



**DARKE COUNTY
FINANCIAL CONDITION**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**DARKE COUNTY
FINANCIAL CONDITION**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

REPORT OF INDEPENDENT ACCOUNTANTS

Darke County
504 South Broadway Street
Greenville, Ohio 45331

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

We have audited the accompanying general-purpose financial statements of Darke County, (the County) as of and for the year ended December 31, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Darke County as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types and discretely presented component units for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2001, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

July 18, 2001

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DARKE COUNTY FINANCIAL CONDITION

**COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>				<u>Proprietary Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Internal Service</u>
Assets and Other Debits						
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$2,297,626	\$8,389,528	\$968	\$2,268,396	\$446,699	\$9,176
Cash and Cash Equivalents in Segregated Accounts	63,656	54,932				561,114
Investments in Segregated Accounts		297,556				
Receivables:						
Taxes	3,142,171	1,702,054				
Accounts	774,815	171,304			17,020	3,274
Special Assessments		3,768		1,418		
Accrued Interest	163,915	68,185				
Notes Receivable		166,876				
Due from Other Governments	58,722	445,117				
Material and Supplies Inventory	61,812	122,388			312	
Prepaid Items	82,911	18,019			561	
Fixed Assets (Net, where applicable, of Accumulated Depreciation)					49,574	
Other Debits:						
Amount Available in General Obligation Bond Retirement Fund						
Amount to be Provided from General Government Resources						
Total Assets and Other Debits	<u>6,645,628</u>	<u>11,439,727</u>	<u>968</u>	<u>2,269,814</u>	<u>514,166</u>	<u>573,564</u>
Liabilities, Fund Equity and Other Credits						
Liabilities:						
Accounts Payable	158,232	373,832		171,951	2,731	
Accrued Wages	137,796	266,629			2,430	
Compensated Absences Payable	36,444	73,463			3,483	
Accrued Interest Payable				7,649		
Intergovernmental Payable	166,775	222,287			2,321	
Due to Other Governments						
Deferred Revenue	3,096,445	1,723,083		1,418		
Undistributed Monies						
Claims Payable						295,141
General Obligation Notes and Bonds Payable				5,060,000		
Total Liabilities	<u>3,595,692</u>	<u>2,659,294</u>	<u>968</u>	<u>5,241,018</u>	<u>10,965</u>	<u>295,141</u>
Fund Equity and Other Credits:						
Investment in General Fixed Assets						
Contributed Capital					46,038	
Retained Earnings:						
Unreserved					457,163	278,423
Fund Balance:						
Reserved for Encumbrances	51,738	149,910		3,510		
Reserved for Inventory	61,812	122,388				
Reserved for Notes Receivable		166,876				
Unreserved	2,936,386	8,341,259	968	(2,974,714)		
Total Fund Equity and Other Credits	<u>3,049,936</u>	<u>8,780,433</u>	<u>968</u>	<u>(2,971,204)</u>	<u>503,201</u>	<u>278,423</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$6,645,628</u>	<u>\$11,439,727</u>	<u>\$968</u>	<u>\$2,269,814</u>	<u>\$514,166</u>	<u>\$573,564</u>

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

Fiduciary Fund Type	Account Groups		Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations			
Agency					
\$1,854,127			\$15,266,520		\$15,266,520
348,808			1,028,510	\$92,278	1,120,788
20,000			317,556	237,653	555,209
27,442,809			32,287,034		32,287,034
			966,413	10,062	976,475
10,745			15,931		15,931
			232,100		232,100
			166,876		166,876
1,457,951			1,961,790		1,961,790
			184,512		184,512
			101,491		101,491
	\$18,488,164		18,537,738	70,121	18,607,859
		\$968	968		968
		1,528,689	1,528,689		1,528,689
<u>31,134,440</u>	<u>18,488,164</u>	<u>1,529,657</u>	<u>72,596,128</u>	<u>410,114</u>	<u>73,006,242</u>
			706,746	6,024	712,770
			406,855		406,855
		1,044,657	1,158,047		1,158,047
			7,649		7,649
			391,383		391,383
2,222,935			2,222,935		2,222,935
			4,820,946		4,820,946
28,911,505			28,911,505		28,911,505
			295,141		295,141
		485,000	5,545,000		5,545,000
<u>31,134,440</u>		<u>1,529,657</u>	<u>44,466,207</u>	<u>6,024</u>	<u>44,472,231</u>
	18,488,164		18,488,164		18,488,164
			46,038		46,038
			735,586	404,090	1,139,676
			205,158		205,158
			184,200		184,200
			166,876		166,876
			8,303,899		8,303,899
	18,488,164		28,129,921	404,090	28,534,011
<u>\$31,134,440</u>	<u>\$18,488,164</u>	<u>\$1,529,657</u>	<u>\$72,596,128</u>	<u>\$410,114</u>	<u>\$73,006,242</u>

DARKE COUNTY FINANCIAL CONDITION

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>				Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Revenues:					
Property and Other Taxes	\$2,289,192	\$1,642,816			\$3,932,008
Permissive Sales Tax	4,284,155				4,284,155
Intergovernmental	1,107,653	10,007,957		\$15,794	11,131,404
Charges for Services	1,277,636	1,978,283			3,255,919
Licenses and Permits	4,775	89,939			94,714
Fines and Forfeitures	420,811	73,006			493,817
Special Assessments		136,073		45,196	181,269
Interest	837,828	232,660			1,070,488
Other	286,959	227,206	\$53,234	19,262	586,661
Total Revenues	<u>10,509,009</u>	<u>14,387,940</u>	<u>53,234</u>	<u>80,252</u>	<u>25,030,435</u>
Expenditures:					
General Government:					
Legislative and Executive	3,710,942	344,758			4,055,700
Judicial	1,200,792	301,066			1,501,858
Public Safety	2,942,583	436,626			3,379,209
Public Works	139,395	4,136,963			4,276,358
Health	92,466	4,307,193			4,399,659
Human Services	244,756	6,654,146			6,898,902
Economic Development and Assistance	173,927	9,802			183,729
Miscellaneous	28,104	50,790			78,894
Capital Outlay	158,821			3,899,005	4,057,826
Debt Service:					
Principal Retirement			35,000		35,000
Interest and Fiscal Charges			27,985		27,985
Total Expenditures	<u>8,691,786</u>	<u>16,241,344</u>	<u>62,985</u>	<u>3,899,005</u>	<u>28,895,120</u>
Excess of Revenues Over/ (Under) Expenditures	1,817,223	(1,853,404)	(9,751)	(3,818,753)	(3,864,685)
Other Financing Sources (Uses):					
Proceeds from Sales of Fixed Assets	2,135				2,135
Operating Transfers In		1,741,987	5,945	305,790	2,053,722
Operating Transfers Out	(1,619,921)	(436,801)			(2,056,722)
Other Financing Sources	329,681	1,072,366		5,042	1,407,089
Other Financing Uses	(385,250)				(385,250)
Total Other Financing Sources (Uses)	<u>(1,673,355)</u>	<u>2,377,552</u>	<u>5,945</u>	<u>310,832</u>	<u>1,020,974</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	143,868	524,148	(3,806)	(3,507,921)	(2,843,711)
Fund Balances at Beginning of Year	2,897,673	8,271,334	4,774	536,717	11,710,498
Change in Reserve for Inventories	8,395	(15,049)			(6,654)
Fund Balances at End of Year	<u>\$3,049,936</u>	<u>\$8,780,433</u>	<u>\$968</u>	<u>(\$2,971,204)</u>	<u>\$8,860,133</u>

