



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

DARKE COUNTY FINANCIAL CONDITION

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

County Commissioners
County Auditor
County Treasurer
Darke County
504 South Broadway Street
Greenville, Ohio 45331

We have audited the accompanying general-purpose financial statements of Darke County (the County) as of and for the year ended December 31, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general-purpose 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.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Darke County, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types and discretely presented component units for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended December 31, 2001, the County adopted Governmental Accounting Statement No. 33. (See Note 2)

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2002 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the County, taken as a whole. The accompanying schedule of federal awards expenditures 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 general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

July 29, 2002

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DARKE COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2001

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
<u>Assets and Other Debits:</u>				
Assets:				
Cash and Cash Equivalents	\$891	\$53,594	\$663	\$8,947
Investments	2,011,898	8,650,192	0	2,769,588
Receivables (net of allowance for doubtful accounts):				
Taxes	3,096,039	2,086,858	0	0
Accounts	103,955	521,033	0	1,309
Loans	0	765,174	0	0
Special Assessments	0	3,579	0	1,534
Interest	155,608	61,997	0	0
Intergovernmental Receivables	769,129	4,192,375	0	0
Interfund Loan Receivable	31,915	0	0	0
Inventory of Supplies at Cost	61,062	194,287	0	0
Prepaid Items	70,625	8,418	0	0
Restricted Assets:				
Cash with Fiscal Agent	194,739	33,368	0	0
Investments with Fiscal Agent	0	54,244	0	0
Fixed Assets (Net Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Funds	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$6,495,861	\$16,625,119	\$663	\$2,781,378

DARKE COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2001

<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Type</i>	<i>Account Groups</i>		Totals Primary Government (Memorandum Only)	<i>Component Units</i>
Enterprise Funds	Internal Service Fund	Agency Funds	General Fixed Assets	General Long-Term Obligations		
\$16,119	\$701	\$65,217	\$0	\$0	\$146,132	\$76,464
421,178	0	1,397,144	0	0	15,250,000	254,804
0	0	26,992,326	0	0	32,175,223	0
34,883	0	0	0	0	661,180	13,052
0	0	0	0	0	765,174	0
0	0	8,674	0	0	13,787	0
0	0	0	0	0	217,605	0
0	0	6,643,139	0	0	11,604,643	0
0	0	0	0	0	31,915	0
94	0	0	0	0	255,443	0
494	0	0	0	0	79,537	0
0	414,840	218,278	0	0	861,225	0
0	0	20,000	0	0	74,244	0
64,572	0	0	21,442,045	0	21,506,617	61,530
0	0	0	0	(31,252)	(31,252)	0
0	0	0	0	1,520,266	1,520,266	0
<u>\$537,340</u>	<u>\$415,541</u>	<u>\$35,344,778</u>	<u>\$21,442,045</u>	<u>\$1,489,014</u>	<u>\$85,131,739</u>	<u>\$405,850</u>

(Continued)

DARKE COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2001

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General	Special	Debt	Capital
	Fund	Revenue	Service	Projects
	Fund	Funds	Funds	Funds
<u>Liabilities, Equity and Other Credits:</u>				
Liabilities:				
Accounts Payable	\$157,258	\$316,554	\$0	\$490,209
Accrued Wages and Benefits	190,994	270,258	0	0
Intergovernmental Payables	229,177	382,166	0	0
Interfund Loan Payable	0	0	31,915	0
Health Insurance Claims Payable	0	0	0	0
Accrued Interest Payable	0	0	0	111,168
Deferred Revenue	3,088,412	5,173,560	0	1,534
Undistributed Monies	0	0	0	0
Compensated Absences Payable	55,934	80,236	0	0
General Obligation Notes Payable	0	0	0	8,500,000
General Obligation Bonds Payable	0	0	0	0
Special Assessment Bonds Payable				
with Governmental Commitment	0	0	0	0
Total Liabilities	3,721,775	6,222,774	31,915	9,102,911
Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Total Retained Earnings	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	36,197	286,963	0	1,349,453
Reserved for Supplies Inventory	61,062	194,287	0	0
Reserved for Prepaid Items	70,625	8,418	0	0
Reserved for Loan Commitments	0	765,174	0	0
Reserved for Debt Service	0	0	(31,252)	0
Unreserved	2,606,202	9,147,503	0	(7,670,986)
Total Equity and Other Credits	2,774,086	10,402,345	(31,252)	(6,321,533)
Total Liabilities, Equity and Other Credits	\$6,495,861	\$16,625,119	\$663	\$2,781,378

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

DARKE COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2001

<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals Primary Government (Memorandum Only)	<i>Component Units</i>
Enterprise Funds	Internal Service Fund	Agency Funds	General Fixed Assets	General Long-Term Obligations		
\$3,365	\$0	\$0	\$0	\$0	\$967,386	\$1,616
2,900	0	0	0	0	464,152	2,579
4,467	0	32,010,416	0	0	32,626,226	0
0	0	0	0	0	31,915	0
0	275,121	0	0	0	275,121	0
0	0	0	0	0	111,168	0
0	0	0	0	0	8,263,506	0
0	0	3,334,362	0	0	3,334,362	0
4,442	0	0	0	1,054,864	1,195,476	0
0	0	0	0	0	8,500,000	0
0	0	0	0	385,000	385,000	0
0	0	0	0	49,150	49,150	0
15,174	275,121	35,344,778	0	1,489,014	56,203,462	4,195
0	0	0	21,442,045	0	21,442,045	0
46,038	0	0	0	0	46,038	0
476,128	140,420	0	0	0	616,548	401,655
476,128	140,420	0	0	0	616,548	401,655
0	0	0	0	0	1,672,613	0
0	0	0	0	0	255,349	0
0	0	0	0	0	79,043	0
0	0	0	0	0	765,174	0
0	0	0	0	0	(31,252)	0
0	0	0	0	0	4,082,719	0
522,166	140,420	0	21,442,045	0	28,928,277	401,655
\$537,340	\$415,541	\$35,344,778	\$21,442,045	\$1,489,014	\$85,131,739	\$405,850

DARKE COUNTY, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	<i>Governmental Fund Types</i>				Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	
<u>Revenues:</u>					
Taxes	\$6,819,863	\$2,066,359	\$0	\$0	\$8,886,222
Intergovernmental Revenues	1,203,058	11,596,352	0	0	12,799,410
Charges for Services	1,297,049	1,528,680	0	17,460	2,843,189
Licenses and Permits	3,340	94,161	0	0	97,501
Investment Earnings	905,946	235,117	0	0	1,141,063
Special Assessments	0	141,848	0	10,696	152,544
Fines and Forfeitures	403,721	75,770	0	0	479,491
All Other Revenues	335,764	701,456	34,130	30,565	1,101,915
Total Revenues	<u>10,968,741</u>	<u>16,439,743</u>	<u>34,130</u>	<u>58,721</u>	<u>27,501,335</u>
<u>Expenditures:</u>					
Current:					
Public Safety	3,430,305	394,673	0	0	3,824,978
Health	98,180	146,478	0	0	244,658
Human Services	267,080	12,397,417	0	0	12,664,497
Community and Economic Development	149,814	273,026	0	0	422,840
Public Works	158,729	3,984,965	0	0	4,143,694
General Government	5,124,764	902,166	0	0	6,026,930
Other Expenditures	40,520	0	0	0	40,520
Capital Outlay	145,571	0	0	3,539,478	3,685,049
Debt Service:					
Principal Retirement	0	0	50,850	0	50,850
Interest and Fiscal Charges	0	0	307,102	103,519	410,621
Total Expenditures	<u>9,414,963</u>	<u>18,098,725</u>	<u>357,952</u>	<u>3,642,997</u>	<u>31,514,637</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,553,778	(1,658,982)	(323,822)	(3,584,276)	(4,013,302)
<u>Other Financing Sources (Uses):</u>					
Other Financing Sources	266,305	881,049	0	0	1,147,354
Other Financing Uses	(406,046)	0	0	0	(406,046)
Operating Transfers In	0	1,656,682	290,939	207,279	2,154,900
Operating Transfers Out	(1,688,474)	(407,079)	0	(59,347)	(2,154,900)
Total Other Financing Sources (Uses)	<u>(1,828,215)</u>	<u>2,130,652</u>	<u>290,939</u>	<u>147,932</u>	<u>741,308</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(274,437)	471,670	(32,883)	(3,436,344)	(3,271,994)
Restated Fund Balance (Deficit) Beginning of Year	3,049,273	9,858,776	1,631	(2,885,189)	10,024,491
Increase (Decrease) in Inventory Reserve	(750)	71,899	0	0	71,149
Fund Balance (Deficit) End of Year	<u>\$2,774,086</u>	<u>\$10,402,345</u>	<u>(\$31,252)</u>	<u>(\$6,321,533)</u>	<u>\$6,823,646</u>

