FINANCIAL CONDITION
ALLEN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2003

Auditor of State
Betty Montgomery

FINANCIAL CONDITION
ALLEN COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Allen County
301 North Main Street
Lima, Ohio 45801

To the Board of Commissioners:

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Allen County, (the County), as of and for the year ended December 31, 2003, 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 did not audit the financial statements of Marimor Industries and LODDI, Inc., which represent 100 percent of the assets and revenues of the component units. Other auditors audited those financial statements. They have furnished their report thereon to us, and we base our opinion, insofar as it relates to the amounts included for Marimor Industries and LODDI, Inc. on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The other auditors audited the financial statements of Marimor Industries and LODDI, Inc. in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund, Job and Family Services, Mental Retardation and Developmental Disabilities and Children Services special revenue funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2003, the County implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2004, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the County's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also 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.

Betty Montgomery
Auditor of State

October 15, 2004

FINANCIAL CONDITION
ALLEN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED

The discussion and analysis of Allen County's financial performance provides an overview of the County's financial activities for the year ended December 31, 2003. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the County's performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

> In total the County's net assets increased by $4.9 million, which represents an overall increase of 7.4 percent from 2002. The majority of this increase, $3.5 million, is attributed to governmental activities and primarily the result of an increase in net capital assets.
>
> During 2003, the County established a Budget Reserve Fund for economic hard times in the future. The balance in the fund is limited to five percent of General Fund revenues from the previous year. At December 31, 2003, the Budget Reserve Fund had a balance of $385,999.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Allen County's financial position.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole, presenting both an aggregate and a longer-term view of the County.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the County's most significant funds individually and the County's non-major funds in a single column. The County's major funds are the General; Job and Family Services; Mental Retardation and Developmental Disabilities; Children's Services; Special Assessment Debt Retirement; and Sewer District Funds.

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the County did financially during 2003. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the County's net assets and changes in those assets. The change in net assets is important because it tells the reader whether the financial position of the County as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. The causes of these changes may be the result of many factors, some financial, some not. Non-financial factors include the County's tax base and the condition of the County's capital assets. These factors must be considered when assessing the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, the County is divided into three distinct types of activities.

Governmental Activities - Most of the County's programs and services are reported here including general government, public safety, public works, health, human services, conservation and recreation. These services are funded primarily by taxes and intergovernmental revenues, including federal and state grants and other shared revenues.

Business-Type Activities - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The County's Sewer District operations are reported here.

Component Units - The County's financial statements include financial data for Marimor Industries and LODDI (Living Options for Developmentally Disabled Individuals). These component units are more fully described in Note 1 to the basic financial statements.

Reporting the County's Most Significant Funds

Fund financial statements provide detailed information about the County's major funds, the General; Job and Family Services; Mental Retardation and Developmental Disabilities; Children's Services; Special Assessment Debt Retirement; and the Sewer District Funds. While the County uses many funds to account for a multitude of financial transactions, these are the most significant.

Governmental Funds - The County's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the County's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services being provided.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balance provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Proprietary Funds - The County maintains two different types of proprietary funds. Enterprise funds use the accrual basis of accounting and are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's other programs and activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statement because the resources from these funds are not available to support the County's programs. These funds also use the accrual basis of accounting.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED
(Continued)**

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net assets for 2003.

**Table 1
Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and Other Assets	$64,115,272	$69,072,692	$6,606,003	$6,645,870	$70,721,275	$75,718,562
Capital Assets, Net	28,822,018	27,503,690	26,368,408	25,279,944	55,190,426	52,783,634
Total Assets	92,937,290	96,576,382	32,974,411	31,925,814	125,911,701	128,502,196
Liabilities						
Current and Other Liabilities	16,080,692	19,470,556	69,209	122,876	16,149,901	19,593,432
Long-Term Liabilities	31,425,888	35,147,114	7,194,144	7,536,833	38,620,032	42,683,947
Total Liabilities	47,506,580	54,617,670	7,263,353	7,659,709	54,769,933	62,277,379
Net Assets						
Invested in Capital Assets, Net of Related Debt	13,548,728	11,389,154	19,276,440	17,826,076	32,825,168	29,215,230
Restricted	24,511,853	19,020,714	3,084,063	2,706,800	27,595,916	21,727,514
Unrestricted	7,370,129	11,548,844	3,350,555	3,733,229	10,720,684	15,282,073
Total Net Assets	$45,430,710	$41,958,712	$25,711,058	$24,266,105	$71,141,768	$66,224,817

The County was able to report increases in net assets in both governmental and business-type activities. The increase in governmental activities was mainly in restricted net assets which increased 29 percent from 2002. Total net assets in business activities increased 6 percent from 2002.

Table 2 reflects the changes in net assets for 2003. Since this is the first year the County has prepared financial statements according to GASB Statement No. 34, revenue and expense comparisons to 2002 are not available nor would they be comparable. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**Table 2
Changes in Net Assets**

	Governmental Activities	Business-Type Activities	
	2003	2003	Total
Revenues			
Program Revenues			
Charges for Services	$10,459,679	$3,897,232	$14,356,911
Operating Grants, Contributions, and Interest	26,873,500	0	26,873,500
Capital Grants and Contributions	1,863,919	0	1,863,919
Total Program Revenues	39,197,098	3,897,232	43,094,330

(Continued)

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED
(Continued)**

**Table 2
Changes in Net Assets**

	Governmental Activities 2003	Business-Type Activities 2003	Total
General Revenues			
Property Taxes Levied for:			
General Operating	3,948,678	0	3,948,678
Health - Mental retardation and developmental disabilities	5,924,248	0	5,924,248
Human Services - Children's Services	1,675,055	0	1,675,055
Sales tax	12,959,975	0	12,959,975
Intergovernmental not restricted	3,494,698	0	3,494,698
Rent	519,020	0	519,020
Gain on sale of capital assets	5,071	0	5,071
Loss on sale of capital assets	0	(4,875)	(4,875)
Contributions	0	2,009,935	2,009,935
Interest	1,658,211	12,768	1,670,979
Other	1,736,805	29,092	1,765,897
Total General Revenues	31,921,761	2,046,920	33,968,681
Total Revenues	71,118,859	5,944,152	77,063,011
Transfers	106,000	(106,000)	0
Total Revenues and Transfers	71,224,859	5,838,152	77,063,011
Program Expenses			
General Government			
Legislative and Executive	$11,178,551	$0	$11,178,551
Judicial	8,289,975	0	8,289,975
Public Safety	8,638,906	0	8,638,906
Public Works	8,989,885	0	8,989,885
Health			
Mental retardation and developmental disabilities	11,319,600	0	11,319,600
Other Health	601,158	0	601,158
Human Services			
Job and Family Services	9,714,355	0	9,714,355
Child Services	5,144,793	0	5,144,793
Other Human Services	821,698	0	821,698
Conservation and Recreation	1,724,589	0	1,724,589
Other	30,801	0	30,801
Intergovernmental	43,000	0	43,000
Interest and Fiscal Charges	1,255,550	0	1,255,550
Sanitary Sewer	0	4,393,199	4,393,199
Total Expenses	67,752,861	4,393,199	72,146,060
Increase in Net Assets	$3,471,998	$1,444,953	$4,916,951

With the current tough economic times, the County was still able to maintain increases in net assets for both governmental and business-type activities.

