



**Auditor of State  
Betty Montgomery**



**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report .....	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Governmental Fund Types and Similar Fiduciary Funds - For the Year Ended December 31, 2002.....	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Cash Balances - All Proprietary Fund Types and Similar Fiduciary Funds – For the Year Ended December 31, 2002 .....	4
Combined Statement of Receipts - Budget and Actual For the Year Ended December 31, 2002 .....	5
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority - For the Year Ended December 31, 2002 .....	6
Notes to the Financial Statements .....	9
Schedule of Federal Awards Expenditures - For the Year Ended December 31, 2002 .....	25
Notes to Schedule of Federal Awards Expenditures.....	27
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	29
Independent Accountants' Report on Compliance with Requirements Applicable To Major Federal Programs and Internal Control Over Compliance In Accordance With OMB Circular A-133 .....	31
Schedule of Findings.....	33
Corrective Action Plan.....	36

**This page intentionally left blank.**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

We have audited the accompanying financial statements of Champaign County (the County) as of and for the year ended December 31, 2002. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund cash balances of Champaign County, as of December 31, 2002, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2003, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

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

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

**Betty Montgomery**  
Auditor of State

June 20, 2003

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Types</u>	<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Receipts:</b>						
Property Taxes	\$1,421,756	\$3,456,901				\$4,878,657
Sales Tax	2,642,054					2,642,054
Charge for Services	888,716	816,468				1,705,184
Licenses & Permits	216,406	64,930				281,336
Fines & Forfeitures	103,973	612,268				716,241
Intergovernmental	1,141,091	9,447,020		\$329,469		10,917,580
Special Assessments				13,176		13,176
Investment Income	502,444	133,039			\$806	636,289
Rental Income	276,025					276,025
Other	388,364	497,601			4,007	889,972
<b>Total Receipts</b>	<b>7,580,829</b>	<b>15,028,227</b>		<b>342,645</b>	<b>4,813</b>	<b>22,956,514</b>
<b>Disbursements:</b>						
General Government:						
Legislative & Executive	2,536,837	369,985				2,906,822
Judicial	1,721,136	26,837				1,747,973
Public Safety	2,911,470	521,206				3,432,676
Public Works	85,589	3,548,623		329,469		3,963,681
Health	60,183	4,323,556				4,383,739
Human Services	278,951	5,740,314				6,019,265
Conservation & Recreation		69,935				69,935
Economic Development and Assistance		13,000				13,000
Other					2,147	2,147
Capital Outlay	47,442			152,202		199,644
Debt Service:						
Principal Retirement			270,275			270,275
Interest and Fiscal Charge			196,929			196,929
<b>Total Disbursements</b>	<b>7,641,608</b>	<b>14,613,456</b>	<b>467,204</b>	<b>481,671</b>	<b>2,147</b>	<b>23,206,086</b>
Excess of Receipts Over (Under) Disbursements	(60,779)	414,771	(467,204)	(139,026)	2,666	(249,572)
<b>Other Financing Sources (Uses):</b>						
Proceeds of Notes		100,000				100,000
Sale of Fixed Assets		2,000				2,000
Advances - In	31,353	8,645				39,998
Advances - Out	(80,995)	(35,004)				(115,999)
Operating Transfers - In	134,000	892,138	467,204			1,493,342
Operating Transfers - Out	(410,063)	(1,083,279)				(1,493,342)
<b>Total Other Sources (Uses)</b>	<b>(325,705)</b>	<b>(115,500)</b>	<b>467,204</b>			<b>25,999</b>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Uses	(386,484)	299,271		(139,026)	2,666	(223,573)
Fund Cash Balances, January 1,	1,408,506	7,020,958	2,610	442,126	134,997	9,009,197
<b>Fund Cash Balances, December 31,</b>	<b>\$1,022,022</b>	<b>\$7,320,229</b>	<b>\$2,610</b>	<b>\$303,100</b>	<b>\$137,663</b>	<b>\$8,785,624</b>