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

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DARKE COUNTY FINANCIAL CONDITION

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000**

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property and other taxes	\$204,000	\$2,289,192	\$2,085,192	\$1,604,400	\$1,642,816	\$38,416
Permissive sales tax	3,740,700	4,240,880	500,180			
Charges for Services	1,267,930	1,193,289	(74,641)	2,064,644	1,829,561	(235,083)
Licenses and Permits	4,560	4,775	215	73,100	89,939	16,839
Fines and Forfeitures	358,000	420,811	62,811	71,525	73,006	1,481
Intergovernmental	3,508,200	1,085,229	(2,422,971)	14,039,056	9,970,566	(4,068,490)
Special Assessments				135,820	136,073	253
Interest	405,600	827,329	421,729	131,127	206,539	75,412
Other	127,500	286,197	158,697	579,099	239,598	(339,501)
Total Revenues	9,616,490	10,347,702	731,212	18,698,771	14,188,098	(4,510,673)
Expenditures:						
General Government:						
Legislative and Executive	4,028,626	3,812,286	216,340	559,711	307,411	252,300
Judicial	1,491,714	1,230,020	261,694	531,437	301,695	229,742
Public Safety	3,254,084	3,008,639	245,445	778,690	470,271	308,419
Public Works	159,299	141,969	17,330	7,170,056	4,695,855	2,474,201
Health	99,284	93,192	6,092	4,559,009	4,371,163	187,846
Human Services	446,136	249,514	196,622	11,496,301	6,860,004	4,636,297
Intergovernmental	1,000		1,000			
Economic Development	192,341	173,620	18,721	349,976	29,256	320,720
Miscellaneous	224,427	26,454	197,973	74,215	51,945	22,270
Capital Outlay	391,218	175,836	215,382			
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	10,288,129	8,911,530	1,376,599	25,519,395	17,087,600	8,431,795
Excess of Revenues Over/ (Under) Expenditures	(671,639)	1,436,172	2,107,811	(6,820,624)	(2,899,502)	3,921,122
Other Financing Sources (Uses):						
Proceeds from sales of fixed assets		2,135	2,135			
Proceeds from notes						
Operating Transfers In	9,500		(9,500)	1,394,433	1,741,987	347,554
Operating Transfers Out	(1,633,977)	(1,619,921)	14,056	(436,801)	(436,801)	
Other financing sources	138,300	329,681	191,381	2,137,367	1,072,366	(1,065,001)
Other financing uses	(388,909)	(385,250)	3,659			
Total Other Financing Sources (Uses)	(1,875,086)	(1,673,355)	201,731	3,094,999	2,377,552	(717,447)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,546,725)	(237,183)	2,309,542	(3,725,625)	(521,950)	3,203,675
Fund Balances at Beginning of Year	2,215,714	2,215,714		8,069,702	8,069,702	
Unexpended Prior Year Encumbrances	204,091	204,091		531,804	531,804	
Fund Balances at End of Year	(\$126,920)	\$2,182,622	\$2,309,542	\$4,875,881	\$8,079,556	\$3,203,675

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

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
						\$1,808,400	\$3,932,008	\$2,123,608
						3,740,700	4,240,880	500,180
						3,332,574	3,022,850	(309,724)
						77,660	94,714	17,054
						429,525	493,817	64,292
				\$15,794	\$15,794	17,547,256	11,071,589	(6,475,667)
			\$56,387	45,196	(11,191)	192,207	181,269	(10,938)
						536,727	1,033,868	497,141
\$43,620	\$56,072	\$12,452		19,262	19,262	750,219	601,129	(149,090)
43,620	56,072	12,452	56,387	80,252	23,865	28,415,268	24,672,124	(3,743,144)
						4,588,337	4,119,697	468,640
						2,023,151	1,531,715	491,436
						4,032,774	3,478,910	553,864
						7,329,355	4,837,824	2,491,531
						4,658,293	4,464,355	193,938
						11,942,437	7,109,518	4,832,919
						1,000		1,000
						542,317	202,876	339,441
						298,642	78,399	220,243
			6,003,140	3,732,417	2,270,723	6,394,358	3,908,253	2,486,105
35,000	35,000					35,000	35,000	
28,648	27,985	663				28,648	27,985	663
63,648	62,985	663	6,003,140	3,732,417	2,270,723	41,874,312	29,794,532	12,079,780
(20,028)	(6,913)	13,115	(5,946,753)	(3,652,165)	2,294,588	(13,459,044)	(5,122,408)	8,336,636
							2,135	2,135
			5,060,000	5,060,000		5,060,000	5,060,000	
19,365	5,945	(13,420)	200,000	230,790	30,790	1,623,298	1,978,722	355,424
						(2,070,778)	(2,056,722)	14,056
				80,042	80,042	2,275,667	1,482,089	(793,578)
						(388,909)	(385,250)	3,659
19,365	5,945	(13,420)	5,260,000	5,370,832	110,832	6,499,278	6,080,974	(418,304)
(663)	(968)	(305)	(686,753)	1,718,667	2,405,420	(6,959,766)	958,566	7,918,332
1,936	1,936		531,877	531,877		10,819,229	10,819,229	
			4,840	4,840		740,735	740,735	
\$1,273	\$968	(\$305)	(\$150,036)	\$2,255,384	\$2,405,420	\$4,600,198	\$12,518,530	\$7,918,332

DARKE COUNTY FINANCIAL CONDITION

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Primary Government</u>		<u>Total Primary Government</u>	<u>Component Units</u>	<u>Total Reporting Entity (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>			
Operating Revenues:					
Charges for Services	\$276,679	\$1,320,250	\$1,596,929	\$162,735	\$1,759,664
Other Operating Revenues	4,852	75,146	79,998	104,583	184,581
Total Operating Revenues	<u>281,531</u>	<u>1,395,396</u>	<u>1,676,927</u>	<u>267,318</u>	<u>1,944,245</u>
Operating Expenses:					
Personal Services	45,535		45,535	125,895	171,430
Contractual Services	183,913		183,913	74,382	258,295
Materials and Supplies	3,440		3,440	23,172	26,612
Other				220	220
Management/General Expenses	26,410		26,410	5,615	32,025
Claims		1,662,236	1,662,236		1,662,236
Depreciation	6,638		6,638	15,980	22,618
Total Operating Expenses	<u>265,936</u>	<u>1,662,236</u>	<u>1,928,172</u>	<u>245,264</u>	<u>2,173,436</u>
Operating Income (Loss)	15,595	(266,840)	(251,245)	22,054	(229,191)
Non-operating Revenues (Expenses):					
Other Revenue				3,989	3,989
Other Expenses				(24,810)	(24,810)
Interest				14,715	14,715
Total Non-operating Revenues (Expenses)				<u>(6,106)</u>	<u>(6,106)</u>
Income (Loss) Before Operating Transfers	15,595	(266,840)	(251,245)	15,948	(235,297)
Operating Transfers - In	3,000		3,000		3,000
Net Income (Loss)	18,595	(266,840)	(248,245)	15,948	(232,297)
Retained Earnings at Beginning of Year	<u>438,568</u>	<u>545,263</u>	<u>983,831</u>	<u>388,142</u>	<u>1,371,973</u>
Retained Earnings at End of Year	<u>\$457,163</u>	<u>\$278,423</u>	<u>\$735,586</u>	<u>\$404,090</u>	<u>\$1,139,676</u>

