



Mary Taylor, CPA
Auditor of State

DARKE COUNTY, OHIO

*County Seat
Greenville, Ohio*

BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2006**

*Prepared by the Accounting Department
of the Darke County Auditor's Office*

DARKE COUNTY, OHIO



**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 – December 31, 2006.....	13
Statement of Activities – For the Year Ended December 31, 2006	14
Fund Financial Statements:	
<i>Governmental Funds:</i>	
Balance Sheet – December 31, 2006	16
Reconciliation of Total Governmental Fund Balances to Net Assets Of Governmental Activities – December 31, 2006	18
Statement of Revenues, Expenditures and Changes in Fund Balances - For the Year Ended December 31, 2006	20
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities – For the Year Ended December 31, 2006	22
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis – General Fund - For the Year Ended December 31, 2006	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis – Auto License and Gas Tax Fund - For the Year Ended December 31, 2006	24
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis – MRDD Fund - For the Year Ended December 31, 2006	25
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis – Public Assistance Fund - For the Year Ended December 31, 2006	26
<i>Proprietary Funds:</i>	
Statement of Net Assets – December 31, 2006.....	27
Statement of Revenues, Expenses and Changes in Fund Net Assets – For the Year Ended December 31, 2006	28
Statement of Cash Flows – For the Year Ended December 31, 2006.....	29

**FINANCIAL CONDITION
DARKE COUNTY**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Basic Financial Statements: (Continued)	
<i>Fiduciary Funds:</i>	
Statement of Assets and Liabilities – December 31, 2006	31
Notes to the Basic Financial Statements	33
Schedule of Federal Awards Expenditures – For the Year Ended December 31, 2006	69
Notes to Schedule of Federal Awards Expenditures – For the Year Ended December 31, 2006	71
Independent Accountants’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	73
Independent Accountants’ Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance In Accordance with OMB Circular A-133	75
Schedule of Findings OMB Circular A-133	77
Status of Prior Audit Findings.....	78



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Darke County, Ohio, (the County), as of and for the year ended December 31, 2006, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Darke County, as of December 31, 2006, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund, Auto License/Gas Tax Fund, MRDD Fund, and the Public Assistance Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2007, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The federal awards expenditure schedule provides additional information and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

August 9, 2007

DARKE COUNTY, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2006

Unaudited

This discussion and analysis of Darke County's financial performance provides an overall review of the County's financial activities for the fiscal year ended December 31, 2006. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the County's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2006 are as follows:

- ❑ In total, net assets increased \$576,324. Net assets of governmental activities increased \$558,576, which represents less than a 1% increase from 2005. Net assets of business-type activities increased \$17,748 or 2% from 2005.
- ❑ General revenues accounted for \$15,901,979 in revenue or 48% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$17,064,110 or 52% of total revenues of \$32,966,089.
- ❑ The County had \$32,040,289 in expenses related to governmental activities; only \$16,708,296 of these expenses were offset by program specific charges for services, grants or contributions.
- ❑ Among major funds, the general fund had \$13,276,389 in revenues and \$10,062,194 in expenditures. The general fund's fund balance decreased \$122,072, or approximately 5%, to a balance of \$2,261,662.
- ❑ Net assets for the enterprise funds remained relatively stable, increasing \$19,112, or approximately 2%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report 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 operations in more detail than the government-wide statements.

DARKE COUNTY, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2006

Unaudited

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

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the County's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's net assets and how they have changed. Net-assets (the difference between the County's assets and liabilities) is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County you need to consider additional nonfinancial factors such as changes in the County's tax base and the condition of County capital assets also need to be evaluated.

The government-wide financial statements of the County are divided into two categories:

- *Governmental Activities* – Most of the County's programs and services are reported here including public safety, health, human services, community and economic development, public works, and general government.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The County's wastewater collection and treatment, solid waste treatment and adult daycare services are reported as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds, not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

DARKE COUNTY, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2006

Unaudited

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 the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The accounting used for fiduciary funds is much like that of the proprietary funds. We exclude these activities from the County's other financial statements because the assets cannot be utilized by the County to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

The following table provides a summary of the County's net assets for 2006 compared to 2005.

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Current and other assets	\$27,046,240	\$28,125,720	\$853,342	\$866,528	\$27,899,582	\$28,992,248
Capital assets, Net	80,658,551	79,939,492	47,345	44,207	80,705,896	79,983,699
Total assets	107,704,791	108,065,212	900,687	910,735	108,605,478	108,975,947
Long-term debt outstanding	5,444,220	5,403,741	30,694	20,547	5,474,914	5,424,288
Other liabilities	11,152,254	10,994,578	4,036	6,483	11,156,290	11,001,061
Total liabilities	16,596,474	16,398,319	34,730	27,030	16,631,204	16,425,349
Net assets						
Invested in capital assets, net of related debt	72,310,551	71,748,445	23,945	32,507	72,334,496	71,780,952
Restricted	13,955,231	15,984,475	0	0	13,955,231	15,984,475
Unrestricted	4,842,535	3,933,973	842,012	851,198	5,684,547	4,785,171
Total net assets	<u>\$91,108,317</u>	<u>\$91,666,893</u>	<u>\$865,957</u>	<u>\$883,705</u>	<u>\$91,974,274</u>	<u>\$92,550,598</u>

DARKE COUNTY, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2006

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2006 compared to 2005:

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Revenues						
Program Revenues:						
Charges for Services and Sales	\$4,012,731	\$4,561,248	\$441,211	\$355,814	\$4,453,942	\$4,917,062
Operating Grants and Contributions	12,124,541	12,147,048	0	0	12,124,541	12,147,048
Capital Grants and Contributions	670,087	0	0	0	670,087	0
Total Program Revenues	<u>16,807,359</u>	<u>16,708,296</u>	<u>441,211</u>	<u>355,814</u>	<u>17,248,570</u>	<u>17,064,110</u>
General Revenues:						
Property Taxes	4,847,495	5,164,374	0	0	4,847,495	5,164,374
Sales Taxes	4,903,446	6,799,401	0	0	4,903,446	6,799,401
Intergovernmental Revenues, Unrestricted	1,760,128	1,744,130	0	0	1,760,128	1,744,130
Investment Earnings	564,892	972,671	0	0	564,892	972,671
Miscellaneous	1,329,610	1,221,403	0	0	1,329,610	1,221,403
Total General Revenues	<u>13,405,571</u>	<u>15,901,979</u>	<u>0</u>	<u>0</u>	<u>13,405,571</u>	<u>15,901,979</u>
Total Revenues	<u>30,212,930</u>	<u>32,610,275</u>	<u>441,211</u>	<u>355,814</u>	<u>30,654,141</u>	<u>32,966,089</u>
Program Expenses						
Public Safety	4,184,707	4,491,282	0	0	4,184,707	4,491,282
Health	316,371	346,550	0	0	316,371	346,550
Human Services	11,668,751	12,547,349	0	0	11,668,751	12,547,349
Community and Economic Development	995,081	1,006,822	0	0	995,081	1,006,822
Public Works	5,672,790	5,760,844	0	0	5,672,790	5,760,844
General Government	6,869,520	7,562,586	0	0	6,869,520	7,562,586
Debt Service:						
Interest and Fiscal Charges	335,314	324,856	0	0	335,314	324,856
Business Type Activities	0	0	264,523	349,476	264,523	349,476
Total Expenses	<u>30,042,534</u>	<u>32,040,289</u>	<u>264,523</u>	<u>349,476</u>	<u>30,307,057</u>	<u>32,389,765</u>
Excess (Deficiency) Before Transfers	170,396	569,986	176,688	6,338	347,084	576,324
Transfers	0	(11,410)	0	11,410	0	0
Total Change in Net Assets	170,396	558,576	176,688	17,748	347,084	576,324
Beginning Net Assets	<u>90,937,921</u>	<u>91,108,317</u>	<u>689,269</u>	<u>865,957</u>	<u>91,627,190</u>	<u>91,974,274</u>
Ending Net Assets	<u>\$91,108,317</u>	<u>\$91,666,893</u>	<u>\$865,957</u>	<u>\$883,705</u>	<u>\$91,974,274</u>	<u>\$92,550,598</u>

DARKE COUNTY, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2006***

Unaudited

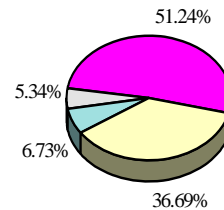
Governmental Activities

Net assets of the County's governmental activities increased \$558,576, or approximately 1%. Charges for services and sales increased due to receipts within the MRDD fund for services provided. Sales taxes increased nearly 40% due to a one half percent increase in the County's sales tax rate.

Tax revenue accounted for \$11,963,775 of the \$32,610,275 in total revenues for governmental activities. Sales tax accounted for \$6,799,401, or approximately 57% of total tax revenue.

The County's direct charges to users of governmental services totaled \$4,561,248. This amount represents 14% of total revenues for governmental activities and 27% of program specific revenues.

<u>Revenue Sources</u>	<u>2006</u>	<u>Percent of Total</u>
Intergovernmental Revenues, Unrestricted	\$1,744,130	5.34%
Program Revenues	16,708,296	51.24%
General Tax Revenues	11,963,775	36.69%
General Other	2,194,074	6.73%
Total Revenue	<u>\$32,610,275</u>	<u>100.00%</u>



Business-Type Activities

Net assets of the business-type activities increased \$17,748. Charges for services and sales decreased nearly 20% due to decreases in tipping fees. These programs had revenues of \$355,814 and expenses of \$349,476 for fiscal year 2006. Business-type activities receive no support from tax revenues and remain self-supporting.

This space intentionally left blank.

DARKE COUNTY, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2006**

Unaudited

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County's governmental funds reported a combined fund balance of \$13,926,982, which exceeds last year's total of \$11,547,838. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2006 and 2005.

