



Dave Yost • Auditor of State

**FINANCIAL CONDITION
DARKE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Elected Officials:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Darke County, Ohio (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Darke County Financial Condition, Darke County, as of December 31, 2010, and the respective changes in modified cash financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General, Auto License and Gas Tax, BODD, and Job and Family Services funds thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2011, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Disbursements provides additional information required by the 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 basic financial statements. The Schedule of Federal Awards Receipts and Disbursements is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

August 8, 2011

**FINANCIAL CONDITION
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

This discussion and analysis of the Darke County (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2010 within the limitations of the County's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the County's financial performance.

Financial Highlights

Key highlights for 2010 are as follows:

- Total net assets of governmental activities were \$16,743,824. Net assets of governmental activities increased \$866,186, which is about 5 percent.
- General governmental receipts accounted for \$20,927,483 or 47% of all receipts. Program specific receipts in the form of charges for services and grants and contributions accounted for \$24,031,471 or 53% of all receipts of governmental activities of \$44,958,954.
- The County had \$44,120,232 in cash disbursements related to governmental activities; only \$24,031,471 of these disbursements were offset by program specific charges for services, grants or contributions.
- Among major funds, the General Fund had \$13,204,477 in receipts and \$12,726,923 in disbursements. The General Fund's fund balance increased \$477,554, or approximately 22% to a balance of \$2,638,272.
- Net assets for the enterprise funds decreased \$128,436, or about 16 percent.

Overview of the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the County's modified cash basis of accounting. It consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the County.

These statements are as follows:

1. The Government-Wide Financial Statements – These statements provide both long-term and short-term information about the County's overall financial status.
2. The Fund Financial Statements – These statements focus on individual parts of the County, reporting the County's operation in more detail than the government-wide statements.

The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**FINANCIAL CONDITION
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The County has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the County's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the County as a Whole

The government-wide statements report information about the County as a whole, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances of the County at year-end. The statement of activities compares cash disbursements with program receipts for the County's programs. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of the program.

These statements report the County's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the County's financial health. Over time, increases or decreases in the County's cash position is one indicator of whether the County's financial health is improving or deteriorating. When evaluating the County's financial condition, you should also consider other nonfinancial factors as well such as the County's tax base and the condition of the County's capital assets and the reliance on non-local financial resources for operations.

In the Government-wide Statement of Net Assets and Statement of Activities, the County is divided into two kinds of activities.

Governmental Activities – Most of the County's programs and services are reported here including public safety, health, human services, economic development and assistance, public works, general government, capital outlay and debt service.

Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expense of the goods or services provided. The County's sewer services, solid waste treatment and adult daycare services are reported as business-type activities.

Fund Financial Statements

Fund financial statements provide more detailed information about the County's most significant funds – not the County as a whole. The County establishes separate funds to better manage its activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The fund financial statements provide a detailed view of the County's operations and the basic services it provides. Fund information helps determine whether there are more or less financial resources that can be spent to finance the County's activities. The County's significant funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

**FINANCIAL CONDITION
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

Governmental Funds - Most of the County's activities are reported in governmental funds, which focus on how money flows into and out of those funds and balances left at year-end that are available for spending in future periods. The County's major governmental funds are the General Fund, the Job and Family Services Fund, the Auto License and Gas Tax Fund, the BODD Fund, and the Bond Retirement Fund.

Enterprise Funds - When the County charges users for the services it provides, with the intent of recapturing operating costs, these services are generally reported in enterprise funds. The enterprise funds are reported as business-type activities on the entity-wide statement of net assets and statement of activities. The County does not have any major enterprise funds.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government in purely a custodial nature. These activities are not included on the entity-wide statements because the assets cannot be utilized by the County to finance its operations.

Financial Analysis of The County As A Whole

Table 1 provides a summary of the County's net assets for 2010 compared to 2009 on a modified cash basis:

**Table 1
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	FY 10	FY 09	FY 10	FY 09	FY 10	FY 09
Assets:						
Cash and Investments	\$16,743,824	\$15,877,638	\$667,066	\$795,502	\$17,410,890	\$16,673,140
Total Assets	<u>16,743,824</u>	<u>15,877,638</u>	<u>667,066</u>	<u>795,502</u>	<u>17,410,890</u>	<u>16,673,140</u>
Net Assets:						
Restricted for:						
Other Purposes	13,087,519	12,427,205			13,087,519	12,427,205
Capital Outlay	1,018,033	1,289,715			1,018,033	1,289,715
Unrestricted	<u>2,638,272</u>	<u>2,160,718</u>	<u>667,066</u>	<u>795,502</u>	<u>3,305,338</u>	<u>2,956,220</u>
Total Net Assets	<u>\$16,743,824</u>	<u>\$15,877,638</u>	<u>\$667,066</u>	<u>\$795,502</u>	<u>\$17,410,890</u>	<u>\$16,673,140</u>

Total net assets of governmental activities increased \$866,186. Net assets restricted for other purposes increased due mostly to an increase in the cash balance of the BODD Fund from an increase in intergovernmental receipts.

Unrestricted net assets increased due to the County recording all payroll related disbursements within the appropriate department, instead of in a separate code within the General Fund as in the past.

Net assets of business-type activities decreased \$128,436, or about 16 percent.

**FINANCIAL CONDITION
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets in 2010, as well as a comparison to the changes in net assets during 2009.

**Table 2
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Receipts:						
Program Receipts:						
Charges for Services	\$ 7,301,676	\$ 7,862,934	\$346,221	\$369,807	\$ 7,647,897	\$ 8,232,741
Operating Grants, Contributions and Interest	16,220,118	14,546,962			16,220,118	14,546,962
Capital Grants and Contributions	509,677	99,199			509,677	99,199
Total Program Receipts	24,031,471	22,509,095	346,221	369,807	24,377,692	22,878,902
General Receipts:						
Property Taxes	4,977,683	4,825,007			4,977,683	4,825,007
Sales Taxes	6,276,242	6,438,174			6,276,242	6,438,174
Grants and Entitlements	2,074,917	2,252,119			2,074,917	2,252,119
Interest	305,434	447,356	1,768		307,202	447,356
Other	509,881	452,332	3,090	10,431	512,971	462,763
Proceeds and Premium on Debt Issue	6,783,326	3,610,000		5,697	6,783,326	3,615,697
Total General Receipts	20,927,483	18,024,988	4,858	16,128	20,932,341	18,041,116
Total Receipts	44,958,954	40,534,083	351,079	385,935	45,310,033	40,920,018
Disbursements:						
General Government:						
Legislative and Executive	4,429,499	6,744,311			4,429,499	6,744,311
Judicial	3,334,720	3,086,948			3,334,720	3,086,948
Public Safety	5,196,845	3,888,902			5,196,845	3,888,902
Public Works	5,433,848	5,252,296			5,433,848	5,252,296
Health	398,483	375,146			398,483	375,146
Human Services	14,243,830	15,231,830			14,243,830	15,231,830
Economic Development and Assistance	2,229,269	903,706			2,229,269	903,706
Intergovernmental	293,610	334,026			293,610	334,026
Capital Outlay	1,001,931	495,118			1,001,931	495,118
Debt Service:						
Principal Retirement	7,092,419	3,994,682			7,092,419	3,994,682
Interest and Fiscal Charges	465,778	336,888			465,778	336,888
Sewer			150,740	94,590	150,740	94,590
Solid Waste			290,509	296,078	290,509	296,078
Adult Daycare			10,802	64,502	10,802	64,502
Total Disbursements	44,120,232	40,643,853	452,051	455,170	44,572,283	41,099,023
Increase(Decrease) in Net Assets Before Transfers	838,722	(109,770)	(100,972)	(69,235)	737,750	(179,005)
Transfers	27,464	(7,608)	(27,464)	7,608		
Increase (Decrease) in Net Assets	866,186	(117,378)	(128,436)	(61,627)	737,750	(179,005)
Beginning Net Assets	15,877,638	15,995,016	795,502	857,129	16,673,140	16,852,145
Ending Net Assets	\$16,743,824	\$15,877,638	\$667,066	\$795,502	\$17,410,890	\$16,673,140

**FINANCIAL CONDITION
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

Governmental Activities

Net assets of the County's governmental activities increased \$866,186, which is about 5 percent.

The following table shows total receipts by source for 2010:

<u>Revenue Sources</u>	<u>2010</u>	<u>Percent of Total</u>
Unrestricted grants and entitlements	\$ 2,074,917	4.61%
Program Revenues	24,031,471	53.46%
General Tax Revenues	11,253,925	25.03%
General Other	815,315	1.81%
Proceeds of Notes, Bonds, and Loans	6,783,326	15.09%
Total Revenue	<u>\$44,958,954</u>	<u>100.00%</u>

Tax receipts accounted for \$11,253,925 of the \$44,958,954 in total receipts for governmental activities. Sales tax accounted for \$6,276,242, or approximately 56 percent of the total tax receipts, with property taxes making up the other 44 percent.

The program revenues are made up of \$7,301,676 in direct charges to users of governmental services and \$16,729,795 in grants and contributions restricted to specific programs.

Sales tax receipts decreased due to the sluggish economy. Operating grants increased largely due to increases in the BODD and Neighborhood Development Grants and the Osgood and North Star Sewer Grants. Capital grants increased due to the receipt of a Federal Aviation Administration Grant for rehabilitation of the airport runway and also a CAD grant. Interest receipts decreased due to lower interest rates.

The proceeds of notes, bonds, and loans of \$6,783,327, is not all new debt for the County. The County rolled over the two Wagner Avenue Government Center notes during 2010 and they also bonded one of the notes. The principal amount of the old debt was paid and new notes and bonds issued. The County's debt obligations are discussed in the debt section of this management's discussion and analysis and also in Note 11 to the financial statements.