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

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-Expendable Trust</u>	<u>Agency</u>	
<b>Receipts:</b>					
Charge for Services	\$5,179,828	\$1,661,860			\$6,841,688
Other Operating Receipts	198,699				198,699
<b>Total Receipts</b>	<u>5,378,527</u>	<u>1,661,860</u>			<u>7,040,387</u>
<b>Disbursements:</b>					
Personal Services	3,619,992	41,736			3,661,728
Contract Services	881,795				881,795
Supplies and Materials	463,844				463,844
Other	265,918	1,774,189			2,040,107
Debt Service:					
Principal Retirement	60,000				60,000
Interest and Fiscal Charge	28,050				28,050
<b>Total Disbursements</b>	<u>5,319,599</u>	<u>1,815,925</u>			<u>7,135,524</u>
<b>Total Receipts Over (Under) Disbursements</b>	58,928	(154,065)			(95,137)
<b>Non-Operating Receipts (Disbursements)</b>					
Other Non-Operating Revenue			\$1,671	\$74,350,037	74,351,708
Grants	5,600				5,600
Other Non-Operating Disbursements				(74,336,026)	(74,336,026)
<b>Total Non-Operating Receipts (Disbursements)</b>	<u>5,600</u>		<u>1,671</u>	<u>14,011</u>	<u>21,282</u>
<b>Income Before Operating Transfers</b>	64,528	(154,065)	1,671	14,011	(73,855)
<b>Advances-In Not Repaid</b>		<u>76,000</u>			<u>76,000</u>
<b>Net Income /(Deficit)</b>	64,528	(78,065)	1,671	14,011	2,145
<b>Fund Cash Balance January 1,</b>	<u>99,698</u>	<u>270,912</u>	<u>78,392</u>	<u>4,501,651</u>	<u>4,950,653</u>
<b>Fund Cash Balance December 31,</b>	<u><u>\$164,226</u></u>	<u><u>\$192,847</u></u>	<u><u>\$80,063</u></u>	<u><u>\$4,515,662</u></u>	<u><u>\$4,952,798</u></u>

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



**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF RECEIPTS  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Governmental Fund Types:</b>			
General Fund	\$7,288,728	\$7,714,829	\$426,101
Special Revenue Funds	15,323,926	16,022,365	698,439
Debt Service Funds	467,204	467,204	
Capital Projects Funds	342,645	342,645	
<b>Proprietary:</b>			
Enterprise Funds	5,384,127	5,384,127	
Internal Service Funds	1,714,986	1,661,860	(53,126)
<b>Fiduciary Fund Types:</b>			
Expendable Trust Funds	2,306	4,813	2,507
Non Expendable Trust Funds	1,671	1,671	
<b>Totals (Memorandum Only)</b>	<u><u>\$30,525,593</u></u>	<u><u>\$31,599,514</u></u>	<u><u>\$1,073,921</u></u>

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

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2002**

<b>Fund Types/Fund</b>	<b>Prior Year Carryover Appropriations</b>	<b>2002 Appropriations</b>	<b>Total</b>
<b>Governmental:</b>			
General Fund	\$204,590	\$8,367,197	\$8,571,787
Special Revenue Funds	428,294	18,379,871	18,808,165
Debt Service Funds		467,205	467,205
Capital Projects Funds	22,823	753,158	775,981
<b>Proprietary:</b>			
Enterprise Funds		5,414,102	5,414,102
Internal Service Funds		1,932,772	1,932,772
<b>Fiduciary:</b>			
Expendable Trust Funds		13,610	13,610
<b>Total (Memorandum Only)</b>	<u>\$655,707</u>	<u>\$35,327,915</u>	<u>\$35,983,622</u>

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

<u>Actual 2002 Disbursements</u>	<u>Encumbrances Outstanding at 12/31/02</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$8,051,671	\$120,059	\$8,171,730	\$400,057
15,696,735	531,773	16,228,508	2,579,657
467,204		467,204	1
481,671	1,554	483,225	292,756
5,319,599	120	5,319,719	94,383
1,815,925		1,815,925	116,847
<u>2,147</u>	<u></u>	<u>2,147</u>	<u>11,463</u>
<u><u>\$31,834,952</u></u>	<u><u>\$653,506</u></u>	<u><u>\$32,488,458</u></u>	<u><u>\$3,495,164</u></u>

**This page intentionally left blank.**

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

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

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

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

**A. Reporting entity**

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

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

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

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

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

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

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

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

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

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

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

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

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

**B. Basis of Accounting**

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

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

**C. Fund Accounting**

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

**1. Governmental Fund Types**

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

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

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

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

**2. Proprietary Fund Types**

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

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

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

**3. Fiduciary Fund Types**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Budgetary Process**

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

**1. Budget**

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

**2. Estimated Resources**

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

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

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



**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

**3. Appropriations**

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

**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 2002 amounted to \$502,444, which includes \$465,067 assigned from other funds. Investments are stated at cost, which approximates fair market value.