	Fund Balance/(Deficit) December 31, 2006	Fund Balance/(Deficit) December 31, 2005	Increase (Decrease)
General	\$2,261,662	\$2,383,734	(\$122,072)
Auto License and Gas Tax	6,048,377	5,668,725	379,652
MRDD	2,185,754	1,575,375	610,379
Public Assistance	513,635	595,469	(81,834)
WAGC Permanent Improvement	(3,300,000)	(3,372,224)	72,224
Other Governmental	6,217,554	4,696,759	1,520,795
Total	<u>\$13,926,982</u>	<u>\$11,547,838</u>	<u>\$2,379,144</u>

General Fund – The County's General Fund balance decrease is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2006 Revenues	2005 Revenues	Increase (Decrease)
Taxes	\$9,309,576	\$7,328,813	\$1,980,763
Intergovernmental Revenues	1,273,645	1,141,120	132,525
Charges for Services	1,244,574	1,240,129	4,445
Licenses and Permits	75,346	37,734	37,612
Investment Earnings	705,221	415,826	289,395
Fines and Forfeitures	404,576	389,509	15,067
All Other Revenue	263,451	260,666	2,785
Total	<u>\$13,276,389</u>	<u>\$10,813,797</u>	<u>\$2,462,592</u>

DARKE COUNTY, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2006

Unaudited

General Fund revenues increased approximately 22%. An increase in the County's sales tax rate resulted in the increase in tax revenues, while investment earnings increased due to increases in interest rates.

	2006 Expenditures	2005 Expenditures	Increase (Decrease)
Public Safety	\$3,813,689	\$3,582,591	\$231,098
Health	66,630	49,433	17,197
Human Services	305,714	338,976	(33,262)
Community and Economic Development	208,902	181,160	27,742
Public Works	123,670	123,018	652
General Government	5,543,589	5,403,428	140,161
Total	<u>\$10,062,194</u>	<u>\$9,678,606</u>	<u>\$383,588</u>

The expenditures increased \$383,588 or about 4% from the prior year. Increases in public safety can be attributed to salary increases in the sheriffs department.

Auto License and Gas Fund – The County's Auto License and Gas Tax Fund reported increases to both revenues and overall fund balance as a result of increases in vehicle license fees, gas taxes, and investment earnings.

MRDD Fund – The County's MRDD Fund reported an increase in fund balance of approximately 38%, which was mainly the result of increases in grant monies as well as amounts received for services provided.

Public Assistance Fund – The County's Public Assistance Fund reported a decrease in fund balance of 14%. This was mainly the result of increases in expenditures for contractual services.

WAGC Permanent Improvement Fund – The WAGC Permanent Improvement fund continued to report the issuance and retirement of long-term notes payable for improvements at the complex.

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2006 the County amended its General Fund budget several times, none significant.

For the General Fund, budget basis revenue of \$13.3 million did not change significantly from original budget estimates of \$13.2 million. The General Fund had an adequate fund balance to cover expenditures.

DARKE COUNTY, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2006***

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2006 the County had \$79,983,699 net of accumulated depreciation invested in land, buildings, improvements, equipment, vehicles and infrastructure. Of this total, \$79,939,492 was related to governmental activities and \$44,207 to the business-type activities. The following table shows fiscal 2005 and 2006 balances:

	Governmental		Increase (Decrease)
	Activities		
	2005	2006	
Land	\$8,822,379	\$8,822,379	\$0
Buildings and Improvements	15,704,303	15,812,253	107,950
Machinery and Equipment	9,276,153	9,827,267	551,114
Infrastructure	85,724,170	87,912,705	2,188,535
Less: Accumulated Depreciation	<u>(38,868,454)</u>	<u>(42,435,112)</u>	<u>(3,566,658)</u>
Totals	<u>\$80,658,551</u>	<u>\$79,939,492</u>	<u>(\$719,059)</u>

The primary increases occurred in machinery and equipment and infrastructure. Vehicle purchases in the street department contributed to the increase in machinery and equipment, while the increase in infrastructure was the result of various street and bridge projects. Additional information on the County's capital assets can be found in Note 8.

	Business-Type		Increase (Decrease)
	Activities		
	2005	2006	
Land	\$8,000	\$8,000	\$0
Sewer Lines	45,865	45,865	0
Machinery and Equipment	59,891	59,432	(459)
Less: Accumulated Depreciation	<u>(66,411)</u>	<u>(69,090)</u>	<u>(2,679)</u>
Totals	<u>\$47,345</u>	<u>\$44,207</u>	<u>(\$3,138)</u>

Additional information on the County's capital assets can be found in Note 8.

DARKE COUNTY, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2006

Unaudited

Debt

At December 31, 2006, the County had \$3.8 million in G.O. bonds outstanding, \$115,000 due within one year. The following table summarizes the County's debt outstanding as of December 31, 2005 and 2006:

	<u>2005</u>	<u>2006</u>
Governmental Activities:		
General Obligation Bond:		
WAGC Improvement	\$3,870,000	\$3,760,000
Long Term Notes Payable	125,000	204,486
Compensated Absences	1,409,058	1,413,208
Capital Leases Payable	40,162	26,047
Total Governmental Activities	<u>5,444,220</u>	<u>5,403,741</u>
Business-Type Activities:		
Special Assessment Bond:		
Rolin Acres	23,400	11,700
Compensated Absences	7,294	8,847
Total Business-Type Activities	<u>30,694</u>	<u>20,547</u>
Totals	<u><u>\$5,474,914</u></u>	<u><u>\$5,424,288</u></u>

Additional information on the County's long-term debt can be found in Note 12.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The economic downturn that the County has recently experienced has certainly had an impact on all levels of state and local government. The County's budget for the general fund in 2007 is very conservative. Total revenues are projected to be almost 5.04% less than was actually received in fiscal year 2006. Included in these projections is a 14.31% decrease in sales tax due to a ¼% sales tax reduction as of July 1, 2007 for permanent improvement. At this time the County Treasurer does not expect any changes in the investment earnings for 2007.

Although this conservative budget is a reflection of a volatile economic climate, local business development in the County continues to grow. In 2006, Spartech Plastics broke ground on a new 160,000 square foot facility. This expansion will create 90 new jobs and will be operational by summer 2007.

Also in 2006, Timmerman Truss Company relocated to the Greenville Industrial Park and built a new 66,000 square foot plant. This move will create an additional 20 jobs on top of their current 40 person workforce.

DARKE COUNTY, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2006***

Unaudited

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 show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Carol Ginn, Auditor of Darke County.



DARKE COUNTY, OHIO

Statement of Net Assets December 31, 2006

	Governmental Activities	Business-Type Activities	Total	Component Units	
				Visitors Bureau	Wayne Industries
Assets:					
Cash and Cash Equivalents	\$ 14,236,380	\$ 780,169	\$ 15,016,549	\$ 80,714	\$ 316,352
Cash and Cash Equivalents with Fiscal Agent	748,165	0	748,165	0	0
Investments with Fiscal Agent	10,000	0	10,000	0	0
Receivables:					
Taxes	6,453,094	0	6,453,094	0	0
Accounts	306,145	22,022	328,167	2,077	21,679
Intergovernmental	5,102,518	0	5,102,518	0	0
Interest	213,831	0	213,831	0	0
Special Assessments	43,843	12,910	56,753	0	0
Loans	619,532	0	619,532	0	0
Internal Balance	(49,795)	49,795	0	0	0
Inventory of Supplies at Cost	368,714	1,353	370,067	0	0
Prepaid Items	73,293	279	73,572	0	0
Non-Depreciable Capital Assets	8,822,379	8,000	8,830,379	0	0
Depreciable Capital Assets, Net	71,117,113	36,207	71,153,320	5,044	45,961
Total Assets	108,065,212	910,735	108,975,947	87,835	383,992
Liabilities:					
Accounts Payable	459,201	2,311	461,512	2,958	2,262
Accrued Wages and Benefits	271,245	1,988	273,233	0	0
Intergovernmental Payable	269,179	2,077	271,256	0	0
Contracts Payable	80,191	0	80,191	0	0
Claims Payable	790	0	790	0	0
Deferred Revenue	5,567,561	0	5,567,561	0	0
Compensated Absences Payable	10,895	0	10,895	0	0
Accrued Interest Payable	35,516	107	35,623	0	0
General Obligation Notes Payable	4,300,000	0	4,300,000	0	0
Long Term Liabilities:					
Due Within One Year	992,939	20,547	1,013,486	0	0
Due in More Than One Year	4,410,802	0	4,410,802	0	0
Total Liabilities	16,398,319	27,030	16,425,349	2,958	2,262
Net Assets:					
Invested in Capital Assets, Net of Related Debt	71,748,445	32,507	71,780,952	5,044	45,961
Restricted For:					
Street Improvements	7,518,996	0	7,518,996	0	0
Job and Family Services	1,078,398	0	1,078,398	0	0
MRDD	2,609,520	0	2,609,520	0	0
Community Development	1,759,578	0	1,759,578	0	0
Other Purposes	3,017,983	0	3,017,983	0	0
Unrestricted	3,933,973	851,198	4,785,171	79,833	335,769
Total Net Assets	\$ 91,666,893	\$ 883,705	\$ 92,550,598	\$ 84,877	\$ 381,730

See accompanying notes to the basic financial statements

DARKE COUNTY, OHIO

Statement of Activities For the Year Ended December 31, 2006

	Expenses	Program Revenues	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
Public Safety	\$ 4,491,282	\$ 246,004	\$ 421,218
Health	346,550	163,646	0
Human Services	12,547,349	1,223,175	6,821,711
Community and Economic Development	1,006,822	148,357	230,865
Public Works	5,760,844	415,703	4,597,339
General Government	7,562,586	2,364,363	75,915
Interest and Fiscal Charges	324,856	0	0
Total Governmental Activities	<u>32,040,289</u>	<u>4,561,248</u>	<u>12,147,048</u>
Business-Type Activities:			
Sewer District #1	28,465	19,491	0
Rossburg Sanitary Sewer	3,251	11,235	0
Stillwater Estates	9,897	9,275	0
Solid Waste	267,384	279,527	0
Adult Daycare	40,479	36,286	0
Total Business-Type Activities	<u>349,476</u>	<u>355,814</u>	<u>0</u>
Total Primary Government	<u>\$ 32,389,765</u>	<u>\$ 4,917,062</u>	<u>\$ 12,147,048</u>
Component Units:			
Visitors Bureau	\$ 133,671	\$ 150,521	\$ 0
Wayne Industries	341,973	333,461	0
Total Component Units	<u>\$ 475,644</u>	<u>\$ 483,982</u>	<u>\$ 0</u>