Human Services disbursements accounted for the largest share of disbursements at approximately 32 percent of total cash disbursements for 2010. Principal retirement accounted for the next largest share of disbursements at 16 percent of disbursements; a large portion of this was due to the rollover of the notes during 2010. Public works and public safety expenditures were each about 12 percent of disbursements and general government legislative and executive disbursements accounted for 10 percent of disbursements. Legislative and executive disbursements decreased because the County began allocating the health insurance, pension contributions, Medicare, workers compensation and unemployment taxes to the individual departments during 2010 instead of in a separate code within the General Fund as in the past. This is also the reason for the increase in most of the other program expenditures. Economic development and assistance disbursements increased due largely to the Osgood and North Star Sewer projects.

Business-Type Activities

Net assets of business-type activities decreased by \$128,436 during 2010. Charges for services were the largest source of receipts, accounting for almost 99 percent of total business-type activities receipts. The other 1 percent was interest and miscellaneous receipts.

**FINANCIAL CONDITION
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

Statement of Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major programs of the County. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the County that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3. That is, it identifies the cost of these services supported by taxes, unrestricted State entitlements and investment earnings. A comparison to the same information for 2009 is shown.

Table 3

	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Current:				
General Government:				
Legislative and Executive	\$ 4,429,499	\$ 1,632,271	\$ 6,744,311	\$ 3,819,917
Judicial	3,334,720	1,332,326	3,086,948	1,557,308
Public Safety	5,196,845	4,601,600	3,888,902	2,715,644
Public Works	5,433,848	(17,164)	5,252,296	(145,604)
Health	398,483	198,902	375,146	205,571
Human Services	14,243,830	3,961,772	15,231,830	4,740,854
Economic Development and Assistance	2,229,269	132,489	903,706	295,266
Intergovernmental	293,610	293,610	334,026	317,016
Capital Outlay	1,001,931	394,758	495,118	297,216
Debt Service:				
Principal Retirement	7,092,419	7,092,419	3,994,682	3,994,682
Interest and Fiscal Charges	465,778	465,778	336,888	336,888
Total Expenses	<u>\$44,120,232</u>	<u>\$20,088,761</u>	<u>\$40,643,853</u>	<u>\$18,134,758</u>

Charges for services, operating grants and capital grants of about 53 percent of total cash receipts were received and used to fund the expenses of the County. The remaining 47 percent of cash receipts were from taxes, unrestricted State entitlements, investment earnings and miscellaneous receipts. The County relies on these receipts to furnish the services it provides to residents.

Financial Analysis of the County's Funds

Information about the County's major governmental funds begins on page 14. All governmental funds had total receipts of \$47,594,566 and total disbursements of \$46,728,380. The General Fund is the chief operating fund of the County. At the end of 2010, the fund balance of the general fund was \$2,638,272 and the unreserved fund balance was \$2,551,092. The General Fund balance increased \$477,554 or 22 percent due to the strict monitoring and reduction of expenditures during 2010.

The greatest change within the major funds occurred in the BODD Fund which had an increase in fund balance of \$599,792, attributed to an increase in intergovernmental receipts and relatively stable disbursements.

The Auto License and Gas Tax Fund balance increased \$21,369, which is less than 1 percent. The Job and Family Services Fund balance increased \$45,302, or 26 percent due to timing of receipts and disbursements of the fund. The non-major governmental funds had a decrease in fund balance of \$277,830 due to the allocation of payroll related expenditures to those funds. Information about the County's enterprise funds begins on page 22. The enterprise funds reported an operating loss of \$102,740 for 2010 and a decrease in net assets of \$128,436. The Adult Daycare ceased operations during 2010.

**FINANCIAL CONDITION
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

Budgeting Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of receipts, disbursements and encumbrances. The County's budget is adopted on a line item basis. The Board of County Commissioners adopts the budget at the department level within each fund of the County. The purchase orders left open and carried over from the prior fiscal year become part of the appropriations for the current year. For 2010, the General Fund had original appropriations of \$14,635,782 and final appropriations of \$14,845,909.

On the budgetary basis, actual expenditures reported include outstanding purchase orders at year-end. Actual expenditures plus year-end encumbrances were \$12,818,528 for 2010.

Capital Assets And Debt Administration

Capital Assets

The County does not report capital assets on its modified cash basis financial statements. The County does track capital assets for insurance and internal purposes.

Debt

At December 31, 2010, Darke County had \$7,188,094 in governmental debt outstanding.

**Table 4
Outstanding Debt at Year End**

	Governmental Activities	
	2010	2009
General Obligation Bonds	\$6,090,000	\$3,405,000
Long-Term TIF Notes	366,094	548,377
Bond Anticipation Notes	732,000	3,610,000
Totals	<u>\$7,188,094</u>	<u>\$7,563,377</u>

See Note 11 of the notes to the basic financial statements for more detailed information.

Current Financial Issues And Concerns

The economic downturn that the County has recently experienced certainly had an impact on all levels of state and local government. The County's budget for the General Fund in 2011 is very conservative. Total revenues are projected to be almost 5.06% less than what was actually received in 2010. Included in this percentage is the ¼% sales tax that was previously under capital projects, but is now being paid into the General Fund. At this time the County Treasurer expects there to be a decrease in the investment earnings for 2011 due to continued low interest rates.

This conservative budget is a reflection of a volatile economic climate. In 2010, Wayne Health Care completed their 98,000 square foot expansion of their main facility.

Also in 2010, Continental Carbonic broke ground on a new 50,000 square foot dry ice manufacturing plant. This \$13.5 million project expects to create 70 new jobs over the next 3 years.

Greenville Technology, Inc. broke ground on a new 72,000 square foot facility. This is an expansion of their current facility to provide warehouse space for the company. This expansion will result in a total of 450,000 square feet for the manufacturer.

Finally, American Plastics Recycling opened their doors in 2010 to an existing building in the Greenville Industrial Park. This plant takes plastic scrap and reprocesses the material into new products.

**FINANCIAL CONDITION
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

Requests For Information

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to reflect the County's accountability for the money it receives. If you have questions about this report or need additional information, contact Carol Ginn, Auditor of Darke County, 504 South Broadway St., Greenville, Ohio 45331.

**FINANCIAL CONDITION
DARKE COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2010**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$15,949,802	\$667,066	\$16,616,868
Cash in Segregated Accounts	385,754		385,754
Cash with Fiscal Agent	398,268		398,268
Investments in Segregated Accounts	10,000		10,000
Total Assets	<u>16,743,824</u>	<u>667,066</u>	<u>17,410,890</u>
Net Assets:			
Restricted for:			
Capital Outlay	1,018,033		1,018,033
Other Purposes	13,087,519		13,087,519
Unrestricted	<u>2,638,272</u>	<u>667,066</u>	<u>3,305,338</u>
Total Net Assets	<u><u>\$16,743,824</u></u>	<u><u>\$667,066</u></u>	<u><u>\$17,410,890</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
DARKE COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants, Contributions and Interest</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government:				
Legislative and Executive	\$4,429,499	\$2,748,950	\$48,278	
Judicial	3,334,720	1,396,883	605,511	
Public Safety	5,196,845	375,985	219,260	
Public Works	5,433,848	370,563	5,080,449	
Health	398,483	189,417	10,164	
Human Services	14,243,830	2,096,830	8,185,228	
Economic Development and Assistance	2,229,269	25,552	2,071,228	
Intergovernmental	293,610			
Capital Outlay	1,001,931	97,496		\$509,677
Debt Service:				
Principal Retirement	7,092,419			
Interest and Fiscal Charges	465,778			
Total Governmental Activities	<u>44,120,232</u>	<u>7,301,676</u>	<u>16,220,118</u>	<u>509,677</u>
Business-type activities:				
Sewer	150,740	126,440		
Solid Waste	290,509	216,032		
Adult Daycare	10,802	3,749		
Total business-type activities	<u>452,051</u>	<u>346,221</u>		
Total primary government	<u>\$44,572,283</u>	<u>\$7,647,897</u>	<u>\$16,220,118</u>	<u>\$509,677</u>

General Revenues:

Property Taxes Levied for:

- General Purposes
- Other Purposes
- Sales Taxes
- Grants and Entitlements not Restricted to Specific Programs
- Unrestricted Investment Earnings
- Payment in Lieu of Taxes
- Proceeds of Notes
- Proceeds of Bonds
- Premium on Sale of Notes and Bonds
- Proceeds of Loan
- Miscellaneous
- Transfers
- Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
(\$1,632,271)		(\$1,632,271)
(1,332,326)		(1,332,326)
(4,601,600)		(4,601,600)
17,164		17,164
(198,902)		(198,902)
(3,961,772)		(3,961,772)
(132,489)		(132,489)
(293,610)		(293,610)
(394,758)		(394,758)
(7,092,419)		(7,092,419)
(465,778)		(465,778)
<u>(20,088,761)</u>		<u>(20,088,761)</u>
	(\$24,300)	(24,300)
	(74,477)	(74,477)
	(7,053)	(7,053)
	<u>(105,830)</u>	<u>(105,830)</u>
<u>(20,088,761)</u>	<u>(105,830)</u>	<u>(20,194,591)</u>
2,501,520		2,501,520
2,476,163		2,476,163
6,276,242		6,276,242
2,074,917		2,074,917
305,434	1,768	307,202
251,497		251,497
3,532,000		3,532,000
2,810,000		2,810,000
66,200		66,200
375,126		375,126
258,384	3,090	261,474
27,464	(27,464)	
<u>20,954,947</u>	<u>(22,606)</u>	<u>20,932,341</u>
866,186	(128,436)	737,750
<u>15,877,638</u>	<u>795,502</u>	<u>16,673,140</u>
<u>\$16,743,824</u>	<u>\$667,066</u>	<u>\$17,410,890</u>