For governmental activities, general revenues, which consist primarily of property and sales taxes and unrestricted grants and entitlements represent 44.9 percent of total revenues, and of the total general revenues, property taxes and sales taxes represent 77 percent of that revenue. Almost 55 percent of the County's governmental activities were supported by program revenues, those revenues specifically restricted for use by a particular program such as public safety or human services. The County was able to obtain program related grants accounting for 73 percent of program revenues and was able to charge for 26.7 percent of the services provided by the various programs.

General government activities account for almost 55 percent of the total program expenditures. These activities include the operation of various county departments, the judicial branch, public safety and public works activities. Human services related expenditures represent over 23 percent of the total. These expenditures are for children's services and for the Department of Job and Family Services. Health related expenditures account for about 17.6 percent of the expenditures which are primarily for the operation of Marimor School. Combined, these three areas account for 95.6 percent of the County's expenditures for 2003.

For business-type activities, program specific revenues are 65.6 percent of total revenues. As such, the County's business-type activities are mainly supported by charges for the services provided as well as contributions from customers for tap fees or from contractors. The only business-type activity is the Sanitary Sewer District.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues. Comparisons to 2002 have not been made since they are not available for this year because of the change in reporting.

Table 3
Governmental Activities

	Total Cost of Services 2003	Net Cost of Services 2003
General Government		
Legislative and Executive	$11,178,551	$6,595,577
Judicial	8,289,975	3,821,674
Public Safety	8,638,906	6,942,794
Public Works	8,989,885	(25,279)
Health		
Mental Retardation and Developmental Disabilities	11,319,600	5,805,632
Other Health	601,158	499,380
Human Services		
Job and Family Services	9,714,355	122,564
Children's Service	5,144,793	1,594,827
Other Human Services	821,698	790,032
Conservation and Recreation	$1,724,589	$1,079,211
Other	30,801	30,801
Intergovernmental	43,000	43,000
Interest and Fiscal Charges	1,255,550	1,255,550
Total Expenses	$67,752,861	$28,555,763

The County's general revenues (primarily property and sales taxes and unrestricted grants and entitlements) pay for 41 percent of the services provided by the County. However, a review of the table above demonstrates that program revenues contributed significantly to the job and family services. Marimor School was able to obtain about 47.5 percent of operating grants to offset the cost of its programs. The funding for general government related activities as well as the sheriff continues to be primarily from general revenue sources.

Governmental Funds Financial Analysis

The County's major funds are the General Fund; Job and Family Services Fund; and Mental Retardation and Developmental and Disabilities Fund; Children's Services Fund; and the Special Assessment Debt Retirement Fund. The primary funding for Job and Family Services is from operating grants. The Mental Retardation and Developmental Disabilities Fund and the Children's Services Fund revenues are primarily from taxes and grants. The Mental Retardation and Developmental Disabilities Fund and the Children's Services Fund have a specific property tax levy to support the activities of the fund as well.

The General Fund experienced real decreases in spending as a result of deliberate belt-tightening, particularly in the area of personal services. County officials decreased spending in spite of an additional twenty-seventh pay.

Business-Type Activities Financial Analysis

As can be seen on the statement of revenues, expenses, and changes in fund net assets, the Sanitary Sewer Fund had loss before transfers for 2003, of $458,982. After contributions from participants, the fund ended with an increase in net assets of $1,444,953.

Budgetary Highlights

The County prepares an annual budget of revenues and expenditures/expenses for all funds of the County for use by County officials and department heads and such other budgetary documents are required by State statute, including the annual appropriations resolution which is effective early in the year. The County's most significant budgeted fund is the General Fund. Modifications from the original budget to the final budget were insignificant.

Differences resulted from the final budget to the actual revenues collected by $588,648, an increase of 2.5 percent over the estimate. Actual expenditures were less than budgeted by $1,299,116 as the County was able to reduce expenditures significantly for general government operations.

Capital Assets and Debt Administration

Capital Assets - The County's investment in capital assets for governmental and business-type activities as of December 31, 2003, was $13,548,728 and $19,276,440 respectively (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings and building improvements, improvements other than buildings, roads, bridges, machinery and equipment, computer equipment, furniture and fixtures, and vehicles. Additions to governmental activities capital assets consisted primarily of the addition and renovation of the Juvenile Court, Marimor School, and Jail Security. For 2003, capital assets being reported for roads and bridges are limited to current year addition amounts. The historical inventory of roads and bridges will be added in future years when those amounts can be accumulated. Changes in capital assets for business-type activities were very insignificant.

At December 31, 2003, the County had $2,612,000 in special assessment notes payable from governmental activities and $3,068,000 in bond anticipation notes payable. The County also had various long-term obligations outstanding. These obligations included $14,939,420 of general obligation bonds and $7,875,580 of special assessment bonds.

In addition to the debt outlined above, the County's long-term debt also includes compensated absences, capital leases, and Issue II loans.

Current Issues

The unemployment rate for the County is currently 6.1 percent, which is a decrease from a rate of 6.4 percent one year ago. This rate is below the State's current rate of 6.3 percent and above the national rate of 5.4 percent.

Sales tax revenues for the County continue to be favorable. Receipts through December 2003 are higher than for the same period last year. Net sales tax revenue in 2003 in the General Fund was $10,990,117 compared to $ 10,094,964 in 2002, an increase of 8.9 percent.

Request for Information

This annual financial report is designed to provide a general overview of the County for all those with an interest in the County's financial status. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to Ben E. Diepenbrock, Allen County Auditor, 301 N. Main Street, Lima, Ohio 45801 or by visiting the County's website at www.allencountyohio.com.