General Revenues

Property Taxes Levied for:

General Purposes

MRDD

Sales Tax

Intergovernmental Revenues, Unrestricted

Investment Earnings

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

DARKE COUNTY, OHIO

Net (Expense) Revenue and Changes in Net Assets			Component Units	
Governmental Activities	Business-Type Activities	Total	Visitors Bureau	Wayne Industries
\$ (3,824,060)	\$ 0	\$ (3,824,060)		
(182,904)	0	(182,904)		
(4,502,463)	0	(4,502,463)		
(627,600)	0	(627,600)		
(747,802)	0	(747,802)		
(5,122,308)	0	(5,122,308)		
(324,856)	0	(324,856)		
(15,331,993)	0	(15,331,993)		
0	(8,974)	(8,974)		
0	7,984	7,984		
0	(622)	(622)		
0	12,143	12,143		
0	(4,193)	(4,193)		
0	6,338	6,338		
(15,331,993)	6,338	(15,325,655)		
			\$ 16,850	\$ 0
			0	(8,512)
			\$ 16,850	\$ (8,512)
2,518,258	0	2,518,258	0	0
2,646,116	0	2,646,116	0	0
6,799,401	0	6,799,401	0	0
1,744,130	0	1,744,130	0	0
972,671	0	972,671	1,822	8,215
1,221,403	0	1,221,403	0	0
(11,410)	11,410	0	0	0
15,890,569	11,410	15,901,979	1,822	8,215
558,576	17,748	576,324	18,672	(297)
91,108,317	865,957	91,974,274	66,205	382,027
\$ 91,666,893	\$ 883,705	\$ 92,550,598	\$ 84,877	\$ 381,730

DARKE COUNTY, OHIO

Balance Sheet
Governmental Funds
December 31, 2006

	<u>General</u>	<u>Auto License and Gas Tax</u>	<u>MRDD</u>
Assets:			
Cash and Cash Equivalents	\$ 992,900	\$ 4,989,440	\$ 1,775,484
Cash and Cash Equivalents with Fiscal Agent	291,361	0	419,330
Investments with Fiscal Agent	0	0	0
Receivables:			
Taxes	3,728,905	0	2,724,189
Accounts	272,062	0	0
Intergovernmental	166,048	2,426,126	208,985
Interest	122,583	83,321	0
Special Assessments	0	0	0
Loans	0	0	0
Interfund Loans Receivable	372	0	1,000
Inventory of Supplies, at Cost	62,290	276,757	9,121
Prepaid Items	33,087	218	14,934
Total Assets	<u>\$ 5,669,608</u>	<u>\$ 7,775,862</u>	<u>\$ 5,153,043</u>
Liabilities:			
Accounts Payable	\$ 59,174	\$ 10,326	\$ 6,274
Accrued Wages and Benefits Payable	115,205	22,482	47,931
Intergovernmental Payable	121,612	23,315	44,334
Contracts Payable	5,655	43,111	9,403
Interfund Loans Payable	100,000	0	0
Deferred Revenue	3,006,300	1,628,251	2,859,347
Compensated Absences Payable	0	0	0
Accrued Interest Payable	0	0	0
General Obligation Notes Payable	0	0	0
Total Liabilities	<u>3,407,946</u>	<u>1,727,485</u>	<u>2,967,289</u>
Fund Balance:			
Reserved for Encumbrances	16,723	71,223	6,925
Reserved for Prepaid Items	33,087	218	14,934
Reserved for Supplies Inventory	62,290	276,757	9,121
Reserved for Debt Service	0	0	0
Reserved for Loans Receivable	0	0	0
Reserved for Endowments	0	0	0
Undesignated, Unreserved in:			
General Fund	2,149,562	0	0
Special Revenue Funds	0	5,700,179	2,154,774
Capital Projects Funds (Deficit)	0	0	0
Total Fund Balance	<u>2,261,662</u>	<u>6,048,377</u>	<u>2,185,754</u>
Total Liabilities and Fund Balance	<u>\$ 5,669,608</u>	<u>\$ 7,775,862</u>	<u>\$ 5,153,043</u>

See accompanying notes to the basic financial statements

DARKE COUNTY, OHIO

Public Assistance	WAGC Permanent Improvement	Other Governmental Funds	Total Governmental Funds
\$ 261,810	\$ 0	\$ 6,115,508	\$ 14,135,142
0	0	18,921	729,612
0	0	10,000	10,000
0	0	0	6,453,094
0	0	33,837	305,899
1,012,495	0	1,288,864	5,102,518
0	0	7,927	213,831
0	0	43,843	43,843
0	0	619,532	619,532
0	0	100,000	101,372
8,133	0	12,413	368,714
8,329	0	15,426	71,994
<u>\$ 1,290,767</u>	<u>\$ 0</u>	<u>\$ 8,266,271</u>	<u>\$ 28,155,551</u>
\$ 200,905	\$ 0	\$ 182,522	\$ 459,201
40,124	0	45,503	271,245
38,804	0	41,114	269,179
0	0	22,022	80,191
0	0	1,372	101,372
486,404	0	737,606	8,717,908
10,895	0	0	10,895
0	0	18,578	18,578
0	3,300,000	1,000,000	4,300,000
<u>777,132</u>	<u>3,300,000</u>	<u>2,048,717</u>	<u>14,228,569</u>
812	0	298,810	394,493
8,329	0	15,426	71,994
8,133	0	12,413	368,714
0	0	5,692	5,692
0	0	619,532	619,532
0	0	113,256	113,256
0	0	0	2,149,562
496,361	0	4,585,791	12,937,105
0	(3,300,000)	566,634	(2,733,366)
<u>513,635</u>	<u>(3,300,000)</u>	<u>6,217,554</u>	<u>13,926,982</u>
<u>\$ 1,290,767</u>	<u>\$ 0</u>	<u>\$ 8,266,271</u>	<u>\$ 28,155,551</u>

DARKE COUNTY, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2006***

Total Governmental Fund Balances	\$ 13,926,982
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	79,939,492
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	3,150,347
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	(9,820)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
General Obligation Bonds	(3,760,000)
Long Term Notes Payable	(125,000)
Compensated Absences Payable	(1,413,208)
Capital Lease Payable	(26,047)
Accrued Interest Payable	(15,853)
	<u>(5,340,108)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$ 91,666,893</u></u>

See accompanying notes to the basic financial statements

DARKE COUNTY, OHIO



DARKE COUNTY, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2006

	General	Auto License and Gas Tax	MRDD
Revenues:			
Taxes	\$ 9,309,576	\$ 0	\$ 2,637,838
Intergovernmental Revenues	1,273,645	4,658,298	1,946,327
Charges for Services	1,244,574	0	519,984
Licenses and Permits	75,346	0	0
Investment Earnings	705,221	246,280	0
Special Assessments	0	0	0
Fines and Forfeitures	404,576	0	0
All Other Revenue	263,451	6,376	6,447
Total Revenue	13,276,389	4,910,954	5,110,596
Expenditures:			
Current:			
Public Safety	3,813,689	0	0
Health	66,630	0	0
Human Services	305,714	0	4,502,216
Community and Economic Development	208,902	0	0
Public Works	123,670	4,557,488	0
General Government	5,543,589	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
Total Expenditures	10,062,194	4,557,488	4,502,216
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,214,195	353,466	608,380
Other Financing Sources (Uses):			
Sale of Capital Assets	1,234	12,182	0
Transfers In	0	0	0
Transfers Out	(3,362,381)	0	0
Total Other Financing Sources (Uses)	(3,361,147)	12,182	0
Net Change in Fund Balance	(146,952)	365,648	608,380
Fund Balance (Deficit) at Beginning of Year	2,383,734	5,668,725	1,575,375
Increase (Decrease) in Inventory Reserve	24,880	14,004	1,999
Fund Balance (Deficit) End of Year	\$ 2,261,662	\$ 6,048,377	\$ 2,185,754

See accompanying notes to the basic financial statements

DARKE COUNTY, OHIO

Public Assistance	WAGC Permanent Improvement	Other Governmental Funds	Total Governmental Funds
\$ 0	\$ 0	\$ 0	\$ 11,947,414
3,444,741	0	3,634,479	14,957,490
0	0	1,985,042	3,749,600
0	0	126,903	202,249
0	0	21,170	972,671
0	0	98,858	98,858
0	0	65,047	469,623
0	0	1,020,129	1,296,403
<u>3,444,741</u>	<u>0</u>	<u>6,951,628</u>	<u>33,694,308</u>
0	0	403,004	4,216,693
0	0	169,695	236,325
3,634,921	0	3,895,510	12,338,361
0	0	795,331	1,004,233
0	0	325,212	5,006,370
0	0	1,452,233	6,995,822
0	23,952	1,104,295	1,128,247
0	0	110,000	110,000
0	96,005	229,898	325,903
<u>3,634,921</u>	<u>119,957</u>	<u>8,485,178</u>	<u>31,361,954</u>
(190,180)	(119,957)	(1,533,550)	2,332,354
0	0	0	13,416
109,253	192,181	4,418,303	4,719,737
0	0	(1,368,766)	(4,731,147)
<u>109,253</u>	<u>192,181</u>	<u>3,049,537</u>	<u>2,006</u>
(80,927)	72,224	1,515,987	2,334,360
595,469	(3,372,224)	4,696,759	11,547,838
(907)	0	4,808	44,784
<u>\$ 513,635</u>	<u>\$ (3,300,000)</u>	<u>\$ 6,217,554</u>	<u>\$ 13,926,982</u>

DARKE COUNTY, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For The Year Ended December 31, 2006***

Net Change in Fund Balances - Total Governmental Funds \$ 2,334,360

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlay	3,261,670	
Depreciation Expense	<u>(3,922,131)</u>	(660,461)

Governmental funds only report the disposal of assets to the extent proceeds are received from sale. In the statement of activities, a gain or loss is reported for each disposal.