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

DARKE COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$6,393,172	\$6,806,421	\$413,249	\$2,360,140	\$2,066,359	(\$293,781)
Intergovernmental Revenues	1,164,700	1,219,192	54,492	11,037,799	11,678,165	640,366
Charges for Services	1,205,217	1,373,829	168,612	1,394,694	1,519,452	124,758
Licenses and Permits	4,660	3,340	(1,320)	81,950	94,161	12,211
Investment Earnings	656,340	914,253	257,913	175,000	240,729	65,729
Special Assessments	0	0	0	136,882	141,848	4,966
Fines and Forfeitures	440,330	403,721	(36,609)	69,379	75,760	6,381
All Other Revenues	262,096	261,237	(859)	530,762	713,802	183,040
Total Revenues	10,126,515	10,981,993	855,478	15,786,606	16,530,276	743,670
Expenditures:						
Current:						
Public Safety	3,587,182	3,405,380	181,802	621,174	407,807	213,367
Health	102,052	95,668	6,384	168,420	155,648	12,772
Human Services	444,945	266,822	178,123	13,701,344	12,403,840	1,297,504
Community and Economic Development	159,382	148,793	10,589	1,021,110	943,113	77,997
Public Works	173,788	162,935	10,853	5,008,091	3,784,031	1,224,060
General Government	5,667,323	5,237,346	429,977	1,708,282	1,073,107	635,175
Other Expenditures	48,040	32,534	15,506	0	0	0
Capital Outlay	309,662	154,613	155,049	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	10,492,374	9,504,091	988,283	22,228,421	18,767,546	3,460,875
Excess (Deficiency) of Revenues Over (Under) Expenditures	(365,859)	1,477,902	1,843,761	(6,441,815)	(2,237,270)	4,204,545
Other Financing Sources (Uses):						
Proceeds from General Obligation Notes	0	0	0	0	0	0
Other Financing Sources	239,278	266,305	27,027	1,193,703	881,049	(312,654)
Other Financing Uses	(411,030)	(406,046)	4,984	0	0	0
Operating Transfers In	0	0	0	1,582,467	1,656,682	74,215
Operating Transfers Out	(1,721,095)	(1,688,474)	32,621	(160,569)	(407,079)	(246,510)
Advances In	0	0	0	0	0	0
Advances Out	(31,915)	(31,915)	0	0	0	0
Total Other Financing Sources (Uses)	(1,924,762)	(1,860,130)	64,632	2,615,601	2,130,652	(484,949)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,290,621)	(382,228)	1,908,393	(3,826,214)	(106,618)	3,719,596
Restated Fund Balance at Beginning of Year	2,181,959	2,181,959	0	8,056,579	8,056,579	0
Prior Year Encumbrances	108,611	108,611	0	315,126	315,126	0
Fund Balance at End of Year	(\$51)	\$1,908,342	\$1,908,393	\$4,545,491	\$8,265,087	\$3,719,596

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

(Continued)

DARKE COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Debt Service Funds</u>			<u>Capital Projects Funds</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental Revenues	0	0	0	0	828,455	828,455
Charges for Services	0	0	0	17,000	17,670	670
Licenses and Permits	0	0	0	0	0	0
Investment Earnings	0	0	0	0	0	0
Special Assessments	0	0	0	10,696	10,696	0
Fines and Forfeitures	0	0	0	0	0	0
All Other Revenues	41,332	34,130	(7,202)	0	30,565	30,565
Total Revenues	41,332	34,130	(7,202)	27,696	887,386	859,690
Expenditures:						
Current:						
Public Safety	0	0	0	0	0	0
Health	0	0	0	0	0	0
Human Services	0	0	0	0	0	0
Community and Economic Development	0	0	0	0	0	0
Public Works	0	0	0	0	0	0
General Government	0	0	0	0	0	0
Other Expenditures	0	0	0	0	0	0
Capital Outlay	0	0	0	5,959,722	5,887,080	72,642
Debt Service:						
Principal Retirement	5,050,850	5,050,850	0	0	0	0
Interest and Fiscal Charges	277,208	307,102	(29,894)	0	0	0
Total Expenditures	5,328,058	5,357,952	(29,894)	5,959,722	5,887,080	72,642
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,286,726)	(5,323,822)	(37,096)	(5,932,026)	(4,999,694)	932,332
Other Financing Sources (Uses):						
Proceeds from General Obligation Notes	0	0	0	8,500,000	8,500,000	0
Other Financing Sources	0	0	0	0	0	0
Other Financing Uses	0	0	0	0	0	0
Operating Transfers In	5,285,095	5,290,939	5,844	200,000	207,279	7,279
Operating Transfers Out	0	0	0	(5,059,347)	(5,059,347)	0
Advances In	0	31,915	31,915	0	0	0
Advances Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	5,285,095	5,322,854	37,759	3,640,653	3,647,932	7,279
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,631)	(968)	663	(2,291,373)	(1,351,762)	939,611
Restated Fund Balance at Beginning of Year	1,631	1,631	0	2,278,362	2,278,362	0
Prior Year Encumbrances	0	0	0	13,011	13,011	0
Fund Balance at End of Year	\$0	\$663	\$663	\$0	\$939,611	\$939,611

(Continued)

DARKE COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Taxes	\$8,753,312	\$8,872,780	\$119,468
Intergovernmental Revenues	12,202,499	13,725,812	1,523,313
Charges for Services	2,616,911	2,910,951	294,040
Licenses and Permits	86,610	97,501	10,891
Investment Earnings	831,340	1,154,982	323,642
Special Assessments	147,578	152,544	4,966
Fines and Forfeitures	509,709	479,481	(30,228)
All Other Revenues	834,190	1,039,734	205,544
Total Revenues	<u>25,982,149</u>	<u>28,433,785</u>	<u>2,451,636</u>
Expenditures:			
Current:			
Public Safety	4,208,356	3,813,187	395,169
Health	270,472	251,316	19,156
Human Services	14,146,289	12,670,662	1,475,627
Community and Economic Development	1,180,492	1,091,906	88,586
Public Works	5,181,879	3,946,966	1,234,913
General Government	7,375,605	6,310,453	1,065,152
Other Expenditures	48,040	32,534	15,506
Capital Outlay	6,269,384	6,041,693	227,691
Debt Service:			
Principal Retirement	5,050,850	5,050,850	0
Interest and Fiscal Charges	277,208	307,102	(29,894)
Total Expenditures	<u>44,008,575</u>	<u>39,516,669</u>	<u>4,491,906</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,026,426)	(11,082,884)	6,943,542
Other Financing Sources (Uses):			
Proceeds from General Obligation Notes	8,500,000	8,500,000	0
Other Financing Sources	1,432,981	1,147,354	(285,627)
Other Financing Uses	(411,030)	(406,046)	4,984
Operating Transfers In	7,067,562	7,154,900	87,338
Operating Transfers Out	(6,941,011)	(7,154,900)	(213,889)
Advances In	0	31,915	31,915
Advances Out	(31,915)	(31,915)	0
Total Other Financing Sources (Uses)	<u>9,616,587</u>	<u>9,241,308</u>	<u>(375,279)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(8,409,839)	(1,841,576)	6,568,263
Restated Fund Balance at Beginning of Year	12,518,531	12,518,531	0
Prior Year Encumbrances	436,748	436,748	0
Fund Balance at End of Year	<u>\$4,545,440</u>	<u>\$11,113,703</u>	<u>\$6,568,263</u>