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FINANCIAL CONDITION
ALLEN COUNTY

STATEMENT OF NET ASSETS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2003

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	LODDI	Marimor Industries
Assets:					
Equity in pooled cash and cash equivalents	$31,576,160	$1,199,875	$32,776,035		
Cash and cash equivalents in segregated accounts	583,866		583,866	$29,462	$479,813
Investment in segregated accounts					217,422
Accounts receivable	164,000	1,011,799	1,175,799		38,086
Accrued interest receivable	127,099		127,099		
Due from other governments	8,385,883		8,385,883		
Internal balances	(712,932)	712,932			
Prepaid items	280,517	19,221	299,738	7,600	5,716
Materials and supplies inventory	700,611	53,834	754,445		1,324
Property tax receivable	13,311,371		13,311,371		
Notes receivable	855,155		855,155		
Special assessments receivable	8,843,542	138,923	8,982,465		
Unamortized bond issuance costs		405,207	405,207		
Restricted assets:					
Equity in pooled cash and cash equivalents		2,424,787	2,424,787		
Cash and cash equivalents with fiscal agent		639,425	639,425		
Nondepreciable capital assets	6,213,051	51,219	6,264,270	91,263	
Depreciable capital assets, net	22,608,967	26,317,189	48,926,156	575,118	184,060
Total Assets	92,937,290	32,974,411	125,911,701	703,443	926,421
Liabilities:					
Accrued wages payable	542,411	23,076	565,487		11,057
Accounts payable	1,008,604		1,008,604		8,100
Contracts payable	194,902		194,902		
Due to other governments	837,900	25,346	863,246		1,783
Accrued interest payable	109,452	20,787	130,239	767	
Retainage payable	170,018		170,018		
Deferred revenue	12,813,971		12,813,971		
Matured interest payable	753		753		
Claims payable	402,681		402,681		
Long-Term Liabilities:					
Due Within One Year	8,651,548	438,721	9,090,269	23,806	
Due in More Than One Year	22,774,340	6,755,423	29,529,763	170,588	
Total Liabilities	47,506,580	7,263,353	54,769,933	195,161	20,940
Net Assets:					
Invested in capital assets, net of related debt	13,548,728	19,276,440	32,825,168		
Restricted for:					
Debt service	1,964,060	660,212	2,624,272		
Capital projects	267,783		267,783		
Other purposes	22,280,010	2,423,851	24,703,861		18,002
Unrestricted	7,370,129	3,350,555	10,720,684	508,282	887,479
Total Net Assets	$45,430,710	$25,711,058	$71,141,768	$508,282	$905,481

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
ALLEN COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

		Program Revenues		
Function/Program	**Expenses**	**Charges for Services**	**Operating Grants, Contributions, and Interest**	**Capital Grants and Contributions**
Governmental activities:				
General government				
Legislative and executive	$11,178,551	$4,214,510	$368,464	
Judicial	8,289,975	1,982,705	2,485,596	
Public safety	8,638,906	536,482	475,888	$683,742
Public works	8,989,885	2,700,947	5,134,040	1,180,177
Health				
Mental retardation and developmental disabilities	11,319,600	139,712	5,374,256	
Other health	601,158	100,726	1,052	
Human services				
Job and family services	9,714,355	339	9,591,452	
Children services	5,144,793	284,880	3,265,086	
Other human services	821,698		31,666	
Conservation and recreation	1,724,589	499,378	146,000	
Other	30,801			
Intergovernmental	43,000			
Interest and fiscal charges	1,255,550			
Total governmental activities	67,752,861	10,459,679	26,873,500	1,863,919
Business-type activities:				
Sanitary Sewer	4,393,199	3,897,232		
Total primary government	72,146,060	14,356,911	26,873,500	1,863,919
Component Units:				
LODDI	93,927	91,733	20,000	
Marimor Industries	610,654	628,208	25,455	
Total component units	704,581	719,941	45,455	

General Revenues:
Property taxes levied for:
General Operating
Health-mental retardation and developmental disabilities
Human services-children services
Sales taxes
Intergovernmental not restricted to a particular purpose
Interest
Rent
Increase (decrease) in fair value of investments
Gain on sale of capital assets
Loss on disposal of capital assets
Contributions
Other
Total general revenues

Transfers

Change in net assets

Net assets beginning of year - (See note 3)
Net assets end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	**Business-Type Activities**	**Total**	**LODDI**	**Marimor Industries**
($6,595,577)		($6,595,577)		
(3,821,674)		(3,821,674)		
(6,942,794)		(6,942,794)		
25,279		25,279		
(5,805,632)		(5,805,632)		
(499,380)		(499,380)		
(122,564)		(122,564)		
(1,594,827)		(1,594,827)		
(790,032)		(790,032)		
(1,079,211)		(1,079,211)		
(30,801)		(30,801)		
(43,000)		(43,000)		
(1,255,550)		(1,255,550)		
(28,555,763)		(28,555,763)		
	($495,967)	(495,967)		
(28,555,763)	(495,967)	(29,051,730)		
			$17,806	
				$43,009
			17,806	43,009
$3,948,678		$3,948,678		
5,924,248		5,924,248		
1,675,055		1,675,055		
12,959,975		12,959,975		
3,494,698		3,494,698		
1,658,211	12,768	1,670,979	57	
519,020		519,020		
				57,354
5,071		5,071		
	(4,875)	(4,875)		(7,553)
	2,009,935	2,009,935		12,446
1,736,805	29,092	1,765,897		6,787
31,921,761	2,046,920	33,968,681	57	69,034
106,000	(106,000)			
3,471,998	1,444,953	4,916,951	17,863	112,043
41,958,712	24,266,105	66,224,817	490,419	793,438
$45,430,710	$25,711,058	$71,141,768	$508,282	$905,481

FINANCIAL CONDITION
ALLEN COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003

