



Dave Yost • Auditor of State

**FINANCIAL CONDITION
DARKE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government wide Financial Statements:	
Statement of Net Assets – Modified Cash Basis- December 31, 2011	11
Statement of Activities – Modified Cash Basis- For the Year Ended December 31, 2011	12
Fund Financial Statements:	
Governmental Funds:	
Statement of Modified Cash Basis Assets and Fund Balances – Governmental Funds - As of December 31, 2011	14
Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances – Governmental Funds– For the Year Ended December 31, 2011	15
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund- For the Year Ended December 31, 2011	16
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Auto License and Gas Tax Fund- For the Year Ended December 31, 2011	17
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – BODD Fund- For the Year Ended December 31, 2011	18
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – Job and Family Services Fund- For the Year Ended December 31, 2011	19
Proprietary Funds:	
Statement of Fund Net Assets – Modified Cash Basis – Enterprise Funds- As of December 31, 2011	20
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Modified Cash Basis – Enterprise Funds- As of December 31, 2011	21
Statement of Cash Flows – Enterprise Funds- For the Year Ended December 31, 2011.....	22
Statement of Fiduciary Net Assets – Modified Cash Basis – Agency Funds- As of December 31, 2011	23

**FINANCIAL CONDITION
DARKE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Notes to the Basic Financial Statements	25
Schedule of Federal Awards Expenditures – For the Year Ended December 31, 2011	47
Notes to the Schedule of Federal Awards Expenditures – For the Year Ended December 31, 2011.....	51
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	53
Independent Accountants' Report on Compliance with Requirements Applicable to Each Program and on Internal Control Over Compliance Required by OMB Circular A-133	55
Schedule of Findings OMB Circular A-133	57
Schedule of Prior Audit Findings.....	65
Corrective Action Plan.....	66



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Elected Officials:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Darke County, Ohio (the County), as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Darke County, Ohio, as of December 31, 2011, and the respective changes in modified cash financial position and where applicable cash flows, thereof and the budgetary comparison for the General, Auto License and Gas Tax, BODD, and Job and Family Services funds thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3 for the year ended December 31, 2011, the County adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2012, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the County's financial statements taken as a whole. Management's Discussion & Analysis includes table of net assets, changes in net assets, governmental activities and long-term debt. The federal awards expenditure schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and Schedule are management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

August 3, 2012

**FINANCIAL CONDITION
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

This discussion and analysis of the Darke County (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2011 within the limitations of the County's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the County's financial performance.

FINANCIAL HIGHLIGHTS

Key highlights for 2011 are as follows:

- Total net assets of governmental activities were \$17,688,818. Net assets of governmental activities increased \$944,992, which is about 6 percent.
- General governmental receipts accounted for \$14,919,464 or 40% of all receipts. Program specific receipts in the form of charges for services and grants and contributions accounted for \$22,580,680 or 60% of all receipts of governmental activities of \$37,500,144.
- The County had \$36,573,146 in cash disbursements related to governmental activities; only \$22,580,680 of these disbursements were offset by program specific charges for services, grants or contributions.
- Among major funds, the General Fund had \$13,545,482 in receipts and \$13,098,801 in disbursements. The General Fund's fund balance increased \$446,681, or approximately 15% to a balance of \$3,339,791.
- Net assets for the enterprise funds decreased \$7,656, or 1 percent.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

**FINANCIAL CONDITION
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

Basis of Accounting

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

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

Reporting the County as a Whole

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

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

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

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

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

Fund Financial Statements

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

**FINANCIAL CONDITION
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

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

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

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Table 1 provides a summary of the County's net assets for 2011 compared to 2010 on a modified cash basis:

**Table 1
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	FY 11	FY 10	FY 11	FY 10	FY 11	FY 10
Assets:						
Cash and Investments	\$17,688,818	\$16,743,826	\$659,410	\$667,066	\$18,348,228	\$17,410,892
Total Assets	<u>17,688,818</u>	<u>16,743,826</u>	<u>659,410</u>	<u>667,066</u>	<u>18,348,228</u>	<u>17,410,892</u>
Net Assets						
Restricted for:						
Other Purposes	13,168,376	12,722,234			13,168,376	12,722,234
Capital Outlay	493,465	417,681			493,465	417,681
Unrestricted	<u>4,026,977</u>	<u>3,603,911</u>	<u>659,410</u>	<u>667,066</u>	<u>4,686,387</u>	<u>4,270,977</u>
Total Net Assets	<u>\$17,688,818</u>	<u>\$16,743,826</u>	<u>\$659,410</u>	<u>\$667,066</u>	<u>\$18,348,228</u>	<u>\$17,410,892</u>

Total net assets of governmental activities increased \$944,992. Net assets restricted for other purposes increased due to the cumulative increase in fund balance of the BODD fund and several other non-major funds. Unrestricted net assets increased due mostly to the increase in fund balance of the general fund that resulted from an increase in sales tax receipts.

Net assets of business-type activities decreased \$7,656, or 1 percent.

Table 2 reflects the changes in net assets in 2011, as well as a comparison to the changes in net assets during 2010.

**FINANCIAL CONDITION
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

**Table 2
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Receipts:						
Program Receipts:						
Charges for Services	\$ 7,562,072	\$ 7,301,676	\$466,058	\$346,221	\$ 8,028,130	\$ 7,647,897
Operating Grants, Contributions and Interest	15,011,029	16,220,118			15,011,029	16,220,118
Capital Grants and Contributions	7,579	509,677			7,579	509,677
Total Program Receipts	22,580,680	24,031,471	466,058	346,221	23,046,738	24,377,692
General Receipts:						
Property Taxes	4,927,892	4,977,683			4,927,892	4,977,683
Sales Taxes	6,761,750	6,276,242			6,761,750	6,276,242
Grants and Entitlements	1,809,710	2,074,917			1,809,710	2,074,917
Interest	201,737	305,434		1,768	201,737	307,202
Other	485,939	509,881	4,622	3,090	490,561	512,970
Proceeds and Premium on Debt Issue	732,436	6,783,326			732,436	6,783,327
Total General Receipts	14,919,464	20,927,483	4,622	4,858	14,924,086	20,932,341
Total Receipts	37,500,144	44,958,954	470,680	351,079	37,970,824	45,310,033
Disbursements:						
General Government:						
Legislative and Executive	4,496,947	4,429,499			4,496,947	4,429,499
Judicial	3,179,131	3,334,720			3,179,131	3,334,720
Public Safety	5,416,578	5,196,845			5,416,578	5,196,845
Public Works	5,717,227	5,433,848			5,717,227	5,433,848
Health	396,926	398,483			396,926	398,483
Human Services	13,617,516	14,243,830			13,617,516	14,243,830
Economic Development and Assistance	1,559,021	2,229,269			1,559,021	2,229,269
Intergovernmental	269,827	293,610			269,827	293,610
Capital Outlay	533,556	1,001,931			533,556	1,001,931
Debt Service:						
Principal Retirement	1,074,438	7,092,419			1,074,438	7,092,419
Interest and Fiscal Charges	311,979	465,778			311,979	465,778
Sewer			143,102	150,740	143,102	150,740
Solid Waste			317,240	290,509	317,240	290,509
Adult Daycare				10,802		10,802
Total Disbursements	36,573,146	44,120,232	460,342	452,051	37,033,488	44,572,283
Increase(Decrease) in Net Assets Before Transfers	926,998	838,722	10,338	(100,972)	937,336	737,750
Transfers	17,994	27,464	(17,994)	(27,464)		
Increase (Decrease) in Net Assets	944,992	866,186	(7,656)	(128,436)	937,336	737,750
Beginning Net Assets	16,743,826	15,877,640	667,066	795,502	17,410,892	16,673,142
Ending Net Assets	\$17,688,818	\$16,743,826	\$659,410	\$667,066	\$18,348,228	\$17,410,892

**FINANCIAL CONDITION
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

Governmental Activities

Net assets of the County's governmental activities increased \$944,992, which is about 6 percent.

The following table shows total receipts by source for 2011:

<u>Revenue Sources</u>	<u>2011</u>	<u>Percent of Total</u>
Unrestricted grants and entitlements	\$ 1,809,710	4.83%
Program Revenues	22,580,680	60.22%
General Tax Revenues	11,689,642	31.17%
General Other	687,676	1.83%
Proceeds of Notes	732,436	1.95%
Total Revenue	<u>\$37,500,144</u>	<u>100.00%</u>

Tax receipts accounted for \$11,689,642 of the \$37,500,144 in total receipts for governmental activities. Sales tax accounted for \$6,761,750, or approximately 58 percent of the total tax receipts, with property taxes making up the other 42 percent.

The program revenues are made up of \$7,562,072 in direct charges to users of governmental services and \$15,018,608 in grants and contributions restricted to specific programs.

Operating grants, contributions and interest decreased due to the Neighborhood Development Grants and the Osgood and Northstar Sewer Grants coming to an end in 2011. Capital grants decreased from 2011 because in 2010 the County received a Federal Aviation Administration Grant for rehabilitation of the airport runway and also a CAD grant. Interest receipts decreased due to lower interest rates. Sales taxes increased for 2011, due to an improvement of the economy.