This is the amount of the loss on the disposal of capital assets net of proceeds received.		(58,598)
--	--	----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(1,084,033)
--	--	-------------

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, the payment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets.

General Obligation Bond Principal Payment	110,000	
Capital Lease Principal Payment	<u>14,115</u>	124,115

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		1,047
--	--	-------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences	(22,932)	
Change in Inventory	<u>44,784</u>	21,852

The internal service funds are used by management to charge the costs of services to individual funds and is not reported in the statement of activities.

Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.		<u>(119,706)</u>
--	--	------------------

Change in Net Assets of Governmental Activities \$ 558,576

See accompanying notes to the basic financial statements

DARKE COUNTY, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 9,675,500	\$ 9,675,500	\$ 9,386,172	\$ (289,328)
Intergovernmental Revenue	1,209,749	1,209,749	1,261,310	51,561
Charges for Services	1,208,140	1,211,090	1,221,019	9,929
Licenses and Permits	21,180	158,180	75,346	(82,834)
Investment Earnings	426,915	426,915	653,754	226,839
Fines and Forfeitures	384,000	384,000	404,576	20,576
All Other Revenues	233,650	239,919	251,199	11,280
Total Revenues	<u>13,159,134</u>	<u>13,305,353</u>	<u>13,253,376</u>	<u>(51,977)</u>
Expenditures:				
Current:				
Public Safety	3,950,148	3,887,006	3,817,863	69,143
Health	97,506	97,506	65,841	31,665
Human Services	468,246	468,246	307,710	160,536
Community and Economic Development	210,502	210,502	208,902	1,600
Public Works	133,154	136,774	123,995	12,779
General Government	6,147,458	6,322,735	5,928,952	393,783
Total Expenditures	<u>11,007,014</u>	<u>11,122,769</u>	<u>10,453,263</u>	<u>669,506</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,152,120	2,182,584	2,800,113	617,529
Other Financing Sources (Uses):				
Other Financing Sources	307,650	307,650	286,863	(20,787)
Sale of Capital Assets	0	0	1,234	1,234
Transfers Out	(3,680,894)	(3,626,693)	(3,362,381)	264,312
Advances In	180,300	180,300	260,300	80,000
Advances Out	(801)	(801)	(372)	429
Total Other Financing Sources (Uses):	<u>(3,193,745)</u>	<u>(3,139,544)</u>	<u>(2,814,356)</u>	<u>325,188</u>
Net Change in Fund Balance	(1,041,625)	(956,960)	(14,243)	942,717
Fund Balance at Beginning of Year	893,394	893,394	893,394	0
Prior Year Encumbrances	63,822	63,822	63,822	0
Fund Balance at End of Year	<u>\$ (84,409)</u>	<u>\$ 256</u>	<u>\$ 942,973</u>	<u>\$ 942,717</u>

See accompanying notes to the basic financial statements

DARKE COUNTY, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Auto License and Gas Tax Fund
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 4,796,000	\$ 4,796,000	\$ 4,679,493	\$ (116,507)
Investment Earnings	130,000	130,000	223,601	93,601
All Other Revenues	37,000	37,000	15,099	(21,901)
Total Revenues	4,963,000	4,963,000	4,918,193	(44,807)
Expenditures:				
Current:				
Public Works	5,980,899	5,980,899	4,905,142	1,075,757
Total Expenditures	5,980,899	5,980,899	4,905,142	1,075,757
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,017,899)	(1,017,899)	13,051	1,030,950
Other Financing Sources (Uses):				
Other Financing Sources	237,000	237,000	253,517	16,517
Sale of Capital Assets	0	0	12,182	12,182
Other Financing Uses	(3,000)	(3,000)	0	3,000
Total Other Financing Sources (Uses)	234,000	234,000	265,699	31,699
Net Change in Fund Balance	(783,899)	(783,899)	278,750	1,062,649
Fund Balance at Beginning of Year	4,581,241	4,581,241	4,581,241	0
Prior Year Encumbrances	8,999	8,999	8,999	0
Fund Balance at End of Year	\$ 3,806,341	\$ 3,806,341	\$ 4,868,990	\$ 1,062,649

See accompanying notes to the basic financial statements

DARKE COUNTY, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – MRDD Fund
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 2,660,313	\$ 2,660,313	\$ 2,637,838	\$ (22,475)
Intergovernmental Revenues	1,747,057	1,747,057	1,729,989	(17,068)
Charges for Services	474,715	474,715	519,984	45,269
All Other Revenues	5,500	5,500	6,475	975
Total Revenues	<u>4,887,585</u>	<u>4,887,585</u>	<u>4,894,286</u>	<u>6,701</u>
Expenditures:				
Current:				
Human Services	4,753,515	4,752,491	4,406,471	346,020
Total Expenditures	<u>4,753,515</u>	<u>4,752,491</u>	<u>4,406,471</u>	<u>346,020</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	134,070	135,094	487,815	352,721
Other Financing Sources (Uses):				
Other Financing Sources	63,000	63,000	100,788	37,788
Other Financing Uses	(2,016)	(2,016)	(154)	1,862
Advances In	0	0	25	25
Advances Out	0	(1,025)	(1,025)	0
Total Other Financing Sources (Uses)	<u>60,984</u>	<u>59,959</u>	<u>99,634</u>	<u>39,675</u>
Net Change in Fund Balance	195,054	195,053	587,449	392,396
Fund Balance at Beginning of Year	1,138,029	1,138,029	1,138,029	0
Prior Year Encumbrances	31,481	31,481	31,481	0
Fund Balance at End of Year	<u>\$ 1,364,564</u>	<u>\$ 1,364,563</u>	<u>\$ 1,756,959</u>	<u>\$ 392,396</u>

See accompanying notes to the basic financial statements

DARKE COUNTY, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Public Assistance Fund
For the Year Ended December 31, 2006**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 3,714,569	\$ 3,814,569	\$ 3,562,360	\$ (252,209)
Total Revenues	3,714,569	3,814,569	3,562,360	(252,209)
Expenditures:				
Current:				
Human Services	4,082,540	4,333,540	3,845,757	487,783
Total Expenditures	4,082,540	4,333,540	3,845,757	487,783
Excess (Deficiency) of Revenues Over (Under) Expenditures	(367,971)	(518,971)	(283,397)	235,574
Other Financing Sources (Uses):				
Other Financing Sources	298,000	298,000	310,855	12,855
Transfers In	121,264	121,264	109,253	(12,011)
Total Other Financing Sources (Uses)	419,264	419,264	420,108	844
Net Change in Fund Balance	51,293	(99,707)	136,711	236,418
Fund Balance at Beginning of Year	91,696	91,696	91,696	0
Prior Year Encumbrances	8,238	8,238	8,238	0
Fund Balance at End of Year	\$ 151,227	\$ 227	\$ 236,645	\$ 236,418

See accompanying notes to the basic financial statements

DARKE COUNTY, OHIO

Statement of Net Assets
Proprietary Funds
December 31, 2006

	Business Type Activities- Enterprise Funds	Governmental Activities- Internal Service Fund
Assets:		
Current Assets:		
Cash and Cash Equivalents	\$ 780,169	\$ 101,238
Cash and C/E with Fiscal Agent	0	18,553
Receivables:		
Accounts	22,022	246
Special Assessments	12,910	0
Interfund Loans Receivable	50,000	0
Inventory of Supplies at Cost	1,353	0
Prepaid Items	279	1,299
Total Current Assets	866,733	121,336
Noncurrent Assets:		
Non-Depreciable Capital Assets	8,000	0
Depreciable Capital Assets, Net	36,207	0
Total Noncurrent Assets	44,207	0
Total Assets	910,940	121,336
Liabilities:		
Current Liabilities:		
Accounts Payable	2,311	0
Accrued Wages and Benefits	1,988	0
Intergovernmental Payable	2,077	0
Claims Payable	0	790
Interfund Loans Payable	0	50,000
Accrued Interest Payable	107	1,085
Short Term Loans Payable	0	79,486
Special Assessment Bonds Payable - Current	11,700	0
Total Current Liabilities	18,183	131,361
Noncurrent Liabilities		
Compensated Absences Payable	8,847	0
Total Noncurrent Liabilities	8,847	0
Total Liabilities	27,030	131,361
Net Assets:		
Invested in Capital Assets, net of debt	32,507	0
Unrestricted	851,403	(10,025)
Total Net Assets	\$ 883,910	\$ (10,025)
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.	(205)	
Net Assets of Business-type Activities	\$ 883,705	

See accompanying notes to the basic financial statements

DARKE COUNTY, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2006**

	Business-Type Activities- Enterprise Funds	Governmental Activities - Internal Service Funds
Operating Revenues:		
Charges for Services	\$ 339,982	\$ 193,738
Other Operating Revenue	2,084	656
Total Operating Revenues	<u>342,066</u>	<u>194,394</u>
Operating Expenses:		
Personal Services	152,766	0
Contractual Services	179,007	310,410
Materials and Supplies	11,281	0
Depreciation	4,148	0
Total Operating Expenses	<u>347,202</u>	<u>310,410</u>
Operating Loss	(5,136)	(116,016)
Nonoperating Revenue (Expenses):		
Investment Earnings	748	0
Interest Expense	(747)	(5,054)
Loss on Disposal of Capital Assets	(163)	0
Other Nonoperating Revenue	13,000	0
Total Nonoperating Revenues (Expenses)	<u>12,838</u>	<u>(5,054)</u>
Income (Loss) Before Transfers	7,702	(121,070)
Transfers In	11,410	0
Change in Net Assets	19,112	(121,070)
Net Assets Beginning of Year	864,798	111,045
Net Assets End of Year	<u>\$ 883,910</u>	<u>\$ (10,025)</u>
Change in Net Assets - Total Enterprise Funds	19,112	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.	(1,364)	
Change in Net Assets - Business-type Activities	<u>\$ 17,748</u>	