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

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DARKE COUNTY FINANCIAL CONDITION

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Enterprise Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for Services	\$230,654	\$293,758	\$63,104
Other	15,540	4,852	(10,688)
Total Revenues	246,194	298,610	52,416
Expenses:			
Personal Services	47,250	43,380	3,870
Contractual Services	526,479	184,957	341,522
Materials and Supplies	7,110	3,751	3,359
Management and General Claims	53,727	24,329	29,398
Total Expenses	634,566	256,417	378,149
Excess of Revenues Over/ (Under) Expenses	(388,372)	42,193	430,565
Other Financing Sources (Uses):			
Operating Transfers In		3,000	3,000
Other Financing Sources			
Total Other Financing Sources (Uses)		3,000	3,000
Excess of Revenues and Other Financing Sources Over (Under) Expenses and Other Financing Uses	(388,372)	45,193	433,565
Fund Equity at Beginning of Year	401,294	401,294	
Unexpended Prior Year Encumbrances	2,293	2,293	
Fund Equity at End of Year	\$15,215	\$448,780	\$433,565

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

Internal Service Fund

Budget	Actual	Variance Favorable (Unfavorable)
\$2,000,000	\$1,563,787	(\$436,213)
2,000,000	1,638,933	(361,067)
2,000,065	1,630,520	369,545
2,000,065	1,630,520	369,545
(65)	8,413	8,478
697	697	
65	65	
\$697	\$9,175	\$8,478

DARKE COUNTY FINANCIAL CONDITION

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Primary Government</u>		<u>Total Primary Government</u>	<u>Component Units</u>	<u>Total Reporting Entity (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>			
Increase (Decrease) In Cash and Cash Equivalents:					
Cash Flows from Operating Activities:					
Cash Received from Customers and Support	\$293,759		\$293,759	\$136,923	\$430,682
Other Operating Receipts	4,852	\$75,146	79,998	104,583	184,581
Cash Received/(Paid) from Quasi-External Transactions with Other Funds		1,344,155	1,344,155		1,344,155
Cash Paid for Employee Services and Benefits	(44,893)		(44,893)	(125,895)	(170,788)
Cash Paid for Employee Medical Claims		(1,627,246)	(1,627,246)		(1,627,246)
Cash Paid to Suppliers	(213,606)		(213,606)	(63,201)	(276,807)
Net Cash Provided by (Used In) Operating Activities	<u>40,112</u>	<u>(207,945)</u>	<u>(167,833)</u>	<u>52,410</u>	<u>(115,423)</u>
Cash Flows from Non-capital Financing Activities:					
Operating Transfers - In	3,000		3,000		3,000
Cash Received from Other Non-operating Revenues				3,989	3,989
Cash Paid for Other Non-operating Expenses				(24,810)	(24,810)
Net Cash Provided by (Used In) Non-capital Financing Activities	<u>3,000</u>		<u>3,000</u>	<u>(20,821)</u>	<u>(17,821)</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets				(9,313)	(9,313)
Net Cash Provided by (Used In) Capital and Related Financing Activities				<u>(9,313)</u>	<u>(9,313)</u>
Cash Flows from Investing Activities:					
Purchase of Investments (net of redemptions)				(32,444)	(32,444)
Cash Received for Interest				14,715	14,715
Net Cash Provided by (Used In) Investing Activities				<u>(17,729)</u>	<u>(17,729)</u>
Net increase (Decrease) in Cash and Cash Equivalents	43,112	(207,945)	(164,833)	4,547	(160,286)
Cash and Cash Equivalents at Beginning of Year	<u>403,587</u>	<u>778,235</u>	<u>1,181,822</u>	<u>87,731</u>	<u>1,269,553</u>
Cash and Cash Equivalents at End of Year	<u>446,699</u>	<u>570,290</u>	<u>1,016,989</u>	<u>92,278</u>	<u>1,109,267</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:					
Operating Income (Loss)	15,595	(266,840)	(251,245)	22,054	(229,191)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:					
Depreciation	6,638		6,638	15,980	22,618
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	17,080	23,905	40,985	11,565	52,550
(Increase) Decrease in Materials and Supplies Inventories	(312)		(312)		(312)
(Increase) Decrease in Prepaid Items	(561)		(561)		(561)
Increase (Decrease) in Accounts Payable	2,731		2,731	2,811	5,542
Increase (Decrease) in Claims Payable		34,990	34,990		34,990
Increase (Decrease) in Accrued Wages and Benefits	(186)		(186)		(186)
Increase (Decrease) in Compensated Absences Payable	828		828		828
Increase (Decrease) in Due to Other Governments	(1,701)		(1,701)		(1,701)
Net Cash Provided by (Used In) Operating Activities	<u>\$40,112</u>	<u>(\$207,945)</u>	<u>(\$167,833)</u>	<u>\$52,410</u>	<u>(\$115,423)</u>

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

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000**

1. REPORTING ENTITY AND BASIS OF PRESENTATION

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 Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, a Common Pleas Court Judge, two County Court Judges, and a joint Probate/Juvenile Court Judge.

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

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the County are not misleading.

1. Primary Government

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 Mental Retardation and Developmental Disabilities, the Child Support Enforcement Agency, the Community Corrections Planning Board, County Home, the Darke County Veterans Services, and all departments and activities that are directly operated by the elected County officials.

2. Component Units

Component units are organizations for which the County is financially accountable. 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 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 their budget, the levying of their taxes or the issuance of their debt.

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

3. Discretely Presented Component Units

The component unit column in the combined financial statements identifies the financial data of The Darke County Visitors Bureau, Inc. and Wayne Industries. This information is reported separately to emphasize that it is legally separate from the County. Condensed financial information for the component units is presented in Note 17.

Wayne Industries

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

The Darke County Visitors Bureau, Inc.

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

As the custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate agencies, boards and commissions listed below, the County serves as 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 FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

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

The County is associated with certain organizations which are defined as Joint Ventures, Jointly Governed Organizations, and Insurance Purchasing Pools. One Joint Venture is presented in Note 18, five Jointly Governed Organizations are presented in Note 19, and two Insurance Purchasing Pools are presented in Note 20 of the general purpose financial statements.

B. 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 recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the County are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

1. Governmental Fund Types:

Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use and balances of the County's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the County's governmental fund types:

General Fund

This fund is used to account for all financial resources of the County 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.

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds

These funds are used to account for the accumulation of financial resources for, and the payment of, general long-term obligations principal, interest and related costs and special assessment long-term debt principal, interest and related costs.

