 and October 9, 2007, which were 27 and 6 days late, respectively.

FINDING NUMBER 2007-003
(Continued)

The County did not credit and remit interest earned as required by Ohio Rev. Code Section 135.351. Due to these facts, the County should calculate interest earned on the monies held for real estate tax settlements for these time frames and remit these funds to the boards and subdivisions of the county. Furthermore, the County should determine the interest earned on its own levies and special revenue funds and adjust the fund balances appropriately.

To strengthen internal accounting controls, to reduce errors, and to prevent late tax settlements to the boards and subdivisions, the County should perform the following:

- Consult with the County Prosecutor and the Ohio Department of Taxation to determine settlement dates for all taxes and monies held that are to be remitted to the boards and subdivisions of the county;
- Implement internal controls such as:
    - timely reconciliations of tax settlements between the treasurer and auditor;
    - training programs for employees responsible for settlements;
    - communicating with boards and subdivisions about settlement dates and if appropriate, communicate that settlements will be late; and
    - develop an interest allocation plan for late settlements and remit these monies to the boards, subdivisions, and funds of the county.

County Auditor Response:

The County has received additional software training and will ensure future settlements are completed timely.

FINDING NUMBER 2007-004

Non-Compliance

Ohio Rev. Code Sections 319.54(A) and 321.26(B) state that if any settlement is not made on or before the date prescribed by law for such settlement or any lawful extension of such date, the aggregate compensation allowed to the auditor and treasurer for collection fees shall be reduced one percent for each day such settlement is delayed after the prescribed date. No penalty shall apply if the auditor and treasurer grant all requests for advances up to ninety percent of the settlement pursuant to section 321.34 of the Revised Code. The compensation allowed in accordance with this section on settlements made before the dates prescribed by law, or the reduced compensation allowed in accordance with this section on settlements made after the date prescribed by law or any lawful extension of such date, shall be apportioned ratably by the auditor and deducted from the shares or portions of the revenue payable to the state as well as to the county, townships, municipal corporations, and school districts.

A calculation of the settlement dates with the boards and subdivisions of the county determined Champaign County should have remitted property tax monies to the subdivisions no later than April 20, 2007 and October 3, 2007 for the first and second half settlements, respectively. The County remitted tax settlements on May 17, 2007 and October 9, 2007, which were 27 and 6 days late, respectively.

Furthermore, four school districts requested advances up to ninety percent of settlement monies pursuant to section 321.34. The County Auditor did not advance ninety percent of settlements as requested.

The fees due under sections 319.54(A) and 321.26(B) were charged to these school districts and to all the boards and subdivision at the full amount. The penalty was not calculated by the County Auditor and apportioned ratably as required by the aforementioned sections of code. This resulted in a $30,595 over charge in fees on the 1st half settlement and a $6,198 over charge in fees on the second half settlement.

FINDING NUMBER 2007-004
(Continued)

To provide for proper stewardship of public monies, the County Auditor should remit these monies to the boards and subdivisions of the County. The County Auditor should also implement procedures to ensure tax settlements are completed timely and subdivisions receive the proper advances as requested in order to avoid paying penalties and interest.

County Auditor Response:

The County has received additional software training and will ensure future settlements are completed timely.

FINDING NUMBER 2007-005

Non-Compliance

Ohio Revised Code Section 9.38 requires public money to be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt.

This section also stipulates that if the amount of daily receipts does not exceed $1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the amount exceeds $1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

Contrary to this statute, the Nursing Home and Building Regulations were not depositing revenues promptly with the County Treasurer. During 2007, 32.5 and 22 percent of receipts tested were deposited two to nine business days after they were collected for the Nursing Home and Building Regulations, respectively.

To prevent non-compliance and decrease the threat of missing funds, the Nursing Home and Building Regulations should evaluate the deposits collected and implement procedures that will ensure deposits are made with the County Treasurer within the required time period.

Officials Response:

Deposits will be made per Champaign County policy. As of 8/1/08, the Nursing Home was sold.

FINDING NUMBER 2007-006

Non-Compliance

Ohio Revised Code Section 2949.091(A)(1) and (2) state the court, in which any person is convicted of or pleads guilty to any offense other than a traffic offense that is not a moving violation, shall impose the sum of fifteen dollars as costs in the case in addition to any other court costs that the court is required by law to impose upon the offender. All such moneys collected during a month shall be transmitted on or before the twentieth day of the following month by the clerk of the court to the treasurer of state and deposited by the treasurer of state into the general revenue fund. The court shall not waive the payment of the additional fifteen dollars court costs, unless the court determines that the offender is indigent and waives the payment of all court costs imposed upon the indigent offender.