	General Fund	Job and Family Services	Mental Retardation and Developmental Disabilities
Assets:			
Equity in Pooled Cash and Cash Equivalents	$5,932,513	$599,924	$2,246,837
Cash and cash equivalents in segregated accounts	4,639		
Accounts receivable	164,000		
Accrued interest receivable	127,099		
Due from other governments	2,889,461	395,189	1,216,211
Interfund receivable	573,956		1,120,009
Prepaid items	205,601		2,137
Materials and supplies inventory	310,663	27,875	76,466
Property tax receivable	4,628,255		6,387,878
Notes receivable	270,000		
Special assessments receivable			
Total assets	15,106,187	1,022,988	11,049,538
Liabilities			
Accrued wages payable	206,631	75,145	120,979
Accounts payable	119,143	161,263	43,708
Contracts payable	9,390		
Due to other governments	449,645	96,788	140,479
Interfund payable	1,870,500	190,958	
Retainage payable			
Deferred revenue	6,860,699		7,212,447
Matured interest payable			
Total liabilities	9,516,008	524,154	7,517,613
Fund balances:			
Reserved for notes receivable	270,000		
Reserved for encumbrances	273,664	1,746,223	10,573
Reserved for unclaimed monies	164,491		
Unreserved, reported in:			
General fund	4,882,024		
Special revenue funds		(1,247,389)	3,521,352
Debt service funds			
Capital projects funds			
Total fund balances	5,590,179	498,834	3,531,925
Total liabilities and fund balances	$15,106,187	$1,022,988	$11,049,538

See accompanying notes to the basic financial statements.

Children Services	Special Assessments Debt Retirement	Other Governmental Funds	Total
$4,643,361	$1,606,792	$15,310,308	$30,339,735
205,621		350,011	560,271
			164,000
			127,099
		3,885,022	8,385,883
135,244		2,205,500	4,034,709
29,044		43,735	280,517
9,180		276,427	700,611
1,740,526		554,712	13,311,371
		585,155	855,155
	7,331,058	1,512,484	8,843,542
6,762,976	8,937,850	24,723,354	67,602,893
36,005		103,651	542,411
135,707		548,783	1,008,604
		185,512	194,902
41,136		109,852	837,900
	7,535	2,678,648	4,747,641
		170,018	170,018
1,740,526	7,331,058	5,323,937	28,468,667
	753		753
1,953,374	7,339,346	9,120,401	35,970,896
		585,155	855,155
		2,578,876	4,609,336
			164,491
			4,882,024
4,809,602		8,245,183	15,328,748
	1,598,504	927,030	2,525,534
		3,266,709	3,266,709
4,809,602	1,598,504	15,602,953	31,631,997
$6,762,976	$8,937,850	$24,723,354	$67,602,893

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FINANCIAL CONDITION
ALLEN COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2003

Total governmental fund balances		$31,631,997
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		28,822,018
Other long-term assets are not available to pay for current period expenditures and, therefore, deferred in the funds:		
Accounts receivable	$128,542	
Accrued interest receivable	127,099	
Due from other governments	6,015,509	
Property taxes receivable	540,004	
Special assessments receivable	8,843,542	
		15,654,696
Long-term liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued interest payable	(109,452)	
Compensated absences payable	(2,399,018)	
General obligation bonds payable	(14,939,420)	
Special assessment bonds payable	(7,875,580)	
Issue II loans payable	(287,680)	
Notes payable	(5,878,000)	
Capital leases payable	(46,190)	
		(31,535,340)
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.		857,339
Net assets of governmental activities		$45,430,710

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
ALLEN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	General Fund	Job and Family Services	Mental Retardation and Developmental Disabilities
Revenues:			
Property taxes	$3,793,535		$5,474,589
Sales tax	10,711,043		
Permissive motor vehicle license taxes			
Charges for services	3,889,029	$339	204,585
Licenses and permits	52,976		
Fines, costs, and forfeitures	165,223		
Intergovernmental	2,919,060	9,591,452	5,365,168
Special assessments			
Interest	674,897		290,037
Rent	492,686		
Other	234,594	502,225	50,940
Total revenues	22,933,043	10,094,016	11,385,319
Expenditures:			
Current:			
General government:			
Legislative and executive	8,745,612		
Judicial	5,027,210		
Public safety	7,343,712		
Public works	321,681		
Health	266,677		11,284,535
Human services	785,115	9,708,898	
Conservation and recreation	696,416		
Other	30,801		
Capital outlay			
Intergovernmental	43,000		
Debt Service:			
Principal retirement	47,450		
Interest and fiscal charges	7,427		
Total expenditures	23,315,101	9,708,898	11,284,535
Excess of revenues over (under) expenditures	(382,058)	385,118	100,784
Other financing sources (uses)			
Sale of fixed assets	70,609		
Proceeds of notes			
Inception of capital lease	8,937		
Operating transfers - in	280,000		
Opertaing transfers - out	(30,945)		
Total other financing sources (uses)	328,601		
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(53,457)	385,118	100,784
Fund balances at beginning of year (restated - note 3)	5,643,636	113,716	3,431,141
Fund balance at end of year	$5,590,179	$498,834	$3,531,925

See accompanying notes to the basic financial statements.

Children Services	Special Assessments Debt Retirement	Other Governmental Funds	Total
$1,678,052		$619,551	$11,565,727
		2,113,399	12,824,442
		273,308	273,308
204,843		3,530,423	7,829,219
		3,274,412	3,327,388
		223,733	388,956
3,516,775		7,702,591	29,095,046
	$682,410	638,247	1,320,657
	504,261	58,201	1,527,396
		525,712	1,018,398
51,078	77,949	786,487	1,703,273
5,450,748	1,264,620	19,746,064	70,873,810
		2,110,163	10,855,775
		3,057,752	8,084,962
		1,005,492	8,349,204
	1,500	6,147,681	6,470,862
		200,547	11,751,759
5,120,129			15,614,142
		625,370	1,321,786
			30,801
		5,337,507	5,337,507
			43,000
	781,127	9,319,264	10,147,841
	394,030	744,641	1,146,098
5,120,129	1,176,657	28,548,417	79,153,737
330,619	87,963	(8,802,353)	(8,279,927)
			70,609
		6,178,431	6,178,431
			8,937
	21,000	116,013	417,013
	(53)	(280,015)	(311,013)
	20,947	6,014,429	6,363,977
330,619	108,910	(2,787,924)	(1,915,950)
4,478,983	1,489,594	18,390,877	33,547,947
$4,809,602	$1,598,504	$15,602,953	$31,631,997