DARKE COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Proprietary Fund Types</u>		Totals Primary	<i>Component Units</i>
	Enterprise Funds	Internal Service Fund	Government (Memorandum Only)	
<u>Operating Revenues:</u>				
Charges for Services	\$275,844	\$1,477,767	\$1,753,611	\$229,455
Other Operating Revenues	7,398	147,320	154,718	558
Total Operating Revenues	283,242	1,625,087	1,908,329	230,013
<u>Operating Expenses:</u>				
Personal Services	47,390	0	47,390	101,973
Materials and Supplies	4,915	0	4,915	21,853
Contractual Services	197,133	0	197,133	105,455
Depreciation	6,685	0	6,685	16,949
Health Insurance Claims	0	1,763,090	1,763,090	0
Other Operating Expenses	27,533	0	27,533	706
Total Operating Expenses	283,656	1,763,090	2,046,746	246,936
Operating Loss	(414)	(138,003)	(138,417)	(16,923)
<u>Non-Operating Revenues (Expenses):</u>				
Investment Earnings	0	0	0	15,436
Non-Operating Revenue	8,394	0	8,394	2,649
Non-Operating Expense	0	0	0	(565)
Total Non-Operating Revenues (Expenses)	8,394	0	8,394	17,520
Net Income (Loss)	7,980	(138,003)	(130,023)	597
Restated Retained Earnings at Beginning of Year	468,148	278,423	746,571	401,058
Retained Earnings at End of Year	\$476,128	\$140,420	\$616,548	\$401,655

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

DARKE COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2001

	<i>Proprietary Fund Types</i>		Totals Primary Government (Memorandum Only)	<i>Component Units</i>
	Enterprise Funds	Internal Service Fund		
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$273,773	\$0	\$273,773	\$196,093
Other Operating Receipts	0	0	0	558
Cash Received from Quasi-External Operating Transactions From Other Funds	0	1,628,361	1,628,361	0
Cash Payments for Goods and Services	(227,070)	(1,783,110)	(2,010,180)	(103,671)
Cash Payments to Employees	(45,407)	0	(45,407)	(95,958)
Net Cash Provided (Used) by Operating Activities	<u>1,296</u>	<u>(154,749)</u>	<u>(153,453)</u>	<u>(2,978)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Donations	0	0	0	2,084
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,084</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition and Construction of Assets	(10,698)	0	(10,698)	(8,359)
Net Cash Used for Capital and Related Financing Activities	<u>(10,698)</u>	<u>0</u>	<u>(10,698)</u>	<u>(8,359)</u>
<u>Cash Flows from Investing Activities:</u>				
Receipts of Interest	0	0	0	15,436
Purchase of Investments	(421,178)	0	(421,178)	(21,997)
Net Cash Used by Investing Activities	<u>(421,178)</u>	<u>0</u>	<u>(421,178)</u>	<u>(6,561)</u>
Net Decrease in Cash and Cash Equivalents	(430,580)	(154,749)	(585,329)	(15,814)
Cash and Cash Equivalents at Beginning of Year	446,699	570,290	1,016,989	92,278
Cash and Cash Equivalents at End of Year	<u>\$16,119</u>	<u>\$415,541</u>	<u>\$431,660</u>	<u>\$76,464</u>
<u>Reconciliation of Cash and</u>				
<u>Cash Equivalents per the Balance Sheet:</u>				
Cash and Cash Equivalents	\$16,119	\$701	\$16,820	\$76,464
Cash with Fiscal Agent	0	414,840	414,840	0
Cash and Cash Equivalents at End of Year	<u>\$16,119</u>	<u>\$415,541</u>	<u>\$431,660</u>	<u>\$76,464</u>

(Continued)

DARKE COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2001

	<i>Proprietary</i>		Totals Primary Government (Memorandum Only)	<i>Component Units</i>
	<i>Fund Types</i>			
	Enterprise Funds	Internal Service Fund		
<u>Reconciliation of Operating Loss to Net Cash</u>				
<u>Provided (Used) by Operating Activities:</u>				
Operating Loss	(\$414)	(\$138,003)	(\$138,417)	(\$16,923)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	6,685	0	6,685	16,949
Non-Operating Revenue	8,394	0	8,394	0
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(17,863)	3,274	(14,589)	(1,173)
Decrease in Inventory	218	0	218	0
Decrease in Prepays	67	0	67	0
Increase (Decrease) in Accounts Payable	634	0	634	(3,041)
Increase in Accrued Wages and Benefits	470	0	470	1,210
Decrease in Health Insurance Claims Payable	0	(20,020)	(20,020)	0
Increase in Intergovernmental Payables	2,146	0	2,146	0
Increase in Compensated Absences Payable	959	0	959	0
Total Adjustments	<u>1,710</u>	<u>(16,746)</u>	<u>(15,036)</u>	<u>13,945</u>
Net Cash Provided (Used) by Operating Activities	<u>\$1,296</u>	<u>(\$154,749)</u>	<u>(\$153,453)</u>	<u>(\$2,978)</u>

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

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Darke County, Ohio (The County), was created in 1809 when it detached from Miami County but was not organized until 1817. The County is governed by a board of three commissioners elected by the voters of the County. Other officials elected by the voters of the County who manage various segments of the County's operations are the County Auditor, County Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecutor, Sheriff, a Common Pleas Court Judge, two County Court Judges, and a joint Probate/Juvenile Court 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, including the departments of the elected officials noted above.

The accompanying general purpose financial statements comply with the provisions of GASB Statement No. 14, *"The Financial Reporting Entity,"* in that the financial statements include all organizations, activities, functions and component units for which the County (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the County's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the County. Based on the foregoing, the County's financial reporting entity includes all funds, account groups, agencies, boards and commissions that are part of the primary government. For Darke County, this includes the Children's Service Board, the Board of Mental Retardation and Developmental Disabilities, the Child Support Enforcement Agency, the Community Corrections Planning Board, County Home, the Darke County Veterans Services, and all departments and activities that are directly operated by the elected County Officials. The County owns and operates a wastewater treatment and collection system which is reported as an enterprise fund. In addition, Darke County (the primary government) has two component units, The Darke County Visitors Bureau, Inc. and Wayne Industries.

Discretely Presented Component Units – The component units column in the combined financial statements includes the financial data of the County's two component units. They are reported in a separate column to emphasize that they are legally separate from the County. The Component Units are being presented as a part of the County's reporting entity because the County is financially accountable for the component units and it would be misleading to exclude them.

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Darke County Visitors Bureau, Incorporated – The Darke County Visitors Bureau, Inc. is a legally separate not-for-profit corporation served by a board appointed by the Darke County Board Commissioners. The corporation was established for the purpose of the promotion of business and tourism within Darke County. The Darke County Auditor distributes bed tax funds to The Darke County Visitors Bureau, Incorporated. Based on the significant resources provided by the County and upon the ability of the County to impose its will upon The Darke County Visitors Bureau, Incorporation, the entity is reflected as a component unit of the County. Separately issued financial statements can be obtained from The Darke County Visitors Bureau, Incorporated at 622 South Broadway, Greenville, Ohio 45331.

Wayne Industries – Wayne Industries is a legally separate, not-for-profit corporation served by a board appointed by the Darke County Board of MRDD. The workshop, under contractual agreement with the Darke County Board of Mental Retardation and Developmental Disabilities, provides sheltered employment for mentally retarded or handicapped individuals in Darke County. The Darke County Board of MRDD provides the workshop with personnel necessary for the operation of the habilitation services to the clients, land and buildings for the operation of the center, maintenance and repair of the buildings and professional staff to supervise and train clients of Wayne Industries. Based on the significant services and resources provided by the County to the workshop and the workshop's sole purpose of providing assistance to the retarded and handicapped adults of Darke County, the workshop is a component unit of Darke County. Separately issued financial statements may be obtained from Wayne Industries at 5844 Jaysville-St. Johns Road, Greenville, Ohio 45331.

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate agencies, boards and commissions listed below, the County serves as the fiscal agent but is not financially accountable. Accordingly, the activity of the following districts and agencies are presented as agency funds within the County's financial statements:

- Darke County General Health District
- Darke County Emergency Management Agency
- Darke County Soil Conservation District
- Darke County Law Library
- Darke County Park District

The County is associated with certain organizations which are defined as Joint Ventures, Jointly Governed Organizations, and Insurance Purchasing Pools. These organizations are presented in Notes 15, 18 and 19 to the general purpose financial statements.