Capital Projects Funds

These funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

2. Proprietary Fund Types:

The proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. The following is the proprietary fund types utilized by the County:

Enterprise Funds

These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Fund

The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis.

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The following is the County's fiduciary fund type:

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. REPORTING ENTITY AND BASIS OF PRESENTATION (Continued)

Agency Funds

These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

4. Account Groups:

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

General Fixed Assets Account Group

The general fixed assets account group is used to account for all fixed assets of the County, other than those fixed assets accounted for in the proprietary funds.

General Long-Term Obligations Account Group

The general long-term obligations account group is used to account for all long-term obligations of the County, except those accounted for in the proprietary funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Darke County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) statements issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the County's accounting policies are described below. Separate information for the discretely presented component units can be found in Note 17.

A. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The available period for the County is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: state-levied locally shared taxes (including gasoline tax), interest, sales tax, federal and state grants and entitlements, and charges for current services. Major revenue sources not susceptible to accrual include fines and forfeitures and licenses and permits which are not considered measurable until received.

The County reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Levied special assessments are measurable, and have been recorded as a receivable. Special assessments are deferred except the amount received within the available period. Property taxes measurable as of December 31, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance 2001 operations, have also been recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. Principal and interest on general and special assessment long-term debt are recorded as fund liabilities when due, and costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The proprietary funds are reported using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. Unbilled service charges receivable are recognized as revenue at year end.

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the County Commissioners. Budgetary information has not been presented for the discretely presented component unit because it is not included in the entity for which the "appropriated budget" is adopted nor does the entity maintain separate budgetary records.

1. Tax Budget

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

2. Estimated Resources

The County Budget Commission reviews estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be amended further during the year if the County Auditor determines, and the Budget Commission agrees, that an estimate needs either to be increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2000.

DARKE COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS DECEMBER 31, 2000 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations

A temporary appropriation resolution to control expenditures may be passed on or around January 1 of each year for the period January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among departments and objects within a fund may be modified during the year only by a resolution of the Commissioners. Several supplemental appropriation resolutions were legally enacted by the County Commissioners during the year. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

4. Budgeted Level of Expenditures/Expenses

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation resolution. Expenditures/expenses plus encumbrances may not legally exceed appropriations at the level of appropriation. Commissioners appropriations are made to fund, department and object level (i.e., General Fund - Commissioners - salaries, supplies, equipment, contract repairs, travel expenses, maintenance, other expenses.)

5. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the Non GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as reservations of fund balances for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

6. Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not reappropriated.

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Cash Equivalents

Cash balances of the County's funds, except cash in segregated accounts, are pooled and invested in short-term investments in order to provide improved cash management. Individual fund integrity is maintained through County records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, funds included within the Treasurer's cash management pool and investments with original maturities of three months or less are considered to be cash and cash equivalents.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Cash and cash equivalents that are held separately within departments of the County and not held with the County Treasurer are recorded on the balance sheet as "Cash and Cash Equivalents in Segregated Accounts."

Investments that are held separately and not held with the County Treasurer are recorded on the balance sheet as "Investments in Segregated Accounts."

Following Ohio statutes, the County has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund, the Auto License and Gas Tax Special Revenue Fund, and the Common Pleas Special Revenue Fund amounted to \$837,828, \$226,566, and \$6,094, respectively.

D. Receivables and Payables

Receivables and payables to be recorded on the County's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also, by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

Using this criteria, the County has elected to not record child support arrearages within the Special Revenue and Agency fund types and Court receivables within the Agency fund type. These amounts, while potentially significant, are not considered measurable, and because collections are often significantly in arrears, the County is unable to determine a reasonable value.

E. Inventory of Supplies

Inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported supplies inventory is equally offset by a fund balance reserve in the governmental fund types which indicates that it does not constitute available expendable financial resources even though it is a component of net current assets.

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2000, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

G. Estimates

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

H. Fixed Assets

The fixed asset values were initially determined at December 31, 1994 assigning original acquisition costs when such information was available. In cases where information supporting original costs was not available, estimated historical costs were developed. Donated fixed assets are capitalized at fair market value on the date donated.

1. General Fixed Assets

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group at historical cost or estimated historical cost. Assets in the general fixed assets account group are not depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost.

Public domain (infrastructure) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized or reported, as these assets are immovable and of value only to the County.

2. Enterprise Fund Fixed Assets

Property, plant, and equipment reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and are updated for the cost of additions and retirements during the year.

Depreciation is provided on a straight-line basis over the following estimated useful lives:

Office Equipment	5 years
Machinery and Equipment	10-20 years
Sewer Lines	25 years

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Contributed Capital

Contributed capital represents donations by private sources, resources from other funds, grants restricted for capital construction, and assets whose construction was financed by special assessments. These assets are recorded at their fair market value on the date contributed and are not subject to repayment.

J. Compensated Absences

The County follows the provisions of Governmental Accounting Standards Board Statement No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the County will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the county has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the County's termination policy.

The County records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The County records a liability for accumulated unused sick leave for all employees, except employees of the MRDD Department, after 4 years of current service with the County. For employees of the MRDD Department, the County records a liability for accumulated unused sick leave after 10 years of current service with the County. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements and shared revenues, are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants and entitlements received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. Such resources restricted for the construction of capital assets are recorded as contributed capital.

L. Accrued Liabilities and Long-Term Debt

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. Payments made more than sixty days after year end are generally considered not to have been paid with current available financial resources. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under Ohio law, a debt retirement fund must be created and used for the payment of all debt principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the capital projects and enterprise funds, and the general long-term obligations account group, with principal and interest payments on matured general obligation long-term debt being reported in the debt service fund.

To comply with GAAP reporting requirements, the County's debt retirement fund has been split among the appropriate funds and account group. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

M. Reserves of Fund Balance

The County records reservations for portions of fund balance which are legally segregated for specific future use or which do not represent available expendable financial resources and, therefore, are not available for expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, inventory, and notes receivable.

N. Short-term Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet.

O. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expense in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All remaining interfund transfers are reported as operating transfers.

P. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. When the title of a statement indicates that component units are included, two total columns are presented. The first is captioned Primary Government to indicate that only those activities that comprise the County's legal entity have been included. The second is captioned Reporting Entity and includes the activity and operations of the County's legally separate discretely presented component unit (See Note 1). The total column on statements which do not include the component unit have no additional caption.