**FINANCIAL CONDITION
DARKE COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2010**

	General	Auto License and Gas Tax	BODD	Job and Family Services	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets:							
Equity in Pooled Cash and Cash Equivalents	\$2,324,193	\$5,345,399	\$3,095,787	\$222,301		\$4,962,122	\$15,949,802
Cash and Cash Equivalents in Segregated Accounts	314,079					71,675	385,754
Cash and Cash Equivalents with Fiscal Agents			398,268				398,268
Investments in Segregated Accounts						10,000	10,000
Total Assets	<u>2,638,272</u>	<u>5,345,399</u>	<u>3,494,055</u>	<u>222,301</u>	<u>\$0</u>	<u>5,043,797</u>	<u>16,743,824</u>
Fund Balances:							
Reserved for Encumbrances	87,180	30,750	250,419	7,226		481,628	857,203
Reserved for Endowments			83,793				83,793
Unreserved:							
Unreserved, undesignated reported in:							
Undesignated, Reported in:							
General Fund	2,551,092						2,551,092
Special Revenue Funds		5,314,649	3,159,843	215,075		3,807,275	12,496,842
Capital Projects Funds						754,894	754,894
Total Fund Balances	<u>\$2,638,272</u>	<u>\$5,345,399</u>	<u>\$3,494,055</u>	<u>\$222,301</u>	<u>\$0</u>	<u>\$5,043,797</u>	<u>\$16,743,824</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Auto License and Gas Tax	BODD	Job and Family Services	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues:							
Property and Other Taxes	\$2,501,520		\$2,476,163				\$4,977,683
Permissive Sales Tax	6,276,242						6,276,242
Intergovernmental	1,533,372	\$4,654,816	3,135,511	\$3,649,036		\$5,273,804	18,246,539
Charges for Services	1,636,096	279,745	404,461	786,178		2,878,050	5,984,530
Licenses and Permits	79,226					185,637	264,863
Fines and Forfeitures	390,536					183,966	574,502
Special Assessments						274,257	274,257
Interest	305,434	156,014	2,253	1,486		7,802	472,989
Payments in Lieu of Taxes	251,497						251,497
Other	80,434	19,132	118,555	230,966		377,883	826,970
Total Revenues	<u>13,054,357</u>	<u>5,109,707</u>	<u>6,136,943</u>	<u>4,667,666</u>		<u>9,181,399</u>	<u>38,150,072</u>
Expenditures:							
Current:							
General Government:							
Legislative and Executive	3,349,257					1,080,242	4,429,499
Judicial	1,913,802					1,420,918	3,334,720
Public Safety	4,957,046					239,799	5,196,845
Public Works	34,339	5,108,338				291,171	5,433,848
Health	219,294					179,189	398,483
Human Services	343,576		5,512,151	4,725,416		3,662,687	14,243,830
Economic Development						2,229,269	2,229,269
Intergovernmental	293,610						293,610
Capital Outlay						1,001,931	1,001,931
Debt Service:							
Principal Retirement					\$6,717,293	375,126	7,092,419
Interest and Fiscal Charges					462,406	3,372	465,778
Total Expenditures	<u>11,110,924</u>	<u>5,108,338</u>	<u>5,512,151</u>	<u>4,725,416</u>	<u>7,179,699</u>	<u>10,483,704</u>	<u>44,120,232</u>
Excess of Revenues Over (Under) Expenditures	<u>1,943,433</u>	<u>1,369</u>	<u>624,792</u>	<u>(57,750)</u>	<u>(7,179,699)</u>	<u>(1,302,305)</u>	<u>(5,970,160)</u>
Other Financing Sources (Uses):							
Proceeds from Sale of Capital Assets	1,525	20,000				4,031	25,556
Proceeds from Sale of Notes					3,532,000		3,532,000
Proceeds from Sale of Bonds					2,810,000		2,810,000
Premium on Sale of Notes and Bonds					66,200		66,200
Proceeds of Loan						375,126	375,126
Advances - In	94,474				9,336	349,355	453,165
Advances - Out	(104,340)				(9,336)	(339,489)	(453,165)
Transfers - In	54,121			103,052	771,498	1,253,776	2,182,447
Transfers - Out	(1,511,659)		(25,000)			(618,324)	(2,154,983)
Total Other Financing Sources (Uses)	<u>(1,465,879)</u>	<u>20,000</u>	<u>(25,000)</u>	<u>103,052</u>	<u>7,179,698</u>	<u>1,024,475</u>	<u>6,836,346</u>
Net Change in Fund Balances	<u>477,554</u>	<u>21,369</u>	<u>599,792</u>	<u>45,302</u>	<u>(1)</u>	<u>(277,830)</u>	<u>866,186</u>
Fund Balances Beginning of Year	<u>2,160,718</u>	<u>5,324,030</u>	<u>2,894,263</u>	<u>176,999</u>	<u>1</u>	<u>5,321,627</u>	<u>15,877,638</u>
Fund Balances End of Year	<u>\$2,638,272</u>	<u>\$5,345,399</u>	<u>\$3,494,055</u>	<u>\$222,301</u>	<u>\$0</u>	<u>\$5,043,797</u>	<u>\$16,743,824</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
DARKE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and Other Taxes	\$2,405,000	\$2,405,000	\$2,501,520	\$96,520
Permissive Sales Tax	6,250,000	6,250,000	6,276,242	26,242
Intergovernmental	1,411,086	1,484,951	1,533,372	48,421
Charges for Services	1,582,024	1,589,007	1,658,732	69,725
Licenses and Permits	63,400	76,400	79,226	2,826
Fines and Forfeitures	423,000	423,000	390,536	(32,464)
Interest	221,125	221,125	282,878	61,753
Payments in Lieu of Taxes	247,571	248,997	251,497	2,500
Other	176,414	191,414	80,434	(110,980)
Total Revenues	<u>12,779,620</u>	<u>12,889,894</u>	<u>13,054,437</u>	<u>164,543</u>
Expenditures:				
Current:				
General Government:				
Legislative and Executive	3,734,783	3,770,269	3,522,979	247,290
Judicial	2,028,756	2,028,756	1,922,049	106,707
Public Safety	4,919,987	4,919,987	4,866,437	53,550
Public Works	36,600	36,600	34,339	2,261
Health	226,674	225,989	219,339	6,650
Human Services	488,919	451,919	343,776	108,143
Intergovernmental	1,689,124	1,695,970	293,610	1,402,360
Total Expenditures	<u>13,124,843</u>	<u>13,129,490</u>	<u>11,202,529</u>	<u>1,926,961</u>
Excess of Revenues Over (Under) Expenditures	<u>(345,223)</u>	<u>(239,596)</u>	<u>1,851,908</u>	<u>2,091,504</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets			1,525	1,525
Advances In	40,740	96,144	94,474	(1,670)
Advances Out	(37,504)	(104,340)	(104,340)	
Transfers In	9,356	53,806	54,121	315
Transfers Out	(1,473,435)	(1,612,079)	(1,511,659)	100,420
Total Other Financing Sources (Uses)	<u>(1,460,843)</u>	<u>(1,566,469)</u>	<u>(1,465,879)</u>	<u>100,590</u>
Net Change in Fund Balance	(1,806,066)	(1,806,065)	386,029	2,192,094
Fund Balance Beginning of Year	1,723,314	1,723,314	1,723,314	
Prior Year Encumbrances Appropriated	<u>83,711</u>	<u>83,711</u>	<u>83,711</u>	
Fund Balance End of Year	<u>\$959</u>	<u>\$960</u>	<u>\$2,193,054</u>	<u>\$2,192,094</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
DARKE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
AUTO LICENSE AND GAS TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$4,300,000	\$4,300,000	\$4,654,816	\$354,816
Charges for Services	360,000	360,000	280,526	(79,474)
Interest	128,000	128,000	156,014	28,014
Other	17,000	17,000	19,132	2,132
Total Revenues	<u>4,805,000</u>	<u>4,805,000</u>	<u>5,110,488</u>	<u>305,488</u>
Expenditures:				
Current:				
Public Works	<u>7,189,589</u>	<u>7,189,589</u>	<u>5,139,088</u>	<u>2,050,501</u>
Excess of Revenues Under Expenditures	(2,384,589)	(2,384,589)	(28,600)	2,355,989
Other Financing Sources:				
Proceeds from Sale of Capital Assets	<u>10,000</u>	<u>10,000</u>	<u>20,000</u>	<u>10,000</u>
Net Change in Fund Balance	(2,374,589)	(2,374,589)	(8,600)	2,365,989
Fund Balance at Beginning of Year	5,210,032	5,210,032	5,210,032	
Prior Year Encumbrances Appropriated	<u>113,214</u>	<u>113,214</u>	<u>113,214</u>	
Fund Balance at End of Year	<u>\$2,948,657</u>	<u>\$2,948,657</u>	<u>\$5,314,646</u>	<u>\$2,365,989</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
DARKE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
BODD FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and Other Taxes	\$2,356,000	\$2,356,000	\$2,476,163	\$120,163
Intergovernmental	2,666,371	2,644,679	2,989,576	344,897
Charges for Services	541,500	541,500	481,342	(60,158)
Interest	3,000	2,253	2,253	
Other	5,500	125,500	124,474	(1,026)
Total Revenues	<u>5,572,371</u>	<u>5,669,932</u>	<u>6,073,808</u>	<u>403,876</u>
Expenditures:				
Current:				
Human Services	5,768,403	6,056,098	5,595,276	460,822
Excess of Revenues Over (Under) Expenditures	<u>(196,032)</u>	<u>(386,166)</u>	<u>478,532</u>	<u>864,698</u>
Other Financing Sources (Uses):				
Advances - In	263,530			
Transfers - Out	(25,000)	(25,000)	(25,000)	
Advances - Out	(212,306)	(212,306)		212,306
Total Other Financing Sources (Uses)	<u>26,224</u>	<u>(237,306)</u>	<u>(25,000)</u>	<u>212,306</u>
Net Change in Fund Balance	(169,808)	(623,472)	453,532	1,077,004
Fund Balance at Beginning of Year	2,302,937	2,302,937	2,302,937	
Prior Year Encumbrances Appropriated	<u>85,943</u>	<u>85,943</u>	<u>85,943</u>	
Fund Balance at End of Year	<u>\$2,219,072</u>	<u>\$1,765,408</u>	<u>\$2,842,412</u>	<u>\$1,077,004</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
DARKE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
JOB AND FAMILY SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$3,546,262	\$3,604,556	\$3,604,556	
Charges for Services	923,592	826,189	826,189	
Interest	500	1,486	1,486	
Other	160,000	230,966	230,966	
Total Revenues	<u>4,630,354</u>	<u>4,663,197</u>	<u>4,663,197</u>	
Expenditures:				
Current:				
Human Services	<u>4,752,878</u>	<u>4,785,721</u>	<u>4,732,642</u>	<u>53,079</u>
Excess of Revenues Under Expenditures	(122,524)	(122,524)	(69,445)	53,079
Other Financing Source:				
Transfers - In	<u>103,052</u>	<u>103,052</u>	<u>103,052</u>	
Net Change in Fund Balance	(19,472)	(19,472)	33,607	53,079
Fund Balance at Beginning of Year	<u>135,900</u>	<u>135,900</u>	<u>135,900</u>	
Fund Balance at End of Year	<u><u>\$116,428</u></u>	<u><u>\$116,428</u></u>	<u><u>\$169,507</u></u>	<u><u>\$53,079</u></u>