The juvenile court, in which a child is found to be a delinquent child or a juvenile traffic offender for an act which, if committed by an adult, would be an offense other than a traffic offense that is not a moving violation, shall impose the sum of fifteen dollars as costs in the case in addition to any other court costs that the court is required or permitted by law to impose upon the delinquent child or juvenile traffic offender. All such moneys collected during a month shall be transmitted on or before the twentieth day of

FINDING NUMBER 2007-006
(Continued)

the following month by the clerk of the court to the treasurer of state and deposited by the treasurer of state into the general revenue fund. The fifteen dollars court costs shall be collected in all cases unless the court determines the juvenile is indigent and waives the payment of all court costs, or enters an order on its journal stating that it has determined that the juvenile is indigent, that no other court costs are to be taxed in the case, and that the payment of the fifteen dollars court costs is waived.

Contrary to this statute, Champaign County Juvenile Court was not charging fifteen dollars. During fiscal year 2007, 36 percent of cases tested were charged a rate of fourteen dollars.

To prevent non-compliance, Champaign County Juvenile Court should implement procedures to ensure correct fees are charged including reviewing applicable code sections and charging the appropriate fees as required.

Juvenile Court Response:

On June 1, 2008, the Juvenile Court took action to change the amount we were collecting for the public defenders account from $14.00 to $15.00. We reprogrammed our computer software to allow for this change.

FINDING NUMBER 2007-007

Material Weakness

Auditor of State Bulletin 2005-005 requires non-GAAP, cash-basis financial statements filers, such as Champaign County, to prepare their annual reports using the same fund categories and the same fund types as provided for in GAAP. The purpose of this change is to provide a level of comparability in terms of fund types among similar governments, regardless of the basis used to prepare their annual financial statements. Effective January 1, 2006 the County was required to classify its expendable and its nonexpendable trust funds as special revenue, permanent or private purpose trust funds using the guidelines presented in the Bulletin. Expendable and nonexpendable fund types were eliminated. The County Auditor did not make the required fund reclassifications for 2007. This resulted in material adjustments to the 2007 financial statements.

In addition to the incorrect fund classifications, the County's financial statements included the following errors:

- Special Revenue fund 275 (OEPA Section 319 Grant Fund) was not included
- Funds 702 (Health Insurance Escrow Fund) and 703 (Life Insurance Escrow Fund) were omitted from both Internal Service and Agency funds
- Special Revenue fund 232 (Child Support Enforcement Agency Fund) revenue amounts were reversed on the statements between intergovernmental and charges for services (2% of revenues)
- Seven Agency fund expenses were carried forward to the combining statements incorrectly
- Non-entity funds were excluded from Agency funds (18% of expenditures)
- Special Revenue licenses/permits account was incorrectly carried forward to the combined statement
- Prior year balances did not match prior year audited amounts due to unposted audit adjustments
- Totals did not foot
- Budget to actual statements presented incorrect amounts when compared to approved budget and actual receipts and expenditures (7 and 8% of General Fund budgeted and actual receipts, 43 and 11% of Capital Projects actual receipts and expenditures, and 9 and 9% of Enterprise budgeted and actual receipts)

FINDING NUMBER 2007-007
(Continued)

To decrease the risk of materially misstating its financial activity in the its Annual Report, the County Auditor should review current bulletins and training materials before preparing the current year's statements. When the statements are complete they should be reviewed by the County Auditor as well as the Commissioners for reasonableness, accuracy and obvious errors.

County Auditor Response:

The County will further review the statements at completion.

FINDING NUMBER 2007-008

Significant Deficiency

Tax Settlement Deductions

The County Auditor charges the subdivisions of the County a health district expense based upon approved amounts as determined by the Champaign County Advisory Council and an emergency management agency expense based on census data. These amounts are deducted from the semi-annual real property tax settlements.

The County Auditor's office deducted the health district expense incorrectly from several subdivision tax settlements. This resulted in subdivisions being undercharged or overcharged as much as $895 or $252, respectively. Also, the office apportioned the health district and emergency management agency deductions from other levies of the subdivision. For accounting purposes, these fees should be charged to the general fund of the subdivisions on the tax settlements. As a consequence of these apportionment errors, several of the first and second half settlement statements were misstated and could cause errors to the subdivisions' in recording their tax settlements. The subdivisions and County rely on the settlement information provided by the County Auditor's office in order to properly post tax revenues and associated expenditures to their accounting records. The table below summarizes the errors identified:

Subdivision	Amount Charged to Other Levies	Percentage Error
Adams Township	$3,661	20%
Concord Township	5,617	30%
Harrison Township	1,909	10%
Mad River Township	11,233	29%
Rush Township	1,866	11%
Salem Township	1,205	6%
Wayne Township	7,165	26%
Village of Christiansburg	435	2%
Village of Mechanicsburg	2,885	16%
Village of Mutual	166	18%
Village of St. Paris	5,238	18%
City of Urbana	13,541	4%
Champaign County	20,933	2%

To help prevent errors to the subdivisions accounting records, the County Auditor should record all health district and emergency management agency deductions to the general levies of the subdivisions on the tax settlements. Additionally, the County Auditor should review the tax settlements for accuracy and determine if the correct amounts are charged to each subdivision.

FINDING NUMBER 2007-008
(Continued)

County Auditor Response:

The County has communicated with the software vendor the need for a program change in order that certain settlement expense deductions be made only from the general funds of the subdivisions and not spread over all funds.