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting

The accounting polices of Darke County, Ohio, conform to generally accepted accounting principles as applicable to governmental units. The accounting policies of the discretely presented component units are consistent with those of the County. The following is a summary of the more significant policies:

The accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the County:

Governmental Funds - are the funds through which most governmental functions of the County are financed. The acquisition, use and balances of the County's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. All governmental funds and the expendable trust fund are accounted for using a current "financial resources" measurement focus. This measurement focus generally provides that only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The following are the County's governmental fund types:

General Fund - represents 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. The general fund balance is available to the County for any purpose provided it is expended or transferred according to the laws of Ohio.

Special Revenue Funds - consist of monies restricted by state and/or federal law to the financing of certain governmental functions (other than those involving major capital projects) for specified purposes.

Debt Service Funds - are used to account for the accumulation of resources for, and the payment of, general obligation long-term debt principal, interest and related costs, and special assessment long-term debt principal, interest and related costs. (other than those financed by proprietary funds).

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

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Proprietary Funds - are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and liabilities associated with the operation of the proprietary funds are included on the balance sheet. Fund equity (i.e., net assets) are segregated into contributed capital and retained earnings components. The proprietary funds operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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 costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Fund- is used to account for the financing of goods or services by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost reimbursement basis.

Fiduciary Funds - are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The County's only fiduciary fund type is its agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement or accounts of operations.

Account Groups - To make a clear distinction between fixed assets related to specific funds and those of general government and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for fixed assets of the County other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term debt of the County except that accounted for in the proprietary funds.

C. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements, and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

The financial statements of the governmental and agency funds are prepared using the modified accrual basis of accounting. Under this basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the County is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due. Revenues which are measurable but not considered available, such as delinquent real and personal property taxes for which availability is indeterminate, are recorded as deferred revenue. Property taxes which are measurable at December 31, 2001 but not available, are recorded as deferred revenue.

Deferred revenues also arise when resources are received by the government before the government has a legal claim to them, such as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when revenue recognition criteria are met or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Non-exchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: earnings on investments, sales tax, federal and state intergovernmental grants, levied fines and forfeitures, state-levied locally shared taxes (including motor vehicle registration fees) and certain charges for current services.

Other revenues, including licenses and permits, certain charges for services and miscellaneous revenues are recorded as revenue when received in cash because generally these revenues are not measurable until received.

All proprietary type funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Pursuant to GASB Statement No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting,"* the County follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budget control within a fund is at the object level by department by function. Budgetary modifications may only be made through resolution of the County Commissioners. Budgetary information has not been presented for the discretely presented component units because it is not included in the entity for which the appropriated budget is adopted nor does the entity maintain separate budgetary records.

1. Tax Budget

A budget of estimated revenue and expenditures 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 reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the County by September 1 of each year. As part of the certification process, the County receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the County must revise its budget so the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

2. Estimated Resources (Continued)

serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2001.

3. Appropriations

A temporary appropriations resolution to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriations resolution must be passed by April 1 of each year for the period January 1 through December 31. The appropriations resolution establishes spending controls at the fund, function, department and object level. The appropriations resolution may be amended during the year by resolution of the County Commissioners as additional information becomes available, provided that total fund appropriations do not exceed current estimated resources. Expenditures may not legally exceed budgeted appropriations at the object level. During 2001, several supplemental appropriations were necessary to budget the use of contingency funds, intergovernmental grant proceeds and capital improvement projects. Administrative control is maintained through the establishment of more detailed line-item budgets. Commissioners appropriations are made at the fund, department and object level (ie. General Fund-Commissioners-salaries, supplies, equipment, contract repairs, travel expenses, maintenance and other expenses.)

The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of the formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances outstanding at year end are reported as reservations of fund balances in the accompanying general purpose financial statements. However, encumbrances outstanding at year end are reported as expenditures in the budgetary basis statement included in the general purpose financial statements.

5. Lapsing of Appropriations

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 appropriations balance is carried forward to the subsequent fiscal year and need not be reappropriated.

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

6. Budgetary Basis of Accounting

The County's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major difference between the budgetary basis and the GAAP basis lies in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis: revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

A reconciliation of the results of operations for 2001 from the GAAP basis to the budgetary basis is shown below:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
GAAP Basis (as reported)	(\$274,437)	\$471,670	(\$32,883)	(\$3,436,344)
Increase (Decrease):				
Accrued Revenues at December 31, 2001 received during 2002	(1,262,973)	(2,378,256)	0	(1,309)
Accrued Revenues at December 31, 2000 received during 2001	1,106,834	2,092,968	0	1,519
Accrued Expenditures at December 31, 2001 paid during 2002	639,756	1,072,309	31,915	601,377
Accrued Expenditures at December 31, 2000 paid during 2001	(499,247)	(936,211)	0	(178,081)
Note Proceeds	0	0	0	8,500,000
Note Retirement	0	0	0	(5,000,000)
2000 Prepays for 2001	82,911	18,019	0	0
2001 Prepays for 2002	(70,625)	(8,418)	0	0
Outstanding Encumbrances	(104,447)	(438,699)	0	(1,838,924)
Budget Basis	(\$382,228)	(\$106,618)	(\$968)	(\$1,351,762)

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

The County Treasurer pools cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account. Cash and cash equivalents that are held separately within departments of the County and not held with the County Treasurer are recorded on the balance sheet as "Cash with Fiscal Agent." See Note 4, "Cash, Cash Equivalents and Investments."

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the County records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices. See Note 4, "Cash, Cash Equivalents and Investments".

G. Inventory of Supplies

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2001, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

I. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Fixed Assets and Depreciation

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, have not been capitalized. Such assets are normally immovable and of value only to the County; therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets.

General fixed asset values were determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing current market costs back to the estimated year of acquisition.

The County has elected not to record depreciation in the General Fixed Assets Account Group.

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed fixed assets are recorded at fair market value at the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (Years)</u>
Machinery and Equipment	10 - 20
Sewer Lines	25
Office Equipment	5

K. Contributed Capital

Proprietary fund type contributed capital is recorded at the fair market value of the related assets at the date received. Depreciation on contributed fixed assets resulting from contributions from other funds, dedications by private developers and capital grants is recorded as an operating expense and closed along with other operating expenses directly into retained earnings. Capital contributions received after December 31, 2000 are recorded as revenue in the proprietary funds.

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
General Obligation Bond	General Obligation Bond Retirement Fund
Special Assessment Bond	Ditch Bond Retirement Fund

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
Compensated Absences	General Fund Auto License and Gas Tax Fund Dog and Kennel Fund Public Assistance Fund County Home Fund Ditch Maintenance Fund County MR/DD Dare Grant Program Fund Child Support Enforcement Fund Solid Waste Fund Adult Daycare

M. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments, at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees eligible to receive termination payments as of the balance sheet date and on leave balances accumulated by other employees expected to become eligible in the future to receive such payments.

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences (Continued)

For governmental funds, the portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group.

Compensated absences are expensed in the proprietary funds when earned. The related liability is reported within the fund.

N. Interfund Transactions

During the course of its operations, the County has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. Transfers for current operations are recorded as operating transfers. Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Interfund Loans Receivable and Payable." The classification of amounts recorded as operating transfers, advances, or residual equity transfers is determined by County management.

O. Reservations of Fund Balance

Reservations of fund balance or retained earnings indicate that a portion of the balance is not available for expenditure or is legally segregated for a specific future use. Balances are reserved for inventories of materials and supplies, prepaid items, loan commitments, debt service and encumbered amounts not accrued at year end in the governmental funds.

P. 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. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCES/RETAINED EARNINGS

For the fiscal year ended December 31, 2001, the County has implemented GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36 "Recipient Reporting for Certain Shared Nonexchange Revenues".

Several reclassifications were necessary to correct previous errors in fund classifications. These reclassifications involved General, Special Revenue, Capital Projects and Agency Fund types.

Bond payable balances in the Capital Projects funds have been restated to correct an accounting error.