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
DARKE COUNTY

STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
ENTERPRISE FUNDS
AS OF DECEMBER 31, 2010

	<u>Enterprise Funds</u>
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$667,066</u>
Net Assets:	
Unrestricted	<u>\$667,066</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
DARKE COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
MODIFIED CASH BASIS
ENTERPRISE FUNDS
AS OF DECEMBER 31, 2010**

	Total
Operating Revenues:	
Charges for Services	\$346,221
Other	3,090
Total Operating Revenues	349,311
Operating Expenses:	
Personal Services	107,194
Contractual Services	245,378
Materials and Supplies	18,713
Capital Outlay	43,500
Other	37,266
Total Operating Expenses	452,051
Operating Loss	(102,740)
Non-Operating Revenues	
Interest	1,768
Income Before Transfers	(100,972)
Transfers In	763
Transfers Out	(28,227)
Change in Net Assets	(128,436)
Net Assets Beginning of Year	795,502
Net Assets End of Year	\$667,066

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
DARKE COUNTY**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers and Support	\$346,221
Cash Received from Other Operating Receipts	3,090
Cash Payments for Employee Services and Benefits	(107,194)
Cash Payments to Suppliers	(307,591)
Cash Payments for Other Operating Expenses	(37,266)
Net Cash Used in Operating Activities	(102,740)
Cash Flows from Non-capital Financing Activities:	
Transfers - In	763
Transfers - Out	(28,227)
Net Cash Used in Noncapital Financing Activities	(27,464)
Cash Flows from Investing Activities:	
Interest	1,768
Net Decrease in Cash and Cash Equivalents	(128,436)
Cash and Cash Equivalents Beginning of Year	795,502
Cash and Cash Equivalents End of Year	\$667,066

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
DARKE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
MODIFIED CASH BASIS
AGENCY FUNDS
AS OF DECEMBER 31, 2010**

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$2,432,047
Cash and Cash Equivalents in Segregated Accounts	421,870
Investments in Segregated Accounts	75,000
Total Assets	<u>2,928,917</u>
Liabilities:	
Undistributed Monies	2,928,917
Total Liabilities	<u>\$2,928,917</u>

See accompanying notes to the basic financial statements.

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**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

1. DESCRIPTION OF THE COUNTY AND 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, one Municipal Court Judge 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.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Darke County, this includes the Children's Services Board, the Board of Developmental Disabilities, the Child Support Enforcement Agency, the Community Corrections Planning Board, County Home, the Darke County Veterans Services, the Emergency Management Agency, 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 one component unit, Wayne Industries, which was determined to be not material to the financial statements.

Component units are legally separate organizations for which the County is financially accountable, or for which the County is not financially accountable but the nature and significance of the County's relationship with the separate organization is such that it is required to be presented as a component unit. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt, or the levying of taxes. Organizations for which the County is not financially accountable are component units of the County if (1) economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the County or its constituents, (2) the County is entitled to, or has the ability to otherwise access a majority of the economic resources received or held by the organization and (3) the economic resources received or held by the organization are significant to the County.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

1. DESCRIPTION OF THE COUNTY AND REPORTING ENTITY (Continued)

Wayne Industries

Wayne Industries is a legally separate, not-for-profit corporation served by a board appointed by the Darke County Board of Developmental Disabilities (BODD). The workshop, under contractual agreement with the Darke County BODD, provides sheltered employment for the mentally retarded or handicapped individuals in Darke County. The Darke County BODD 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 separate agencies, board 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 Soil Conservation District
Darke County Park District
Darke County Family and Children First Council

The County is associated with certain organizations which are defined as Insurance Purchasing Pools and Jointly Governed Organizations. The organizations are discussed in Notes 12 and 13 to the basic financial statements. These organizations are:

Insurance Purchasing Pools:

County Risk Sharing Authority, Incorporated (CORSA)
County Commissioners' Association of Ohio Worker's Compensation Group Rating Program (CCAOSC)

Jointly Governed Organizations:

Tri-County Board of Recovery and Mental Health Services (Tri-County Mental Health Board)
Miami Valley Regional Planning Commission (MVRPC)
West Central Ohio Network (West Con)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although Ohio Administrative Code Section 117-2-03 (B) requires the County's financial report to follow generally accepted accounting principles, the County chooses to prepare its financial statements and notes in accordance with the modified cash-basis of accounting.

This basis of accounting is similar to the cash receipts and disbursements basis. The County recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

The County also reports long-term investments as assets, valued at cost.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the year, and non-budgeted activity of some of the departments off-book cash accounts. Differences between receipts reported in the fund and entity wide statements versus budgetary receipts are due to unrecorded cash at the beginning and end of the year, and activity of West-Con on behalf of the Darke County Board of Developmental Disabilities (BODD).

Adjustments necessary to convert the changes in fund balance on a budgetary basis to the changes in fund balances on the modified cash basis for the General Fund, the Auto License and Gas Fund, the BODD Fund, and Job and Family Services Fund are as follows:

	Net Change in Fund Balance			
	General	Auto License and Gas	BODD	Job and Family Services
Modified Cash Basis	\$477,554	\$21,369	\$599,792	\$45,302
Unrecorded Cash on Hand	81	781	76,881	(4,469)
Non-Budgeted Activity	(4,426)		27,278	
Encumbrances	(87,180)	(30,750)	(250,419)	(7,226)
Budget Basis	\$386,029	(\$ 8,600)	\$453,532	\$33,607

A. Basis of Presentation - Fund Accounting

The County uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The County classifies each fund as either governmental, proprietary or fiduciary.

1. Governmental Fund Types

The County classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the County's major governmental funds:

General Fund - The General Fund is the chief operating fund of County and 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 general laws of Ohio.

Auto License and Gas Tax Fund – This fund is used to account for the revenues derived from motor vehicle license tax fees and fuel taxes. Expenditures are restricted to road and bridge construction, maintenance and repairs.

BODD Fund – This fund is used to account for funds obtained from various tax levies, grants and other sources to provide services to the developmentally disabled.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Job and Family Services Fund – This fund is used to account for various federal and state grants as well as transfers from the general fund used to provide public assistance to general relief recipients and to pay their providers of medical assistance, and for certain public social services.

Bond Retirement Fund – This fund is used to account for the payment of debt issues of the County.

The other governmental funds of the County account for grants and other resources whose use is restricted to a particular purpose.

2. Proprietary Funds

Certain County funds operate similar to business enterprises, where user charges (i.e. charges for services) provide significant resources for the activity. The County classifies these as enterprise funds.

The County does not have any major enterprise funds. The County's enterprise funds account for sewer service, solid waste collection and disposal and the adult daycare center.

3. Fiduciary Funds

Fiduciary funds account for cash and investments where the County is acting as trustee or fiscal agent for other entities or individuals.

The County's only fiduciary funds are agency funds. Agency funds are custodial in nature, where the County deposits and pays cash as directed by another entity or individual.

B. Basis of Presentation

The County's basic financial statements consist of a government-wide statement of net assets and statement of activities, and fund financial statements providing more detailed financial information.

1. Government-wide Financial Statement of Net Assets and Statement of Activities

These statements display information about the County as a whole, except for fiduciary funds. The statements report governmental activities separately from business-type activities.

The government-wide statement of activities compares disbursements with program receipts for each segment of the County's business-type activities and for each program of the County's governmental activities. These disbursements are specifically associated with a service, program or department and are therefore clearly identifiable to a particular program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the modified-cash basis or draws from the County's general receipts.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions directly relating to the funds' principal services, such as charges for services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

3. Fund Financial Statements

Fund financial statements report detailed information about the County. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

C. Cash, Cash Equivalents and Investments

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Cash and cash equivalents that are held separately within departments of the County and not held with the County Treasurer are presented as "Cash and Cash Equivalents in Segregated Accounts" on the financial statements. Investments with an initial maturity of more than three months that are held separately within departments of the County and not held with the County Treasurer are presented as "Investments in Segregated Accounts" on the financial statements. Cash and cash equivalents that are held at WestCon on behalf of the Darke County Board of Developmental Disabilities are presented as "Cash and Cash Equivalents with Fiscal Agents" on the financial statements.