During fiscal year 2002, 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, 2002. The fair value of the County's investment in the STAR Ohio pool is equal to its position in the pool.

**C. Property, Plant and Equipment**

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

**D. Insurance**

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

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

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

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

**3. CASH AND INVESTMENTS**

The Treasurer is responsible for selecting depositories and investing funds. Monies held by the County are classified by State Statute into two categories. Active monies are public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

- A. United States Treasury Notes, Bills, Bonds or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
- B. Bonds, notes, debentures or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- C. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- D. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
- E. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
- F. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

- G. The State Treasurer's investment pool (STAR Ohio);
- H. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
- I. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and
- J. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

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

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

The County's cash and investments as of December 31, 2002, consisted of the following:

<b>Cash on hand</b>	\$ 14,000
<b>Deposits:</b>	
Demand deposits:	
Interest bearing	710,475
Certificates of deposit, 3.32% to 6.77%	<u>4,271,665</u>
Total cash and deposits	\$ <u>4,996,140</u>
<b>Investments:</b>	
State Treasury Asset Reserve of Ohio (Star Ohio)	\$ 12,045
Federal National Mortgage Association	1,968,818
Federal Home Loan Bank	1,651,388
Money market funds	<u>5,110,031</u>
Total investments	<u>8,742,282</u>
Total pooled cash and investments	<u>\$13,738,422</u>

**Deposits**

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

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

The year-end bank balance of all County deposits was \$6,455,399 including \$227,739 in accounts not held by the County Treasurer. Based on criteria described in GASB Statement No. 3 amounts on deposit with financial institutions, including investments were covered by:

FDIC insured deposits	\$ 200,000
Deposits collateralized by securities held by pledging financial institution or its agent but not in County's name	<u>6,255,399</u>
Total insured or collateralized	\$ <u>6,455,399</u>

**Investments**

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

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

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

	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Money Market Funds	\$ -	5,110,031	5,110,031	5,110,031
Federal Home Loan Bank	1,651,388	-	1,651,388	1,651,388
Federal National Mortgage Association	1,968,818	-	1,968,818	1,968,818
STAR Ohio	-	-	12,045	12,045
<b>Total</b>	<u>\$3,620,206</u>	<u>\$5,110,031</u>	<u>\$8,742,282</u>	<u>\$8,742,282</u>

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

Long-term obligations at December 31, 2002 were as follows:

	<u>Balance 1/1/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/02</u>
<b>General Long-Term Obligations:</b>				
County Various Purpose General Obligation Bonds – Issued 1998 at 5.5%	\$3,520,000	\$0	\$150,000	\$3,370,000
Miami Square Renovation Notes – Issued 1992 at 6.5%	49,435	0	20,275	29,160
Total General Long-Term Debt	<u>\$3,569,435</u>	<u>\$0</u>	<u>\$170,275</u>	<u>\$3,399,160</u>

**Enterprise Fund Obligation:**

Nursing Home Improvement General Obligation Bonds – Issued 1998 at 5.5%	\$510,000	\$0	\$60,000	\$450,000
--	-----------	-----	----------	-----------

The Miami Square Renovation note issue will be paid through the Debt Service Fund from rental income of the Miami Square Offices transferred from the General Fund as needed to pay principal and interest. The original promissory note for the Miami Square Renovation was for \$168,000 and as of December 31, 2002 had a balance of \$29,160.

In addition to the above general obligation bonds, the County has limited obligation bonds totaling \$888,730 with Champaign Residential Services, Inc., \$1,090,000 with the Champaign County YMCA, \$2,659,000 with Urbana University, and \$20,000,000 with the Rickenbacker Port Authority. In the event of default by the agencies, the County's obligation would be limited to revenue derived from the rental or sale of buildings.