FINDING NUMBER 2007-009

Significant Deficiency

Receipt Processes and Policies-Building Regulations

The Building and Regulations Department is a significant cash collection point for the County. However, controls over receipting were deficient.

- Receipts were not always dated sequentially;
- The department is not using the Franklin System to generate a daily reconciliation, nor are they showing signs of any type of reconciliations;
- One employee is receipting, posting, and depositing daily revenue without management oversight;
- Fees were not charged according to approved fee schedule.
- All monies received were not posted onto the system the day they were received. Instead one employee will post monies onto the system at a later date and backdate the receipt.

Building Regulations collect funds for charges for services as well as licenses/permits revenue for the County's General Fund. The lack of controls over the receipting process impacts these significant revenue lines items, which could cause discrepancies in amounts reported as well as posted to incorrect line items. The lack of monitoring could result in undeposited and/or unaccounted funds. To strengthen controls over the receipting process and reduce the risk of theft and/or misappropriation of funds, Building and Regulations should:

- Post all revenue collected at the time of collection to the system;
- Provide training to staff to fully utilize the Franklin Systems program, including daily reconciliation reports;
- Consult Franklin Systems to determine why receipts are not always dated sequentially;
- Deposit all money collected with the County Treasurer in a timely manner;
- Charge appropriate fees based on approved fee schedule; and
- Develop written policies and procedures for the department head to monitor revenue reports from the County Auditor and periodically reconcile those reports to the department's computer generated daily reports.

Building Regulations Response:

Receipt numbers will be sequential by assuring receipts are printed after each transaction. This will assure a daily reconciliation. Deposits will be reviewed by management on a weekly basis. Sometimes the scope of the work changes from what was originally submitted and fees need to be adjusted. This can be remedied by placing comments on the permit in the Franklin System.

FINDING NUMBER 2007-010

Significant Deficiency

Compensatory Time

The County Auditor has an approved overtime policy. The policy indicates the following points:

- General policy is to avoid overtime; however it may be necessary to meet taxpayers' immediate needs.
- Overtime will be distributed as equally as possible among employees by considerations of classifications, seniority, and qualifications.
- All employees are expected to work their fair share of overtime.
- Overtime must be authorized by Auditor in advance of overtime being worked; however Auditor has the right to approve after work is completed.
- Employees earn compensatory time at a rate of one and one-half hours for time actually worked in excess of the normal work day.
- Compensatory time may not accumulate to more than 240 hours (160 hours of actual hours worked); payment must be made for overtime as it is earned.

We found the following internal control issues with regards to overtime/compensatory time:

- Compensatory records were not kept up-to-date; three employees had records only updated through June 2007
- Overtime accumulated to more than 240 hours; in some instances up to 800 hours
- Only verbal authorizations given for time earned
- No documented record outlining the details of compensatory time earned (days and amounts earned and work completed)
- Employees are able to earn overtime as long as they are receiving paid leave

During 2007, the Auditor's office paid approximately $16,800 in overtime from the Real Estate Assessment fund, which represents 12% of the fund's total gross payroll expenditures. Although overtime was warranted during the year due to the revaluation process, the real estate employees earned excessive amounts of compensatory time while the tax settlements were completed untimely. This overtime was also earned while employees were able to use compensatory time during the day and work later hours in order to perform duties. These internal control issues could result in employees receiving payment for leave not earned as well as overstate payroll expenditures if employees are paid from the incorrect fund based on the work completed. Without proper documentation of compensatory time, the County Auditor's office is unable to determine the work completed and how the time should be allocated.

To enhance internal controls, adhere to established policies, and help prevent the misuse of taxpayer's money, the County Auditor's office should:

- Maintain written authorizations approving overtime. Written documents, at a minimum, should include: name of employee, date and time overtime occurred, amount of overtime hours, reason why overtime occurred, and approval signature from County Auditor.
- Maintain records of compensatory time that indicates amount earned, as well as amount used during pay periods.
- Update compensatory records at least monthly.
- Accumulate no more than 240 hours of overtime.
- Provide specific requirements regarding overtime in policy.

County Auditor Response:

Auditor's Office employee records will be maintained up-to-date; and will be stated on the employee pay-stubs beginning in September, 2008.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**FINANCIAL CONDITION
CHAMPAIGN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2006-001	OAC 117-2-03(B) – Failure to filed GAAP financial statements	No	Repeated as finding 2007-001
2006-002	AoS Bulletin 2005-005 – Failure to reclassify trust funds appropriately	No	Repeated as finding 2007-007
2006-003	ORC 9.38 – Untimely deposits for Building Regulations Dept.	No	Repeated as finding 2007-005
2006-004	Receipt Processes and Policies for Building Regulations – Deficient controls over receipting and monitoring	No	Repeated as finding 2007-009
2006-005	Safeguarding Cash – Clerk of Courts did not have safeguards over cash at BMV	Yes	
2006-006	A-133 Section 320(a) & (b) - Untimely submission of Data Collection Form	Yes	

Mary Taylor, CPA
Auditor of State

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
OCTOBER 14, 2008

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