The County values investments and cash equivalents at cost. During 2010, the County invested in non-negotiable certificates of deposit.

Following Ohio statutes, the Board of Commissioners has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during 2010 was \$305,434, including \$259,157 assigned from other County funds.

For presentation on the financial statements and in the notes to the basic financial statements, investments with an original maturity of three months or less when purchased and investments purchased from the pool are deemed cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

D. Inventory

On the modified cash-basis of accounting, inventories of supplies are reported as disbursements when purchased.

E. Prepaid Items

On the modified cash-basis of accounting, payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as disbursements when made.

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Compensated Absences

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the County's modified-cash basis of accounting.

H. Long-term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the modified cash-basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

I. Fund Balance Reserves

The County reserves those portions of fund equity which are legally segregated for a specific future use or which are not available for appropriation or expenditure. Fund equity reserves have been established for encumbrances and endowments.

J. Net Assets

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

The County first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Permanent non-exchange flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

L. Budgetary Data

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Commissioners may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board of Commissioners uses the object level within each fund and department as its legal level of control.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The certificate of estimated resources may be amended during the year if the County Auditor projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

M. Reservations of Fund Balance

Reservations of fund balance 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 encumbrances and endowments.

N. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the county, these revenues are adult daycare fees and sewer and water treatment and distribution fees. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

3. DEPOSITS AND INVESTMENTS

State statutes classify monies 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, 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 must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

2. 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;
3. 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;
4. Interim deposits in eligible institutions applying for interim funds;
5. Bonds and other obligations of the State of Ohio;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,
7. The State Treasurer's investment pool (STAR Ohio).

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

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

The following information discloses the risks associated with the County's deposits and investments as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

At December 31, 2010, the County had \$261,049 in un-deposited cash on hand with the Treasurer and in various departments.

A. Deposits

At December 31, 2010, the book balance of the County's deposits was \$19,680,490 and the bank balance was \$21,066,695.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. 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. 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. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

The government does not have a deposit policy for custodial credit risk. As of December 31, 2010, \$6,408,475 of the government's bank balance of \$21,066,695 was exposed to custodial credit risk in that it was uninsured and collateralized with securities held by the pledging financial institution's trust department but not in the County's name. 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 classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 and No. 40 is as follows:

	Primary Government	
	Cash and Cash	
	Equivalents/Deposits	Investments
GASB Statement No. 9	\$20,254,807	\$85,000
Cash on Hand	(261,049)	
Cash with Fiscal Agents	(398,268)	
Certificates of Deposit	85,000	(85,000)
GASB Statement No. 3	\$19,680,490	\$ 0

4. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the County. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after October 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five 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 2005. 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. Under certain circumstances, State statute permits alternate payment dates to be established.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

4. PROPERTY TAXES (Continued)

Public utility property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009, and are collected in 2010 with real property taxes. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility real property is assessed at thirty-five percent of true value. Public utility property taxes are payable on the same dates as real property as 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 for all County operations for the year ended December 31, 2010, was \$6.30 per \$1,000 of assessed value. The assessed value upon which 2010 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Real Property	\$927,501,360	95.24
Public Utility Property	46,336,690	4.76
Total Assessed Value	<u>\$973,838,050</u>	<u>100.00%</u>

5. PERMISSIVE SALES AND USE TAX

The County Commissioners, by resolution, imposed a 1.5 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 each month. The State Auditor then has five days in which to draw the warrant payable to the County. Sales and use tax receipts in 2010 amounted to \$6,276,242 in the General Fund.

6. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables are not presented on the face of the financial statements. At December 31, 2010, the following receivables and payables existed between funds of the County:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Governmental Funds:		
General Fund	\$ 83,804	\$ 42,198
Other Governmental Funds	42,198	83,804
Total Governmental Funds	<u>\$126,002</u>	<u>\$126,002</u>

The interfund receivables and payables are the repayment of advances.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

7. INTERFUND TRANSFERS

Transfers in and out during the year ended December 31, 2010, were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$ 54,121	\$1,511,659
Job and Family Services Fund	103,052	
BODD		25,000
Bond Retirement Fund	771,498	
Other Governmental Funds	<u>1,253,776</u>	<u>618,324</u>
Total Governmental Funds	<u>2,182,447</u>	<u>2,154,983</u>
Enterprise Funds:		
Adult Daycare		13,162
Solid Waste Fund	<u>763</u>	<u>15,065</u>
Total Enterprise Funds	<u>763</u>	<u>28,227</u>
Totals	<u>\$2,183,210</u>	<u>\$2,183,210</u>

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt services; to return money to the fund from which it was originally provided once a project is complete; and to transfer capital assets.

8. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs and deputy sheriffs) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2010, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 10 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 11.1 percent of their annual covered salary.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.00% of covered payroll, and public safety and law enforcement employers contributed at 17.87%. The Ohio Revised Codes currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits, and the remainder is for pension benefits.

The County's contribution rate for pension benefits for 2010 was 8.50 percent of covered payroll for January and February and 9.00 percent for March through December, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 12.37 percent of covered payroll for January and February and 12.87 for March through December 2010. The County's contribution rate for pension benefits for 2009 was 7.00 percent of covered payroll for January through March, and 8.50 percent for April through December, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contribution rate was 10.63 percent of covered payroll for January through March and 12.13 for April through December. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009, and 2008 were \$1,283,082, \$1,173,646, \$1,017,781, which were equal to the required contributions for each year.

B. State Teachers Retirement System of Ohio

Certified teachers, employed by the school for Developmental Disabilities participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

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

For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations, the same portion that was used to fund pension obligations for 2009. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2010, 2009 and 2008 were \$6,253, \$6,155, and \$5,987, respectively; which were equal to the required contributions for each year.

9. POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statements 12 and 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2010, the employer contribution allocated to the health care plan for members in the traditional plan was 5.50% of covered payroll for January and February and 5.00 percent for March through December. The employer contribution allocated to the health care plan for members in the combined plan was 4.73% of covered payroll for January and February and 4.23% of covered payroll for March through December. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008. Rates for law enforcement employers increased over a six year period beginning January 1, 2006, with a final rate increase January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. State Teachers Retirement System of Ohio

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

All STRS Ohio benefit recipients who participated in the Defined Benefit or Combined Plans and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. The portion allocated to post-employment healthcare for the years ended June 30, 2010, 2009, and 2008 was 1% of covered payroll. For the County, this amount was \$481 for 2010, \$473 for 2009, and \$461 for 2008, which were equal to the required contributions for each of the fiscal years.

10. OTHER EMPLOYEE BENEFITS

A. Deferred Compensation Plans

County employees and elected officials may elect to participate in the Ohio Public Employees Deferred Compensation Plan or the Ohio County Commissioners Association Deferred Compensation Plan. Both plans were created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

10. OTHER EMPLOYEE BENEFITS (Continued)

B. Compensated Absences

County employees earn vacation and sick leave at varying rates depending on length of service and department policy. Overtime hours can be accrued as compensatory time at one and one half times the amount of hours worked. All accumulated, unused vacation and compensatory time is paid upon separation if the employee has at least one year of service with the County.

11. DEBT

A. Short-Term Debt

At December 31, 2009, the County had two bond anticipation notes outstanding for the Wagner Avenue Government Center. During the year ended December 31, 2010, these notes were rolled over, and a portion of the notes were later refinanced into general obligation bonds. During 2010, the County also received a short-term loan from the Ohio Department of Transportation for the initial financing of the airport runway rehabilitation project. This project was funded with grant monies from the FAA, but a short-term loan from ODOT was used to finance the project until the grant monies were received, which then were used to pay back the loan.

The following is a summary of the changes to the County's short-term obligations during 2010:

	<u>Balance at 12/31/09</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12/31/10</u>
3.95% Wagner Avenue Government Center	\$2,125,000		\$2,125,000	
1.75% Wagner Avenue Government Center		\$2,800,000	2,800,000	
5.80% Wagner Avenue Government Center	1,485,000		1,485,000	
4.05% Wagner Avenue Government Center		732,000		\$732,000
Total Bond Anticipation Notes	<u>3,610,000</u>	<u>3,532,000</u>	<u>\$6,410,000</u>	<u>732,000</u>
ODOT Loan		375,126	375,126	
Total Short Term Obligations	<u>\$3,610,000</u>	<u>\$3,907,126</u>	<u>\$6,785,126</u>	<u>\$732,000</u>

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.

B. Long-Term Debt

Governmental Activities

Details of the changes in the governmental activities long-term debt for the year ended December 31, 2010 are indicated below:

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

11. DEBT (Continued)

	Balance at			Balance at 12/31/10	Due Within One Year
	12/31/09	Increases	Decreases		
General Obligation Bonds Payable:					
2002 WAGC Improvement Bonds	\$3,405,000		\$125,000	\$3,280,000	\$130,000
2010 Various Purpose Bonds		\$2,810,000		2,810,000	90,000
Total General Obligation Bonds	<u>3,405,000</u>	<u>2,810,000</u>	<u>125,000</u>	<u>6,090,000</u>	<u>220,000</u>
Long-Term Notes Payable					
5.10 % Ross Medford Road Impvemt.	64,623		64,623		
5.65 % Anderson Marathon TIF	401,057		91,279	309,778	51,459
4.43 % Timmerman TIF	82,707		26,391	56,316	15,000
Total Long-Term Notes Payable	<u>548,387</u>		<u>182,293</u>	<u>366,094</u>	<u>66,459</u>
Total Long-Term Obligations	<u>\$3,953,387</u>	<u>\$2,810,000</u>	<u>\$307,293</u>	<u>\$6,456,094</u>	<u>\$286,459</u>

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, 2010, are an overall debt margin of \$16,023,951 and an un-voted debt margin of \$2,916,381.