The following table summarizes the County's future debt service requirements for general obligation bonds and notes as of December 31, 2002:

Year Ending December 31,	Nursing Home Improvement Bonds		Miami Square Renovation Notes		Various Purpose Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$65,000	\$24,750	\$21,633	\$1,259	\$160,000	\$185,350
2004	70,000	21,175	7,527	103	165,000	176,550
2005	70,000	17,325			175,000	167,475
2006	75,000	13,475			185,000	157,850
2007	80,000	9,350			200,000	147,674
2008-2012	90,000	4,950			1,085,000	569,525
2013-2017					1,400,000	239,250
Total	<u>\$450,000</u>	<u>\$91,025</u>	<u>\$29,160</u>	<u>\$1,362</u>	<u>\$3,370,000</u>	<u>\$1,643,674</u>

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

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

**5. RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. During 2002, the County contracted with Public Entities Pool of Ohio for liability, property and crime insurance.

Coverage provided by the insurance pool are as follows:

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

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

**6. PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the County. Real property taxes collected during 2002 were levied after October 1, 2001 on the assessed value listed as of January 1, 2001, the lien date. Public utility property taxes collected in 2002 attached as a lien on December 31, 2001 and were levied after October 31, 2001. Taxpayers were required to pay one half of these taxes by February 15, 2002, with the remaining half due by July 20, 2002. Tangible personal property taxes collected in 2002, were levied after October 31, 2001 on the value listed as of December 31, 2001. Taxpayers were required to pay one half of these taxes were due on May 10, 2002 with the remaining balance due on October 20, 2002.

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

The assessed value by property classification, upon which the 2002 tax receipts were based, follows:

Real property	\$ 542,067,900
Public utility real property	131,930
Tangible personal property	82,226,195
Public utility tangible personal property	<u>29,172,640</u>
Total	<u>\$ 653,598,665</u>

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

**6. PROPERTY TAXES (Continued)**

Ohio law prohibits taxation from all taxing authorities in excess of 10 mills of assessed value without a vote of the people. Currently, the County levies 2.2 mills of the first 10 mills of assessed value. During 2002, in addition to the 2.2 mills, 5.2 mills have been levied based upon mills voted for the Senior Citizens, MRDD (Lawnview School) and the Children's Service levy.

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

**7. LOCAL SALES TAX**

For the purpose of providing additional general revenues, the Champaign County Commissioners have levied a tax at the rate of one percent upon certain retail sales made in the County. Tax receipts are credited to the general fund and amounted to \$2,642,054 for 2002.

**8. PROPERTY LEASE REVENUE**

The County leased 50 acres to a farmer for a three-year period beginning March 1, 2001, at an annual rent of \$11,140, with annual rental updates. Total rental income on the farm for 2002 was \$11,140 and is reported as rental income in the general fund.

The County leased office space in downtown Urbana at Miami Square. Total rental income from Miami Square for 2002 was \$20,629 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 2002 was \$244,256 and is reported as rental income in the general fund.

**9. DEFINED BENEFIT-PENSION PLANS**

**A. Ohio Public Employees Retirement System**

Champaign County participates in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 466-2085 or 1-800-222-PERS (7377).

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement. In January 2001, House Bill 416 divided the OPERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. All other members of the OPERS law enforcement program were placed in a newly named public safety division and continued to contribute at 9%. For local government employer units the 2002 contribution rate was 13.55% of covered payroll. The 2002 employer contribution rate for both the law enforcement and public safety divisions was 16.70% of covered payroll. The County's contributions, representing 100% of employer contribution's for the periods ended December 31, 2002, 2001, and 2000 were \$1,652,880, \$1,709,743, and \$2,025,888, respectively.

**B. State Teachers Retirement System**

The County contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by State statute per Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the year ended December 31, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The County was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's required contributions for pension obligations to STRS for the years ended December 31, 2002, 2001, and 2000 were \$50,410, \$59,158, and \$86,021, equal to the required contributions for each year.

**10. POST-RETIREMENT BENEFITS**

**A. Public Employees Retirement System**

In addition to the pension benefit obligation described above, the Ohio Public Employees Retirement System (OPERS) provides postretirement health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. A portion of each employer's contribution to PERS is set-aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions and requires employers to fund postretirement health care through their contributions to OPERS. The portion of the current year employer contribution rate (identified above) that was used to fund health care for the year was 5.00% of covered payroll, which amounted to \$609,919.



**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

The significant assumptions and calculations described below were based on OPERS latest unaudited information as of December 31, 2001. There were 402,041 active contributing participants. Estimated net assets available for future benefit payments were \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, respectively. Benefits are financed through employer contributions and investment earnings there on. The contributions, investment income and periodic adjustment in health care provisions are expected to be sufficient to sustain the program indefinitely.