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non GAAP Basis) and Actual - All Proprietary Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis). Material encumbrances are disclosed in the notes for the proprietary funds (GAAP basis).
4. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. State statute requires short-term note debt to be repaid from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	All Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$143,868	\$524,148	(\$3,806)	(\$3,507,921)
Adjustments:				
Revenue Accruals	(170,799)	(603,091)	2,838	0
Expenditure Accruals	(118,122)	(127,882)	0	179,601
Debt Principal Issued	0	0	0	5,060,000
Encumbrances	<u>(92,130)</u>	<u>(315,125)</u>	<u>0</u>	<u>(13,013)</u>
Budget Basis	<u>(\$237,183)</u>	<u>(\$521,950)</u>	<u>(\$968)</u>	<u>\$1,718,667</u>

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

	Net Income (Loss)/Excess of Revenues Over (Under) Expenses and Operating Transfers	
	Enterprise	Internal Service
GAAP Basis	\$18,595	(\$266,840)
Adjustments:		
Revenue Accruals	17,080	240,263
Expense Accruals	3,860	34,990
Depreciation	6,638	0
Encumbrances	(980)	0
Budget Basis	\$45,193	\$8,413

4. COMPLIANCE

The County had the following funds for which the appropriated expenditure budget exceeded the certified available resources:

- Microenterprise Business Development Grant Fund
- Community Housing Improvement Fund
- Permanent Improvement Fund

5. DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State Statute into two categories. Active monies means an amount of public monies determined to be necessary to meet current demand upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Monies held by the County which are not considered active are classified as inactive.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Inactive monies are permitted to 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;
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;

DARKE COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS DECEMBER 31, 2000 (Continued)

5. DEPOSITS AND INVESTMENTS (Continued)

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. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
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 investment in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County' average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

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

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

At year-end, the County had \$48,108 in undeposited cash on hand which is included on the balance sheet of the County as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits

At year-end, the carrying amount of the County's deposits was \$16,564,478 and the bank balance was \$17,299,349. Of the bank balance, \$1,371,639 was covered by federal deposit insurance and \$15,927,710 is covered by pooled or specific collateral and \$0 is uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the County's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the County to a successful claim by the Federal Deposit Insurance Corporation.

B. Investments

The County's investments are categorized below to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held in the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name.

The County's investments were limited to certificates of deposit at year-end.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the general purpose financial statements and the classifications per GASB Statement No. 3 is as follows:

	Primary Government	
	Cash and Cash	
	Equivalents/Deposits	Investments
GASB Statement 9	\$16,295,030	\$317,556
Cash on Hand	(48,108)	0
Investments:		
Certificates of Deposit	317,556	(317,556)
GASB Statement 3	\$16,564,478	\$0

6. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the County. Taxes collected on real property (other than public utility property) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. The last reappraisal was completed in 1999. Real property taxes are payable annually or semiannually. If paid annually, the payment is due December 31. If paid semiannually, the first payment is due December 31, with the remainder payable by June 20.

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

6. PROPERTY TAXES (Continued)

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

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to itself its share of the taxes collected. The County records receipt of these taxes in various funds.

The collection and distribution of taxes for the County and for all subdivisions within the County is accounted for through agency funds of the County. The amount of the County's tax collections which will flow through an agency fund is reported as "Taxes Receivable" on the combined balance sheet in both the agency fund and the governmental fund which will receive the tax distribution.

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable and unpaid as of December 31, 2000. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2000 operations. The receivable and the portion of the tax levies prepaid by year end into the undivided tax agency fund are therefore offset by a credit to deferred revenue.

The full tax rate for all County operations for the year ended December 31, 2000 was \$7.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2000 property tax receipts were based are as follows:

Agricultural/Residential Real Property	\$603,785,230
Industrial/Commercial Real Property	99,311,930
Public Utility Real Property	216,270
Public Utility Personal Property	<u>68,394,750</u>
Total Assessed Value	<u>\$771,708,180</u>

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

7. PERMISSIVE SALES AND USE TAX

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

Proceeds of the tax are credited entirely to the General Fund. Amounts received within the available period are accrued as revenue. Sales and use tax revenue in 2000 amounted to \$4,284,155.

8. RECEIVABLES

Receivables at December 31, 2000, consisted of taxes, interest, special assessments, accounts (billings for user charged services), and intergovernmental receivables arising from grants. All receivables are considered collectible in full.

A summary of intergovernmental receivables follows:

<u>General Fund</u>	\$ 58,722
<u>Special Revenue Funds</u>	
Motor Vehicle License Tax	322,439
MR/DD	10,376
Public Assistance	112,302
Total Special Revenue Funds	445,117
<u>Agency Funds</u>	
Total Agency Funds	1,457,951
Total All Funds	\$1,961,790

9. FIXED ASSETS

A summary of the enterprise funds' fixed assets at December 31, 2000, follows:

Land	\$8,000
Machinery and Equipment	42,458
Sewer Lines	45,865
Less accumulated depreciation	(46,749)
Net Book Value	\$49,574

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

9. FIXED ASSETS (Continued)

A summary of the changes in general fixed assets during 2000 follows:

	Balance at December 31, 1999	Additions	Deletions	Balance at December 31, 2000
Land	\$360,908	\$916,770	\$0	\$1,277,678
Buildings	6,919,006	2,736,514	0	9,655,520
Machinery and Equipment	5,239,704	367,519	356,929	5,250,294
Vehicles	2,065,639	457,140	218,107	2,304,672
Total General Fixed Assets	<u>\$14,585,257</u>	<u>\$4,477,943</u>	<u>\$575,036</u>	<u>\$18,488,164</u>

10. 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. During 2000, the County contracted with County Risk Sharing Authority, Inc. (CORSA) for liability, property and crime insurance (See Note 20).

Coverages provided by the insurance pool are as follows:

Liability	
(A) General, Auto, and Law (per occurrence)	\$1,000,000
(B) Public Official Errors and Omissions	
Liability (per occurrence - included above)	1,000,000
Aggregate (annually)	1,000,000
Property Replacement	2,509,178,185
Flood and Earthquake	100,000,000
Boiler and Machinery	100,000,000
Crime Insurance: (Per Loss)	
Employees Dishonesty	1,000,000
Money and Securities within premises	1,000,000
Money and Securities outside premises	1,000,000
Money Orders and Counterfeit Currency	1,000,000
Depositors Forgery	1,000,000

The County pays all elected officials' bonds by statute. Settled claims have not exceeded coverage in the last three years. There has been no material change in this coverage from the prior year.

Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. For 2000, the County participated in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program (CCAO), a workers' compensation insurance purchasing pool (See Note 20). The intent of the CCAO is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants. 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 CCAO. Each participant pays its workers' compensation premium to the State based on the rate for the CCAO rather than its individual rate. In order to allocate the savings derived by formation of the CCAO, and to maximize the number of participants in the CCAO, annually the CCAO's executive committee calculates the total savings which accrued to the CCAO through its formation. This savings is then compared to the overall savings percentage of the CCAO. The CCAO's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the CCAO is limited to counties that can meet the CCAO's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the CCAO. Each year, the County pays an enrollment fee to the CCAO to cover the costs of administering the CCAO.

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

10. RISK MANAGEMENT (Continued)

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

The County provides accidental death and dismemberment life insurance benefits for the Sheriff's Department only in the amount of \$10,000. The County has elected to provide employee medical benefits through a self insured program. The County maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. This plan provides a medical plan with a \$0-\$45 deductible for single and \$60-\$242 deductible for families. A third party administrator, Harrington Benefits Service, Inc., reviews all claims which are then paid by the County. The County purchases stop-loss coverage of \$50,000 per employee. The County pays the self-insurance internal service fund \$215-\$260 per month for single employees and \$240-\$482 per employee per month for family plans which represents the entire premium required. This premium is paid by the fund that pays the employee's salary and is based on historic cost information.