The proceeds of notes of \$732,436, is not new debt for the County. The County rolled over the Wagner Avenue Government Center notes during 2011. The principal amount of the old debt was paid and new notes were issued. The County's debt obligations are discussed in the debt section of this management's discussion and analysis and also in Note 12 to the financial statements.

Human Services disbursements accounted for the largest share of disbursements at approximately 37 percent of total cash disbursements for 2011. Public works expenditures were about 16 percent of expenditures and public safety expenditures were about 15 percent of disbursements. General government legislative and executive disbursements accounted for 12 percent of disbursements and General government judicial disbursements were about 9 percent of disbursements. Economic development and assistance disbursements decreased because of an increase in these expenditures in 2010 due to the Osgood and Northstar Sewer projects.

Business-Type Activities

Net assets of business-type activities decreased by \$7,656 during 2011. Charges for services were the largest source of receipts, accounting for 99 percent of total business-type activities receipts. The other 1 percent was miscellaneous receipts.

**FINANCIAL CONDITION
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

Statement of Activities

If you look at the Statement of Activities on page 12, you will see that the first column lists the major programs of the County. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify, in general, the source of the receipts. The amounts are either paid by people who are directly charged for the service or grants and contributions received by the County that must be used to provide a specific service. A comparison between the total cost of services and the net cost is presented in Table 3. That is, it identifies the cost of these services supported by taxes, unrestricted State entitlements and investment earnings. A comparison to the same information for 2010 is shown.

Table 3

	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Current:				
General Government:				
Legislative and Executive	\$ 4,496,947	\$ 1,662,179	\$ 4,429,499	\$ 1,632,271
Judicial	3,179,131	1,369,717	3,334,720	1,332,326
Public Safety	5,416,578	4,806,598	5,196,845	4,601,600
Public Works	5,717,227	(29,450)	5,433,848	(17,164)
Health	396,926	204,710	398,483	198,902
Human Services	13,617,516	3,995,724	14,243,830	3,961,772
Economic Development and Assistance	1,559,021	(100,069)	2,229,269	132,489
Intergovernmental	269,827	269,827	293,610	293,610
Capital Outlay	533,556	426,813	1,001,931	394,758
Debt Service:				
Principal Retirement	1,074,438	1,074,438	7,092,419	7,092,419
Interest and Fiscal Charges	311,979	311,979	465,778	465,778
Total Expenses	\$36,573,146	\$13,992,466	\$44,120,232	\$20,088,761

Charges for services, operating grants and capital grants of about 60 percent of total cash receipts were received and used to fund the expenses of the County. The remaining 40 percent of cash receipts were from taxes, unrestricted State entitlements, investment earnings and miscellaneous receipts. The County relies on these receipts to furnish the services it provides to residents.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Information about the County's major governmental funds begins on page 14. All governmental funds had total receipts of \$40,037,160 and total disbursements of \$39,092,168. The General Fund is the chief operating fund of the County. At the end of 2011, the fund balance of the general fund was \$3,339,791. The General Fund balance increased \$446,681 or 15 percent due to the strict monitoring and reduction of expenditures during 2011.

The Auto License and Gas Tax Fund balance increased \$47,818, which is less than 1 percent. The BODD Fund balance increased \$143,094, or about 4 percent. The Job and Family Services Fund balance decreased \$30,337, or 14 percent due to timing of receipts and disbursements of the fund. The non-major governmental funds had an increase in fund balance of \$337,736.

Information about the County's enterprise funds begins on page 20. The enterprise funds reported an operating income of \$10,338 for 2011 and a decrease in net assets of \$7,656.

**FINANCIAL CONDITION
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

Budgeting Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of receipts, disbursements and encumbrances. The County's budget is adopted on a line item basis. The Board of County Commissioners adopts the budget at the department level within each fund of the County. The purchase orders left open and carried over from the prior fiscal year become part of the appropriations for the current year. For 2011, the General Fund had original appropriations of \$14,879,693 and final appropriations of \$14,971,912.

On the budgetary basis, actual expenditures reported include outstanding purchase orders at year-end. Actual expenditures plus year-end encumbrances were \$12,748,938 for 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

Debt

At December 31, 2011, Darke County had \$6,845,656 in governmental debt outstanding.

**Table 4
Outstanding Debt at Year End**

	Governmental Activities	
	2011	2010
General Obligation Bonds	\$5,870,000	\$6,090,000
Long-Term TIF Notes	243,656	366,094
Bond Anticipation Notes	732,000	732,000
Totals	<u>\$6,845,656</u>	<u>\$7,188,094</u>

See Note12 of the notes to the basic financial statements for more detailed information.

CURRENT FINANCIAL ISSUES AND CONCERNS

The economic downturn that the County has recently experienced certainly had an impact on all levels of state and local government. The County's budget for the General Fund in 2012 is very conservative. Total revenues are projected to be almost 2.90% less than what was actually received in 2011. Included in this percentage is the ¼% sales tax that was previously under capital projects, but is now being paid into the General Fund. At this time the County Treasurer expects there to be a decrease in the investment earnings for 2012 due to continued low interest rates.

This conservative budget is a reflection of a volatile economic climate.

In 2011, the City of Greenville and Darke County earned a ranking of 21st out of the top 100 micropolitans in the entire United States from Site Selection Magazine. This ranking was based on areas showing large corporate expansions and new business in an area in a given year with a city population between 10,000 – 50,000.

**FINANCIAL CONDITION
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED
(Continued)**

Among the numerous expansions in Darke County, Whirlpool Corporation added a new product line in 2011. With this \$2.2 million project, the company was able to create 50 new jobs in Darke County and retain 636 jobs.

Integrity Ambulance broke ground in July on their new \$1.9 million corporate headquarters in Greenville. This project helped create 18 new jobs and retain 32 jobs. This project also included the creation of a new 25.5 acre mixed use commercial business park.

Finally, Continental Carbonic completed the construction of its new \$13.8 million dry ice manufacturing plant. The new plant is approximately 50,000 square feet and is expected to create 72 new jobs.

REQUESTS FOR INFORMATION

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

**FINANCIAL CONDITION
DARKE COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$17,102,596	\$659,410	\$17,762,006
Cash and Cash Equivalents in Segregated Accounts	341,137		341,137
Cash and Cash Equivalents with Fiscal Agents	235,085		235,085
Investments in Segregated Accounts	10,000		10,000
Total Assets	<u>17,688,818</u>	<u>659,410</u>	<u>18,348,228</u>
Net Assets:			
Restricted for:			
Capital Outlay	493,465		493,465
Other Purposes	13,168,376		13,168,376
Unrestricted	4,026,977	659,410	4,686,387
Total Net Assets	<u>\$17,688,818</u>	<u>\$659,410</u>	<u>\$18,348,228</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
DARKE COUNTY**

**STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government:				
Legislative and Executive	\$4,496,947	\$2,624,320	\$210,448	
Judicial	3,179,131	1,296,041	513,373	
Public Safety	5,416,578	375,888	234,092	
Public Works	5,717,227	608,541	5,138,136	
Health	396,926	191,659	557	
Human Services	13,617,516	2,181,202	7,440,590	
Economic Development and Assistance	1,559,021	185,257	1,473,833	
Intergovernmental	269,827			
Capital Outlay	533,556	99,164		\$7,579
Debt Service:				
Principal Retirements	1,074,438			
Interest and Fiscal Charges	311,979			
Total Governmental Activities	36,573,146	7,562,072	15,011,029	7,579
Business-Type Activities:				
Rolling Acres Sewer District #1	143,102	241,044		
Solid Waste	317,240	225,014		
Total Business-Type Activities	460,342	466,058		
Totals	\$37,033,488	\$8,028,130	\$15,011,029	\$7,579

General Revenues:

Property Taxes levied for:

General Purposes

Other Purposes

Sales Taxes

Grants and Entitlements not Restricted to Specific Programs

Unrestricted Investment Earnings

Payments in Lieu of Taxes

Proceeds of Notes

Premium on Sale of Notes and Bonds

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$1,662,179)		(\$1,662,178)
(1,369,717)		(1,369,717)
(4,806,598)		(4,806,598)
29,450		29,450
(204,710)		(204,710)
(3,995,724)		(3,995,724)
100,069		100,069
(269,827)		(269,827)
(426,813)		(426,813)
(1,074,438)		(1,074,438)
(311,979)		(311,979)
<u>(13,992,466)</u>		<u>(13,992,465)</u>
	\$97,942	97,942
	<u>(92,226)</u>	<u>(92,226)</u>
	5,716	5,716
<u>(13,992,466)</u>	<u>5,716</u>	<u>(13,986,749)</u>
2,473,342		2,473,342
2,454,550		2,454,550
6,761,750		6,761,750
1,809,710		1,809,710
201,737		201,737
158,888		158,888
732,000		732,000
436		436
327,051	4,622	331,673
17,994	<u>(17,994)</u>	<u>(1)</u>
<u>14,937,458</u>	<u>(13,372)</u>	<u>14,924,085</u>
944,992	(7,656)	937,336
<u>16,743,826</u>	<u>667,066</u>	<u>17,410,892</u>
<u>\$17,688,818</u>	<u>\$659,410</u>	<u>\$18,348,228</u>