**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). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most 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 funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended December 31, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$16,203 for 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and there were 105,300 eligible benefit recipients.

**11. PENDING LITIGATION**

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

The Champaign Nursing Home receives the Hill-Burton federal grant from the Department of Health and Human Services. Under the provisions of this grant, the nursing home is to provide services to indigent residents of the home, which meet certain eligibility requirements. At the end of each year, the nursing home is to report to the Department of Health and Human Services the amount of services, which were provided to such residents. Under provisions of the grant, the nursing home will not be required to repay the amount received; therefore, no liability has been recorded on the financial statements.

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

**11. PENDING LITIGATION (Continued)**

Under the terms of federal grants, periodic audits are required and certain cost may be questioned as not being appropriate expenditures under the terms of the grants. 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. Five County Joint Juvenile Detention and Rehabilitation Center**

The Five County Joint Juvenile Detention and Rehabilitation Center is a jointly governed organization involving Union, Champaign, Delaware, Logan, and Madison Counties. The Center provides facilities for the training, treatment and rehabilitation of delinquent, dependent, abused, or neglected children and was established under Section 2151.34 of the Ohio Revised Code. The operation of the Center is controlled by a joint board of trustees whose membership consists of two appointees of the Union County Commissioners, two appointees of the Delaware County Commissioners, and one appointee from Champaign, Logan, and Madison Counties. Each county's ability to influence the operations of the Center is limited to their representation on the board of trustees. Appropriations are adopted by the joint board of trustees who exercise control over the operation, maintenance, and construction of the Center. 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 2002, Champaign County contributed \$118,561 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 2002, the Champaign County Commissioners served as the Council's administrative agent but did not contribute any funds.

**C. Fairways Regional Council of Governments**

The County is a participant in the Fairways Regional Council of Governments (the Council), jointly governed organization with Champaign 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 2002, Champaign County made contributions of \$212 towards the operation of the Council.

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

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

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

Champaign County participates in a Multi-County Solid Waste District (the District), along with Allen, Hardin, Marion, Shelby and Union Counties. The District was established following the requirements of House Bill 592. The Board of Directors consists of County Commissioners from each county. Allen County serves as the fiscal agent for the District. Initial funding for the District was contributed by each county based on the individual county's population as compared to the total of all participating counties' populations.

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

**13. JOINT VENTURE**

**Tri-County Regional Jail** – Champaign County is a participant in the Tri-County Regional jail, which is a joint prison capable of minimum, medium, and maximum security. The prison was built to house convicted criminals from Madison, Union and Champaign Counties. The governing board consists of the Champaign County Sheriff and the Common Pleas Judge from each of the aforementioned counties, with the judge from Champaign County chairing the board. The Champaign County Auditor serves as fiscal agent for the Jail. During 2002, Champaign County contributed \$792,593 towards the operation of the jail. Financial information can be obtained by writing the Champaign County Auditor, 1512 South U.S. Highway 68, Urbana, OH 43078.

**14. DEFERRED COMPENSATION PLANS**

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

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

**15. SUBSEQUENT EVENTS**

The Ohio Public Works Commission (OPWC) financed a County Road Reconstruction project in 2002. Repayment arrangements with OPWC were finalized in March 2003. The note amount is \$871,785.71 paid semi-annually over 15 years. Payment begins on July 1, 2003, and is scheduled as follows:

<b>Year Ending December 31,</b>	<b>OPWC LOAN</b>	
	<b>Principal</b>	<b>Interest</b>
2003	\$29,060	\$0
2004	58,119	
2005	58,119	
2006	58,119	
2007	58,119	
2008-2012	290,595	
2013-2017	290,595	
2018	<u>29,060</u>	
Total	<u>\$871,786</u>	