The capitalization level for both General Fixed Assets and those assets accounted for in the Enterprise Funds was increased to \$1,000 during fiscal year 2001.

These restatements resulted in adjustments to December 31, 2000 account balances as follows:

Description	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Enterprise Funds	General Fixed Assets Account Group
Fund/Account Group Balance						
At 12/31/00 (As reported)	\$3,049,936	\$8,780,433	\$968	(\$2,971,204)	\$457,163	\$18,488,164
Intergovernmental						
Receivables	0	4,392,298	0	0	0	0
Deferred Revenues	0	(3,287,407)	0	0	0	0
Cash & Cash Equivalents	(663)	(22,977)	663	22,977	0	0
Cash & Cash Equivalents in Segregated Accounts	0	(2,052)	0	1,519	0	0
Accounts Receivable	0	(1,519)	0	1,519	0	0
Property, Plant and Equipment	0	0	0	0	10,985	(495,613)
Special Assessment Bonds						
Bonds Payable	0	0	0	60,000	0	0
Fund/Account Group Balance						
At 12/31/00 (As restated)	\$3,049,273	\$9,858,776	\$1,631	(\$2,885,189)	\$468,148	\$17,992,551

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balance

At December 31, 2001 the following funds had a deficit in Fund Balance:

	<u>Fund Deficit</u>
Special Revenue Fund:	
Michaels Juvenile Center	\$4,075
Debt Service Fund:	
Wagner Avenue Government Center	
Bond Retirement Fund	31,915
Capital Projects Funds:	
County Permanent Improvement Fund	164,940
Wagner Avenue Government Center	
Permanent Improvement Fund	6,624,637

The fund deficits in the Michaels Juvenile Center Fund (special revenue fund) and the Wagner Avenue Government Center Bond Retirement Fund (debt service fund) arise from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The fund deficits in the County Permanent Improvement Fund and Wagner Avenue Government Center Permanent Improvement Fund (capital projects funds) arise from the recognition of general obligation notes payable within the funds under the modified accrual basis of accounting. Under the budgetary basis of accounting, proceeds from the sale of notes are recognized as revenue and expenditures are recognized when paid, therefore, a deficit does not exist.

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The County Treasurer combines a majority of cash resources of the individual funds to form a pool of cash and investments. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents." For purposes of the statement of cash flows, the enterprise and internal service funds consider all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Ohio law requires the classification of funds held by the County into three categories:

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

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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 or interest by the United States;
- 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;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the County places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state or any instrumentality of such county, municipal corporation or other authority. Deposits collateralized by an investment pool are classified as Category 3 deposits per GASB Statement No. 3.

The GASB has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the County or by its agent in the County's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.
- Category 3 Uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name.

Investments:

- Category 1 Insured or registered, with securities held by the County or its agent in the County's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the County's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the County's name.

A. Deposits

At year end, the carrying amount of the County's (primary government) deposits was \$16,331,601 and the bank balance \$17,329,614. Federal depository insurance covered \$1,150,777 of the bank balance, and all remaining deposits were classified as Category 3. In accordance with Ohio Revised Code, the remaining balance was covered by pooled collateral. Although the State statutory requirement for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC. The County had \$45,450 in undeposited cash on hand at December 31, 2001 which is included as Cash and Cash Equivalents on the balance sheet.

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

A. Deposits (Continued)

At year end, the carrying amount of The Darke County Visitors Bureau, Inc.'s (component unit) deposits was \$37,452 all of which was covered by federal depository insurance. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporation. The County is not the fiscal agent for the corporation. At year end, the carrying amount of Wayne Industries (component unit) deposits was \$39,012, which was equal to the bank balance. All of the bank balance was covered by federal depository insurance.

Following Ohio statutes, the County has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund, the Auto License and Gas Tax Special Revenue Fund, and the Microenterprise Repayments Special Revenue Fund amounted to \$905,946, \$234,658, and \$459, respectively.

B. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

A reconciliation between classifications of cash and investments for the primary government on the combined financial statements and classifications per items A and B of this note are as follows:

	Cash and Cash Equivalents *	Investments
Per Combined Balance Sheet	\$1,007,357	\$15,324,244
Certificates of Deposit (with maturities of more than 3 months)	15,324,244	(15,324,244)
Per GASB Statement No. 3	\$16,331,601	\$0

*Includes undeposited cash on hand and cash with fiscal agent.

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property located in the County and used in business. Real property taxes (other than public utility) collected during 2001 were levied after October 1, 2000 on assessed values as of January 1, 2000, the lien date. Assessed values were established by the county auditor at 35 percent of appraised market value. All property must be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20.

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 5 – TAXES (Continued)

A. Property Taxes (Continued)

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year.

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually: the first payment is due April 30; the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically distributes to the taxing districts their portion of the taxes collected in June and December for taxes payable in the first and second halves of the year, respectively.

The full tax rate to the County for the year ended December 31, 2001, was \$7.40 per \$1,000 of assessed value. The assessed value upon which 2001 tax receipts were based was \$779,264,900. This amount constitutes \$715,758,840 in real property assessed value, \$230,160 in public utility assessed value and \$63,275,900 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the County's share is .74% (7.4 mills) of assessed value.

B. Permissive Sales and Use Tax

The County Commissioners, by resolution, imposed a 1.0 percent tax on all retail sales, except sales of motor vehicles made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty five days after the end of the month. The State Auditor then has five days in which to draw the warrant payable to the County.

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 6 - RECEIVABLES

Receivables at December 31, 2001, consisted of taxes, interest, special assessments, accounts receivable, loans, and intergovernmental receivables arising from shared revenues. All receivables are considered collectible in full. A summary of intergovernmental receivables follows:

Fund	
General Fund	\$769,129
Special Revenue Funds:	
Auto License and Gas Tax Fund	1,747,778
Public Assistance Fund	938,934
Michael's Juvenile Center Fund	4,841
Darke County MRDD Fund	294,797
Felony Delinquent Care Fund	280,006
Children's Services Fund	32,113
Dare Grant Program Fund	19,257
COPS Fast Grant Fund	282,219
Child Support Enforcement Fund	359,780
Community Corrections Program Fund	25,650
CDBG Fund	207,000
Total Special Revenue Funds	4,192,375
Agency Funds:	
Total All Agency Funds	6,643,139
Totals	\$11,604,643

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at December 31, 2001 consist of the following individual fund receivable and payable:

Fund	Interfund Loan Receivable	Interfund Loan Payable
General Fund	\$31,915	\$0
Debt Service Fund:		
Wagner Avenue Government Center Bond Retirement Fund	0	31,915
Totals	\$31,915	\$31,915

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 8 - OPERATING TRANSFERS

The following balances at December 31, 2001 represent operating transfers in and transfers out:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$1,688,474
Special Revenue Funds:		
Public Assistance Fund	81,325	0
County Home Fund	429,915	0
Michaels Juvenile Center Fund	121,000	0
Ditch Maintenance Fund	160,569	0
Children' Services Fund	747,083	0
Dare Grant Program Fund	28,000	0
COPS Fast Grant Fund	29,261	0
ODNR Grant Fund	13,824	0
WAGC Facilities Maintenance Fund	45,705	246,510
Ditch Assessments Fund	0	160,569
Total Special Revenue Funds	1,656,682	407,079
Debt Service Funds:		
General Obligation Bond Retirement Fund	30,787	0
Ditch Bond Retirement Fund	13,642	0
WAGC Bond Retirement Fund	246,510	0
Total Debt Service Funds	290,939	0
Capital Projects Funds:		
County Permanent Improvement Fund	207,279	0
WAGC Permanent Improvement Fund	0	45,705
Ditch Construction Fund	0	13,642
Total Capital Projects Funds	207,279	59,347
Total All Funds	<u>\$2,154,900</u>	<u>\$2,154,900</u>

NOTE 9 - FIXED ASSETS

A. General Fixed Assets

A summary of changes in the General Fixed Assets Account Group follows:

Category	Restated December 31,	Additions	Deletions	December 31,
	2000			2001
Land	\$1,277,678	\$0	\$0	\$1,277,678
Buildings and Improvments	9,655,520	3,042,496	0	12,698,016
Machinery and Equipment	7,059,353	649,955	(242,957)	7,466,351
Totals	<u>\$17,992,551</u>	<u>\$3,692,451</u>	<u>(\$242,957)</u>	<u>\$21,442,045</u>

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 9 - FIXED ASSETS (Continued)

B. Proprietary Fund Type Fixed Assets

A summary of proprietary fund type property, plant, and equipment at December 31, 2001 follows:

Category	Historic Cost	Accumulated Depreciation	Book Value
Land	\$8,000	\$0	\$8,000
Machinery and Equipment	54,403	(35,440)	18,963
Sewer Lines	45,865	(8,256)	37,609
Total	<u>\$108,268</u>	<u>(\$43,696)</u>	<u>\$64,572</u>

NOTE 10 - DEFINED BENEFIT PENSION PLANS

All of the County's full-time employees participate in one of two separate retirement systems which are cost-sharing multiple employer defined benefit pension plans.