**FINANCIAL CONDITION
DARKE COUNTY**

**STATEMENT OF MODIFIED CASH BASIS AND FUND BALANCES
GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2011**

	General	Auto License and Gas Tax	BODD	Job and Family Services	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$3,054,229	\$5,393,217	\$3,402,064	\$191,964	\$5,061,122	\$17,102,596
Cash and Cash Equivalents in Segregated Accounts	235,141				55,575	290,716
Cash and Cash Equivalents with Fiscal Agents			235,085			235,085
Investments in Segregated Accounts	50,421				10,000	60,421
Total Assets	<u>3,339,791</u>	<u>5,393,217</u>	<u>3,637,149</u>	<u>191,964</u>	<u>5,126,697</u>	<u>17,688,818</u>
Fund Balances:						
Non-spendable			67,953			67,953
Restricted		5,393,217	3,569,196	191,964	4,439,511	13,593,888
Committed					342,712	342,712
Assigned	49,540				344,474	394,014
Unassigned	3,290,251					3,290,251
Total Fund Balances	<u>\$3,339,791</u>	<u>\$5,393,217</u>	<u>\$3,637,149</u>	<u>\$191,964</u>	<u>\$5,126,697</u>	<u>\$17,688,818</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Auto License and Gas Tax	BODD	Job and Family Services	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$2,473,342		\$2,454,550			\$4,927,892
Sales Taxes	6,761,750					6,761,750
Intergovernmental	1,353,614	\$4,600,530	2,869,476	\$3,199,320	\$4,469,498	16,492,438
Charges for Services	1,638,912	350,707	445,218	779,882	2,760,943	5,975,662
Licenses and Permits	73,414				184,998	258,412
Fines and Forfeitures	368,081				152,986	521,067
Special Assessments					270,765	270,765
Interest	201,737	70,951	375	263	1,404	274,730
Payments in Lieu of Taxes	158,888					158,888
Other	313,687	195,949	71,727	125,083	280,257	986,703
Total Revenues	13,343,425	5,218,137	5,841,346	4,104,548	8,120,851	36,628,307
Expenditures:						
Current:						
General Government:						
Legislative and Executive	3,716,018				780,929	4,496,947
Judicial	1,918,231				1,260,900	3,179,131
Public Safety	5,110,319				306,259	5,416,578
Public Works	31,585	5,176,241			509,401	5,717,227
Health	216,532				180,394	396,926
Human Services	358,776		5,673,252	4,238,544	3,346,944	13,617,516
Economic Development					1,559,021	1,559,021
Intergovernmental	269,827					269,827
Capital Outlay					533,556	533,556
Debt Service:						
Principal Retirements					1,074,438	1,074,438
Interest and Fiscal Charges					311,979	311,979
Total Expenditures	11,621,288	5,176,241	5,673,252	4,238,544	9,863,821	36,573,146
Excess of Revenues Over (Under) Expenditures	1,722,137	41,896	168,094	(133,996)	(1,742,970)	55,161
Other Financing Sources and Uses:						
Proceeds from Sale of Capital Assets	120,100	19,301				139,401
Proceeds from Sale of Notes					732,000	732,000
Premium on Sale of Notes					436	436
Advances In	74,655	199,000			422,104	695,759
Advances Out	(223,105)	(199,000)			(273,654)	(695,759)
Transfers In	7,302	5,797		103,659	1,724,499	1,841,257
Transfers Out	(1,254,408)	(19,176)	(25,000)		(524,679)	(1,823,263)
Total Other Financing Sources and Uses	(1,275,456)	5,922	(25,000)	103,659	2,080,706	889,831
Net Change in Fund Balance	446,681	47,818	143,094	(30,337)	337,736	944,992
Fund Balance Beginning of Year - Restated (Note 3)	2,893,110	5,345,399	3,494,055	222,301	4,788,961	16,743,826
Fund Balance End of Year	<u>\$3,339,791</u>	<u>\$5,393,217</u>	<u>\$3,637,149</u>	<u>\$191,964</u>	<u>\$5,126,697</u>	<u>\$17,688,818</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
DARKE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
OR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and Other Taxes	\$2,433,000	\$2,433,000	\$2,473,342	\$40,342
Permissive Sales Tax	6,250,000	6,693,436	6,761,750	68,314
Intergovernmental	1,109,146	1,109,146	1,353,614	244,468
Charges for Services	1,521,484	1,531,548	1,344,341	(187,207)
Licenses and Permits	66,100	72,262	73,414	1,152
Fines and Forfeitures	403,000	403,000	368,081	(34,919)
Interest	137,975	137,975	202,724	64,749
Payments in Lieu of Taxes	173,212	173,212	158,888	(14,324)
Other	176,164	236,403	127,917	(108,486)
Total Revenues	<u>12,270,081</u>	<u>12,789,982</u>	<u>12,864,071</u>	<u>74,089</u>
Expenditures:				
Current:				
General Government:				
Legislative and Executive	5,168,457	5,136,502	3,527,418	1,609,084
Judicial	2,070,561	2,070,561	1,919,997	150,564
Public Safety	5,079,698	5,136,741	4,944,409	192,332
Public Works	36,625	36,625	31,585	5,040
Health	234,343	234,343	219,212	15,131
Human Services	491,105	491,105	358,976	132,129
Intergovernmental	263,439	270,827	269,827	1,000
Total Expenditures	<u>13,344,228</u>	<u>13,376,704</u>	<u>11,271,424</u>	<u>2,105,280</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,074,147)</u>	<u>(586,722)</u>	<u>1,592,647</u>	<u>2,179,369</u>
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	114,000	114,000	120,100	6,100
Advances In	144,606	154,532	74,655	(79,877)
Advances Out	(94,018)	(227,329)	(223,105)	4,224
Transfers In	7,612	7,612	7,302	(310)
Transfers Out	(1,441,447)	(1,367,879)	(1,254,409)	113,470
Total Other Financing Sources (Uses)	<u>(1,269,247)</u>	<u>(1,319,064)</u>	<u>(1,275,457)</u>	<u>43,607</u>
Net Change in Fund Balance	(2,343,394)	(1,905,786)	317,190	2,222,976
Fund Balance Beginning of Year	2,192,095	2,192,095	2,192,095	
Prior Year Encumbrances Appropriated	<u>87,180</u>	<u>87,180</u>	<u>87,180</u>	
Fund Balance End of Year	<u>(\$64,119)</u>	<u>\$373,489</u>	<u>\$2,596,465</u>	<u>\$2,222,976</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
DARKE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS AND ACTUAL
AUTO LICENSE AND GAS TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$4,350,000	\$4,600,530	\$4,600,530	
Charges for Services	245,000	349,053	349,053	
Interest	120,000	70,951	70,951	
Other	17,000	195,629	195,629	
Total Revenues	<u>4,732,000</u>	<u>5,216,163</u>	<u>5,216,163</u>	
Expenditures				
Current:				
Public Works	<u>6,876,498</u>	<u>6,811,498</u>	<u>5,176,241</u>	<u>\$1,635,257</u>
Excess of Revenues Under Expenditures	<u>(2,144,498)</u>	<u>(1,595,335)</u>	<u>39,922</u>	<u>1,635,257</u>
Other Financing Sources:				
Proceeds from Sale of Capital Assets	10,000	19,301	19,301	
Transfers In	150,000	5,797	5,797	
Advances In	(10,000)	199,000	199,000	
Advances Out	(150,000)	(26,000)	(199,000)	(173,000)
Transfers Out		(199,000)	(19,176)	179,824
Total Other Financing Sources (Uses)	<u></u>	<u>(902)</u>	<u>5,922</u>	<u>6,824</u>
Net Change in Fund Balance	(2,144,498)	(1,596,237)	45,844	1,642,081
Fund Balance at Beginning of Year	5,314,646	5,314,646	5,314,646	
Prior Year Encumbrances Appropriated	<u>30,750</u>	<u>30,750</u>	<u>30,750</u>	
Fund Balance at End of Year	<u>\$3,200,898</u>	<u>\$3,749,159</u>	<u>\$5,391,240</u>	<u>\$1,642,081</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
DARKE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
BODD FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and Other Taxes	\$2,356,000	\$2,454,550	\$2,454,550	
Intergovernmental	2,565,211	2,440,556	2,440,556	
Charges for Services	450,080	448,173	448,173	
Other	5,500	91,739	91,739	
Total Revenues	<u>5,376,791</u>	<u>5,435,018</u>	<u>5,435,018</u>	
Expenditures:				
Current:				
Human Services	<u>5,566,288</u>	<u>5,758,569</u>	<u>5,171,281</u>	<u>\$587,288</u>
Excess of Revenues Over (Under) Expenditures	<u>(189,497)</u>	<u>(323,551)</u>	<u>263,737</u>	<u>587,288</u>
Other Financing Sources (Uses):				
Transfers - Out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(25,000)</u>	
Net Change in Fund Balance	(214,497)	(348,551)	238,737	587,288
Fund Balance at Beginning of Year	2,472,499	2,472,499	2,472,499	
Prior Year Encumbrances Appropriated	<u>82,488</u>	<u>82,488</u>	<u>82,488</u>	
Fund Balance at End of Year	<u><u>\$2,340,490</u></u>	<u><u>\$2,206,436</u></u>	<u><u>\$2,793,724</u></u>	<u><u>\$587,288</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
DARKE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
JOB AND FAMILY SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental	\$2,619,316	\$2,833,784	\$2,833,784	
Charges for Services	727,000	780,972	780,972	
Other	114,000	125,083	125,083	
Total Revenues	<u>3,460,316</u>	<u>3,739,839</u>	<u>3,739,839</u>	
Expenditures:				
Current:				
Human Services	<u>3,666,389</u>	<u>3,993,253</u>	<u>3,845,299</u>	<u>\$147,954</u>
Excess of Revenues Under Expenditures	(206,073)	(253,414)	(105,460)	147,954
Other Financing Source				
Transfers - In	<u>103,659</u>	<u>103,659</u>	<u>103,659</u>	
Net Change in Fund Balance	(102,414)	(149,755)	(1,801)	147,954
Fund Balance at Beginning of Year	<u>149,310</u>	<u>149,310</u>	<u>149,310</u>	
Prior Year Encumbrances Appropriated	<u>445</u>	<u>445</u>	<u>445</u>	
Fund Balance at End of Year	<u><u>\$47,341</u></u>	<u><u>\$0</u></u>	<u><u>\$147,954</u></u>	<u><u>\$147,954</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
DARKE COUNTY**

**STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
ENTERPRISE FUNDS
AsS OF DECEMBER 31, 2011**

	<u>Enterprise Funds</u>
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$659,410</u>
Net Assets:	
Unrestricted	<u>\$659,410</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
DARKE COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
MODIFIED CASH BASIS
ENTERPRISE FUNDS
DECEMBER 31, 2011**

	<u>Total</u>
Operating Revenues:	
Charges for Services	\$466,058
Other	4,622
Total Operating Revenues	<u>470,680</u>
Operating Expenses:	
Personal Services	101,607
Contractual Services	253,534
Materials and Supplies	38,888
Capital Outlay	38,460
Other	27,853
Total Operating Expenses	<u>460,342</u>
Operating Income	<u>10,338</u>
Transfers In	236
Transfers Out	<u>(18,230)</u>
Change in Net Assets	(7,656)
Net Assets Beginning of Year	<u>667,066</u>
Net Assets End of Year	<u><u>\$659,410</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
DARKE COUNTY**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Enterprise</u>
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities	
Cash Received from Customers and Support	\$466,058
Cash Received from Other Operating Receipts	4,622
Cash Payments for Employee Services and Benefits	(101,607)
Cash Payments to Suppliers	(330,882)
Cash Payments for Other Operating Expenses	(27,853)
Net Cash Provided by Operating Activities	<u>10,338</u>
Cash Flows from Noncapital Financing Activities	
Transfers - In	236
Transfers - Out	(18,230)
Net Cash Used in Noncapital Financing Activities	<u>(17,994)</u>
Net Decrease in Cash and Cash Equivalents	(7,656)
Cash and Cash Equivalents Beginning of Year	<u>667,066</u>
Cash and Cash Equivalents End of Year	<u><u>\$659,410</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
DARKE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
MODIFIED CASH BASIS
AGENCY FUNDS
DECEMBER 31, 2011**

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$2,600,213
Cash and Cash Equivalents in Segregated Accounts	282,828
Investments in Segregated Accounts	<u>75,000</u>
Total Assets	<u><u>\$2,958,041</u></u>
Liabilities:	
Undistributed Monies	<u>\$2,958,041</u>
Total Liabilities	<u><u>\$2,958,041</u></u>

See accompanying notes to the basic financial statements.

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**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

1. DESCRIPTION OF THE COUNTY AND REPORTING ENTITY

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

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

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the County. For Darke County, this includes the Children's Services Board, the Board of Developmental Disabilities, the Child Support Enforcement Agency, the Community Corrections Planning Board, County Home, the Darke County Veterans Services, the Emergency Management Agency, and all departments and activities that are directly operated by the elected County Officials. The County owns and operates a wastewater treatment and collection system, which is reported as an enterprise fund. In addition, Darke County (the primary government) has one component unit, Wayne Industries, which was determined to be not material to the financial statements.

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

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

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

Wayne Industries

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

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

- Darke County General Health District
- Darke County Soil Conservation District
- Darke County Park District
- Darke County Family and Children First Council

The County is associated with certain organizations which are defined as Insurance Purchasing Pools and Jointly Governed Organizations. The organizations are discussed in Notes 14 and 15 to the basic financial statements. These organizations are:

Insurance Purchasing Pools:

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

Jointly Governed Organizations:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the year, and non-budgeted activity of some of the departments off-book cash accounts. Differences between receipts reported in the fund and entity wide statements versus budgetary receipts are due to unrecorded cash at the beginning and end of the year, and activity of West-Con on behalf of the Darke County Board of Developmental Disabilities (BODD). Perspective differences arise from the activity of some funds being included with the General Fund on the modified cash basis because those funds do not meet the requirements to be presented as a separate fund, and from the activity of some funds being combined with the BODD fund and the Job and Family Services Fund because they are so closely tied to the activity of those funds. These funds are not presented on the budget basis because the budget basis only presents the legally adopted budget for the given fund.

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

Net Change in Fund Balance				
	General	Auto License and Gas	BODD	Job and Family Services
Modified Cash Basis	\$446,681	\$47,818	\$143,094	(\$30,337)
Unrecorded Cash on Hand	781	(1,974)	2,955	1,906
Non-Budgeted Activity	28,517		163,183	
Encumbrances	(48,440)		(80,836)	
Difference in Perspective	(110,349)		10,341	26,630
Budget Basis	\$317,190	\$45,844	\$238,737	(\$ 1,801)

A. Basis of Presentation - Fund Accounting

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

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

1. Governmental Fund Types

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

General Fund - The General Fund is the chief operating fund of County and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

2. Proprietary Funds:

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

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

3. Fiduciary Funds:

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

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

B. Basis of Presentation

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

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

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

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

2. Fund Financial Statements:

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

C. Cash, Cash Equivalents and Investments

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

The County values investments and cash equivalents at cost. During 2011, the County invested in non-negotiable certificates of deposit.

Following Ohio statutes, the Board of Commissioners has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during 2011 was \$201,737 including \$168,796 assigned from other County funds.

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

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Inventory

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

E. Prepaid Items

On the modified cash-basis of accounting, payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as disbursements when made.

F. Capital Assets

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

G. Compensated Absences

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

H. Long-term Obligations

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

I. Fund Balance

Fund balance is reported as non-spendable when it is not in spendable form.

Fund balance is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The County first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted fund balance is available.

Fund balance is reported as committed when the Board of County Commissioners has placed constraints on the use of resources by resolution.

Fund balance is reported as assigned when the Auditor has encumbered or otherwise set aside resources not already committed to be used for a specific purpose.

Unassigned fund balance represents resources not restricted, committed or assigned to a specific purpose.

The County applies committed resources first and then assigned resources when a disbursement is incurred for purposes which committed, assigned and unassigned fund balance is available.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Net Assets

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

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

K. Interfund Activity

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

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

L. Budgetary Data

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

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

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

M. Operating Revenues and Expenses

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

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCE

For the year ended December 31, 2011, the County has implemented GASB Stmt No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides clearer fund balance classifications that can be more consistently applied by establishing a hierarchy of fund balance classifications based on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. It also clarifies the existing governmental fund type definitions. As a result of implementing GASB Statement No. 54, some funds were reclassified from non-major funds to the General Fund. The fund balance of the general fund was restated \$254,838, from \$2,638,272 to \$2,893,110 at December 31, 2010, and the fund balance of the other governmental funds was restated \$254,838 at December 31, 2010, from \$5,043,799 to \$4,788,961, due to the reclassification of funds.

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the County into three categories.

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

Category 2 consists of "inactive" funds – those funds not required for use within the current five year period of designation of depositories. Inactive funds must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Interim deposits in eligible institutions applying for interim funds;
5. Bonds and other obligations of the State of Ohio;

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

At December 31, 2011, the County had \$537,989 in un-deposited cash on hand with the Treasurer and in various departments.

A. Deposits

At December 31, 2011, the book balance of the County's deposits was \$20,533,195 and the bank balance was \$21,990,072.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the County places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation. The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

The government does not have a deposit policy for custodial credit risk. As of December 31, 2011, \$7,189,599 of the government's bank balance of \$21,990,072 was exposed to custodial credit risk in that it was uninsured and collateralized with securities held by the pledging financial institution's trust department but not in the County's name. Although the State statutory requirement for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

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

	Primary Government	
	Cash and Cash	
	Equivalents/Deposits	Investments
GASB Statement No. 9	\$21,170,848	\$135,421
Cash on Hand	(537,989)	
Cash with Fiscal Agents	(235,085)	
Certificates of Deposit	135,421	(135,421)
GASB Statement No. 3	\$20,533,195	\$ 0

5. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the County. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after October 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property must be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 2011. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2010, were levied after April 1, 2010, and are collected in 2011 with real property taxes. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility real property is assessed at thirty-five percent of true value. Public utility property taxes are payable on the same dates as real property as described previously.