See accompanying notes to the basic financial statements

DARKE COUNTY, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2006

	Business-Type Activities- Enterprise Funds	Governmental Activities - Internal Service Funds
<u>Cash Flows from Operating Activities:</u>		
Cash Received from Customers	\$364,074	\$0
Interfund Services Provided and Used	0	188,156
Cash Payments for Goods and Services	(189,872)	(410,933)
Cash Payments to Employees	(150,345)	0
Net Cash Provided (Used) by Operating Activities	23,857	(222,777)
<u>Cash Flows from Noncapital Financing Activities:</u>		
Advances In	100,000	150,000
Advances Out	(150,000)	(100,000)
Transfers In	11,410	0
Transfers Out	0	(124,483)
Net Cash Used by Noncapital Financing Activities	(38,590)	(74,483)
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition and Construction of Assets	(1,173)	0
Note Issuance	0	200,000
Principal Paid on Special Assessment Bond	(11,700)	0
Interest Paid on All Debt	(853)	0
Net Cash Provided (Used) by Capital and Related Financing Activities	(13,726)	200,000
<u>Cash Flows from Investing Activities:</u>		
Interest Income	748	0
Net Cash Provided by Investing Activities	748	0
Net Decrease in Cash and Cash Equivalents	(27,711)	(97,260)
Cash and Cash Equivalents at Beginning of Year	807,880	217,051
Cash and Cash Equivalents at End of Year	\$780,169	\$119,791
<u>Reconciliation of Cash and</u>		
<u>Cash Equivalents per the Statement of Net Assets:</u>		
Cash and Cash Equivalents	\$780,169	\$101,238
Cash with Fiscal Agent	0	18,553
Cash and Cash Equivalents at End of Year	\$780,169	\$119,791

(Continued)

DARKE COUNTY, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2006

	Business-Type Activities- Enterprise Funds	Governmental Activities - Internal Service Funds
	<u> </u>	<u> </u>
<u>Reconciliation of Operating Loss to Net Cash</u>		
<u>Provided by Operating (Used) Activities:</u>		
Operating Loss	(\$5,136)	(\$116,016)
Adjustments to Reconcile Operating Loss to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	4,148	0
Non-Operating Revenue	13,000	0
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(1,071)	74,713
Decrease in Special Assesment Receivable	10,079	0
Increase in Inventory	(1,011)	0
(Increase) Decrease in Prepaids	(258)	17,603
Increase in Accounts Payable	1,685	0
Increase in Accrued Wages and Benefits	469	0
Decrease in Health Insurance Claims Payable	0	(199,077)
Increase in Intergovernmental Payables	399	0
Increase in Compensated Absences Payable	1,553	0
Total Adjustments	<u>28,993</u>	<u>(106,761)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$23,857</u></u>	<u><u>(\$222,777)</u></u>

See accompanying notes to the basic financial statements

DARKE COUNTY, OHIO

Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2006

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 2,028,556
Cash and Cash Equivalents with Fiscal Agent	315,524
Investments with Fiscal Agent	75,000
Receivables:	
Taxes	29,183,345
Intergovernmental	4,274,928
Special Assessments	7,314
Total Assets	<u><u>\$ 35,884,667</u></u>
Liabilities:	
Intergovernmental Payable	\$ 29,190,659
Undistributed Monies	6,694,008
Total Liabilities	<u><u>\$ 35,884,667</u></u>

See accompanying notes to the basic financial statements

DARKE COUNTY, OHIO



DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Darke County Visitors Bureau, Inc. – The Darke County Visitors Bureau, Inc. is a legally separate not-for-profit corporation served by a board appointed by the Darke County Board of Commissioners. The corporation was established for the purpose of the promotion of business and tourism within Darke County. The Darke County Auditor distributes bed tax funds to The Darke County Visitors Bureau, Inc. Based on the significant resources provided by the County and upon the ability of the County to impose its will upon The Darke County Visitors Bureau, Inc, the entity is reflected as a component unit of the County. Separately issued financial statements can be obtained from The Darke County Visitors Bureau, Inc. at 537 South Broadway Suite 203, Greenville, Ohio 45331.

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

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

- Darke County General Health District
- Darke County Emergency Management Agency
- Darke County Soil Conservation District
- Darke County Law Library
- Darke County Park District
- Darke County Family & Children First Council

The County is associated with certain organizations which are defined as Joint Ventures, Jointly Governed Organizations, and Insurance Purchasing Pools. These organizations are presented in Notes 14, 16 and 17 to the basic financial statements.

DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting

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

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

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

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

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

MRDD Fund - This fund is used to account for funds obtained from various tax levies, grants and other sources to provide MR/DD services.

Public Assistance 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.

Wagner Avenue Government Center Permanent Improvement Fund - This fund receives and expends bond proceeds for improvements at the Complex.

DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Proprietary Funds - are accounted for on an “economic resources” measurement focus. This measurement focus provides that all assets and liabilities associated with the operation of the proprietary funds are included on the balance sheet. The proprietary funds operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

Internal Service Fund- is used to account for the County’s self-insurance activity. Employee medical benefits are provided by the self-insurance fund to other County departments on a cost reimbursement basis.

Fiduciary Funds - The County’s only fiduciary fund type is its agency funds. The County’s agency funds hold assets such as property and other taxes as well as other intergovernmental resources that have been collected by the County and will be distributed to other taxing districts located within the County. The County’s agency funds are custodial in nature (assets equal liabilities) and do not involve measurement or accounts of operations.

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function or program of the County’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Certain indirect costs have been included as part of the program expenses reported for the various functional activities.

DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

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 rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements, and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus. The financial statements of the governmental funds are prepared using the modified accrual basis of accounting. Under this basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available.

DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

The term “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the County is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due. Revenues which are measurable but not considered available, such as delinquent real and personal property taxes for which availability is indeterminate, are recorded as deferred revenue. Property taxes which are measurable at December 31, 2006 but not available, are recorded as deferred revenue.

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

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

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

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, proprietary funds, and the agency funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

Pursuant to GASB Statement No. 20, “*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*,” the County follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The County has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its business-type activities and enterprise funds.

DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

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

1. Tax Budget

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

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the County by September 1 of each year. As part of the certification process, the County receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the County must revise its budget so the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2006.

DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

A temporary appropriations resolution to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriations resolution must be passed by April 1 of each year for the period January 1 through December 31. The appropriations resolution establishes spending controls at the fund, function, department and object level. The appropriations resolution may be amended during the year by resolution of the County Commissioners as additional information becomes available, provided that total fund appropriations do not exceed current estimated resources. Expenditures may not legally exceed budgeted appropriations at the object level. During 2006, several supplemental appropriations were necessary to budget the use of contingency funds, intergovernmental grant proceeds and capital improvement projects. Administrative control is maintained through the establishment of more detailed line-item budgets. Commissioners appropriations are made at the fund, department and object level (i.e. General Fund-Commissioners-salaries, supplies, equipment, contract repairs, travel expenses, maintenance and other expenses.)

The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual for the General Fund and Major Special Revenue Funds" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

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

5. Budgetary Basis of Accounting

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

DARKE COUNTY, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

A reconciliation of the results of operations for 2006 from the GAAP basis to the budgetary basis is shown below:

	Net Change in Fund Balance			
	General Fund	Auto License and Gas Tax Fund	MRDD Fund	Public Assistance Fund
GAAP Basis (as reported)	(\$146,952)	\$365,648	\$608,380	(\$80,927)
Increase (Decrease):				
Accrued Revenues at December 31, 2006 received during 2007	(1,575,031)	(881,196)	(7,360)	(526,090)
Accrued Revenues at December 31, 2005 received during 2006	1,420,585	888,435	34,548	643,710
Accrued Expenditures at December 31, 2006 paid during 2007	401,646	99,234	107,942	290,728
Accrued Expenditures at December 31, 2005 paid during 2006	(65,794)	(72,728)	(130,700)	(157,964)
2005 Prepays for 2006	34,317	25	8,098	749
2006 Prepays for 2007	(33,087)	(218)	(14,934)	(8,329)
Outstanding Encumbrances	(49,927)	(120,450)	(18,525)	(25,166)
Budget Basis	(\$14,243)	\$278,750	\$587,449	\$136,711

DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

The County Treasurer pools cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account. Cash and cash equivalents that are held separately within departments of the County and not held with the County Treasurer are recorded on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent." See Note 3, "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the County records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices. See Note 3, "Cash, Cash Equivalents and Investments".

H. Inventory of Supplies

On the government-wide financial statements and in the proprietary funds, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2006, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

J. Estimates

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

DARKE COUNTY, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets and Depreciation

Capital assets are defined by the County as assets with an initial, individual cost of more than \$1,000 and an estimated useful life threshold of five or more years.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at fair market value at the date received. Capital asset values were determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing current market costs back to the estimated year of acquisition.

2. Property, Plant and Equipment – Business Type Activities

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Assets and in the respective funds.

3. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Governmental and Business-Type Activities Estimated Lives (in years)
Machinery and Equipment	5 - 6
Buildings	30
Sewer Lines	25
Office Equipment	5
Infrastructure	15 - 100

DARKE COUNTY, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bond	General Obligation Bond Retirement Fund
Capital Lease	General Fund
Long Term Note/Loan	Ross-Medford TIF Fund, General Obligation Bond Retirement Fund
Special Assessment Bond	Sewer District
Compensated Absences	General Fund Auto License and Gas Tax Fund Dog and Kennel Fund Public Assistance Fund County Home Fund Ditch Maintenance Fund County MR/DD Fund Child Support Enforcement Fund Solid Waste Fund, Adult Daycare Fund Real Estate Assessment Fund, DRETAC Fund Community Corrections Fund Economic Development Fund Visitation House Fund Michael's Juvenile Center Fund Certificate of Title Administration Fund Felony Delinquent Care and Custody Fund Juvenile Diversion Program Fund Children's Services Fund

M. Compensated Absences

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

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

DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences (Continued)

For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. For governmental funds, the portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government-wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net Assets restricted for Other Purposes include programs for street and highway improvements, federal grants for public safety and mandatory fines for various court programs.