A. Public Employees Retirement System (the "PERS of Ohio")

The following information was provided by the PERS of Ohio to assist the County in complying with GASB Statement No. 27, *"Accounting for Pensions by State and Local Government Employers."*

All employees of the County, other than teachers, participate in the PERS of Ohio, a cost-sharing multiple employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. 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 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 2001 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.25% to fund the pension and 4.3% to fund health care. For law enforcement, the employer rate was 16.7%, of covered payroll, 12.4% to fund the pension fund and 4.3% to fund health care. The contribution requirements of plan members and the County are established and may be amended by the Public Employees Retirement Board. The County's contributions to the PERS of Ohio for the years ending December 31, 2001, 2000 and 1999 were \$1,699,830, \$785,618, and \$848,036, respectively, for all employees of the County.

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

A. Public Employees Retirement System (the “PERS of Ohio”) (Continued)

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the PERS of Ohio. The portion of the 2001 employer contribution rate (identified above) that was used to fund health care for the year 2001 was 4.3% of covered payroll which amounted to \$525,122 for all employees.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 2000. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2000 was 7.75%. An annual increase of 4.75% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 411,076. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 2000 is \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

B. State Teachers Retirement System of Ohio (STRS of Ohio)

The teachers who work for the Mental Retardation and Developmental Disabilities Board participate in the State Teachers Retirement System of Ohio (the "STRS"), a cost-sharing multiple employer defined benefit pension plan.

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio (STRS of Ohio) (Continued)

The Ohio Revised Code provides statutory authority for County and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the County are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2001, 9.5% was allocated to fund the pension benefit and 4.5% to fund health care. The County's contributions to the STRS of Ohio for the years ending December 31, 2001, 2000 and 1999 were \$59,883, \$58,936 and \$47,222, respectively, which were equal to the required contributions for each year.

STRS provides postemployment health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to a Health Care Reserve Fund. For the fiscal year ended June 30, 2001, the board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund, which amounted to \$19,241 for the County. The balance of the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, the net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

NOTE 11 – COMPENSATED ABSENCES

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. All accumulated, unused vacation time is paid upon separation if the employee has acquired at least one year of service within the County. The County records a liability for accumulated unused sick leave for all employees, except employees of the MRDD Department, after four years of current service with the County. For employees of the MRDD Department, the County records a liability for accumulated unused sick leave after ten years of current service with the County.

At December 31, 2001, the County's long-term accumulated, unpaid compensated absences amounted to \$1,058,560, of which \$1,054,864 is recorded in the General Long-Term Obligations Account Group and \$3,696 is recorded in the Solid Waste Fund (enterprise).

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 12 - NOTES PAYABLE

The Ohio Revised Code provides that notes, including renewal notes, issued in anticipation of the issuance of general obligation bonds, may be issued and outstanding from time to time up to a maximum period of twenty years from the date of issuance of the original notes (the maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years). Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to, and payable no later than those principal maturities that would have been required if the bonds had been issued at the expiration of the initial five year period. Bond anticipation notes may be retired at maturity from the proceeds of a sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the County or a combination of these sources.

	Balance January 1, 2001	Issued	(Retired)	Balance December 31, 2001
Capital Projects General Obligation Notes:				
2.70% Wagner Avenue Government Center	\$5,000,000	\$0	(\$5,000,000)	\$0
2.70% Wagner Avenue Government Center	0	3,518,000	0	3,518,000
3.35% Wagner Avenue Government Center	0	1,482,000	0	1,482,000
2.70% Wagner Avenue Government Center	0	500,000	0	500,000
5.50% Kroger Plaza Improvements	0	2,000,000	0	2,000,000
5.50% County Building Renovation	0	1,000,000	0	1,000,000
Total Notes Payable	<u>\$5,000,000</u>	<u>\$8,500,000</u>	<u>(\$5,000,000)</u>	<u>\$8,500,000</u>

NOTE 13 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Details of the changes in the bonds and other long-term obligations of the County for the year ended December 31, 2001 are indicated below:

	Balance December 31, 2000	Issued (Retired)	Balance December 31, 2001
General Long-Term Debt:			
General Obligation Bond:			
Various Garst Avenue 1992	\$425,000	(\$40,000)	\$385,000
Special Assessment Bond:			
(with governmental commitment)			
5.00% Coble Ditch 2000	60,000	(10,850)	49,150
Total General Long-Term Debt	485,000	(50,850)	434,150
Other General Long-Term Obligations:			
Compensated Absences Payable	1,044,657	10,207	1,054,864
Total General Long-Term Debt and Other General Long-Term Obligations	<u>\$1,529,657</u>	<u>(\$40,643)</u>	<u>\$1,489,014</u>

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 13 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

The principal amount of the County's special assessment debt outstanding at December 31, 2001 of \$49,150, is general obligation debt (backed by the full faith and credit of the County). This debt is being retired with the proceeds from special assessments levied against benefited property owners. The County is obligated to repay the debt irrespective of the amount of special assessments collected from property owners. The fund balance of \$663 in the Ditch Bond Retirement Debt Service Fund at December 31, 2001 is reserved for the retirement of outstanding special assessment bonds.

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The effects of the debt limitations at December 31, 2001 are an overall debt margin of \$17,596,623 and an unvoted debt margin of \$7,407,649.

A. Principal and Interest Requirements

A summary of the County's future debt service requirements including principal and interest at December 31, 2001 follows:

Years	General Obligation Bond		Special Assessment Bond	
	Principal	Interest	Principal	Interest
2002	\$40,000	\$23,486	\$11,410	\$2,458
2003	35,000	21,086	11,970	1,887
2004	40,000	18,986	12,570	1,288
2005	40,000	16,586	13,200	660
2006	35,000	14,186	0	0
2007-2011	195,000	36,052	0	0
Totals	<u>\$385,000</u>	<u>\$130,382</u>	<u>\$49,150</u>	<u>\$6,293</u>

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 14 - CONTRIBUTED CAPITAL

There were no changes in contributed capital during 2001:

	Adult Care	Sewer District	Solid Waste	Still Water Estates	Total
Balance at End of Year	\$650	\$45,388	\$0	\$0	\$46,038

NOTE 15 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; employee injuries and natural disasters.

A. Shared Risk Pools

County Risk Sharing Authority Incorporated - The County is a member of the County Risk Sharing Authority, Inc. (CORSA), which is a risk sharing pool among forty one counties in Ohio. CORSA was formed in and as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contribution necessary for the specified insurance coverage provided by CORSA.

Coverages provided by CORSA are as follows:

General, Auto and Law	\$1,000,000
Public Officials	1,000,000
Property Replacement	2,509,178,185
Flood and Earthquake	100,000,000
Boiler and Machinery	100,000,000
Employees Dishonesty	1,000,000
Money and Securities within premises	1,000,000
Money and Securities outside premises	1,000,000
Money Orders and Counterfeit Currency	1,000,000
Depositors Forgery	1,000,000

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any one time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees.

The continued existence of CORSA is dependant upon the County's continued participation; however the County does not have an equity interest in CORSA. In 2001, the County contributed \$177,912. Complete financial statements can be obtained from the County Risk Sharing Authority, Inc. at 175 South Third Street, Suite 500, Columbus, Ohio 43215.