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

The full tax rate for all County operations for the year ended December 31, 2011, was \$6.30 per \$1,000 of assessed value. The assessed value upon which 2011 property tax receipts were based are as follows:

Category	Assessed Value	Percent
Real Property	\$935,089,280	95.63
Public Utility Property	42,721,030	4.37
Total Assessed Value	\$977,810,310	100.00%

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

6. PERMISSIVE SALES AND USE TAX

The County Commissioners, by resolution, imposed a 1.5 percent tax on all retail sales, except sales of motor vehicles, made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles, not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The Ohio Department of Taxation then has five days in which to draw the warrant payable to the County. Sales and use tax receipts in 2011 amounted to \$6,761,750 in the General Fund.

7. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables are not presented on the face of the financial statements. At December 31, 2011, the following receivables and payables existed between funds of the County:

Fund	Receivable	Payable
Governmental Funds:		
General Fund	\$207,884	\$17,829
Other Governmental Funds	17,829	207,884
Total Governmental Funds	\$225,713	\$225,713

The interfund receivables and payables are the repayment of advances.

8. INTERFUND TRANSFERS

Transfers in and out during the year ended December 31, 2011, were as follows:

Fund	Transfer In	Transfer Out
Governmental Funds:		
General Fund	\$ 7,302	\$1,254,408
Auto License and Gas Tax Fund	5,797	19,176
Job and Family Services Fund	103,659	
BODD		25,000
Other Governmental Funds	1,724,499	524,679
Total Governmental Funds	1,841,257	1,823,263
Enterprise Funds:		
Solid Waste Fund	236	18,230
Totals	\$1,841,493	\$1,841,493

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

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

9. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

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

For the year ended December 31, 2011, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 10 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 11.0 percent of their annual covered salary.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.00% of covered payroll, and public safety and law enforcement employers contributed at 18.10%. The Ohio Revised Codes currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan. Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits, and the remainder is for pension benefits.

The County's contribution rate for pension benefits for 2011 was 10.00 percent of covered payroll except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 14.10 percent of covered payroll. The County's contribution rate for pension benefits for 2010 was 8.50 percent of covered payroll for January and February, and 9.00 percent for March through December, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contribution rate was 12.37 percent of covered payroll for January and February and 12.13 for March through December. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$1,419,257, \$1,283,082, \$1,173,646, which were equal to the required contributions for each year.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

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

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

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

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

For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations, the same portion that was used to fund pension obligations for 2010. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2011, 2010 and 2009 were \$6,284, \$6,253, and \$6,155, respectively; which were equal to the required contributions for each year.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

10. POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

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

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

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

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

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2011, the employer contribution allocated to the health care plan for members in the traditional plan was 4.00% of covered payroll. The employer contribution allocated to the health care plan for members in the combined plan was 6.05% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The County's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2011, 2010, and 2009 was \$567,703, \$731,491, and \$859,097, respectively, which equaled the required contributions.

B. State Teachers Retirement System of Ohio

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

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

All STRS Ohio benefit recipients who participated in the Defined Benefit or Combined Plans and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. The portion allocated to post-employment healthcare for the years ended June 30, 2011, 2010, and 2009 was 1% of covered payroll. For the County, this amount was \$483 for 2011, \$481 for 2010, and \$473 for 2009, which were equal to the required contributions for each of the fiscal years.

11. OTHER EMPLOYEE BENEFITS

A. Deferred Compensation Plans

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

B. Compensated Absences

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

12. DEBT

A. Short-Term Debt

At December 31, 2010, the County had a 4.05 % bond anticipation note outstanding in the amount of \$732,000 for the Wagner Avenue Government Center. During the year ended December 31, 2011, these notes were retired and new notes were issued. At December 31, 2011, the County has a 1.875 % bond anticipation note outstanding in the amount of \$732,000.

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

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

12. DEBT (Continued)

B. Long-Term Debt

Governmental Activities

Details of the changes in the governmental activities long-term debt for the year ended December 31, 2011 are indicated below:

	<u>Balance at 12/31/10</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at 12/31/11</u>	<u>Due Within One Year</u>
General Obligation Bonds Payable:					
2002 WAGC Improvement Bonds	\$3,280,000		\$130,000	\$3,150,000	\$135,000
2010 Various Purpose Bonds	2,810,000		90,000	2,720,000	90,000
Total General Obligation Bonds	<u>6,090,000</u>		<u>220,000</u>	<u>5,870,000</u>	<u>225,000</u>
Long-Term Notes Payable					
5.65 % Anderson Marathon TIF	309,778		96,003	213,775	51,459
4.43 % Timmerman TIF	56,316		26,435	29,881	15,000
Total Long-Term Notes Payable	<u>366,094</u>		<u>122,438</u>	<u>243,656</u>	<u>66,459</u>
Total Long-Term Obligations	<u>\$6,456,094</u>	<u>\$0</u>	<u>\$342,438</u>	<u>\$6,113,656</u>	<u>\$291,459</u>

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and un-voted 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, 2011, are an overall debt margin of \$16,343,258 and an un-voted debt margin of \$3,176,103.

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

Year	Governmental Activities							
	WAGC General Obligation Bonds		Various Purpose General Obligation Bonds		Anderson Marathon TIF		Timmerman TIF	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 135,000	\$ 151,292	\$ 90,000	\$ 103,271	\$ 51,459	\$12,112	\$15,000	\$1,160
2013	140,000	145,892	95,000	101,471	51,459	9,171	14,881	492
2014	150,000	140,082	95,000	99,571	51,459	6,263		
2015	155,000	133,632	95,000	97,671	51,459	3,356		
2016	160,000	126,812	95,000	95,772	7,939	450		
2017-2021	935,000	514,980	555,000	440,290				
2022-2026	1,195,000	261,514	660,000	320,160				
2027-2031	280,000	14,350	780,000	170,596				
2032-2036			220,000	25,206				
2037-2038			35,000	2,544				
Totals	<u>\$3,150,000</u>	<u>\$1,488,554</u>	<u>\$2,720,000</u>	<u>\$1,456,552</u>	<u>\$213,775</u>	<u>\$31,352</u>	<u>\$29,881</u>	<u>\$1,652</u>

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

13. FUND BALANCE

Fund balance of the governmental funds is classified as non-spendable, restricted, committed, assigned, and/or unassigned based on the constraints imposed on the use of the resources.

The constraints placed on fund balance for the major governmental funds and all other governmental funds at December 31, 2011 were as follows:

<u>Fund Balance</u>	<u>General</u>	<u>Auto License And Gas Tax</u>	<u>BODD</u>
Non-Spendable			
Gifts and Bequests			\$ 67,953
Restricted for:			
Roads and Bridges		\$5,393,217	
Ditch Maintenance			
Ditch Construction			
Job and Family Services			
Developmental Disabilities			3,569,196
Delinquent Real Estate Collection			
Real Estate Assessment			
Federal Aviation Grant			
Runway Rehabilitation			
Children's Services			
Child Support			
Court Operations			
Felony Delinquent Care and Custody			
Court Special Projects			
Sheriff			
EMA Operations			
Ditch Maintenance			
Dog and Kennel			
Help Me Grow Grant			
Community Development			
Sewer Grants			
Total Restricted		5,393,217	3,569,196
Committed to:			
Juvenile Center Operations			
County Home Operations			
Economic Development			
Government Complex Maintenance			
Total Committed			
Assigned for:			
Unpaid Obligations	\$ 49,540		
Capital Improvements			
BODD Capital Improvements			
Total Assigned	49,540		
Unassigned	3,290,251		
Total Fund Balance	\$3,339,791	\$5,393,217	\$3,637,149

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

13. FUND BALANCE (Continued)

Fund Balance	Job and Family Services	Other Governmental Funds	Total
Non-Spendable			
Gifts and Bequests			\$ 67,953
Restricted for:			
Roads and Bridges		\$ 178,183	5,571,400
Ditch Maintenance		328,259	328,259
Ditch Construction		493,169	493,169
Job and Family Services	\$191,964		191,964
Developmental Disabilities			3,569,196
Delinquent Real Estate Collection		158,623	158,623
Real Estate Assessment		899,528	899,528
Federal Aviation Grant		109,726	109,726
Runway Rehabilitation		309	309
Children's Services		122,393	122,393
Child Support		179,510	179,510
Court Operations		603,779	603,779
Felony Delinquent Care and Custody		207,616	207,616
Court Special Projects		430,025	430,025
Sheriff		216,492	216,492
EMA Operations		43,610	43,610
Dog and Kennel		106,812	106,812
Help Me Grow Grant		35,193	35,193
Community Development		298,268	298,268
Sewer Grants		28,016	28,016
Total Restricted	191,964	4,439,511	13,593,888
Committed to:			
Juvenile Center Operations		43,320	43,320
County Home Operations		208,962	208,962
Economic Development		12,853	12,853
Government Complex Maintenance		77,577	77,577
Total Committed		342,712	342,712
Assigned for:			
Unpaid Obligations			49,540
Capital Improvements		270,144	270,144
BODD Capital Improvements		74,330	74,330
Total Assigned		344,474	394,014
Unassigned			3,290,251
Total Fund Balance	\$191,964	\$5,126,697	\$17,688,818

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

14. RISK MANAGEMENT

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

Shared Risk Pools

A. County Risk Sharing Authority Incorporated

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

Coverages provided by CORSA are as follows:

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

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

The continued existence of CORSA is dependent upon the County's continued participation; however the County does not have an equity interest in CORSA. In 2011, the County contributed \$220,059. Complete financial statements can be obtained from the County Risk Sharing Authority, Inc. at 209 E. State Street, Columbus, Ohio 43215.