FINANCIAL CONDITION
ALLEN COUNTY

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

Net change in fund balances - total governmental funds		($1,915,950)
Amounts reported for governmental activities on the statement of activities are different because of the following:		
Governmental funds report capital outlays as expenditures. However, on 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 year:		
Capital outlay - construction in progress	$770,536	
Capital outlay - depreciable capital assets	2,406,480	
Depreciation	(1,793,150)	
		1,383,866
The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against The proceeds from the sale of capital assets resulting in a gain on the sale of capital assets on the statement of activities.		
Sale of capital assets	(70,609)	
Gain on sale of capital assets	5,071	
		(65,538)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:		
Property taxes	(17,746)	
Sales taxes	143,641	
Special assessments	(545,155)	
Charges for services	124,670	
Intergovernmental	415,130	
Interest	127,099	
Other	132,320	
		379,959
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities.		
General obligation bonds	876,873	
Special assessment bonds	781,127	
Notes payable	8,432,100	
Issue II loans payable	7,367	
Airport Note Payable	22,000	
Capital leases payable	28,374	
		10,147,841
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding obligations on the statement of activities:		
Accrued interest payable		(109,452)
Note proceeds are other financing sources in governmental funds, but the issuance increases long-term liabilities on the statement of net assets.		
Notes payable		(6,178,431)
Capital lease proceed		(8,937)
The internal service fund used by management to charge the cost of insurance to individual funds is not reported on the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year		77,886
Some expenses reported on the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds		
Compensated absences payable		(239,246)
Change in net assets of governmental activities		$3,471,998

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
ALLEN COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Property taxes	$3,728,500	$3,740,693	$3,767,823	$27,130
Sales taxes	10,134,000	10,851,217	10,990,117	138,900
Charges for services	3,164,225	3,688,064	3,955,874	267,810
Licenses and permits	10,830	10,830	12,168	1,338
Fines, costs, and forfeitures	150,000	154,282	157,540	3,258
Intergovernmental	2,327,180	2,887,166	2,917,034	29,868
Interest	1,200,000	1,229,272	1,229,272	
Rent	319,320	484,382	492,686	8,304
Other	102,466	52,116	164,156	112,040
Total revenues	21,136,521	23,098,022	23,686,670	588,648
Expenditures				
Current:				
General government:				
Legislative and executive	8,883,616	9,366,674	8,624,915	741,759
Judicial	5,256,582	5,509,278	5,248,795	260,483
Public safety	7,660,751	7,875,516	7,689,741	185,775
Public works	326,017	354,506	352,584	1,922
Health	227,357	273,043	270,124	2,919
Human services	388,230	861,324	794,357	66,967
Conservation and recreation	711,561	711,561	708,343	3,218
Other	60,000	60,000	30,801	29,199
Intergovernmental	43,500	43,500	43,000	500
Debt service:				
Principal retirement		27,000	22,000	5,000
Interest and fiscal charges		4,500	3,126	1,374
Total expenditures	23,557,614	25,086,902	23,787,786	1,299,116
Excess of revenues under expenditures	(2,421,093)	(1,988,880)	(101,116)	1,887,764
Other financing sources (uses)				
Other financing sources	157,500	169,297	104,375	(64,922)
Sale of fixed assets			70,609	70,609
Advances - in	50,000			
Advances - out	(165,000)	(147,200)	(107,200)	40,000
Operating transfers - in	495,000	280,000	280,000	
Operating transfers - out	(78,689)	(78,689)	(30,945)	47,744
Total other financing sources (uses)	458,811	223,408	316,839	93,431
Excess of revenues and other financing sources (over) under expenditures and other financing uses	(1,962,282)	(1,765,472)	215,723	1,981,195
Fund balances at beginning of year	4,822,504	4,822,504	4,822,504	
Unexpended prior year encumbrances	231,085	231,085	231,085	
Fund balances at end of year	$3,091,307	$3,288,117	$5,269,312	$1,981,195

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
ALLEN COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
JOB AND FAMILY SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	Budgeted Amounts			Variance with
	Original	**Final**	**Actual**	**Final Budget Over (Under)**
Revenues				
Intergovernmental	$15,671,555	$15,670,935	$9,236,611	($6,434,324)
Charges for services	500	500	339	(161)
Total revenues	15,672,055	15,671,435	9,236,950	(6,434,485)
Expenditures				
Current:				
Human Services	13,472,639	15,781,019	11,954,000	3,827,019
Total expenditures	13,472,639	15,781,019	11,954,000	3,827,019
Excess of revenues over (under) expenditures	2,199,416	(109,584)	(2,717,050)	(2,607,466)
Other financing sources				
Other financing sources	593,000	593,000	502,225	(90,775)
Operating transfers - in		620		(620)
Total other financing sources	593,000	593,620	502,225	(91,395)
Excess of revenues and other financing sources over (under) expenditures	2,792,416	484,036	(2,214,825)	(2,698,861)
Fund balances at beginning of year	(1,537,097)	(1,537,097)	(1,537,097)	
Unexpended prior year encumbrances	2,308,380	2,308,380	2,308,380	
Fund balances at end of year	$3,563,699	$1,255,319	($1,443,542)	($2,698,861)

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
ALLEN COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Property taxes	$6,007,630	$6,021,416	$5,437,628	($583,788)
Charges for services	149,000	149,000	136,604	(12,396)
Intergovernmental	5,979,452	6,751,249	5,277,979	(1,473,270)
Other	411,500	426,500	55,265	(371,235)
Total revenues	12,547,582	13,348,165	10,907,476	(2,440,689)
Expenditures				
Current:				
Health	14,432,267	14,729,386	11,724,532	3,004,854
Total expenditures	14,432,267	14,729,386	11,724,532	3,004,854
Excess of revenues under expenditures	(1,884,685)	(1,381,221)	(817,056)	564,165
Other financing sources (uses)				
Other financing sources	270,842	271,171	290,037	18,866
Advances - in	30,000			
Advances - out	(15,000)	(9,337)		9,337
Operating transfers - in	109,900	70,101		(70,101)
Operating transfers - out	(173,179)	(136,682)		136,682
Total other financing sources (uses)	222,563	195,253	290,037	94,784
Excess of revenues and other financing sources under expenditures and other financing uses	(1,662,122)	(1,185,968)	(527,019)	658,949
Fund balances at beginning of year	2,387,619	2,387,619	2,387,619	
Unexpended prior year encumbrances	6,554	6,554	6,554	
Fund balances at end of year	$732,051	$1,208,205	$1,867,154	$658,949

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
ALLEN COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
CHILDREN SERVICES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Over (under)**
Revenues				
Property taxes	$1,750,000	$1,609,655	$1,664,661	$55,006
Charges for services	85,000	45,000	74,094	29,094
Intergovernmental	2,949,500	3,166,152	3,363,407	197,255
Other			571	571
Total revenues	4,784,500	4,820,807	5,102,733	281,926
Expenditures				
Current:				
Human Services	4,814,708	5,266,020	5,247,127	18,893
Total expenditures	4,814,708	5,266,020	5,247,127	18,893
Excess of revenues under expenditures	(30,208)	(445,213)	(144,394)	300,819
Other financing sources				
Other financing sources	30,500	25,500	57,749	32,249
Total other financing sources (uses)	30,500	25,500	57,749	32,249
Excess of revenues and other financing sources over (under) expenditures	292	(419,713)	(86,645)	333,068
Fund balances at beginning of year	4,494,305	4,494,305	4,494,305	
Fund balances at end of year	$4,494,597	$4,074,592	$4,407,660	$333,068

See accompanying notes to the basic financial statements.