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 15 - RISK MANAGEMENT (Continued)

A. Shared Risk Pools (Continued)

County Commissioners' Association of Ohio Worker's Compensation Group Rating Program – The County is participating in the County Commissioner's Association of Ohio Worker's Compensation Group Rating Program (CCAO) as established under Section 4123.29 of the Ohio Revised Code. The intent of the CCAO is to achieve lower worker's compensation rates while establishing safe working conditions and environments for the participants. The worker's compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the CCAO. Each participant pays its worker's compensation premium rate to the State based on the rate for the CCAO rather than its individual rate. In order to allocate the savings derived by formation of the CCAO, and to maximize the number of participants in the CCAO, annually the CCAO's executive committee calculates the total savings which accrued to the CCAO through its formation. This savings is then compared to the overall savings percentage of the CCAO. The CCAO's executive committee then collects rate contributions from or pays rate equalization rebated to the various participants. Participation in the CCAO is limited to counties that can meet the CCAO's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the CCAO. Each year, the County pays an enrollment fee to the CCAO to cover the costs of administering the CCAO.

The County may withdraw from the CCAO if written notice is provided sixty days prior to the prescribed application deadline of the Ohio Bureau of Worker's Compensation. However, the participant is not relieved of the obligation to pay any amounts owed to the CCAO prior to withdrawal, and any participant leaving the CCAO allows representatives of CCAO to access loss experience for three years following the last year of participation.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

B. Self-Insurance

The County provides accidental death and dismemberment life insurance benefits for the Sheriff's Department only in the amount of \$10,000. The County has elected to provide employee medical benefits through a self insured program. The County maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. This plan provides a medical plan with a \$0-\$45 deductible for single and \$60-\$242 deductible for families. A third party administrator, Harrington Benefits Service Inc. reviews all claims which are then paid by the County. The County purchases stop-loss coverage of \$60,000 per employee. The County pays the self-insurance internal service fund \$300 per month for single employees and \$542 per employee per month for family plans which represents the entire premium required. This premium is paid by the fund that pays the employee's salary and is based on historic cost information.

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 15 - RISK MANAGEMENT (Continued)

B. Self-Insurance (Continued)

The liability for unpaid claims of \$275,121 reported in the Internal Service fund at December 31, 2001, as estimated by an analysis of claim payments, is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims cost be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in 2000 and 2001 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2000	\$260,151	\$1,662,236	(\$1,627,246)	\$295,141
2001	295,141	1,763,090	(1,783,110)	275,121

NOTE 16 – CONSTRUCTION COMMITMENTS

As of December 31, 2001, the County had the following commitments with respect to capital projects:

<u>Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Wagner Avenue Government Center	\$941,896	2002

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 17 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Included in the services provided by the City financed primarily by user charges are wastewater collection and treatment, solid waste treatment and adult daycare services. The key financial information for the year ended December 31, 2001 for these enterprise activities is indicated below:

	Adult Daycare	Sewer District	Solid Waste	Still Water Estates	Total
Operating Revenues	\$32,555	\$17,514	\$225,271	\$7,902	\$283,242
Operating Income (Loss)	(2,321)	3,419	(2,896)	1,384	(414)
Net Income (Loss)	6,073	3,419	(2,896)	1,384	7,980
Property, Plant and Equipment:					
Additions	0	0	10,698	0	10,698
Assets	13,291	92,056	428,105	3,888	537,340
Net Working Capital	9,805	43,100	405,663	3,468	462,036
Total Equity	10,202	89,111	419,385	3,468	522,166

NOTE 18 – JOINT VENTURES

Darke County Emergency Management Agency (EMA) – The Darke County Emergency Management Agency (EMA) is a joint venture among Darke County, the City of Greenville, and townships and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is composed of the following seven members: one County Commissioner representing the board of county commissioners entering into the agreement; four chief executives representing the municipal corporations and townships entering into the agreement; and two non-elected representatives. The County contributed \$42,123 for the operation of the agency. The EMA is a joint venture since it cannot continue to exist without the financial support of the County.

The County does not have an equity interest in the joint venture. The EMA is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Complete financial statements can be obtained from the EMA located at 5185 County Home Road, Greenville, Ohio 45331.

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. Tri County Board of Recovery and Mental Health Services

The Tri County Board of Recovery and Mental Health Services (Tri County Mental Health Board) is a jointly governed organization among Darke, Miami and Shelby counties. The Tri County Mental Health Board provides leadership in planning for and supporting community-based alcohol, drug addiction and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting and advocating for the rights of persons as consumers of alcohol, drug addiction and mental health services. The ability to influence operations depends on the County's representation on the Board. The Board of Trustees consists of eighteen members: four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol And Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Darke, Miami and Shelby counties in the same proportion as the County's population bears to the total population of the three counties combined. During 2001, the County contributed \$320,441 by voted levy for the operations of the organization.

B. Miami Valley Regional Planning Commission

The Miami Valley Regional Planning Commission (the Commission) is a jointly governed organization between Preble, Clark, Clinton, Darke, Greene, Miami, and Montgomery Counties, the City of Dayton and the City of Huber Heights. The Commission prepares plans, including studies, maps, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the region. These reports show recommendations for systems of transportation, highways, parks and recreational facilities, water supply, sewage disposal, garbage disposal, civic centers, and other public improvements and land uses which affect the development of the region. The degree of control exercised by any participating government is limited to its representation on the Board. Members of the Board are as follows: the officers of the Commission (elected by member representatives), the immediate past Chair of the Commission, the Commission member representing the City of Dayton, the Commission member representing each of the respective member counties, the representatives selected by each county caucus, a nongovernmental member, and two at-large representatives. Payments to the Commission are made from the General Fund. The County contributed \$13,017 for the operation of the Commission during 2001

C. County Caucus

The County Caucus is a jointly governed organization among Darke, Greene, Miami and Montgomery counties. The County Caucus was established to create a comprehensive, coordinated and unified approach to issues of mutual concern that will promote regional economic development and support a regional legislative agenda. All individuals on the Board of County Commissioners of a member county are members of the Caucus. There are no dues or fees associated with the Caucus. Each member county of the Caucus has one vote. The County Caucus, in turn, created a Board of Trustees of the Joint Office of Economic Development.

DARKE COUNTY, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. Joint Office of Economic Development

The Joint Office of Economic Development (Joint Office) is a jointly governed organization among Darke, Greene, Miami and Montgomery counties. The Joint Office was created by the County Caucus as a special function to promote the economic development agenda of the County Caucus and to undertake a coordinated, cooperative and comprehensive program of economic development within the territory of the counties contributing to its financial support under general policy direction and oversight of a Board of Trustees (the Board). The degree of control exercised by any participating government is limited to its representation on the Board. The Board consists of one delegate from the Board of County Commissioners of each participating county and one non-County Commissioner member of the Board who is the chairperson of the I-70/75 Development Association (the Association). Each County's delegate to the Board has on vote, and the representative from the Association does not have a vote. Payments to the Joint Office are made from the General Fund. The County contributed \$56,250 for the operation of the Joint Office during 2001.

E. West Central Ohio Network

The West Central Ohio Network (West Con) is a jointly governed organization among Darke, Miami, Auglaize, Mercer, Logan, Shelby, and Union counties. West Con was created to serve as the administrator and fiscal agent of Supported Living funds for the Boards of Mental Retardation and Development Disabilities (MR/DD Boards) of each of the participating counties. The degree of control exercised by any participating government is limited to its representation on the Board of Directors (the Board) of West Con. The Board consists of one delegate, who is the Superintendent, from each of the participating MR/DD Boards. Payments to West Con are limited to the Supported Living funds of each participating county. Darke County did not make any payments during 2001.

NOTE 20 - RELATED PARTY TRANSACTIONS

Wayne Industries has entered into a contractual agreement with the Darke County Board of Mental Retardation/Developmental Disabilities (MRDD), whereby the MRDD provides sheltered employment for mentally retarded or handicapped individuals in Darke County. The MRDD provides the workshop with personnel necessary for the operation of the habilitation services to the client, land and buildings for the operation of the center, maintenance and repair of the buildings and professional staff to supervise and train clients of Wayne Industries. During 2001, the fair value of this support was \$32,127.

NOTE 21 - CONTINGENT LIABILITIES

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the County Commissioners believe such disallowances, if any, will be immaterial.