The liability for unpaid claims of \$295,141 reported in the fund at December 31, 2000, as estimated by an analysis of claim payments, is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims cost be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in 1999 and 2000 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
1999	\$214,966	\$1,730,631	\$1,685,446	\$260,151
2000	\$260,151	\$1,662,236	\$1,627,246	\$295,141

11. DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

All County full-time employees, other than teachers, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations; law enforcement employees are required to contribute 9 percent. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. For plan members other than those engaged in law enforcement, the County was required to contribute 6.54 percent of covered salary for 2000, a reduction from 9.35 percent for 1999. The County contribution for law enforcement employees was 11.4 percent, down from 12.5 percent for 1999. Contributions are authorized by State statute. The contribution rates are determined actuarially. The County's required contributions to PERS for pension obligations for the years ended December 31, 2000, 1999 and 1998 were \$785,618, \$848,036 and \$654,596, respectively. Approximately 82 percent has been contributed for 2000 with the remainder being reported as a liability within the general long-term obligations account group. For 1999 and 1998, 100 percent has been paid by the County.

B. State Teachers Retirement System

Certified teachers employed by the school for the Mental Retarded/Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the County is required to contribute 6 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's contributions for pension obligations to STRS for the years ended December 31, 2000, 1999 and 1998 were \$58,936, \$47,222, and \$31,417, respectively. For 2000, approximately 93 percent of the County's obligation was paid by December 31, 2000, with the remainder being recorded as a fund liability in the fund incurring the related salary. The full 100 percent has been contributed for 1999 and 1998.

12. POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2000 employer contribution rate was 10.84 percent of covered payroll for employees not engaged in law enforcement; 4.3 percent was the portion that was used to fund health care for the year 2000. The law enforcement employer rate for 2000 was 15.70 percent and 4.3 percent was used to fund health care.

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 401,339. The County's actual contributions for 2000 which were used to fund postemployment benefits were \$420,830 for regular employees and \$54,906 for law enforcement employees. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805,500,000. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you go funding basis.

B. State Teachers Retirement System

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS.

Benefits are funded on a pay-as-you-go basis. All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 6 percent of covered payroll. The Board currently allocates 3.5 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$34,379 during 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.419 billion at June 30, 2000. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000. There were 90,011 eligible benefit recipients.

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

13. EMPLOYEE BENEFITS

A. Deferred Compensation Plans

County employees and elected officials 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.

14. LONG-TERM OBLIGATIONS

The changes in the County's long-term obligations for the year consist of the following:

	Balance at December 31, 1999	Increases	Decreases	Balance at December 31, 2000
<u>Bonds and Notes Payable:</u>				
5% - 2000 Coble Ditch	\$ 0	\$ 60,000	\$ 0	\$ 60,000
Various - 1992 Garst Avenue	460,000	0	35,000	425,000
TOTAL - Bonds Payable	460,000	60,000	35,000	485,000
<u>Other Long-Term Obligations:</u>				
Compensated Absences Payable	973,216	71,441	0	1,044,657
TOTAL - Other Long-Term Obligations	973,216	71,441	0	1,044,657
TOTAL - General Long-Term Obligations	\$1,433,216	\$ 131,441	\$ 35,000	\$1,529,657

The Garst Avenue Bond will be paid from the Garst Avenue Bond Retirement Debt Service Fund. Compensated absences will be paid from the fund from which the employees' salaries are paid.

During 2000, the County issued notes to fund maintenance of the Coble Ditch, which bear interest at 5% annually, with five annual installments due from 2001 through 2005.

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, 2000 are an overall debt margin of \$12,366,737 and an unvoted debt margin of \$2,291,114. The following is a summary of the County's future annual principal and interest requirements for long-term obligations:

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

Year	Coble Ditch	Garst Avenue
2001	\$13,600	\$ 65,885
2002	13,868	63,485
2003	13,857	56,085
2004	13,858	58,985
2005	13,860	56,585
2006-2010	-	237,735
Therafter	-	42,500
Total	<u>\$69,043</u>	<u>\$581,260</u>

15. SEGMENT INFORMATION

The County's enterprise funds account for the provision of adult daycare, sewer treatment and a solid waste disposal facility. Key financial information as of and for the year ended December 31, 2000, for each enterprise fund is as follows:

	Stillwater Estates	Adult Daycare	Sewer	Solid Waste	Total
Operating Revenues	\$5,896	\$38,395	\$17,308	\$219,932	\$281,531
Operating Expenses Before Depreciation	4,297	34,415	15,172	205,414	259,298
Depreciation Expense	0	0	1,925	4,713	6,638
Operating Income (Loss)	1,599	3,980	211	9,805	15,595
Operating Transfers - In	0	3,000	0	0	3,000
Net Income	1,599	6,980	211	9,805	18,595
Net Working Capital	2,084	6,143	37,756	407,644	453,627
Total Assets	2,084	9,459	74,302	428,321	514,166
Total Fund Equity	2,084	6,143	73,705	421,269	503,201

16. CONTRIBUTED CAPITAL

During 2000, there were no assets contributed to the Proprietary Funds. The amounts representing contributed capital at December 31, 2000, are as follows:

	Adult Daycare	Sewer	Solid Waste	Total
Value of Fixed Assets Contributed During 2000	\$0	\$0	\$0	\$0
Contributed Capital January 1, 2000	650	45,388	0	46,038
Contributed Capital December 31, 2000	<u>\$650</u>	<u>\$45,388</u>	<u>\$0</u>	<u>\$46,038</u>

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

17. DISCRETELY PRESENTED COMPONENT UNITS

A. Measurement Focus and Basis of Accounting

The financial statements for The Darke County Visitors Bureau, Inc. and Wayne Industries, are prepared in accordance with Governmental Accounting Standards Board Statement No. 29, "The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities" for non-profit corporations. This component units are accounted for like an enterprise fund using the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

B. Budgetary Basis of Accounting

Budgetary information for the discretely presented component unit is not presented because it is not included in the entity for which the "appropriated budget" is adopted and does not maintain separate budgetary financial records.

C. Deposits and Investments

Cash and cash equivalents that are held by the component units are classified as "Cash and Cash Equivalents in Segregated Accounts."

At year end, the carrying amount of deposits and the bank balance for The Darke County Visitors Bureau, Inc. was \$53,178, and investments of \$20,757, all of which was covered by federal deposit insurance. There are no statutory guidelines regarding the deposit and investments of funds for the not-for-profit corporation. The County is not the fiscal agent for the corporation. The carrying amount of deposits for Wayne Industries was \$39,100 and investments was \$216,896, which was made up of certificates of deposit.

They issue their own checks and have their own account. The Darke County Auditor receives the bed tax funds and distributes them to The Darke County Visitors Bureau, Inc. shortly after received.

D. Segment Information

	Darke County Visitors Bureau	Wayne Industries
Operating Revenue	\$ 104,583	\$ 162,735
Operating Income (Loss)	45,419	(23,365)
Net Income (Loss)	24,982	(9,034)
Net Change in Fixed Assets	(4,170)	(10,837)
Net Working Capital	71,907	261,303
Total Assets	77,782	332,332
Total Fund Equity	76,512	327,578

DARKE COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS DECEMBER 31, 2000 (Continued)

18. JOINT VENTURE

A. Darke County Emergency Management Agency (EMA)

The Darke County Emergency Management Agency (EMA) is a joint venture among Darke County, the City of Greenville, and townships and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is composed of the following seven members: one County Commissioner representing the board of county commissioners entering into the agreement; four chief executives representing the municipal corporations and townships entering into the agreement; and two non-elected representatives. The County contributed \$62,072 (50 percent) for the operation of the agency. The EMA is a joint venture since it cannot continue to exist without the financial support of the County.