The following is a summary of the County's future annual principal and interest requirements for governmental long-term obligations:

Year	Governmental Activities							
	WAGC General Obligation Bonds		Various Purpose General Obligation Bonds		Anderson Marathon TIF		Timmerman TIF	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 130,000	\$ 156,362	\$ 90,000	\$ 106,210	\$ 51,459	\$20,763	\$15,000	\$2,409
2012	135,000	151,292	90,000	103,271	51,459	14,635	15,000	1,668
2013	140,000	145,892	95,000	101,471	51,459	11,688	15,000	998
2014	150,000	140,082	95,000	99,571	51,459	8,780	11,316	334
2015	155,000	133,633	95,000	97,671	51,459	5,873		
2016-2020	890,000	556,530	530,000	454,276	52,483	3,032		
2021-2025	1,135,000	318,843	635,000	349,210				
2026-2030	545,000	42,282	775,000	203,660				
2031-2035			355,000	42,562				
2036-2038			50,000	4,855				
Totals	<u>\$3,280,000</u>	<u>\$1,644,916</u>	<u>\$2,810,000</u>	<u>\$1,562,757</u>	<u>\$309,778</u>	<u>\$64,771</u>	<u>\$56,316</u>	<u>\$5,409</u>

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

12. RISK MANAGEMENT

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

Shared Risk Pools

A. 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 and losses and pay all contributions 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
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 of 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 dependent upon the County's continued participation; however the County does not have an equity interest in CORSA. In 2010, the County contributed \$222,809. Complete financial statements can be obtained from the County Risk Sharing Authority, Inc. at 209 E. State Street, Columbus, Ohio 43215.

B. County Commissioners' Association of Ohio Worker's Compensation Group Rating Program

For 2010, the County participated in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program provided by the County Commissioners' Association of Ohio Service Corporation (CCAOSC), a workers' compensation insurance purchasing pool. The intent of the CCAOSC is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

12. RISK MANAGEMENT (Continued)

The workers' compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all counties in the CCAOSC. Each participant pays its workers' compensation premium to the State based on the rate for the CCAOSC rather than its individual rate. In order to allocate the savings derived by formation of the CCAOSC, and to maximize the number of participants in the CCAOSC, annually the CCAOSC's executive committee calculates the total savings which accrued to the CCAOSC through its formation. This savings is then compared to the overall savings percentage of the CCAOSC. The CCAO's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the CCAOSC is limited to counties that can meet the CCAOSC's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the CCAOSC. Each year, the County pays an enrollment fee to the CCAOSC to cover the costs of administering the CCAOSC.

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

13. 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 Shelby, Miami and Darke 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 Shelby, Miami and Darke counties in the same proportion as the County's population bears to the total population of the three counties combined. During 2010, the County contributed \$504,120 by voted tax levy for the operations of the organization.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 characteristic, 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 representative 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 \$3,332 for the operation of the Commission during 2010.

C. West Central Ohio Network

The West Central Ohio Network (WestCon) is a jointly governed organization among Darke, Miami, Auglaize, Mercer, Logan, Shelby, Preble, Hardin and Union counties. WestCon was created to serve as an administrator and fiscal agent of Supported Living funds for the Boards of Developmental Disabilities (DODD 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 DODD Boards. Payments to WestCon are limited to the supported living funds of each participating county. During 2010, the County contributed \$141,348 to WestCon. Financial information can be obtained from Saul Bauer, Executive Director, 315 East Court Street, Sidney, Ohio 45365.

14. RELATED PARTY TRANSACTIONS

Wayne Industries has entered into a contractual agreement with the Darke County Board of Developmental Disabilities (BODD), whereby the BODD provides sheltered employment for mentally retarded or handicapped individuals in Darke County. The BODD 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 2010, the fair value of this support was \$151,619.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

15. CONTRACTUAL COMMITMENTS

As of December 31, 2010, the County had contractual purchase commitments as follows:

<u>Vendor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance At 12/31/10</u>
Lexur Enterprises	Real Estate Appraisal	\$299,250	(\$129,507)	\$169,743
Barga Heating & Air Conditioning	Energy Efficiency Grant Upgrades at BODD	85,400		85,400
Don Bolyard Heating & Air Conditioning	Energy Efficiency Grant Upgrades at BODD	74,413		74,413
Sarver Plumbing, Inc.	Courthouse Basement Renovation	42,000	(9,005)	32,995
Buschur Electric, Inc.	Courthouse Basement Renovation	38,950	(1,247)	37,703
Arcon Builders Ltd	Courthouse Basement Renovation	239,796	(48,580)	191,216

16. CONTINGENCIES

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.

**FINANCIAL CONDITION
DARKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through the Ohio Department of Education)						
Nutrition Cluster:						
School Breakfast Program	05-PU-10	10.553	\$7,347	\$755	\$7,347	\$755
Total School Breakfast Program			<u>7,347</u>	<u>755</u>	<u>7,347</u>	<u>755</u>
National School Lunch Program	04-PU-10	10.555	10,839	1,114	10,839	1,114
Total Nutrition Cluster			<u>18,186</u>	<u>1,869</u>	<u>18,186</u>	<u>1,869</u>
(Passed through the Ohio Department of Job & Family Services)						
State Admin Match Grants for the Supplemental Nutrition Assistance Program						
FAET (Food Assistance Employment and Training)	G-1011-11-5027	10.561	13,385		3,854	
Food Assistance	G-1011-11-5027		214,400		170,153	
ARRA - Food Assistance - Stimulus	G-1011-11-5027		15,734		15,734	
Total State Admin Match Grants for the Supplemental Nutrition Assistance Program			<u>243,519</u>		<u>189,741</u>	
Total U.S. Department of Agriculture			<u>261,705</u>	<u>1,869</u>	<u>207,927</u>	<u>1,869</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
(Passed through the Ohio Department of Development)						
CDBG State Administered Small Cities Program Cluster:						
Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii	B-Z-08-1AR-1 B-W-09-1AR-3 B-C-09-1AR-1 B-F-09-1AR-1	14.228	691,430		750,957 336 140,714 66,842	
Total Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii			<u>900,120</u>		<u>958,849</u>	
ARRA - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii - (Recovery Act Funded)	B-R-09-1AR-1 B-R-09-1AR-2	14.255	500,000		499,532 499,541	
Total ARRA - Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii			<u>1,000,000</u>		<u>999,073</u>	
Total CDBG State Administered Small cities Program Cluster			<u>1,900,120</u>		<u>1,957,922</u>	
Home Investment Partnership Program	B-C-07-018-1 B-C-07-018-2 B-C-09-1AR-2	14.239	(1,316) (47,219) 89,012		99,566	
Total Home Investment Partnership Program			<u>40,477</u>		<u>99,566</u>	
Total U.S. Department of Housing and Urban Development			<u>1,940,597</u>		<u>2,057,488</u>	
U.S. DEPARTMENT OF JUSTICE						
(Passed through Ohio Department of Criminal Justice Services)						
Edward Byrne Memorial Justice Assistance Grant Program	2007-JG-EOV-V6803	16.738	125,000		125,000	
(Passed through City of Greenville)						
ARRA-Edward Byrne Memorial Justice Asst. Grant Program/ Grants to Units of Local Government (Recovery-Act Funded)	2009-SB-B9-99-3339	16.804	16,244		16,244	
Total U.S. Department of Justice			<u>141,244</u>		<u>141,244</u>	

**FINANCIAL CONDITION
DARKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF LABOR						
(Passed through Ohio Department of Job and Family Services)						
(Passed through Workforce Investment Act Area 7)						
Workforce Investment Act Cluster:						
WIA - Adult Administrative	N/A	17.258	14,243		16,259	
WIA - Adult	N/A	17.258	176,658		150,863	
ARRA - WIA Adult Administration	N/A	17.258			1,408	
ARRA - WIA Adult	N/A	17.258	50,167		28,755	
Total WIA Adult Program			241,068		197,285	
WIA - Youth Administration	N/A	17.259	1,246		354	
WIA - Youth	N/A	17.259	153,153		161,678	
ARRA - WIA - Youth Administrative	N/A	17.259			3,204	
ARRA - WIA - Youth	N/A	17.259			3,484	
Total WIA Youth Activities			154,399		168,720	
WIA - Dislocated Workers Administration	N/A	17.260	32,077		21,621	
WIA - Dislocated Workers	N/A	17.260	238,620		216,740	
ARRA - WIA - Dislocated Workers Administration	N/A	17.260			1,841	
ARRA - WIA - Dislocated Workers	N/A	17.260	57,932		33,242	
ARRA - WIA - Rapid Response Stimulus	N/A	17.260	3,967		3,967	
Total WIA Dislocated Workers			332,596		277,411	
Total Workforce Investment Act Cluster:			728,063		643,416	
WIA - Dislocated Worker Formula Grants	N/A	17.278	69,642		73,563	
Total WIA Dislocated Worker Formula Grants			69,642		73,563	
Employment Service Cluster						
Disabled Veteran's Outreach Program	N/A	17.801				
One Stop Resource Sharing - Multiple Grants			475		509	
Employment Service/Wagner-Peyser Funded Activities	N/A	17.207				
One Stop Resource Sharing - Multiple Grants			6,252		7,092	
Total Employment Service Cluster			6,727		7,601	
Total U.S. Department of Labor			804,432		724,580	
U.S. DEPARTMENT OF TRANSPORTATION						
(Direct Receipt)						
Airport Improvement Program	AIP-3-39-0082-0407	20.106	3,015		3,518	
Airport Improvement Program	AIP-3-39-0082-0508				96	
Airport Improvement Program	AIP-3-39-0082-0609		4,264		4,358	
Airport Improvement Program	AIP-3-39-0082-0710		94,335		94,335	
Total Airport Improvement Program			101,614		102,307	
(Passed through Ohio Department of Transportation)						
Job Access_Reverse Commute Program	JARC-4019-071-091	20.516	109,350		109,350	
Total U.S. Department of Transportation			210,964		211,657	
U.S. DEPARTMENT OF ENERGY						
(Passed through Ohio Department of Development)						
ARRA - Energy Efficiency and Conservation Block Grant						
Recovery Act Funded	ARRA-EECBG-10-19	81.128			58,909	
Total U.S. Department of Energy					58,909	