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

For 2011, the County participated in the County Commissioners' Association of Ohio Workers' Compensation Group Rating Program provided by the County Commissioners' Association of Ohio Service Corporation (CCAOSC), a workers' compensation insurance purchasing pool. The intent of the CCAOSC is to achieve lower workers' compensation rates while establishing safe working conditions and environments for the participants.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

14. RISK MANAGEMENT (Continued)

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

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

15. JOINTLY GOVERNED ORGANIZATIONS

A. Tri County Board of Recovery and Mental Health Services

The Tri County Board of Recovery and Mental Health Services (Tri County Mental Health Board) is a jointly governed organization among Shelby, Miami and Darke counties. The Tri County Mental Health Board provides leadership in planning for and supporting community-based alcohol, drug addiction and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting and advocating for the rights of persons as consumers of alcohol, drug addiction and mental health services. The ability to influence operations depends on the County's representation on the Board. The Board of Trustees consists of eighteen members: four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Shelby, Miami and Darke counties in the same proportion as the County's population bears to the total population of the three counties combined. During 2011, the County contributed \$502,108 by voted tax levy for the operations of the organization.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Miami Valley Regional Planning Commission

The Miami Valley Regional Planning Commission (the Commission) is a jointly governed organization between Preble, Clark, Clinton, Darke, Greene, Miami, and Montgomery Counties, the City of Dayton, and the City of Huber Heights. The Commission prepares plans, including studies, maps, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristic, functions and services of the region. These reports show recommendations for systems of transportation, highways, parks and recreational facilities, water supply, sewage disposal, garbage disposal, civic centers, and other public improvements, and land uses which affect the development of the region. The degree of control exercised by any participating government is limited to its representation on the Board. Members of the Board are as follows: the officers of the Commission (elected by member representatives), the immediate past Chair of the Commission, the Commission member representing the City of Dayton, the Commission member representing each of the representative member counties, the representatives selected by each county caucus, a nongovernmental member, and two at-large representatives. Payments to the Commission are made from the General Fund. The County contributed \$3,332 for the operation of the Commission during 2011.

C. West Central Ohio Network

The West Central Ohio Network (WestCon) is a jointly governed organization among Darke, Miami, Auglaize, Mercer, Logan, Shelby, Preble, Hardin and Union counties. WestCon was created to serve as an administrator and fiscal agent of Supported Living funds for the Boards of Developmental Disabilities (DODD Boards) of each of the participating counties. The degree of control exercised by any participating government is limited to its representation on the Board of Directors (the Board) of West Con. The Board consists of one delegate, who is the Superintendent, from each of the participating DODD Boards. Payments to WestCon are limited to the supported living funds of each participating county. During 2011, the County contributed \$35,264 to WestCon. Financial information can be obtained from Mike Halpin, Executive Director, 315 East Court Street, Sidney, Ohio 45365.

16. RELATED PARTY TRANSACTIONS

Wayne Industries has entered into a contractual agreement with the Darke County Board of Developmental Disabilities (BODD), whereby the BODD provides sheltered employment for mentally retarded or handicapped individuals in Darke County. The BODD provides the workshop with personnel necessary for the operation of the habilitation services to the client, land and buildings for the operation of the center, maintenance and repair of the buildings and professional staff to supervise and train clients of Wayne Industries. During 2011, the fair value of this support was \$157,340.

17. CONTINGENCIES

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

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

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

18. SUBSEQUENT EVENT

On January 10, 2012, the County issued \$3,580,000, 2.92%, general obligation bonds for the purposes of refunding the 2002 Wagner Avenue Government Center improvement general obligation bonds and replacing the roof at the Wagner Avenue Government Center facility.

On January 10, 2012, the County issued \$740,000, 4.57%, general obligation bonds for the purpose of refinancing the \$732,000 bond anticipation note.

**DARKE COUNTY
FINANCIAL CONDITION**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
(Passed through the Ohio Department of Job & Family Services)			
State Admin Match Grants for the Supplemental Nutrition Assistance Program	G-1011-11-5027 / G-1213-11-0027	10.561	\$278,891
Total U.S. Department of Agriculture			<u>278,891</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
(Passed through the Ohio Department of Development)			
CDBG State Administered Program Cluster:			
Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii	B-Z-08-1AR-1 B-W-09-1AR-3 B-C-09-1AR-1 B-F-09-1AR-1 B-F-10-1AR-1	14.228	131,015 479,664 45,658 363,708 65,317
Total Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii			<u>1,085,362</u>
ARRA - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii - Recovery Act	B-R-09-1AR-1 B-R-09-1AR-2	14.255	48,201 69,864
Total ARRA - Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii - Recovery Act			<u>118,065</u>
Total CDBG State Administered Program Cluster			<u>1,203,427</u>
Home Investment Partnership Program	B-C-09-1AR-2	14.239	138,425
Neighborhood Stabilization Program, Recovery Act	N-U-09-6AZX-1	14.256	94,661
Total U.S. Department of Housing and Urban Development			<u>1,436,513</u>
U.S. DEPARTMENT OF JUSTICE			
(Passed through the Ohio Department of Public Safety)			
Bulletproof Vest Partnership Grant Program '07	2007BUBX07039848	16.607	5,263
Bulletproof Vest Partnership Grant Program '10	2010BUBX10054383		14,318
Total Bulletproof Vest Partnership Grant Program			<u>19,581</u>
Total U.S. Department of Justice			<u>19,581</u>
U.S DEPARTMENT OF LABOR			
(Passed through Workforce Investment Act Area 7)			
Workforce Investment Act (WIA) Cluster:			
WIA - Adult Administrative	N/A	17.258	12,812
WIA - Adult	N/A		76,429
Total WIA Adult Program			<u>89,241</u>
WIA - Youth Administration	N/A	17.259	17,891
WIA - Youth	N/A		82,563
Total WIA Youth Activities			<u>100,454</u>
WIA - Dislocated Workers			
ARRA - WIA - National Emergency Grant	N/A	17.260	15,271
Total WIA Dislocated Workers			<u>15,271</u>
WIA - Dislocated Worker Formula Grants Administration	N/A	17.278	12,964
WIA - Dislocated Worker Formula Grants			60,539
Total WIA Dislocated Worker Formula Grants			<u>73,503</u>
Total Workforce Investment Act Cluster			<u>278,469</u>

**DARKE COUNTY
FINANCIAL CONDITION**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
Employment Service Cluster			
Employment Service/Wagner-Peyser Funded Activities	N/A	17.207	8,809
One Stop Resource Sharing - Multiple Grants			
Disabled Veteran's Outreach Program	N/A	17.801	1,203
One Stop Resource Sharing - Multiple Grants			
Local Veteran's Employment Representative Program	N/A	17.804	127
One Stop Resource Sharing - Multiple Grants			
Total Employment Service Cluster			<u>10,139</u>
Total U.S. Department of Labor			<u>288,608</u>
U.S. DEPARTMENT OF TRANSPORTATION			
(Direct Receipt)			
Airport Improvement Program	AIP-3-39-0082-0407	20.106	447
Airport Improvement Program	AIP-3-39-0082-0508		345
Airport Improvement Program	AIP-3-39-0082-0710		29
Airport Improvement Program	AIP-3-39-0082-0811		172,338
Total Airport Improvement Program			<u>173,159</u>
(Passed through Ohio Department of Transportation)			
Highway Planning and Construction	FANE10010457	20.205	50,000
	FANE100208		150,000
Total Highway Planning and Construction			<u>200,000</u>
Transit Services Programs Cluster:			
(Passed through Ohio Department of Transportation)			
Job Access_Reverse Commute Program	JARC-4019-071-091	20.516	22,057
	JARC-4019-071-101		80,809
Total Job Access_Reverse Commute Program			<u>102,866</u>
(Passed through Ohio Department of Transportation)			
New Freedom Program	NF-4019-038-11	20.521	54,279
Total New Freedom Program			<u>54,279</u>
Total Transit Services Programs Cluster			<u>157,145</u>
(Passed through Ohio Department of Transportation)			
Interagency Hazardous Materials Public Sector Training & Planning Grants		20.703	
FY2010-2011 HMEP Planning Grant 18th Yr	HM-HMP-0196-10-01-00		2,373
FY2010-2011 HMEP Training Grant 18th Yr	HM-HMP-0196-10-01-00		2,971
Total Interagency Hazardous Materials Public Sector Training & Planning Grants			<u>5,344</u>
Total U.S. Department of Transportation			<u>535,648</u>
U.S. DEPARTMENT OF ENERGY			
(Passed through Ohio Department of Development)			
ARRA - Energy Efficiency and Conservation Block Grant	ARRA-EECBG-10-19	81.128	101,339
Recovery Act Funded			
Total U.S. Department of Energy			<u>101,339</u>
U.S. DEPARTMENT OF EDUCATION			
(Passed through Ohio Dept. of Developmental Disabilities)			
Rehabilitation Services_Vocational Rehabilitation Grants to States	N/A	84.126	100,898
Early Intervention Services Cluster:			
(Passed through Ohio Department of Health)			
Special Education - Grants for Infants and Families	01910021HG0209	84.181	27,459
	01910021HG0312		23,047
Total Special Education - Grants for Infants and Families			<u>50,506</u>
ARRA - Special Education - Grants for Infants and Families, Recovery Act	01910021HA0211	84.393	23,365
Total Early Intervention Services Cluster:			<u>73,871</u>
Total U.S. Department of Education			<u>174,769</u>