The County applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

P. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods 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 nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Reservations of Fund Balance

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

R. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are daycare fees, sewer and water treatment and distribution, and interfund charges for the internal service funds. 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 nonoperating revenues and expenses.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County and that are either unusual in nature or infrequent in occurrence. The County had no extraordinary or special items to report during fiscal year 2006.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

At December 31, 2006 the following funds had a deficit in Fund Balance:

	<u>Fund Deficit</u>
Special Revenue Fund:	
Indigent Drivers Alcohol Treatment Fund	\$296
Debt Service Fund:	
Ross-Medford TIF Fund	282
Capital Projects Funds:	
Wagner Avenue Government Center Permanent Improvement Fund	3,300,000
Internal Service Fund:	
Self Insurance Fund	10,025

The fund deficit in the Wagner Avenue Government Center Permanent Improvement Fund arises from the recognition of general obligation notes payable within the fund under the modified accrual basis of accounting. Under the budgetary basis of accounting, proceeds from the sale of notes are recognized as revenue and expenditures are recognized when paid, therefore, a deficit does not exist. The fund deficit in all other funds arises from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary/cash basis. The general fund provides transfers when cash is required, not when accruals occur.

DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

DARKE COUNTY, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of County cash and deposits is provided by the federal deposit insurance corporation 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 (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end, the carrying amount of the County's (primary government) deposits was \$18,193,794 and the bank balance was \$19,344,051. Federal depository insurance covered \$1,107,714 of the bank balance and \$18,236,337 was uninsured. Of the remaining uninsured bank balance, the County was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the County's name	<u>\$18,236,337</u>
Total Balance	<u><u>\$18,236,337</u></u>

Although the State statutory requirement for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC. The County had \$257,509 in undeposited cash on hand at December 31, 2006, which is included as Cash and Cash Equivalents in the financial statements.

At year end, the carrying amount of The Darke County Visitors Bureau, Inc.'s (component unit) deposits was \$80,714 all of which was covered by federal depository insurance. There are no statutory guidelines regarding the deposit and investment of funds by the not-for-profit corporation. The County is not the fiscal agent for the corporation. At year end, the carrying amount of Wayne Industries (component unit) deposits was \$316,352, which was equal to the bank balance. All of the bank balance was covered by federal depository insurance.

DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

A. Deposits (Continued)

Following Ohio statutes, the County has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund, the Auto License and Gas Tax Fund, the Workforce Development Fund, the Microenterprise Business Development Grant Fund, the Community Development Block Grant Fund, the Community Housing Improvement Fund, the Home Repayment Fund, and the Gifts and Bequest Fund (special revenue) amounted to \$705,221, \$246,280, \$724, \$1076, \$10,664, \$160, \$2,860, and \$5,686 respectively.

B. Reconciliation of Cash, Cash Equivalents and Investments

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

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Financial Statements	\$18,108,794	\$85,000
Certificates of Deposit (with maturities of more than 3 months)	<u>85,000</u>	<u>(85,000)</u>
Per GASB Statement No. 3	<u>\$18,193,794</u>	<u>\$0</u>

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

NOTE 4 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property located in the County and used in business. Real property taxes (other than public utility) collected during 2006 were levied after October 1, 2005 on assessed values as of January 1, 2005, the lien date. Assessed values were established by the county auditor at 35 percent of appraised market value. All property must be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 2005. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20.

DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 4 – TAXES (Continued)

A. Property Taxes (Continued)

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

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 18.75 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually: the first payment is due April 30; the remainder payable by September 20.

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

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

The full tax rate to the County for the year ended December 31, 2006, was \$6.30 per \$1,000 of assessed value. The assessed value upon which 2006 tax levy was based was \$963,297,501. This amount constitutes \$828,954,210 in real property assessed value, \$54,022,940 in public utility assessed value and \$80,320,351 in tangible personal property assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the County's share is .63% (6.3 mills) of assessed value.

B. 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 the month. The State Auditor then has five days in which to draw the warrant payable to the County.

DARKE COUNTY, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 5 - RECEIVABLES

Receivables at December 31, 2006, consisted of taxes, interest, special assessments, accounts receivable, loans, and intergovernmental receivables arising from shared revenues. All receivables are considered collectible in full. A summary of intergovernmental receivables follows:

Fund	
General Fund	\$166,048
Auto License and Gas Tax Fund	2,426,126
MRDD Fund	208,985
Public Assistance Fund	1,012,495
Other Governmental Funds	1,288,864
Total Governmental Funds	5,102,518
Agency Funds:	
Total All Agency Funds	4,274,928
Total All Funds	\$9,377,446

NOTE 6 - INTERFUND TRANSACTIONS / INTERFUND RECEIVABLES AND PAYABLES

On the Statement of Net Assets, the Business-Type Activities reported an internal balance at December 31, 2006 of \$49,795, which is offset in the Governmental Activities by the same amount. This amount represents the residual balance due from the Governmental Activities as a result of the consolidation of the internal service activity within Governmental Activities. The composition of interfund balances as of December 31, 2006, is as follows:

Interfund Loans Receivable/Payable	Receivable	Payable
Governmental Funds:		
General Fund	\$372	\$100,000
Motor Vehicle and Gasoline Tax Fund	0	0
Community MRDD Fund	1,000	0
Other Governmental Funds	100,000	1,372
Total Governmental Funds	101,372	101,372
Proprietary Fund:		
Solid Waste Fund	50,000	0
Internal Service Fund:		
Self Insurance Fund	0	50,000
Totals	\$151,372	\$151,372

These interfund receivables and payables are for a reimbursement of expenditures.

DARKE COUNTY, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 7 - TRANSFERS

The following balances at December 31, 2006 represent transfers in and transfers out:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$0	\$3,362,381
Public Assistance Fund	109,253	0
WAGC Permanent Improvement Fund	192,181	0
Other Governmental Funds	<u>4,418,303</u>	<u>1,368,766</u>
Total Governmental Funds	4,719,737	4,731,147
Proprietary Fund:		
Solid Waste Fund	<u>11,410</u>	<u>0</u>
Total All Funds	<u><u>\$4,731,147</u></u>	<u><u>\$4,731,147</u></u>

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

This space intentionally left blank.

DARKE COUNTY, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2006:

<i>Historical Cost:</i>				
Class	December 31, 2005	Additions	Deletions	December 31, 2006
<i>Capital assets not being depreciated:</i>				
Land	\$8,822,379	\$0	\$0	\$8,822,379
Subtotal	8,822,379	0	0	8,822,379
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	15,704,303	107,950	0	15,812,253
Machinery and Equipment	9,276,153	917,560	(366,446)	9,827,267
Infrastructure	85,724,170	2,236,160	(47,625)	87,912,705
Subtotal	110,704,626	3,261,670	(414,071)	113,552,225
Total Cost	<u>\$119,527,005</u>	<u>\$3,261,670</u>	<u>(\$414,071)</u>	<u>\$122,374,604</u>
 <i>Accumulated Depreciation:</i>				
Class	December 31, 2005	Additions	Deletions	December 31, 2006
Buildings and Improvements	(\$6,268,191)	(\$453,091)	\$0	(\$6,721,282)
Machinery and Equipment	(6,453,935)	(683,412)	328,465	(6,808,882)
Infrastructure	(26,146,328)	(2,785,628)	27,008	(28,904,948)
Total Depreciation	<u>(\$38,868,454)</u>	<u>(\$3,922,131) *</u>	<u>\$355,473</u>	<u>(\$42,435,112)</u>
 <i>Net Value:</i>	 <u>\$80,658,551</u>			 <u>\$79,939,492</u>

* Depreciation expenses were charged to governmental functions as follows:

Public Safety	\$147,053
Health	74,555
Human Services	42,926
Community and Economic Development	1,747
Public Works	3,025,802
General Government	630,048
Total Depreciation Expense	<u>\$3,922,131</u>

DARKE COUNTY, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 8 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2006:

Historical Cost:

Class	December 31, 2005	Additions	Deletions	December 31, 2006
<i>Capital assets not being depreciated:</i>				
Land	\$8,000	\$0	\$0	\$8,000
Subtotal	8,000	0	0	8,000
<i>Capital assets being depreciated:</i>				
Sewer Lines	45,865	0	0	45,865
Machinery and Equipment	59,891	1,173	(1,632)	59,432
Subtotal	105,756	1,173	(1,632)	105,297
Total Cost	\$113,756	\$1,173	(\$1,632)	\$113,297
<i>Accumulated Depreciation:</i>				
Class	December 31, 2005	Additions	Deletions	December 31, 2006
Sewer Lines	(\$14,035)	(\$1,651)	\$0	(\$15,686)
Machinery and Equipment	(52,376)	(2,497)	1,469	(53,404)
Total Depreciation	(\$66,411)	(\$4,148)	\$1,469	(\$69,090)
<i>Net Value:</i>	\$47,345			\$44,207

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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

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

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

DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

All employees of the County, except teachers at the Mental Retardation and Development Disabilities Board, participate in one of the three pension plans administered by the Ohio PERS: the Traditional Pension Plan (TP), the Member-Directed Plan (MD), and the Combined Plan (CO). The TP Plan is a cost-sharing multiple employer defined benefit pension plan. The MD 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 MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the CO Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the TP Plan. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits, including postemployment health care benefits. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2006, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 9.0%. The 2006 employer contribution rate for local government employer units was 13.70%, of covered payroll, 9.20% to fund the pension and 4.5% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The County's contributions to the Ohio PERS for the years ending December 31, 2006, 2005, and 2004 were \$1,852,548, \$1,774,995 and \$1,828,995, respectively, which were equal to the required contributions for each year.

DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2006 employer contribution rate (identified above) that was used to fund health care for the year 2006 was 4.5% of covered payroll which amounted to \$608,501.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2005. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2005 was 6.5%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from .50% to 6% for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 358,804. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2005 is \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, Ohio PERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The teachers who work for the Mental Retardation and Development Disabilities Board participate in the State Teachers Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090 or by visiting the STRS Ohio Web site 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% 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.

The Ohio Revised Code provides statutory authority for County and employee contributions of 14% and 10%, respectively. The contribution requirements of plan members and the County are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2006, 13% was allocated to fund the pension benefit and 1% to fund health care. The County's contributions to the STRS of Ohio for the years ending June 30, 2006, 2005, and 2004 were \$10,293, \$15,502, and \$23,356, respectively, which were equal to the required contributions for each year.

DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

STRS provides postemployment health care benefits to retirees who participated in the DB or Combined Plans and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, health care benefits are not guaranteed.

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2006, the board allocated employer contributions are equal to 1% of covered payroll to the Health Care Stabilization Fund, which amounted to \$735 for the County. The balance of the Health Care Stabilization Fund was \$3.5 billion at June 30, 2006. For the fiscal year ended June 30, 2006, the net health care costs paid by STRS were \$282,743,000. There were 119,184 eligible benefit recipients.

NOTE 10 – COMPENSATED ABSENCES

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

At December 31, 2006, the County's accumulated, unpaid compensated absences amounted to \$1,422,055. The compensated absences amount is paid from numerous funds. See Note 1 M for further disclosure.

This space intentionally left blank.

DARKE COUNTY, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 11 - NOTES PAYABLE

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

	Balance January 1, 2006	Issued	(Retired)	Balance December 31, 2006
Capital Projects General Obligation Notes:				
3.99% Wagner Avenue Government Center	\$2,200,000	\$0	(\$2,200,000)	\$0
3.10% Wagner Avenue Government Center	0	2,200,000	0	2,200,000
4.99% Wagner Avenue Government Center	1,150,000	0	(1,150,000)	0
6.40% Wagner Avenue Government Center	0	1,100,000	0	1,100,000
3.65% County Building Renovation	1,000,000	0	(1,000,000)	0
4.40% County Building Renovation	0	1,000,000	0	1,000,000
3.65% Garst Avenue	128,000	0	(128,000)	0
	<u>\$4,478,000</u>	<u>\$4,300,000</u>	<u>(\$4,478,000)</u>	<u>\$4,300,000</u>
Total Capital Projects Notes Payable	<u>\$4,478,000</u>	<u>\$4,300,000</u>	<u>(\$4,478,000)</u>	<u>\$4,300,000</u>

This space intentionally left blank.

DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Details of the changes in the bonds and other long-term obligations of the County for the year ended December 31, 2006 are indicated below:

				Balance December 31, 2005	Additions	Deductions	Balance December 31, 2006	Amount Due Within One Year
Governmental Activities:								
General Obligation Bond:								
Various	WAGC Improvement	2027	\$3,870,000	\$0	(\$110,000)	\$3,760,000	\$115,000	
Long Term Notes Payable:								
5.10%	Ross Medford Road Improvement	2010	125,000	0	0	125,000	18,540	
Loan Payable:								
5.00%	CCAO Loan	2007	0	200,000	(120,514)	79,486	79,486	
Compensated Absences Payable			1,409,058	1,413,208	(1,409,058)	1,413,208	765,244	
Capital Lease Payable			40,162	0	(14,115)	26,047	14,669	
Total Governmental Activities			<u>5,444,220</u>	<u>1,613,208</u>	<u>(1,653,687)</u>	<u>5,403,741</u>	<u>992,939</u>	
Business-Type Activities:								
	Special Assessment Bond:	2007	23,400	0	(11,700)	11,700	11,700	
	3.65% Rolin Acres							
Compensated Absences			7,294	8,847	(7,294)	8,847	8,847	
Total Business-Type Activities			<u>30,694</u>	<u>8,847</u>	<u>(18,994)</u>	<u>20,547</u>	<u>20,547</u>	
Total Other Long-Term Obligations			<u>\$5,474,914</u>	<u>\$1,622,055</u>	<u>(\$1,672,681)</u>	<u>\$5,424,288</u>	<u>\$1,013,486</u>	

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors should not exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County less the same exempt debt should not exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. The effects of the debt limitations at December 31, 2006 are an overall debt margin of \$15,131,373, and an unvoted legal debt margin of \$1,452,548.

DARKE COUNTY, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

A. Principal and Interest Requirements

A summary of the County's future debt service requirements including principal and interest at December 31, 2006 follows:

Years	General Obligation Bond		Special Assessment Bond		Capital Lease		Long Term Note/Loan	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$115,000	\$173,020	\$11,700	\$428	\$14,669	\$748	\$98,026	\$7,711
2008	120,000	169,512	0	0	11,378	184	19,389	4,693
2009	120,000	165,432	0	0	0	0	20,306	3,776
2010	125,000	161,112	0	0	0	0	66,765	1,533
2011	130,000	156,362	0	0	0	0	0	0
2012-2016	740,000	697,710	0	0	0	0	0	0
2017-2021	935,000	514,980	0	0	0	0	0	0
2022-2026	1,195,000	261,514	0	0	0	0	0	0
2027	280,000	14,350	0	0	0	0	0	0
Totals	<u>\$3,760,000</u>	<u>\$2,313,992</u>	<u>\$11,700</u>	<u>\$428</u>	<u>\$26,047</u>	<u>\$932</u>	<u>\$204,486</u>	<u>\$17,713</u>

NOTE 13 - CAPITALIZED LEASE

The County is leasing a telephone system. The cost of the leased assets is accounted for in the Governmental Activities Capital Assets and the related liability in the Governmental Activities Other Long-Term Obligations. The original cost of the assets under capital lease was \$70,000.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 2006:

Year Ending December 31,	Capital Leases
2007	\$15,417
2008	11,562
Minimum Lease Payments	26,979
Less: Amount representing interest at the County's incremental borrowing rate of interest	(932)
Present value of minimum lease payments	<u>\$26,047</u>

DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 14 - RISK MANAGEMENT

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

A. Shared Risk Pools

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

Coverages provided by CORSA are as follows:	Amounts
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 premises	1,000,000
Money Orders and Counterfeit Currency	1,000,000
Depositors Forgery	1,000,000

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

The continued existence of CORSA is dependant upon the County's continued participation; however the County does not have an equity interest in CORSA. In 2006, the County contributed \$191,094. Complete financial statements can be obtained from the County Risk Sharing Authority, Inc. at 175 South Third Street, Suite 500, Columbus, Ohio 43215.

DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 14 - RISK MANAGEMENT (Continued)

A. Shared Risk Pools (Continued)

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

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

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

B. Self-Insurance

The County provides accidental death and dismemberment life insurance benefits for all employees with insurance and employees of the Sheriff's Department in the amount of \$15,000. The County has maintained a self-insurance internal service fund to account for and finance its uninsured risks of loss related to employee medical benefits. This self-insurance program was discontinued in 2006. Employee health insurance is provided through the purchase of commercial insurance coverage.

The activity reported in the Self-Insurance fund in 2006 is the residual activity of the County health insurance program.

DARKE COUNTY, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2006**

NOTE 14 - RISK MANAGEMENT (Continued)

B. Self-Insurance (Continued)

The liability for unpaid claims of \$790 reported in the Internal Service fund at December 31, 2006, as estimated by an analysis of claim payments, is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims cost be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in 2005 and 2006 were:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2005	\$368,479	\$2,402,331	(\$2,570,943)	\$199,867
2006	199,867	310,410	(509,487)	790

NOTE 15 - SEGMENT INFORMATION

The following is segment information for the County's Sewer District #1 Fund:

Condensed Statement of Net Assets	District #1
Assets	
Current Assets	\$30,368
Capital Assets	38,176
Total Assets	68,544
Liabilities	
Current Liabilities	12,541
Noncurrent Liabilities	0
Total Liabilities	12,541
Net Assets	
Invested in Capital Assets, net of related debt	26,476
Unrestricted	29,527
Total Net Assets	\$56,003

DARKE COUNTY, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2006***

NOTE 15 - SEGMENT INFORMATION (Continued)

Condensed Statement of Revenues, Expenses, and Changes in Net Assets	<u>District #1</u>
Operating Revenues	\$18,743
Depreciation Expense	1,651
Other Operating Expenses	<u>24,703</u>
Operating Loss	(7,611)
Nonoperating Revenues (Expenses):	
Investment Income	748
Interest Expense	<u>(747)</u>
Total Nonoperating Revenues (Expenses)	1
Changes in Net Assets	(7,610)
Beginning Net Assets	<u>63,613</u>
Ending Net Assets	<u><u>\$56,003</u></u>
Condensed Statement of Cash Flows	<u>District #1</u>
Net Cash Provided (Used) By:	
Operating Activities	\$4,227
Capital and Related Financing Activities	(12,553)
Investing Activities	<u>748</u>
Net Decrease	(7,578)
Beginning Cash and Cash Equivalents	<u>25,036</u>
Ending Cash and Cash Equivalents	<u><u>\$17,458</u></u>

DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 16 – JOINT VENTURES

Darke County Emergency Management Agency (EMA) – The Darke County Emergency Management Agency (EMA) is a joint venture among Darke County, the City of Greenville, townships, and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is composed of the following seven members: one County Commissioner representing the board of county commissioners entering into the agreement; four chief executives representing the municipal corporations and townships entering into the agreement; and two non-elected representatives. The County contributed \$76,300 for the operation of the agency. The EMA is a joint venture since it cannot continue to exist without the financial support of the County.

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

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Tri County Board of Recovery and Mental Health Services

The Tri County Board of Recovery and Mental Health Services (Tri County Mental Health Board) is a jointly governed organization among Darke, Miami, and Shelby counties. The Tri County Mental Health Board provides leadership in planning for and supporting community-based alcohol, drug addiction and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting and advocating for the rights of persons as consumers of alcohol, drug addiction and mental health services. The ability to influence operations depends on the County's representation on the Board. The Board of Trustees consists of eighteen members: four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol And Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Darke, Miami and Shelby counties in the same proportion as the County's population bears to the total population of the three counties combined. During 2006, the County contributed \$541,219 by voted levy for the operations of the organization.

DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 17 - 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 characteristics, functions, and services of the region. These reports show recommendations for systems of transportation, highways, parks and recreational facilities, water supply, sewage disposal, garbage disposal, civic centers, and other public improvements and land uses which affect the development of the region. The degree of control exercised by any participating government is limited to its representation on the Board. Members of the Board are as follows: the officers of the Commission (elected by member representatives), the immediate past Chair of the Commission, the Commission member representing the City of Dayton, the Commission member representing each of the respective member counties, the representatives selected by each county caucus, a nongovernmental member, and two at-large representatives. Payments to the Commission are made from the General Fund. The County contributed \$3,392 for the operation of the Commission during 2006.

C. West Central Ohio Network

The West Central Ohio Network (West Con) is a jointly governed organization among Darke, Miami, Auglaize, Mercer, Logan, Shelby, Preble, Hardin, and Union counties. West Con was created to serve as the administrator and fiscal agent of Supported Living funds for the Boards of Mental Retardation and Development Disabilities (MR/DD Boards) of each of the participating counties. The degree of control exercised by any participating government is limited to its representation on the Board of Directors (the Board) of West Con. The Board consists of one delegate, who is the Superintendent, from each of the participating MR/DD Boards. Payments to West Con are limited to the Supported Living funds of each participating county. During 2006, the County contributed \$24,492 to West Con. Financial information can be obtained from Saul Bauer, Executive Director, 315 East Court Street, Sidney, Ohio 45365.

NOTE 18 - RELATED PARTY TRANSACTIONS

Wayne Industries has entered into a contractual agreement with the Darke County Board of Mental Retardation/Developmental Disabilities (MRDD), whereby the MRDD provides sheltered employment for mentally retarded or handicapped individuals in Darke County. The MRDD provides the workshop with personnel necessary for the operation of the habilitation services to the client, land and buildings for the operation of the center, maintenance and repair of the buildings and professional staff to supervise and train clients of Wayne Industries. During 2006, the fair value of this support was \$152,044.

DARKE COUNTY, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2006

NOTE 19 - CONTINGENT LIABILITIES

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

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

**FINANCIAL CONDITION
DARKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
<i>(Passed through the Ohio Department of Education)</i>				
Federal Food Distribution Program	N/A	10.550		\$4,702
Nutrition Cluster:				
National School Breakfast Program	05-PU-06	10.553	\$5,688	
	05-PU-07		4,570	
Total National School Breakfast Program			<u>10,258</u>	
National School Lunch Program	04-PU-06	10.555	8,281	
	04-PU-07		4,516	
Total National School Lunch Program			<u>12,797</u>	
Total Nutrition Cluster			<u>23,055</u>	
Total U.S. Department of Agriculture			<u>23,055</u>	4,702
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>(Passed through the Ohio Department of Development)</i>				
Community Distress Grant	B-F-04-018-1	14.228	211,028	
Community Development Block Grant	B-F-04-018-1		9,072	
Community Development Block Grant	B-F-05-018-1		101,931	
Total Community Development Block Grant Program			<u>322,031</u>	
Home Investment Partnership Program	BC-05-018-2	14.239	6,802	
	BC-05-018-1		75,035	
Total Home Investment Partnership Program			<u>81,837</u>	
Total U.S. Department of Housing and Urban Development			<u>403,868</u>	
U.S. DEPARTMENT OF JUSTICE				
<i>(Direct Receipt)</i>				
Bullet Proof Vest Partnership Grant	361019019	16.607	15,425	
<i>(Passed through Ohio Bureau of Criminal Identification and Investigation)</i>				
Public Safety Partnership and Community Policing Grant	OH0190000	16.710	38,215	
<i>(Passed through Ohio Department of Criminal Justice Services)</i>				
Edward Byrne Justice Assistance Grant Formula Program	2005-JG-E01-6343	16.738	14,226	
Violence Against Women Act	2005WFVA58811	16.588	30,119	
Total U.S. Department of Justice			<u>97,985</u>	
U.S DEPARTMENT OF LABOR				
<i>(Passed through Ohio Department of Job and Family Services)</i>				
<i>(Passed through Workforce Investment Act Area 7)</i>				
Workforce Investment Act Cluster:				
WIA - Adult Administrative	N/A	17.258	5,889	
WIA - Adult	N/A		93,444	
Total Adult Program			<u>99,333</u>	
WIA - Dislocated Workers Administrative	N/A	17.260	8,566	
WIA - Dislocated Workers	N/A		127,230	
WIA - Dislocated Workers - VR2 Rapid Response	N/A		4,056	
Total Dislocated Workers			<u>139,852</u>	
WIA -Youth Administrative	N/A	17.259	12,314	
WIA - Youth	N/A		190,035	
Total Youth Program			<u>202,349</u>	
Total U.S. Department of Labor			441,534	

(Continued)

**FINANCIAL CONDITION
DARKE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF TRANSPORTATION				
(Direct Receipt)				
Airport Improvement Program	AIP-3-39-0082-0104	20.106	11,149	
Airport Improvement Program	AIP-3-39-0082-0306		70,266	
Total Airport Improvement Program			<u>81,415</u>	
(Passed through Ohio Department of Public Safety)				
Highway Planning and Construction	TE2006-19000000550	20.205	38,631	
Total U.S. Department of Transportation			<u>120,046</u>	
U.S. GENERAL SERVICES ADMINISTRATION ON BEHALF OF ELECTION ASSISTANCE COMMISSION				
(Passed through Ohio Secretary of State)				
Election Reform Payments	05-SOS-HAVA-19	39.011	1,819	
Total U.S. General Services Administration			<u>1,819</u>	
U.S. DEPARTMENT OF EDUCATION				
(Passed through Ohio Department of Education)				
Special Education Cluster:				
Title VI-B				
	017902-6BSF-2006	84.027	31,403	
	017902-6BSF-2007		18,644	
Total Title VI-B			<u>50,047</u>	
Handicap Preschool Grant				
	017092-PGS1-2006	84.173	5,648	
	017092-PGS1-2007		23	
Total Handicap Preschool Grant			<u>5,671</u>	
Total Special Education Cluster			55,718	
Innovative Programs, Title V Grant				
	071092-C2SI-2006	84.298	141	
	071092-C2SI-2007			
Total Innovative Programs, Title V Grant			<u>141</u>	
(Passed through Ohio Department of Health)				
Help Me Grow Part C				
	19-1-003-1-EG-05	84.181	23,485	
	19-1-003-1-EG-06		17,300	
Total Help Me Grow Part C			<u>40,785</u>	
Total U.S. Department of Education			<u>96,644</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
(Passed through Ohio Department of Job and Family Services)				
Promoting Safe and Stable Families	N/A	93.556	49,054	
(Passed through Ohio Dept. of Mental Ret. and Dev. Disabilities)				
Title XX				
	MR-19-06	93.667	21,730	
	MR-19-07		23,041	
Total Title XX			<u>44,771</u>	
State Childrens Insurance Program				
Year 2005	N/A	93.767	959	
Year 2006			1,252	
Total Childrens Insurance Program			<u>2,211</u>	
Medical Assistance Program (Medicaid XIX)				
CAFS 2004	19000-10-CY04	93.778	17	
CAFS 2005	19000-10-CY05		5,874	
Total CAFS			<u>5,891</u>	
TCM 2004	19000-10-CY04		6	
TCM 2005	19000-10-CY05		60,098	
TCM 2006	19000-10-CY06		153,026	
Total TCM			<u>213,130</u>	
Day Habilitation L1 Wavier 2005				
Day Habilitation L1 Wavier 2006	19000-10-CY05		2,114	
Total Day Habilitation L1 Waiver	19000-10-CY06		<u>18,554</u>	
			20,668	
Day Habilitation I/O Wavier 2005				
Day Habilitation I/O Wavier 2006	19000-10-CY05		36,640	
Total Day Habilitation I/O Waiver	19000-10-CY06		<u>124,797</u>	
			161,437	
Total Medical Assistance Program (Medicaid XIX)			<u>401,126</u>	
Total U.S. Department of Health and Human Services			<u>497,162</u>	
Total Federal Programs			<u>\$1,682,113</u>	<u>\$4,702</u>

DARKE COUNTY FINANCIAL CONDITION

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2006

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - MATCHING REQUIREMENTS

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

NOTE C – FOOD DISTRIBUTION

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

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

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

These loans are collateralized by mortgages on the property. As December 31, 2006, the gross amount of loans outstanding under this program was \$122,236.

NOTE E – COMMUNITY HOUSING INVESTMENT PARTNERSHIP PROGRAM

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

These loans are collateralized by mortgages on the property. At December 31, 2006, the gross amount of loans outstanding under program was \$497,296.

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Darke County, (the County), as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 9, 2007. 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 expressing our opinions on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the County's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted certain matters that we reported to the County's management in a separate letter dated August 9, 2007.

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

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the County's management in a separate letter dated August 9, 2007.

We intend this report solely for the information and use of the audit committee, management, Board of County Commissioners, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

August 9, 2007



Mary Taylor, CPA

Auditor of State

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

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

Compliance

We have audited the compliance of Darke County, (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2006.

In a separate letter to the County's management dated August 9, 2007, we reported a matter related to federal noncompliance not requiring inclusion in this report.

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 requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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



Mary Taylor, CPA
Auditor of State

August 9, 2007

**FINANCIAL CONDITION
DARKE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Medical Assistance Program – CFDA 93.778 Workforce Investment Act Cluster – CFDA 17.259-17.260 Highway Planning and Construction – CFDA 20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

FINANCIAL CONDITION
DARKE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
FOR THE YEAR ENDED DECEMBER 31, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Accuracy of Federal Awards Expenditure Schedule	Yes	N/A



Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 30, 2007**