**FINANCIAL CONDITION
DARKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Dept. of Developmental Disabilities)						
Rehabilitation Services Vocational Rehabilitation Grants to States						
	N/A	84.126	14,510		22,040	
(Passed through Ohio Department of Health)						
Special Education - Grants for Infants and Families						
	01910021HG0209	84.181	48,768		39,635	
ARRA - Special Education - Grants for Infants and Families, Recovery Act						
	01910021HA0110	84.393	22,575		28,163	
	01910021HA0211		8,849		12,030	
Total ARRA - Special Education - Grants for Infants & Families			<u>31,424</u>		<u>40,193</u>	
Total U.S. Department of Education			<u>94,702</u>		<u>101,868</u>	
U.S. ELECTION ASSISTANCE COMMISSION						
(Passed through Ohio Secretary of State)						
Help America Vote Act Requirements Payments						
	N/A	90.401	636		636	
Total U.S. Election Assistance Commission			<u>636</u>		<u>636</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
(Passed through Ohio Department of Job and Family Services)						
Promoting Safe and Stable Families						
	G-1011-11-5027	93.556				
ESSA Preservation Operating			4,917		1,181	
ESSA Preservation			22,040		18,889	
ESSA Reunification Operating			4,163		1,041	
ESSA Reunification			19,425		19,425	
Caseworker Visits Administration			306		57	
Caseworker Visits			2,747		510	
Post Adoption Special			75		598	
Total Promoting Safe and Stable Families			<u>53,673</u>		<u>41,701</u>	
Temporary Assistance for Needy Families						
	G-1011-11-5027	93.558				
Child Care Services - CCDF			(77,354)			
TANF Administration			537,716		644,103	
TANF Regular			445,125		532,380	
TANF Earn/Collections			1,465		1,465	
Child Care Services - TANF			(53,376)		7,624	
Total Temporary Assistance for Needy Families			<u>853,576</u>		<u>1,185,572</u>	
Child Support Enforcement						
	G-89-20-1050 / G-1011-11-5027	93.563				
Federal Child Support/State Match			248,298		227,412	
ARRA - Child Support County Incentives Stimulus			300,681		283,275	
Total Child Support Enforcement			<u>548,979</u>		<u>510,687</u>	
Child Care Block Grant Cluster:						
Child Care & Development Block Grant						
	G-1011-11-5027	93.575				
Quality Child Care			5,579		6,651	
Child Care Services			25,729			
Total Child Care & Development Block Grant			<u>31,308</u>		<u>6,651</u>	
Child Care Mandatory & Matching Funds of the Child Care & Dev Fund						
	G-1011-11-5027	93.596				
Child Care Administration			21,991		34,175	
Child Care Non-Administration			37,921		36,402	
Child Care Services			51,698		48,284	
Total Child Care Mandatory & Match Funds of the Child Care & Dev Fund			<u>111,610</u>		<u>118,861</u>	
Total Child Care Block Grant Cluster			<u>142,918</u>		<u>125,512</u>	
Child Support Enforcement Access and Visitation						
	G-1011-09-0617	93.597				
Grants to States for Access and Visitation Programs			50,000		50,000	
Total Child Support Enforcement Access and Visitation			<u>50,000</u>		<u>50,000</u>	

**FINANCIAL CONDITION
DARKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
(Passed through Ohio Secretary of State) Voting Access for Individuals with Disabilities - Grants to States	10-SOS-HHHS-19	93.617	1,945		1,945	
(Passed through Ohio Department of Job and Family Services) Child Welfare Services - State Grants	G-1011-11-5027	93.645				
IV-B Admin			4,365		2,745	
IV-B			43,527		21,523	
Total Child Welfare Services - State Grants			<u>47,892</u>		<u>24,268</u>	
Foster Care - Title IV - E IV - E Admin & Training Payment	G-1011-11-5027	93.658				
			82,055		82,055	
Adoption Assistance IV - E Admin & Training Payment Non-Recurring Adoption	G-1011-11-5027	93.659				
			74,644		74,644	
			3,186		3,186	
Total Adoption Assistance			<u>77,830</u>		<u>77,830</u>	
Social Services Block Grant Title XX- Base Title XX Transfer Amount	G-1011-11-5027	93.667				
			128,149		100,640	
			198,211		213,255	
(Passed through Ohio Dept. of Developmental Disabilities) Social Services Block Grant	MR-19-10	93.667	36,691		36,691	
Total Social Services Block Grant			<u>363,051</u>		<u>350,586</u>	
(Passed through Ohio Department of Job and Family Services) Child Abuse & Neglect State Grants	N/A	93.669				
Child Abuse & Neglect Prevention Month			1,546		1,546	
Total Child Abuse & Neglect State Grants			<u>1,546</u>		<u>1,546</u>	
Chafee Foster Care Independence Program Federal Chafee	G-1011-11-5027	93.674				
			10,577		9,483	
Medical Assistance Program Medicaid Child Welfare Related Medicaid Medicaid Health Check Medicaid NET Medicaid Pregnancy Related Services/Transportation Out Stationed Eligib - Federal	G-1011-11-5027	93.778				
			47,755		37,840	
			245,037		186,518	
			11,635		9,578	
			111,067		89,911	
			11,589		2,920	
			4,350		742	
Total Medical Assistance Program			<u>431,433</u>		<u>327,509</u>	
(Passed through Ohio Dept. of Developmental Disabilities) Medical Assistance Program		93.778				
WAIVER ADMINISTRATION						
Waiver Administration 2009	19000-10-CY09		1,526		1,526	
Waiver Administration 2010	19000-10-CY10		42,638		42,638	
TOTAL WAIVER ADMINISTRATION			<u>44,164</u>		<u>44,164</u>	
COMMUNITY ALTERNATIVE FUNDING SYSTEM CAFS 2004 AND 2005	19000-10-CY05		21,954			
TCM EFMAP						
TCM 2004 (EFMAP)	19000-10-CY04		415		415	
TCM 2005 (EFMAP)	19000-10-CY05		(1,127)		(1,127)	
TCM 2006 (EFMAP)	19000-10-CY06		704		704	
TCM 2007 (EFMAP)	19000-10-CY07		4,772		4,772	
TCM 2008 (EFMAP)	19000-10-CY08		1,727		1,727	
TCM 2009 (EFMAP)	19000-10-CY09		10,174		10,174	
TCM 2010 (EFMAP)	19000-10-CY10		22,773		22,773	
TCM 2004 - TCM 2010 (EFMAP)			<u>39,438</u>		<u>39,438</u>	

**FINANCIAL CONDITION
DARKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
ARRA - Medical Assistance Program (Medicaid XIX)	19000-10-CY09	93.778				
Day Habilitation L1 Wavier 2009 (EFMAP)	19000-10-CY10		15,849		15,849	
Day Habilitation L1 Wavier 2010 (EFMAP)	19000-10-CY09		42,682		42,682	
Day Habilitation I/O Wavier 2009 (EFMAP)	19000-10-CY10		14,247		14,247	
Day Habilitation I/O Wavier 2010 (EFMAP)	19000-10-CY09		33,190		33,190	
Day Habilitation L1 and /O Wavier 2010 (EFMAP) Retroactive			9,220		9,220	
Total ARRA - Medical Assistance Program (Medicaid XIX)			<u>115,188</u>		<u>115,188</u>	
(Passed through Ohio Dept. of Health)						
National Bioterrorism Hospital Preparedness Program	05760052RP0310	93.889	8,974		8,974	
Total U.S. Department of Health and Human Services			<u>2,895,193</u>		<u>2,996,458</u>	
U.S. DEPARTMENT OF HOMELAND SECURITY						
(Passed through Ohio Department of Public Safety)						
Hazard Mitigation Grant Funds	FEMA-DR-1805.20-P	97.039	1,500		1,500	
Emergency Management Performance Grants	2009-EP-E9-0061	97.042	11,936		4,697	
	2010-EP-00-0003		31,803		44,619	
Total Emergency Management Performance Grants			<u>43,739</u>		<u>49,316</u>	
Homeland Security Grant Program		97.067				
FY 2008 Citizen Corps Program Grant	2008-GE-T8-0025		3,558		3,558	
FY08 State Homeland Security Program	2008-GE-T8-0025		29,400		20,605	
FY09 State Homeland Security Program	2009-SS-T9-0089		500		500	
Total Homeland Security Grant Program			<u>33,458</u>		<u>24,663</u>	
Total U.S. Department of Homeland Security			<u>78,697</u>		<u>75,479</u>	
Total Federal Programs			<u>\$6,428,170</u>	<u>\$1,869</u>	<u>\$6,576,246</u>	<u>\$1,869</u>

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**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Disbursements (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 County has complied with the matching requirements. 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 for 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 Receipts and Disbursements (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.