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

19. JOINTLY GOVERNED ORGANIZATIONS

A. Tri County Board of Recovery and Mental Health Services (Tri County Mental Health Board)

The Tri County Board of Recovery and Mental Health Services (Tri County Mental Health Board) is a jointly governed organization among Darke, Miami and Shelby counties. The Tri County Mental Health Board provides leadership in planning for and supporting community-based alcohol, drug addiction and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting and advocating for the rights of persons as consumers of alcohol, drug addiction and mental health services. The ability to influence operations depends on the County's representation on the Board. The Board of Trustees consists of eighteen members: four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Darke, Miami and Shelby counties in the same proportion as the County's population bears to the total population of the three counties combined. During 2000, the County contributed \$310,177 by voted levy for the operations of the organization.

B. Miami Valley Regional Planning Commission (the Commission)

The Miami Valley Regional Planning Commission (the Commission) is a jointly governed organization between Preble, Clark, Clinton, Darke, Greene, Miami, and Montgomery Counties, the City of Dayton and the City of Huber Heights. The Commission prepares plans, including studies, maps, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the region. These reports show recommendations for systems of transportation, highways, parks and recreational facilities, water supply, sewage disposal, garbage disposal, civic centers, and other public improvements and land uses which affect the development of the region. The degree of control exercised by any participating government is limited to its representation on the Board. Members of the Board are as follows: the officers of the Commission (elected by member representatives), the immediate past Chair of the Commission, the Commission member representing the City of Dayton, the Commission member representing each of the respective member counties, the representatives selected by each county caucus, a nongovernmental member, and two at-large representatives. Payments to the Commission are made from the General Fund. The County contributed \$13,468 for the operation of the Commission during 2000.

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

19. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. County Caucus

The County Caucus is a jointly governed organization among Darke, Greene, Miami and Montgomery counties. The County Caucus was established to create a comprehensive, coordinated and unified approach to issues of mutual concern that will promote regional economic development and support a regional legislative agenda. All individuals on the Board of County Commissioners of a member county are members of the Caucus. There are no dues or fees associated with the Caucus. Each member county of the Caucus has one vote. The County Caucus, in turn, created a Board of Trustees of the Joint Office of Economic Development (see Note 19 - D.)

D. Joint Office of Economic Development (Joint Office)

The Joint Office of Economic Development (Joint Office) is a jointly governed organization among Darke, Greene, Miami and Montgomery counties. The Joint Office was created by the County Caucus as a special function to promote the economic development agenda of the County Caucus and to undertake a coordinated, cooperative and comprehensive program of economic development within the territory of the counties contributing to its financial support under general policy direction and oversight of a Board of Trustees (the Board). The degree of control exercised by any participating government is limited to its representation on the Board. The Board consists of one delegate from the Board of County Commissioners of each participating county and one non-County Commissioner member of the Board who is the chairperson of the I-70/75 Development Association (the Association). Each County's delegate to the Board has one vote, and the representative from the Association does not have a vote. Payments to the Joint Office are made from the General Fund. The County contributed \$70,313 for the operation of the Joint Office during 2000.

E. West Central Ohio Network (West Con)

The West Central Ohio Network (West Con) is a jointly governed organization among Darke, Miami, Auglaize, Mercer, Logan, Shelby, and Union counties. West Con was created to serve as the administrator and fiscal agent of Supported Living funds for the Boards of Mental Retardation and Developmental Disabilities (MR/DD Boards) of each of the participating counties. The degree of control exercised by any participating government is limited to its representation on the Board of Directors (the Board) of West Con. The Board consists of one delegate, who is the Superintendent, from each of the participating MR/DD Boards. Payments to West Con are limited to the Supported Living funds of each participating county. Darke County did not make any payments during 2000.

20. INSURANCE PURCHASING POOLS

A. County Risk Sharing Authority, Inc. (CORSA)

The County is a member of the County Risk Sharing Authority, Inc. (CORSA), which is a risk sharing pool among forty-one counties in Ohio. CORSA was formed in and as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-Insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

DARKE COUNTY FINANCIAL CONDITION

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

20. INSURANCE PURCHASING POOLS (Continued)

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 time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the board of trustees.

The continued existence of CORSA is dependant upon the County's continued participation; however, the County does not have an equity interest in CORSA. In 2000, the County contributed \$179,642. Complete financial statements can be obtained from the County Risk Sharing Authority, Inc at 175 South Third Street, Suite 500, Columbus, Ohio 43215

B. County Commissioners' Association of Ohio Workers' Compensation Group Rating Program (CCAO)

The County is participating in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners' Association of Ohio Service Corporation (CCAOSC) was established through the County Commissioners' Association of Ohio (CCAO) as a group purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates; approving the selection of a third party administrator; reviewing and approving proposed third party fees, fees for risk management services, and general management fees; determining ongoing eligibility of each participant; and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of the CCAOSC; the remaining five members are representatives of the participants.

These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year. No participant can have more than one member on the group executive committee in any year, and each elected member shall be a County Commissioner.

21. RELATED PARTY TRANSACTIONS

Wayne Industries has entered into a contractual agreement with the Darke County Board of Mental Retardation/Developmental Disabilities (MRDD), whereby the MRDD provides sheltered employment for mentally retarded or handicapped individuals in Darke County. The MRDD provides the workshop with personnel necessary for the operation of the habilitation services to the client, land and buildings for the operation of the center, maintenance and repair of the buildings and professional staff to supervise and train clients of Wayne Industries. During 2000, the fair value of this support was \$37,377.

22. CONTINGENCIES

A. Litigation

The County is party to legal proceedings. The County is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the County.

DARKE COUNTY FINANCIAL CONDITION

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

DECEMBER 31, 2000

(Continued)

22. CONTINGENCIES (Continued)

B. Grants

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.