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FINANCIAL CONDITION
ALLEN COUNTY

STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2003

	Business-Type Activity	Governmental Activity
	Sewer	**Internal Service**
Assets:		
Current assets		
Equity in pooled cash and cash equivalents	$1,199,875	$1,236,425
Cash and cash equivalents in segregated accounts		23,595
Accounts receivable	1,011,799	
Interfund receivable	712,932	
Special assessments receivable	138,923	
Prepaid items	19,221	
Materials and supplies inventory	53,834	
Total current assets	3,136,584	1,260,020
Restricted assets		
Equity in pooled cash and cash equivalents	2,424,787	
Cash and cash equivalents with fiscal agent	639,425	
Total restricted assets	3,064,212	
Noncurrent assets		
Unamortized bond issuance costs	405,207	
Depreciable capital assets	26,368,408	
Total noncurrent assets	26,773,615	
Total assets	32,974,411	1,260,020
Liabilities:		
Current liabilities		
Accrued wages payable	23,076	
Compensated absences payable	63,445	
Due to other governments	25,346	
Claims payable		402,681
Accrued interest payable	20,787	
Issue II loans payable	10,276	
Revenue bonds payable	365,000	
Total current liabilities	507,930	402,681
Long-term liabilities		
Compensated absences payable	38,731	
Issue II loans payable	251,458	
Revenue bonds payable	6,465,234	
Total long-term liabilities	6,755,423	
Total liabilities	7,263,353	402,681
Net assets:		
Invested in capital assets, net of related debt	19,276,440	
Restricted for:		
Debt service	660,212	
Other purposes	2,423,851	300,000
Unrestricted	3,350,555	557,339
Total net assets	$25,711,058	$857,339

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
ALLEN COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	Business-Type Activities	Governmental Activity
	Sewer	**Internal Service**
Operating Revenues:		
Charges for services	$3,584,855	$4,159,722
Licenses, permits, inspections	312,377	
Other	29,092	49,273
Total operating revenues	3,926,324	4,208,995
Operating expenses:		
Personal services	1,585,750	
Contractual services	628,980	178,187
Materials and supplies	655,133	6,166
Claims		3,929,655
Other		20,817
Depreciation	1,209,809	
Total operating expenses	4,079,672	4,134,825
Operating income (loss)	(153,348)	74,170
Non-Operating revenues (expenses)		
Loss on disposal of capital assets	(4,875)	
Interest revenue	12,768	3,716
Interest expense	(313,527)	
Total Non-Operating revenues (expenses)	(305,634)	3,716
Income (loss) before transfers	(458,982)	77,886
Capital contributions	2,009,935	
Transfers out	(106,000)	
Change in net assets	1,444,953	77,886
Net assets at beginning of year	24,266,105	779,453
Net assets (deficit) at end of year	$25,711,058	$857,339

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
ALLEN COUNTY

STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

	Business-Type Activities	Governmental Activity
	Sewer	**Internal Service**
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities		
Cash received from customers	$4,021,063	
Cash received from transactions with other funds		$3,861,823
Cash received from other revenues	29,092	64,230
Cash payments for personal services	(1,613,551)	
Cash payments to suppliers	(661,550)	(6,166)
Cash payments for contractual services	(639,097)	(193,144)
Cash payments for claims		(3,850,520)
Cash payments for other expenses		(20,817)
Net cash provided by (used for) operating activities	1,135,957	(144,594)
Cash flows from noncapital financing activities		
Cash payments for advances - out	(195,000)	
Cash payments for operating transfers - out	(106,000)	
Net cash used for noncapital financing activities	(301,000)	
Cash flows from capital and related financing activities		
Acquisition of fixed assets	(293,213)	
Principal paid on revenue bonds	(340,000)	
Interest paid on revenue bonds	(273,360)	
Principal paid on Issue II loan payable	(20,551)	
Net cash used for capital and related financing activities	(927,124)	
Cash flows from investing activities		
Interest on investments	8,253	3,716
Net decrease in cash and cash equivalents	(83,914)	(140,878)
Cash and cash equivalents at beginning of year	3,708,576	1,400,898
Cash and cash equivalents at end of year	3,624,662	1,260,020
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	(153,348)	74,170
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	1,209,809	
Changes in assets and liabilities:		
Decrease in accounts receivable	262,754	
Increase in due from special assessments	(138,923)	
Decrease in materials and supplies inventory	1,105	
Increase in prepaid items	(326)	
Decrease in accounts payable	(8,064)	
Decrease in contracts payable	(9,575)	
Decrease in accrued wages payable	(35,008)	
Increase in compensated absences payable	19,211	
Decrease in deferred revenue		(297,899)
Increase in claims payable		79,135
Decrease in due to other governments	(11,678)	
Total adjustments	1,289,305	(218,764)
Net cash provided by operating activities	$1,135,957	($144,594)

Non-cash capital transactions
The Sewer Enterprise Fund received donated assets from developers and other funds with a fair market value of $2,009,935.

FINANCIAL CONDITION
ALLEN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2003

	Investment Trust	Martha Mark Private Purpose Trust	Agency
Assets			
Equity in Pooled Cash and Cash Equivalents	$2,329,601	$12,595	$9,378,456
Cash and cash equivalents in segregated accounts		7,108	1,279,516
Accounts receivable			10,159,039
Due from other governments			5,535,383
Property tax receivable			70,828,583
Special assessments receivable			2,869,373
Total assets	2,329,601	19,703	100,050,350
Liabilities			
Due to other governments			83,973,437
Undistributed monies		19,703	16,061,413
Deposits held and due to others			15,500
Total liablities		$19,703	$100,050,350
Net Assets			
Held in trust for external pool participants	2,329,601		
Total net assets	$2,329,601		

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
ALLEN COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
INVESTMENT TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	Investment Trust
Revenues	
Interest	$23,110
Expenses	
Operating expenses	
Net increase in assets resulting from operations	23,110
Distributions to participants	(23,636)
Capital transactions	213,898
Total increase in net assets	213,372
Net assets beginning of year	2,116,229
Net assets end of year	$2,329,601

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

1. REPORTING ENTITY

Allen County, Ohio (County) was created in 1831. 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 that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, two Common Pleas Court Judges, a Probate/Juvenile Court Judge, and a Domestic Relations 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 entire County.