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b>U.S. Department of Justice</b>			
(Direct)			
Local Law Enforcement Block Grants Program	2000-LB-BX-0358	16.592	\$5,655
	2001-LE-LEB-3525		24,744
Total Local Law Enforcement Block Grants Program			<u>30,399</u>
Public Safety Partnership and Community Policing Grants	1999-UM-WX-2886	16.710	13,153
(Passed through the Office of Criminal Justice)			
Bullet Proof Vest Grant	2002-00003845	16.670	137
	2001-00003845		1,403
Total Bullet Proof Vest Grant			<u>1,540</u>
Juvenile Accountability Incentive Block Grants	2000-JB-013-A067	16.523	5,005
	2001-JB-013-A067		9,631
Total Juvenile Accountability Incentive Block Grants			<u>14,636</u>
Juvenile Employment Training Service Program	1999-JF-FX-0039	16.540	15,488
Total U.S. Department of Justice			<u>75,216</u>
<b>U.S. Department of Housing &amp; Urban Development</b>			
(Passed through Ohio Department of Development)			
Community Deveolpment Block Grants/State's Program	BF-00-011-1	14.228	50,539
	BF-01-011-1		85,389
	BF-02-011-1		166
	BC-99-011-1		27,458
Total Community Deveolpment Block Grants/State's Program			<u>163,552</u>
Community Deveolpment Block Grants/Emergency Shelter Program	BL-01-011-1	14.231	24,950
	BL-02-011-1		23,000
Total Community Deveolpment Block Grants/Emergency Shelter Program			<u>47,950</u>
HOME Investment Partnerships Program	BC-99-011-2	14.239	37,682
Total U.S. Department of Housing & Urban Development			<u>249,184</u>
<b>U.S. Department of Transportation</b>			
(Passed through Ohio Department of Transportation)			
Pathfinders Grant	PID 21049	20.205	8,816
Public Transportation for Nonurbanized Areas	RPT-4011-020-011	20.509	19,357
	RPT-4011-021-021		99,280
Total Public Transportation for Nonurbanized Areas			<u>118,637</u>
Total U.S. Department of Transportation			<u>127,453</u>

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2002  
(Continued)**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Disbursements</b>
<b>U.S. Department of Education</b>			
(Passed through Ohio Department of Education)			
<i>Special Education Cluster:</i>			
Special Education Grants to States	065896-6B-SF-2003P	84.027	3,485
	065896-6B-SF-2002P		<u>5,968</u>
Total Special Education Grants to States			9,453
Special Education - Preschool Grant	065896-PG-S1-2003P	84.173	1,366
	065896-PG-S1-2002P		<u>7,571</u>
Total Special Education - Preschool Grant			8,937
Total Special Education Cluster			18,390
Innovative Education Program Strategies	065896-CA-S1-2003	84.298	1,038
	065869-CA-S1-2002		<u>60</u>
Total Innovative Education Program Strategies			1,098
Total U.S. Department of Education			<u>19,488</u>
<b>U.S. Department of Health &amp; Human Services</b>			
(Passed through Ohio Department of Mental Retardation)			
Social Services Block Grant:			
Title XX	FY03	93.667	10,720
	FY02		<u>30,796</u>
Total Social Services Block Grant			41,516
Medical Assistance Program	FY01	93.778	187,157
	FY02		<u>539,110</u>
			726,267
(Passed through Area Agency on Aging, Planning & Service Area)			
Special Programs for the Aging Title III, Part B Grants	FY02	93.044	21,786
	FY02		15,820
	FY02		<u>10,446</u>
Total Special Programs for the Aging Title III, Part B Grants			48,052
Total U.S. Department of Health & Human Services			<u>815,835</u>
<b>U.S. Department of Labor</b>			
(Passed through Ohio Department of Job and Family Services)			
Workforce Investment Act - Adult	FY01	17.258	77,666
Workforce Investment Act - Adult	FY02		72,830
Workforce Investment Act - Adult Administrative	FY02		<u>1,991</u>
Total Workforce Investment Act - Adult			152,487
Workforce Investment Act - Youth	FY01	17.259	69,274
Workforce Investment Act - Youth	FY02		37,767
Workforce Investment Act - Youth Administrative	FY02		<u>19,548</u>
Total Workforce Investment Act - Youth			126,589
Workforce Investment Act - Dislocated Workers	FY01	17.260	30,035
Workforce Investment Act - Dislocated Workers	FY02		65,090
Workforce Investment Act - Dislocated Workers Administrative	FY02		<u>4,807</u>
Total Workforce Investment Act - Dislocated Workers			99,932
Total U.S. Department of Labor			<u>379,008</u>
Total Federal Financial Assistance			<u>\$1,666,184</u>

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

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the County's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - SUBRECIPIENTS**

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

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

**NOTE C - MATCHING REQUIREMENTS**

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

**This page intentionally left blank.**





**Auditor of State  
Betty Montgomery**

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

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

We have audited the accompanying financial statements of Champaign County, (the County) as of and for the year ended December 31, 2002, and have issued our report thereon dated June 20, 2003, which noted the County prepared its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03 (B). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect of the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 through 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated June 20, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management in a separate letter dated June 20, 2003.