**DARKE COUNTY
FINANCIAL CONDITION**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. ELECTION ASSISTANCE COMMISSION			
(Passed through Ohio Secretary of State)			
Help America Vote Act Requirements Payments	N/A	90.401	1,327
Total U.S. Election Assistance Commission			<u>1,327</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
(Passed through Ohio Department of Job and Family Services)			
Promoting Safe and Stable Families	G-1011-11-5027 / G-1213-11-0027	93.556	58,412
Temporary Assistance for Needy Families	G-1011-11-5027 / G-1213-11-0027	93.558	992,949
Child Support Enforcement	G-1011-11-5027 / G-1213-11-0027	93.563	484,260
Child Care Block Grant Cluster:			
Child Care and Development Block Grant	G-1011-11-5027 /	93.575	2,312
Child Care Mandatory & Matching Funds of the Child Care & Dev Fund	G-1213-11-0027	93.596	17,583
Total Child Care Block Grant Cluster			<u>19,895</u>
Grants to States for Access and Visitation Programs	G-1011-09-0617 G-1213-09-0272	93.597	44,881
(Passed through Ohio Department of Job and Family Services)			
Stephanie Tubbs Jones Child Welfare Services Program	G-1011-11-5027 / G-1213-11-0027	93.645	31,991
Foster Care - Title IV - E	G-1011-11-5027	93.658	68,087
Adoption Assistance	G-1011-11-5027	93.659	68,538
Social Services Block Grant	G-1011-11-5027 / G-1213-11-0027	93.667	317,974
(Passed through Ohio Dept. of Developmental Disabilities)			
Social Services Block Grant	MR-19-10		51,434
Total Social Services Block Grant			<u>369,408</u>
(Passed through Ohio Department of Job and Family Services)			
Chafee Foster Care Independence Program	G-1011-11-5027	93.674	13,568
Children's Health Insurance Program	G-1213-11-0027	93.767	672
Medical Assistance Program	G-1011-11-5027 /	93.778	364,333
(Passed through Ohio Dept. of Developmental Disabilities)			
Medical Assistance Program			148,227
ARRA - Medical Assistance Program (Medicaid XIX), Recovery Act			30,386
Total Medical Assistance Program			<u>542,946</u>
Total U.S. Department of Health and Human Services			<u>2,695,607</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
(Passed through Ohio Department of Public Safety)			
Hazard Mitigation Grant Funds	FEMA-DR-1805.20-P	97.039	9,750
Emergency Management Performance Grants	2010-EP-00-0003 EMW-2011-EP-00003-S01	97.042	12,688
Total Emergency Management Performance Grants			<u>38,825</u>
			<u>51,513</u>

**DARKE COUNTY
FINANCIAL CONDITION**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
Homeland Security Grant Program		97.067	
FY 2008 Citizen Corps Program Grant	2008-GE-T8-0025		3,092
FY 2009 Citizen Corps Program Grant	2009-SS-T9-0089		2,758
FY08 State Homeland Security Program-Training Supplemental Award	2008-GE-T8-0025		926
FY08 State Homeland Security Program	2008-GE-T8-0025		4,365
FY09 State Homeland Security Program Training Supplemental Award	2009-SS-T9-0089		921
FY09 State Homeland Security Program	2009-SS-T9-0089		39,265
FY10 State Homeland Security Program	2010-SS-T0-0012		10,205
Total Homeland Security Grant Program			<u>61,532</u>
Total U.S. Department of Homeland Security			<u>122,795</u>
Total Federal Programs			<u><u>\$5,655,078</u></u>

See accompanying notes to the Schedule of Federal Awards Expenditures.

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – SUB-RECIPIENTS

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

As a sub-recipient, the County has certain compliance responsibilities, such as monitoring its sub-recipients to help assure they use these sub-awards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that sub-recipients achieve the award's performance goals.

NOTE C- MATCHING REQUIREMENTS

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

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

The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons for low moderate income households and to eligible persons. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the County (passed through the Ohio Department of Development). The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards 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.

Activity in the CDBG revolving loan fund during 2011 is as follows;

<u>Revolving Loans</u>	<u>Loans Receivable</u>	<u>Cash Balance</u>
Beginning Balance	\$275,339	\$ 138,027
Loan Repayment Receipts	(23,828)	24,480
Loan Interest Receipts		795
Advances		336
Administration		(3,919)
Ending Balances	<u>\$251,511</u>	<u>\$159,719</u>

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

**FINANCIAL CONDITION
DARKE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)**

NOTE E – COMMUNITY HOUSING INVESTMENT PARTNERSHIP PROGRAM

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

Activity in the Community Housing Investment Partnership Program Fund during 2011 is as follows;

<u>Revolving Loans</u>	<u>Loans Receivable</u>	<u>Cash Balance</u>
Beginning Balance	\$1,739,064	\$44,655
Loan Repayment Receipts		11,160
Grant Loans		183,550
Loans Forgiven	(17,000)	
Loan Disbursements	68,140	(109,068)
Refund of Prior Year Expenses		3,780
Administration		(25,764)
Advance Interest		(8,809)
Interest		419
Payments to Vendors		(27,737)
Ending Balances	<u>\$1,790,204</u>	<u>\$72,186</u>

These loans are collateralized by mortgages on the property.

NOTE F – BODD MEDICAID DEFERRED PAYMENTS

During the calendar year, the County received a deferred payment from the Ohio Department of Developmental Disabilities (DODD) for the Medicaid program (CFDA # 93.778) in the amount of \$153,659. The deferred payment was for Medicaid Administrative Claiming (MAC) and Waiver Administrative Claiming (WAC) expenses the County incurred in prior reporting periods due to an increase of federal funding received by DODD to reimburse these expenses and also due to changes in the County's Medicaid Eligibility Rate (MER) for certain activity codes within MAC/WAC. This revenue is not listed on the County's Schedule of Federal Awards since the underlying expenses occurred in prior reporting periods.



Dave Yost • Auditor of State

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

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

To the Elected Officials:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 3, 2012, wherein we noted the County uses a comprehensive accounting basis other than generally accepted accounting principles. As described in Note 3 during the year ended December 31, 2011, the County adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 through 2011-04.

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated August 3, 2012.

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

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



Dave Yost
Auditor of State

August 3, 2012



Dave Yost • Auditor of State

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

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

To the Elected Officials:

Compliance

We have audited the compliance of Darke County, Ohio (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Darke County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2011-05.

Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2011-05. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The County's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the County's response and, accordingly, we express no opinion on it.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated August 3, 2012.

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



Dave Yost
Auditor of State

August 3, 2012

**DARKE COUNTY FINANCIAL CONDITION
DARKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	<p>CDBG State Administered Small Cities Program Cluster: CFDA #14.228 – Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii CFDA # 14.255 – ARRA Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii CFDA # 81.128 - ARRA - Energy Efficiency and Conservation Block Grant CFDA #93.563 – Child Support Enforcement</p> <p>CFDA #93.558 - Temporary Assistance for Needy Families</p> <p>CFDA #93.667 – Social Services Block Grant</p>
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

1. Filing of OCBOA Report

FINDING NUMBER 2011-01

NONCOMPLIANCE

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

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

During 2011, the County failed to file GAAP financial statements.

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

Official's Response:

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

2. Finding for Recovery - Overpayment of Wages

FINDING NUMBER 2011-02

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The Veteran's Service Commission Board approved Krisann Franck's pay rate at \$20 per hour according to the record of minutes on November 16, 2009. For the payroll checks issued from January 7, 2011 through December 23, 2011, Mrs. Franck was paid for working 40 hours per week for each week during 2011, for a total of 2080 hours. Review of time sheets and payroll records indicated that Mrs. Franck actually worked or took leave totaling 1933 hours during 2011. As a result, an overpayment of \$2,940 occurred.

**FINDING NUMBER 2011-02
 (Continued)**

<u>Description</u>		<u>Rate</u>		<u>Total</u>
2080 hours paid during 2011	X	\$20.00 per hour	=	\$41,600
1933 hours worked per timesheets	X	\$20.00per hour	=	(38,660)
Overpayment				<u>\$ 2,940</u>

There was no documentation to support that the board approved the overpayment. Further, there was no indication that the overpayment was for an otherwise proper public purpose.

For the payroll checks issued from 1/6/12 through 3/16/12, Mrs. Franck was paid for working 40 hours per week for each week, for a total of 480 hours. Review of time sheets and payroll records indicated that Mrs. Franck actually worked or took leave totaling 445 hours during the first three months of 2012. As a result, an overpayment of \$700 occurred. There was no documentation to support that the board approved the overpayment. Further, there was no indication that the overpayment was for an otherwise proper public purpose. Upon determination of overpayments of salary, the Veteran's Service Commission implemented procedures to compensate employees according to hours worked as recorded on the timesheets. Upon request of the Veteran's Service Commission, the finding for recovery will also include overpayments incurred during the first quarter of 2012.