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

A. Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the County. For Allen County, this includes the Child Support Enforcement Agency, the Children's Services Board, the Board of Mental Retardation and Developmental Disabilities, the Veterans' Memorial Civic and Convention Center, and all departments and activities that are directly operated by the elected County officials.

B. Component Units

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the County in that the County approves the budget, the issuance of debt, or the levying of taxes.

Discretely Presented Component Units

The component unit columns on the financial statements identify the financial data of the County's component units, Marimor Industries and LODDI. They are reported separately to emphasize that they are legally separate from the County. Information about these component units is presented in Notes 25 and 26 to the basic financial statements.

Marimor Industries - (the "Workshop") is a legally separate, non-profit organization serviced by a self-appointing board of trustees. The Workshop was incorporated in 1968 to provide an opportunity for employment, training, and supportive services for persons with developmental disabilities. The Allen County Board of MRDD provides the Workshop with expenses and personnel for operation of the Workshop including staff salaries and benefits and certain operating expenses and capital assets. 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 Allen County, the Workshop is reflected as a component unit of Allen County. Marimor Industries operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from Marimor Industries, 2450 Ada Road, Lima, Ohio 45801.

1. REPORTING ENTITY (Continued)

LODDI, Inc. LODDI, Inc. (Living Options for Developmentally Disabled Individuals) is a legally separate, non-profit organization served by a self-appointing board of trustees. LODI was incorporated on December 1, 1992, to provide lifetime affordable housing to people in Allen County with developmental disabilities. Due to a significant portion of the organization's income being received form the Allen County Board of MRDD and because MRDD assumes the responsibility for debts upon dissolution of LODDI, LODDI is reflected as a component unit of Allen County. LODDI operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from LODDI, 2450 Ada Road, Lima, Ohio 45801.

As custodian of public funds, the County Treasurer invests all public monies held on deposit in the County treasury. In the case of the separate organizations listed below, the County serves as fiscal agent, but the organizations are not considered part of Allen County. The North Central Ohio Solid Waste management District and Metropolitan Park Board are reported as investment trust funds since they are represented as an external investment pool. The remaining organizations are reported as agency funds within the financial statements:

Mental Health and Recovery Services of Allen, Auglaize, and Hardin Counties
District Board of Health
Family and Children First Council
Allen County Soil and Water Conservation District
Special Emergency Planning Commission
District Court of Appeals
Lima-Allen County Regional Planning Commission
Western Ohio Regional Training and Habilitation (WORTH) Center

The County is associated with certain organizations which are defined as joint ventures, jointly governed organizations, and insurance pools. These organizations are presented in Notes 22, 23, and 24 to the basic financial statements. These organizations are:

Lima-Allen County Downtown Construction
Mental Health and Recovery Services of Allen, Auglaize, and Hardin Counties
Lima-Allen County Regional Planning Commission
North Central Ohio Solid Waste Management District
Western Ohio Regional Treatment and Habilitation (WORTH) Center
Lima-Allen County Joint Parking Commission
County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Allen County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The County does not apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its business-type activities or to its enterprise funds. Following are the more significant of the County's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

1. 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. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. The activity of the internal service funds is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support 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 governmental program or business activity is self-financing or draws from the general revenues of the County.

2. Fund Financial Statements

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

B. Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the County are presented in three categories: governmental, proprietary, and fiduciary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

Governmental funds are those through which most governmental functions of the County are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

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

Children Services – This fund accounts for operations of the children's service bureau, financed by a county-wide property tax levy, federal, state and local grants, and contracted services.

Job and Family Services - This fund accounts for federal, state, and local monies used to provide general relief and to pay providers of medical assistance and social services.

Mental Retardation and Developmental Disabilities - This fund accounts for the operation of a school for the mentally retarded and developmentally disabled, financed by a county-wide property tax levy and federal and state grants.

Special Assessments Debt Retirement – This fund accounts for the collection of special assessment revenue that is used for the retirement of outstanding special assessment sewer, water, and ditch improvement bonds of the County.

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

2. Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The County's enterprise fund accounts for revenue received from user charges for sewer services provided to residents of Allen County.

Internal Service Funds - The internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis. The County's internal service fund accounts for monies received from the activities of the self insurance program for employee health, vision, and drug card benefits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are not available to support the County's own programs. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The County's fiduciary funds are investment trust, private purpose trust and agency funds. The investment trust fund accounts for the external portion of the County's investment pool. The private purpose trust accounts for funds held by binding trust agreements. The agency funds account for assets held by the County for political subdivisions for which the County acts as fiscal agent, and for taxes, assessments, state-levied shared revenues, and fines and forfeitures collected on behalf of other local governments and distributed to other political subdivisions.

C. Measurement Focus

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

2. Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows reflects how the County finances and meets the cash flow needs of its proprietary activities.

The investment trust and private purpose trust funds are accounted for using a flow of economic resources measurement focus.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; proprietary funds and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

1. Revenues - Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within thirty-one days after year end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from sales taxes is recognized in the year in which the sales are made.

Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. 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 specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at year end: sales taxes; charges for services; fines, costs, and forfeitures; state-levied locally shared taxes (including gasoline tax and motor vehicle license tax), grants, and interest.

2. Deferred Revenues

Deferred revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim at December 31, 2003, but were levied to finance 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue.

On the governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates.

The certificate of estimated resources establishes a limit on the amount the County Commissioners may appropriate. The appropriations resolution is the County Commissioners' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by County Commissioners. The legal level of control has been established by the County Commissioners at the object level within each department for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the County Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the County Commissioners during the year.

F. Cash and Investments

To improve cash management, cash received by the County is pooled and invested. Individual fund integrity is maintained through County records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Cash and cash equivalents that are held separately within departments of the County or by fiscal agents are recorded as "Cash and Cash Equivalents in Segregated Accounts" and "Cash and Cash Equivalents with Fiscal Agent", respectively.