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

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

**Betty Montgomery**  
Auditor of State

June 20, 2003



## Auditor of State Betty Montgomery

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

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

#### Compliance

We have audited the compliance of Champaign County, (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

#### Internal Control Over Compliance

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

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

**Internal Control Over Compliance  
(Continued)**

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings as item 2002-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above as item 2002-003 to be a material weakness.

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



**Betty Montgomery**  
Auditor of State

June 20, 2003

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
FOR THE YEAR ENDED DECEMBER 31, 2002**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #93.778, Medical Assistance Program CFDA #17.258, 17.259, 17.260 - Workforce Investment Act Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

**FINDING NUMBER 2002-001**

**Ohio Rev. Code 5101.144** states that each county shall deposit all funds its public children services agency receives from appropriations made by the board of county commissioners or any other source for the purpose of providing children services into a special fund in the county treasury known as the Children Services Fund.

The County currently operates with two children services funds. One is used for the receipt of the local children services levy while the second is for all other children services activity. Children services activity at the County is under the direction of the Department of Jobs and Family Services whose staff performs those services. Periodically, levy funds are transferred to Jobs and Family Services and the other Children Services Fund for reimbursement of services provides. Auditor of State Bulletin 98-009 indicates that if deposits have been made to, or disbursed from, other funds for children services activities, the county should make appropriate adjustments to the accounting records and financial statements to properly reflect these items in the Children Services Fund.

To avoid unnecessary and inappropriate transfers, the County should combine the two children services funds and when the Department of Job and Family Services needs to be reimbursed for the services performed, the Jobs and Family Services Fund should record a reduction of expenditures for the amounts expended and the Children Services Fund should record the expenditures to the appropriate accounts.

**FINDING NUMBER 2002-002**

**Ohio Administrative Code Section 117-2-03 (B)** requires the County to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the County prepared its annual financial report for 2002 in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

The County should prepare their annual financial reports in accordance with generally accepted accounting principles.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**FINDING FOR FEDERAL AWARDS**

<b><i>Finding Number</i></b>	2002-003
<b><i>CFDA Title and Number</i></b>	All CFDA Titles and Numbers
<b><i>Federal Award Number / Year</i></b>	All Federal Award Numbers
<b><i>Federal Agency</i></b>	All Federal Agencies
<b><i>Pass-Through Agency</i></b>	All Pass-Through Agencies

**Federal Revenue**

OMB Circular A-133 requires federal recipients and sub-recipients to identify in their accounts all federal awards received and expended, as well as the federal programs under which they were granted. In assessing the appropriateness and completeness of the County’s identification of federal programs in the schedule of federal awards expenditure, it must be determined whether the required reports for Federal awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

The County’s chart of accounts provides a logical sequence by fund, revenue source, and expenditure classification, however, our testing indicated that during 2002 the various departments had not posted federal revenue to the correct federal revenue code 71% of the time. The posting of federal awards in this manner could result in a significant misstatement to the federal schedule of awards expenditures.

Due to the use of incorrect revenue codes for federal awards, some departments were unable to prepare accurate and complete schedules of federal assistance for 2002. The County’s departmental federal schedules required extensive revision in order to present the accompanying Schedule of Federal Awards Expenditures accurately for 2002.

Champaign County should communicate the correct usage of their chart of accounts to all County departments to enable County departments to post federal program transactions consistently to account codes which are identified specifically for federal receipts or expenditures.

**FINANCIAL CONDITION  
CHAMPAIGN COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 §.315 (c)  
FOR THE YEAR ENDED DECEMBER 31, 2002**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2002-001	Eliminate unnecessary Children's Services Levy Fund and show expenditures in Children's Services Fund instead of transfers.	December 31, 2003	Bonnie Warman County Auditor
2002-002	File GAAP financial statements for 2003.	Correction Not Anticipated	Bonnie Warman County Auditor
2002-003	Notify all departments of proper revenue and expenditure codes for federal programs.	December 31, 2003	Bonnie Warman County Auditor





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**FINANCIAL CONDITION**

**CHAMPAIGN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
AUGUST 14, 2003**