DARKE COUNTY FINANCIAL CONDITION

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2000**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements	Loans
U.S. DEPARTMENT OF AGRICULTURE							
(Passed through the Ohio Department of Education)							
Nutrition Cluster:							
Federal Food Distribution Program	N/A	10.550	\$0	\$1,684	\$0	\$1,180	\$0
National School Breakfast Program	05-PU-99	10.553	1,138	0	1,138	0	0
	05-PU-00		2,776	0	2,776	0	0
Total National School Breakfast Program			3,914	0	3,914	0	0
National School Lunch Program	03-PU-99	10.555	354	0	354	0	0
	04-PU-99		1,417	0	1,417	0	0
	03-PU-00		1,827	0	1,827	0	0
	04-PU-00		4,521	0	4,521	0	0
Total National School Lunch Program			8,119	0	8,119	0	0
Total U.S. Department of Agriculture - Nutrition Cluster			12,033	1,684	12,033	1,180	0
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
(Passed through the Ohio Department of Development)							
Community Development Block Grant	B-F-98-018-1	14.218	46,800	0	46,800	0	0
	B-C-99-018-1		28,000	0	14,090	0	0
	B-F-99-018-1		179,000	0	173,428	0	0
Total Community Development Block Grant Program			253,800	0	234,318	0	0
Home Investment Partnership Program	B-C-99-018-2	14.239	29,000	0	31,468	0	325,000
Total U.S. Department of Housing and Urban Development			282,800	0	265,786	0	325,000
U.S. DEPARTMENT OF JUSTICE							
(Direct Receipt)							
Public Safety and Community Polcing	95CFWX3843	16.710	50,000	0	53,921	0	0
Total U.S. Department of Justice			50,000	0	53,921	0	0
U.S. DEPARTMENT OF LABOR							
(Passed through Ohio Department of Job and Family Services)							
Workforce Investment Act	N/A	17.255	182,000	0	42,208	0	0
Total U.S. Department of Labor			182,000	0	42,208	0	0
U.S. DEPARTMENT OF EDUCATION							
(Passed through Ohio Department of Education)							
Special Education Cluster:							
Title VI-B	6B-SF-00	84.027	22,158	0	31,655	0	0
	6B-SF-01		11,068	0	0	0	0
Handicap Preshool Grant	PG-S1-00	84.173	14,400	0	21,119	0	0
	PG-S1-01		9,757	0	0	0	0
Indicators of Success	PG-SC-00	84.173A	1,022	0	943	0	0
Total U.S. Department of Education			58,405	0	53,717	0	0
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
(Passed through Area Agency on Aging)							
Title III-B	N/A	93.044	4,860	0	4,860	0	0
(Passed through Ohio Department of Job and Family Services)							
Family Preservation and Support Services	N/A	93.556	22,872	0	36,036	0	0
Independent Living	N/A	93.674	9,496	0	9,496	0	0
State Access/Visitation Program	N/A	93.597	30,110	0	30,111	0	0
(Passed through Ohio Department of Mental Retardation) and Developmental Disabilities)							
Title XX	MR-19-99	93.667	19,759	0	19,759	0	0
	MR-19-00		22,311	0	22,311	0	0
Total Title XX			42,070	0	42,070	0	0
Medical Assistance Program (Medicaid XIX)	1900010-CY00	93.778	423,598	0	423,598	0	0
Total U.S. Department of Health and Human Services			533,006	0	546,171	0	0
Total Federal Programs			\$1,118,244	\$1,684	\$973,836	\$1,180	\$325,000

See accompanying notes to the Schedule of Federal Awards Expenditures.

**DARKE COUNTY
FINANCIAL CONDITION**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE A—SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the 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 Government contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.

NOTE C—FOOD DISTRIBUTION

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

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

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

These loans are collateralized by mortgages on the property. At December 31, 2000, the gross amount of loans outstanding under this program were \$87,576.

NOTE E—COMMUNITY HOUSING INVESTMENT PARTNERSHIP PROGRAM

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

These loans are collateralized by mortgages on the property. At December 31, 2000, the gross amount of loans outstanding under program were \$ 79,290.

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

Darke County
504 South Broadway Street
Greenville, Ohio 45331

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

We have audited the financial statements of Darke County as of and for the year ended December 31, 2000, and have issued our report thereon dated July 18, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying scheduled of findings as item 2000-60319-001. Also, we noted certain immaterial instances of noncompliance that we have reported to management of Darke County in a separate letter dated July 18, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Darke County in a separate letter dated July 18, 2001.

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

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

Jim Petro
Auditor of State

July 18, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

Darke County
504 South Broadway Street
Greenville, Ohio 45331

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

Compliance

We have audited the compliance of Darke County (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2000. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the County's management. Our responsibility is to express an opinion on County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2000.

Internal Control Over Compliance

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

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 2000-60319-002.

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

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

Jim Petro
Auditor of State

July 18, 2001

**DARKE COUNTY
FINANCIAL CONDITION**

**FOR THE YEAR ENDED DECEMBER 31, 2000
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions 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?	Yes
(d)(1)(vii)	Major Programs (list):	Home Improvement Partnerships Program (14.239)
(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**

Finding Number	200-60319-001
-----------------------	----------------------

Finding for Recovery

Darke County Personnel Policy Manual Section 11.3 , entitled "Termination Benefits," states that "Eligible employees who separate after five (5) or more years of service with Darke County, or after ten (10) or more years of service with any political subdivision in the State of Ohio, may choose to be paid in cash for one-fourth (1/4) the value of his/her earned but unused sick leave credit. The maximum payment may not exceed one-fourth (1/4) of one hundred and twenty (120) days (or thirty (30) days).

Upon separation in January of 2001, Common Pleas Court employee Monica Hissong's sick leave was paid out at the direction of Wanda Neiswonger, Payroll Clerk, in the amount of two thousand two hundred forty-five dollars and eighty-five cents (\$2,245.85) for 122.59 hours. She should have been paid for one-fourth of the accumulated sick leave, 30.65 hours or five hundred sixty-one dollars and fifty-one cents (\$561.51). Ms. Hissong was paid one thousand six hundred eighty-four dollars and thirty-four cents (\$1,684.34) in excess of the above limitation based on the County's conversion policy.

Based on the foregoing facts a finding for recovery is hereby returned jointly and severally against Monica Hissong, former Common Pleas Court employee, Wanda Neiswonger, Payroll Clerk, and her bonding company in the amount of One thousand six hundred and eighty-four dollars and thirty-four cents (\$1,684.34) in favor of the Darke County General Fund.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

<i>Finding Number</i>	2000-60319-002
<i>CFDA Title and Number</i>	All CFDA Titles and Numbers
<i>Federal Award Number / Year</i>	All Federal Award Numbers
<i>Federal Agency</i>	All Federal Agencies
<i>Pass-Through Agency</i>	All Pass-Through Agencies

Federal Program Accounting

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Federal Program Accounting (Continued)

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

Due to the structure of the accounting records maintained by the County, some departments were unable to prepare accurate and complete schedules of federal assistance for 2000. In addition, the County Grant Office had federal revenue from one grant fund posted to another grant fund during 2000 which was not corrected in a timely manner due to the lack of subsidiary departmental records and monthly reconciliation to the County Auditor's ledgers. The Jobs and Family Service reported that all federal revenue received was expended and did not reconcile it back to the monthly reports that they submitted to the Ohio Department of Jobs and Family Service. The County's departmental federal schedules required extensive revision in order to present the accompanying Schedule of Federal Awards Expenditures accurately for 2000.

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

**DARKE COUNTY
FINANCIAL CONDITION**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2000**

Finding Number	Planned Corrective Action Finding	Anticipated Completion Date	Responsible Contract Person
2000-61319-001	County is in the process of collecting the money from the former employee.	August 1, 2001	County Prosecutor - Richard Howell
2000-60319-002	County is in the process of assigning special codes to specifically identify federal revenue. Process should be in place for the year ended December 31, 2002.	Fiscal Year 2002	County Auditor - Janice Anderson



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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
AUGUST 9, 2001