<u>Description</u>		<u>Rate</u>		<u>Total</u>
480 hours paid during first quarter of 2012	x	\$20.00 per hour	=	\$9,600
445 hours worked per timesheets	x	\$20.00 per hour	=	(8,900)
Overpayment				<u>\$ 700</u>
Total overpayment of wages from January 2011 through March 2012				<u>\$3,640</u>

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Krisann Franck in the amount of \$3,640, and in favor of the Darke County General Fund, in the amount of \$3,640.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Debra A. Kaiser, Veteran Service Officer, signed the payroll worksheets resulting in improper payments. Debra A Kaiser, Veteran Service Officer, and her bonding company, County Risk Sharing Authority, will be jointly and severally liable in the amount of \$3,640 and in favor of the Darke County General Fund to the extent that recovery is not obtained from Krisann Franck.

Official's Response:

A payment schedule will be set up and deductions will be withheld from pay checks if not paid back in a lump sum.

3. Finding for Recovery - Overpayment of Wages

FINDING NUMBER 2011-03

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The Veteran’s Service Commission Board approved Jack Preston’s pay rate at \$15.51 per hour according to the record of minutes on November 16, 2009. For the payroll checks issued from January 7, 2011 through December 23, 2011, Mr. Preston was paid for working 40 hours per week for each week during 2011, for a total of 2080 hours. Review of time sheets and payroll records indicated that Mr. Preston actually worked or took leave totaling 1976.25 hours during 2011. As a result, an overpayment of \$1,609 occurred.

<u>Description</u>		<u>Rate</u>		<u>Total</u>
2080 hours paid during 2011	x	\$15.51 per hour	=	\$32,260.80
1976.25 hours worked per timesheets	x	\$15.51 per hour	=	(30,651.64)
Overpayment				<u>\$ 1,609.16</u>

There was no documentation to support that the board approved the overpayment. Further, there was no indication that the overpayment was for an otherwise proper public purpose.

For the payroll checks issued from 1/6/12 through 3/16/12, Mr. Preston was paid for working 40 hours per week for each week, for a total of 480 hours. Review of time sheets and payroll records indicated that Mr. Preston actually worked or took leave totaling 454 hours during the first three months of 2012. As a result, an overpayment of \$403.26 occurred. There was no documentation to support that the board approved the overpayment. Further, there was no indication that the overpayment was for an otherwise proper public purpose. Upon determination of overpayments of salary, the Veteran’s Service Commission implemented procedures to compensate employees according to hours worked as recorded on the timesheets. Upon request of the Veteran’s Service Commission, the finding for recovery will also include overpayments incurred during the first quarter of 2012.

<u>Description</u>		<u>Rate</u>		<u>Total</u>
480 hours paid during first quarter of 2012	x	\$15.51 per hour	=	\$7,444.80
454 hours worked per timesheets	x	\$15.51 per hour	=	(7,041.54)
Overpayment				<u>\$ 403.26</u>
Total overpayment of wages from January 2011 through March 2012				<u>\$2,012</u>

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Jack Preston in the amount of \$2,012, and in favor of the Darke County General Fund, in the amount of \$2,012.

**FINDING NUMBER 2011-03
 (Continued)**

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att’y Gen. No. 80-074.

Debra A. Kaiser, Veteran Service Officer, signed the payroll worksheets resulting in improper payments. Debra A. Kaiser, Veteran Service Officer, and her bonding company, County Risk Sharing Authority, will be jointly and severally liable in the amount of \$2,012 and in favor of the Darke County General Fund to the extent that recovery is not obtained from Jack Preston.

Official’s Response:

A payment schedule will be set up and deductions will be withheld from pay checks if not paid back in a lump sum.

4. Finding for Recovery - Overpayment of Wages

FINDING NUMBER 2011-04

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. **Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose** states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

The Veteran’s Service Commission Board approved Cynthia Bruner’s pay rate at \$20 per hour according to the record of minutes on November 16, 2009. For the payroll checks issued from January 7, 2011 through December 23, 2011, Mrs. Bruner was paid for working 40 hours per week for each week during 2011, for a total of 2080 hours. Review of time sheets and payroll records indicated that Mrs. Bruner actually worked or took leave totaling 1920.5 hours during 2011. As a result, an overpayment of \$3,190 occurred.

<u>Description</u>		<u>Rate</u>		<u>Total</u>
2080 hours paid during 2011	X	\$20.00 per hour	=	\$41,600
1920.50 hours worked per timesheets	X	\$20.00per hour	=	(38,410)
Overpayment				\$3,190

There was no documentation to support that the board approved the overpayment. Further, there was no indication that the overpayment was for an otherwise proper public purpose.

**FINDING NUMBER 2011-04
 (Continued)**

For the payroll checks issued from 1/6/12 through 3/16/12, Mrs. Bruner was paid for working 40 hours per week for each week, for a total of 480 hours. Review of time sheets and payroll records indicated that Mrs. Bruner actually worked or took leave totaling 437 hours during the first three months of 2012. As a result, an overpayment of \$860 occurred. There was no documentation to support that the board approved the overpayment. Further, there was no indication that the overpayment was for an otherwise proper public purpose. Upon determination of overpayments of salary, the Veteran's Service Commission implemented procedures to compensate employees according to hours worked as recorded on the timesheets. Upon request of the Veteran's Service Commission, the finding for recovery will include overpayments also incurred during the first quarter of 2012.

<u>Description</u>	<u>Rate</u>	<u>Total</u>
480 hours paid during first quarter of 2012	x \$20.00 per hour	= \$9,600
437 hours worked per timesheets	x \$20.00 per hour	= (8,740)
Overpayment		<u>\$ 860</u>
Total overpayment of wages from January 2011 through March 2012		<u><u>\$4,050</u></u>

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Cynthia Bruner in the amount of \$4,050, and in favor of the Darke County General Fund, in the amount of \$4,050.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Debra A. Kaiser, Veteran Service Officer, signed the payroll worksheets resulting in improper payments. Debra A. Kaiser, Veteran Service Officer, and her bonding company, County Risk Sharing Authority, will be jointly and severally liable in the amount of \$4,050 and in favor of the Darke County General Fund to the extent that recovery is not obtained from Cynthia Bruner.

Official's Response:

A payment schedule will be set up and deductions will be withheld from pay checks if not paid back in a lump sum.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

1. CDBG Cash Management

Finding Number	2011-05
CFDA Title and Number	CDBG State Administered Small Cities Program Cluster: CFDA #14.228 – Community Development Block Grant/State’s Program and Non-Entitlement Grants in Hawaii CFDA # 14.255 – ARRA Community Development Block Grant/State’s Program and Non-Entitlement Grants in Hawaii
Federal Award Number / Year	2011/2010
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

24 C.F. R. Section 85.21(c) states grantees and sub-grantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or sub-grantee.

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

Escrow accounts were not established and the County maintained program balances in excess of \$5,000 for a period of more than fifteen consecutive days at various times during 2011 for the following CDBG grants: B-Z-08-1AR-1, B-F-9-1AR-1, B-F-10-1AR-1, B-R-9-1AR-1, B-R-9-1AR-2, and B-W-09-1AR-3 as follows:

<u>Grant</u>	<u>Period with balances over \$5,000</u>	<u>Number of Days</u>	<u>Balances maintained during period</u>
B-Z-08-1AR-1	6/13/11-7/27/11	44 days	\$9,686 - \$53,471
B-R-9-1AR-1	3/4/11-6/29/11	117 days	\$6,361 - \$30,771
B-R-9-1AR-2	3/4/11-9/26/11	206 days	\$6,017 - \$42,039
B-R-9-1AR-2	11/8/11-12/6/11	28 days	\$28,007 - \$61,849
B-F-9-1AR-1	2/4/11-3/9/11	33 days	\$5,551-\$95,272
	7/13/11-11/21/11	131 days	
B-F-10-1AR-1	4/19/11-5/9/11	20 days	\$5,550
B-W-09-1AR-3	4/5/11-5/4/11	29 days	\$55,748

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

FINDING NUMBER 2011-05
(Continued)

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

Official's Response:

The Auditor's Office has set up new guidelines to oversee when revenue is received for grants that expense is paid within that fifteen day period. Department Head will be notified also to ensure revenue will be disbursed in a timely manner.

**FINANCIAL CONDITION
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Finding for Recovery Repaid Under Audit – Sheriff Auction Revenue Due to County	Yes	
2010-02	Ohio Rev Code 117.38/ Ohio Admin. Code 117-2-03(B) – Failure to present financial statements in accordance with generally accepted accounting principles.	No	Not corrected; Repeated as finding 2011-01
2010-03	Ohio Admin. Code 5101:9-7-02(B)(1) – Cash Management for CSEA Grant	Partially Corrected	Moved to the Management Letter
2010-04	Office of Housing and Community Partnership (OHCP) Management Rules and Regulations Handbook, Section (A)(3)(f) – Cash Management for CDBG Grant	No	Not corrected; Repeated as finding 2011-05

**FINANCIAL CONDITION
DARKE COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-05	See official's response on page 64.	December 31, 2012	Carol Ginn, County Auditor



Dave Yost • Auditor of State

DARKE COUNTY FINANCIAL CONDITION

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 23, 2012