Activity in the CDBG revolving loan fund during 2010 is as follows;

<u>Revolving Loans</u>	<u>Loans Receivable</u>	<u>Cash Balance</u>
Beginning Balance	\$202,866	\$ 201,376
Loan Repayment Receipts	(40,026)	47,694
Loan Interest Receipts		5,330
Loan Disbursements	112,500	(112,514)
Advances		(336)
Administration		(3,523)
Ending Balances	<u>\$275,340</u>	<u>\$138,027</u>

These loans are collateralized by mortgages on the property or equipment.

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 disbursement on the accompanying Schedule of Federal Awards Receipts and Disbursements (the Schedule).

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

Activity in the Community Housing Investment Partnership Program Fund during 2010 is as follows;

Revolving Loans	Loans Receivable	Cash Balance
Beginning Balance	\$963,932	\$150,706
Loan Repayment Receipts	(30,280)	8,942
Grant Loans		691,430
Loans Forgiven	(14,594)	
Loan Disbursements	819,905	(750,957)
Refund of Prior Year Revenues		(48,536)
Administration		(83,886)
Advance		74,754
Interest		2,229
Payments to Vendors		(27)
Ending Balances	\$1,738,963	\$44,655

These loans are collateralized by mortgages on the property.



Dave Yost • Auditor of State

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

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

To the Elected Officials:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Darke County, Ohio (the County) as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 8, 2011, wherein we noted the County uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that material misstatement of the County financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-01 through 2010-02.

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated August 8, 2011.

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

We intend this report solely for the information and use of management, elected officials, federal awarding agencies and pass-through entities, and others within the County. We intend it for no one other than these specified parties.

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

Dave Yost
Auditor of State

August 8, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Elected Officials:

Compliance

We have audited the compliance of Darke County, Ohio (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 could directly and materially affect each of the County's major federal programs for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Darke County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists these instances as Findings 2010-03 and 2010-04.

Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies, described in the accompanying schedule of findings as items 2010-03 through 2010-04. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

We also noted matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated August 8, 2011.

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



Dave Yost
Auditor of State

August 8, 2011

**FINANCIAL CONDITION
DARKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	<p>CDBG State Administered Small Cities Program Cluster: CFDA #14.228 – Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii CFDA # 14.255 – ARRA Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii (Recovery Act Funded)</p> <p>CFDA #93.563 – Child Support Enforcement CFDA #93.563 – ARRA Child Support County Incentives Stimulus</p> <p>CFDA #93.778 – Medical Assistance Program CFDA #93.778 – ARRA – Medical Assistance Program</p> <p>CFDA #93.667 – Social Services Block Grant</p>
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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1. Sheriff Auction Revenue Due to County

Finding Number	2010-01
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FINDING FOR RECOVERY REPAID UNDER AUDIT

NONCOMPLIANCE

The Sheriff Department held an auction in October 2010 which resulted in fifteen vehicles being sold. The total Sale of Assets revenue from the auction of \$13,650 was deposited by the Sheriff's Department into the Drug Law Enforcement off-books bank account. Eight of the fifteen vehicles sold at the auction totaling \$7,525 were property of the County, and therefore the proceeds of sale of assets should have been paid into the Darke County General fund. Those assets were purchased with County General funds and used for County Sheriff operating purposes.

The Sheriff's Department should differentiate on the auction sales listing which items were Drug activity seized property, and which items were County General Fund Sheriff property. Failure to deposit required funds with the County Auditor and recording the revenue on the financial statements results in an understatement of revenue and fund balance in the General fund.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money due, but not collected is hereby issued against the Darke County Drug Law Enforcement account, and in favor of Darke County General Fund in the amount of \$7,525.

The Sheriff Department should deposit and record all revenues that are generated from the sale of County property with the County Auditor for recording in the County General Fund. The finding for recovery was repaid while under audit as evidenced by pay in #56954, dated 6/22/2011 to the credit of the Darke County General Fund.

Official's Response:

This was a misunderstanding on my part. I discussed this issue with the Commissioners back in October and it was agreed that I could use the proceeds from the sale to purchase cars to replace cars that were no longer serviceable. Once brought to my attention that this was not an allowed procedure I promptly repaid the funds back into the County General Fund. Thank you for allowing me to explain, and sorry for the misunderstanding on my part.

Sheriff Toby Spencer

2. Filing of OCBOA Report

Finding Number	2010-02
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NONCOMPLIANCE

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Finding Number	2010-02 (Continued)
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Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the County prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the County may be fined and subject to various other administrative remedies for its failure to file the required financial report.

During 2010, the County failed to file GAAP financial statements. The County should prepare its annual financial statements in accordance with generally accepted accounting principles to present accurately financial statements that report assets, liabilities and other disclosures.

Official's Response:

The County has declining revenue, and the cost factor of GAAP, I decided to return to a Cash Financial Report.

3. FINDINGS FOR FEDERAL AWARDS

1. CSEA Cash Management

Finding Number	2010-03
CFDA Title and Number	CFDA #93.563 – Child Support Enforcement CFDA #93.563 – ARRA Child Support County Incentives Stimulus
Federal Award Number / Year	2009/2010
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Job and Family Services

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Ohio Admin. Code 5101:9-7-02(B)(1) establishes cash management procedures for Child Support Enforcement Agencies. Requests for cash draws may be submitted weekly and are normally processed by ODJFS in six business days. In accordance with the 31 C.F.R. part 205 and 45 C.F.R. parts 74 and 92, cash drawn in advance must be limited to the minimum amount needed for actual, immediate requirements. The CSEA shall have cash management procedures in place to ensure the time elapsing between the receipt of funds and the disbursement of funds does not exceed a ten day average for all federal funding.

In 2010, there were instances in which five draw-downs were not completely expended during the ten day period. These draw-downs include a \$30,000 drawdown which was not completely expended for 18 days, a \$60,000 drawdown which was not completely expended for 28 days, a \$62,350 drawdown which wasn't completely expended for 37 days, a \$59,171 drawdown which wasn't completely expended for 28 days, and a \$39,400 drawdown which wasn't completely expended for 22 days. Failure to expend the draw-downs within the required timeframe indicates a weakness in the monitoring of cash balances by management of the Darke County Child Support Enforcement Agency (the CSEA).

Finding Number	2010-03 (Continued)
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The CSEA should assess the potential needs and monitor that the draw-downs are expended during a ten day average to meet this requirement. Additionally, the CSEA should follow established procedures for draw-downs and more closely monitor its cash needs to prevent excess cash draws.

Official's Response:

Darke County understands the importance of Cash on Hand and has implemented a policy that calls for draws done every 2 weeks instead of the current monthly draw. This will allow for funds to be expended in a more timely manner and within the time period recommended by the State. Invoices and payroll to be expended will be collected on a spreadsheet and that amount will be the draw requested. Upon receipt of the draw, the invoices will be expensed within the 10 days of time required.

2. CDBG Cash Management

Finding Number	2010-04
CFDA Title and Number	CDBG State Administered Small Cities Program Cluster: CFDA #14.228 – Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii CFDA # 14.255 – ARRA Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii (Recovery Act Funded)
Federal Award Number / Year	2009/2010
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Office of Housing and Community Partnership (OHCP) Management Rules and Regulations Handbook, Section (A)(3)(f), states that grantees must develop a cash management system to ensure compliance with the fifteen Day Rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of any funds. Lump sum draw downs are not permitted. Escrow accounts are permitted only in the case of rehabilitation of private property. For the purpose of the fifteen day rule only, funds deposited into an escrow account will be considered expended, but it should be noted that funds may only be in an escrow account for 20 days.

Escrow accounts were not established and the County maintained program balances in excess of \$5,000 for a period of more than fifteen consecutive days at various times during 2010 for the following CDBG grants: B-Z-08-1AR-1, B-F-9-1AR-1, B-R-9-1AR-1, and B-R-9-1AR-2 as follows:

Finding Number	2010-04 (Continued)
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<u>Grant:</u>	<u>Period with balances over \$5,000</u>	<u>Number of Days</u>
B-Z-08-1AR-1	4/25/10 - 5/26/10	31 days
B-Z-08-1AR-1	6/7/10 - 8/4/10	58 days
B-R-9-1AR-1	2/2/10 - 2/26/10	24 days
B-R-9-1AR-2	11/1/10 - 1/24/10	23 days
B-F-9-1AR-1	3/4/10 - 5/19/10	76 days

Failure to disburse the drawdowns upon receipt and maintaining a balance greater than \$5,000 for extended periods of time indicate a lack of monitoring by grant managers.

The County should implement procedures to develop a cash management system to provide for compliance with the Fifteen-Day Rule, ensuring that funds drawn down are limited to amounts that will be disbursed to a balance of less than \$5,000 within fifteen days of receipt of any funds.

Official's Response:

Grant #B-F-9-1AR-1 (FY2009 CDBG Formula) had funds held on account last year due to the lack of suitable weather for the contractor. OHCP was made aware with a semi-annual report that funds were not being disbursed due to the amount of time to complete.

Grant #B-R-9-1AR-2 (North Star CDBG Water & Sewer) & #B-R-9-1AR-1 (Osgood CDBG Water & Sewer) were oversights of payment processing.

**FINANCIAL CONDITION
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev Code 117.38/ Ohio Admin. Code 117-2-03(B) – Failure to present financial statements in accordance with generally accepted accounting principles.	No	Not corrected; Repeated as 2010-02



Dave Yost • Auditor of State

DARKE COUNTY 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
SEPTEMBER 27, 2011