Several claims and lawsuits are pending against the County. In the opinion of the County Prosecutor, any potential liability would not have a material effect on the County's financial condition.

DARKE COUNTY

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements	Loans
U.S. DEPARTMENT OF AGRICULTURE					
(Passed through the Ohio Department of Education)					
Nutrition Cluster:					
Federal Food Distribution Program	N/A	10.550		\$2,477	
National School Breakfast Program	05-PU-00	10.553	\$1,307		
	05-PU-01		4,031		
Total National School Breakfast Program			<u>5,338</u>		
National School Lunch Program	04-PU-00	10.555	1,716		
	04-PU-01		5,573		
Total National School Lunch Program			<u>7,289</u>		
Total U.S. Department of Agriculture - Nutrition Cluster			12,627	2,477	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					
(Passed through the Ohio Department of Development)					
Community Development Block Grant	B-F-00-018-1	14.228	155,634		
	B-E-00-018-1		6,979		\$300,000
	B-F-01-018-1				
	B-F-99-018-1		8,937		
	B-M-00-018-1		12,541		10,000
Total Community Development Block Grant Program			<u>184,091</u>		<u>310,000</u>
Home Investment Partnership Program	B-C-99-018-2	14.239	6,963		82,500
	BC-99-018-1		36,925		
Total Home Investment Partnership Program			<u>43,888</u>		<u>82,500</u>
Total U.S. Department of Housing and Urban Development			227,979		392,500
U.S. DEPARTMENT OF JUSTICE					
(Direct Receipt)					
Public Safety and Community Policing	95CFWK3843	16.710	28,851		
U.S. DEPARTMENT OF LABOR					
(Passed through Ohio Department of Job and Family Services)					
Workforce Investment Act	N/A	17.255	363,224		
U.S. DEPARTMENT OF EDUCATION					
(Passed through Ohio Department of Education)					
Special Education Cluster:					
Title VI-B	6B-SF-01	84.027	36,894		
Handicap Preschool Grant	PG-S1-01	84.173	32,524		
Total U.S. Department of Education - Special Education Cluster			<u>69,418</u>		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
(Passed through Area Agency on Aging)					
Title III-B	N/A	93.044	5,529		
(Passed through Ohio Department of Job and Family Services)					
Family Preservation and Support Services	N/A	93.556	19,242		
Independent Living	N/A	93.674	7,882		
State Access/Visitation Program	N/A	93.597	39,907		
(Passed through Ohio Department of Mental Retardation and Developmental Disabilities)					
Title XX	MR-19-00	93.667	49,442		
Medical Assistance Program (Medicaid XIX)	19000-10-CY00	93.778	62,125		
	1900010-CY01		345,992		
Total Medical Assistance Program (Medicaid XIX)			<u>408,117</u>		
Total U.S. Department of Health and Human Services			530,119		
TOTAL FEDERAL PROGRAMS			<u>\$1,232,218</u>	<u>\$2,477</u>	<u>\$392,500</u>

See accompanying notes to the Schedule of Federal Awards Expenditures.

DARKE COUNTY FINANCIAL CONDITION

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

NOTE A-SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B-MATCHING REQUIREMENTS

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

NOTE C-FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed.

NOTE D-COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low moderate income households and to eligible persons. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County (passed through the Ohio Department of Development). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the Schedule). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

These loans are collateralized by mortgages on the property. At December 31, 2001, the gross amount of loans outstanding under this program was \$328,195.

NOTE E-COMMUNITY HOUSING INVESTMENT PARTNERSHIP PROGRAM

The County has established a program to provide down payment and rehabilitation assistance to low-income individuals or/and families. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County (passed through the Ohio Department of Development). The initial loan of this money is recorded as a loan on the accompanying Schedule of Federal Awards Expenditures (the Schedule).

These loans are collateralized by mortgages on the property. At December 31, 2000, the gross amount of loans outstanding under program was \$ 436,979.

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

County Commissioners
County Auditor
County Treasurer
Darke County
504 South Broadway Street
Greenville, Ohio 45331

We have audited the financial statements of Darke County (the County) as of and for the year ended December 31, 2001, and have issued our report thereon dated July 29, 2002, wherein we noted the County adopted Governmental Accounting Standards Board Statement No. 33. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated July 29, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated July 29, 2002.

Darke County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the audit 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, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

July 29, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

County Commissioners
County Auditor
County Treasurer
Darke County
504 South Broadway Street
Greenville, Ohio 45331

Compliance

We have audited the compliance of Darke 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, 2001. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Darke 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, 2001. We noted certain instances of noncompliance that do not require inclusion in this report that we have reported to the management of the County in a separate letter dated July 29, 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.

**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 2001-60319-001.

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 believe the reportable condition described above is not a material weakness.

This report is intended for the information and use of the audit 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.



Jim Petro
Auditor of State

July 29, 2002

DARKE COUNTY FINANCIAL CONDITION

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
<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):	Medical Assistance Program (93.778) Workforce Investment Act (17.255) Community Development Block Grant (14.228)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2001-60319-001
CFDA Title and Number	All CFDA Titles and Numbers
Federal Award Number/Year	All Federal Award Numbers
Federal Agency	All Federal Agencies
Pass-Through Agency	All Pass-Through Agencies

REPORTABLE CONDITION:

Chart of Accounts

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. The current chart of accounts utilized by Darke County does not differentiate federal fund receipts and expenditures from other local fund transactions. In assessing the appropriateness and completeness of the County's identification of federal programs in the schedule of federal awards expenditure, it must be determined whether the required reports for Federal awards include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program requirements.

The chart of accounts in use during 2001 is numeric along with an alphanumeric cross reference to an older chart of accounts. Examination of the federal schedule of awards expenditures determined that the County does not have a system in place to differentiate federal program revenues and expenditures from state and local revenues and expenditures. In addition, the County's chart of accounts does not provide a logical sequence by fund, revenue source, and expenditure classification. It is also difficult to determine receipts and expenditures for a department or for a specific project since the receipt codes are not broken out according to federal funds, state funds, and local funds based on the type of revenue. The posting of federal program activity according to the current chart of accounts could result in a significant misstatement to the federal schedule of awards expenditure.

Due to the structure of the accounting records maintained by the County, some departments were unable to prepare accurate and complete schedules of federal assistance for 2001. In addition, the Grant Office had federal expenditures from one grant project posted to another during 2001, which was not detected and corrected promptly due to the failure to maintain grant records and reconcile them to the County Auditor's ledgers monthly. The Jobs and Family Service reported that all federal revenue received from the Workforce Investment Act Grant was expended which did not agree to the monthly reports they submitted to the Ohio Department of Jobs and Family Service. The MR/DD School did not report all federal grants received by their department and had difficulty determining expenditures by grant and year.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Chart of Accounts (Continued)

The matters listed above resulted in significant misstatements in the County department's annual federal receipt and expenditure forms which are used to prepare the Schedule of Federal Awards Expenditures for the County. The County's departmental federal schedules were revised in order to accurately present the accompanying Schedule of Federal Awards Expenditure for 2001.

Darke County should evaluate their current chart of accounts and make the necessary changes to the revenue and expenditure accounts to enable County departments to post federal program transactions consistently to accounts codes which are identified specifically for federal receipts or expenditures. In addition, the County departments should reconcile their records to the monthly County receipt and expenditure reports in order to detect and correct posting errors promptly.

DARKE COUNTY FINANCIAL CONDITION

CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315 (c)
FOR THE YEAR ENDED DECEMBER 31, 2001

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contract Person
2001-60319-001	County has set up a new chart of accounts and assigned specific codes to identify federal revenue. Process should be in place for the year ended December 31, 2002	Beginning of Fiscal Year 2002	County Auditor – Janice Anderson

DARKE COUNTY FINANCIAL CONDITION

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
FOR THE YEAR ENDED DECEMBER 31, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-60319-001	\$1,684.34 Finding for recovery for overpayment of termination benefits (unused sick leave)	Yes	Finding for recovery was repaid on 11/16/01.
2000-60319-002	County accounting system is unable to specifically identify federal revenue and expenditures for reporting	No	Re-issued for year 2001 as audit finding 2001-60319-001.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

DARKE 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 22, 2002