Cash and cash equivalents and investments of the component units are held by the component units and are recorded as "Cash and Cash Equivalents in Segregated Accounts" or "Investments in Segregated Accounts".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During 2003, the County invested in nonnegotiable certificates of deposit, federal agency securities, and STAR Ohio. Investments are reported at fair value, except for nonnegotiable certificates of deposit which are reported at cost. Fair value is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2003.

Interest earnings are allocated to County funds according to State statues, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2003 was $674,897, which includes $589,532 assigned from other County funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of expendable supplies held for consumption.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets because their use is limited by applicable bond covenants.

J. Unamortized Bond Issuance and Refunding Costs

Unamortized bond issuance and refunding costs consist of underwriting fees and other costs incurred in the issuance and reissuance of bonds which are deferred and amortized over the life of the related new bonds issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in governmental funds. General capital assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets used by the proprietary funds are reported in both the business-type activities column on the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The County maintains a capitalization threshold of three thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement.

Depreciation is computed using the straight-line method over the following useful lives:

Buildings and Building Improvements	35 years
Sewer Infrastructure	35 years
Roads	15-20 years
Bridges	10-50 years
Machinery and Equipment	12 years
Office Furniture and Equipment	5-10 years
Licensed Vehicles	6 years

For 2003, capital assets being reported for roads and bridges are limited to current year addition amounts. The historical inventory of roads and bridges will be added in future years when those amounts can be accumulated.

L. Capital Contributions

Capital contributions arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction or transfers of capital assets between governmental and business type activities.

M. Receivables and Payables

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

Using these criteria, the County has elected not to record child support arrearages within the special revenue and agency funds. These amounts while potentially significant are not considered measurable, and because collections are often significantly in arrears, the County is unable to determine a reasonable value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Interfund Receivables/Payables

On fund financial statements, outstanding interfund loans and unpaid amounts for internal services are reported as "Interfund Receivables/Payables". Interfund balances are eliminated on the statement of net assets, except for any net residual amounts due between governmental and business-type activities. These amounts are presented as "Internal Balances".

O. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. General obligation bonds, special assessment bonds, and capital leases are recognized as liabilities on the fund financial statements when due.

P. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the County will compensate the employees for the benefits through paid time off or some other means. The County records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as liability using the termination method. An accrual for sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the County's past experience of making termination payments. Accumulated unused sick leave is paid to employees who retire at various rates depending on length of service and department policy.

The entire compensated absences liability is reported on the government-wide financial statements. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Q. 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 balance of any borrowing 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 constitutional provisions or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Net assets restricted for other purposes primarily include activities involving the upkeep of the County's roads and bridges, various mental health services, child support and welfare services, services for the handicapped and mentally retarded, and activities of the County's courts. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Fund Balance Reserves

The County reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Fund balance reserves have been established for notes receivable, encumbrances and unclaimed monies. Under Ohio law unclaimed monies are not available for appropriation until they have remained unclaimed for five years.

S. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for sewer services, as well as charges for internal service fund activities. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as nonoperating.

T. Interfund Transactions

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

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.

U. 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 management and are either unusual in nature or infrequent in occurrence.

V. 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.

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY

A. Changes in Accounting Principles

For 2003, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*"; GASB Statement No. 37, *"Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*"; GASB Statement No. 38 "*Certain Financial Statement Note Disclosures";* GASB Statement No. 41 *"Budgetary Comparison Schedules – Perspective Differences"*, and GASB Interpretation No. 6, *"Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements".*

GASB Statement No. 34 creates new basic financial statements for reporting on the County's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major fund rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

The government-wide financial statements split the County's programs between governmental activities and business-type activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2002, caused by the elimination of the internal service fund and the conversion to the accrual basis of accounting. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from the prior year.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including Management's Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Statement No. 41 only applies when there are significant perspective differences that prevent an entity from associating the estimated revenues and appropriations from its legally adopted budget to the major revenue sources and functional expenditures that are reported in the general and major special revenue funds. This statement did not apply to the county for 2003.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could rise, in interpretation and practice.

The unclaimed monies trust fund is now included within the general fund for reporting purposes.

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY

B. Restatement of Fund Equity

The restatement due to the implementation of the above statements and interpretation had the following effects on fund equity of the major and nonmajor funds of the County as they were previously reported. The transition from governmental fund balance to net assets of governmental activities is also presented:

	General	Job and Family Services	Mental Retardation and Developmental Disabilities	Children Services
Fund Balance December 31, 2002	$5,374,511	$113,716	$3,240,864	$4,410,042
GASB Statement No. 34 Adjustments:				
Change in Fund Structure	136,759	0	0	0
Property Tax Receivable	132,366	0	190,277	68,941
Adjusted Fund Balance	$5,643,636	$113,716	$3,431,141	$4,478,983

	Special Assessments Debt Retirement	Other Governmental	Total Governmental Activities
Fund Balance December 31, 2002	$1,489,594	$18,313,068	$32,941,795
GASB Statement No. 34 Adjustments:			
Change in Fund Structure	0	61,263	198,022
Property Tax Receivable	0	16,546	408,130
Adjusted Fund Balance	$1,489,594	$18,390,877	33,547,947
GASB Statement No. 34 Adjustments:			
Property Taxes			557,750
Permissive Sales Taxes			1,075,834
Intergovernmental			4,252,456
Special Assessments			9,388,696
Capital Assets			27,503,690
General Obligation Notes Payable			(5,505,000)
Special Assessments Notes Payable			(2,711,100)
General Obligation Bonds Payable			(15,816,293)
Special Assessments Bonds Payable			(8,656,707)
Loans Payable			(232,616)
Compensated Absences Payable			(2,159,771)
Capital Leases Payable			(65,627)
Internal Service Fund - Governmental Portion			779,453
Governmental Activities Net Assets December 31, 2002			$41,958,712

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2003, the Dog and Kennel special revenue fund and the Sewer Project and Menards/Eastown Road capital project funds had deficit fund balances of $205,804, $368,369, and $110,500 resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The Adult Probation special revenue fund and the Issue II capital project fund had appropriations in excess of estimated resources plus available balances for the final budget for the year ended December 31, 2003, in the amount of $18,819 and $1,048,127, respectively.

The following accounts had expenditures plus encumbrances in excess of appropriations for the year ended December 31, 2003:

Fund Type/Fund/Department/Object	Appropriations	Expenditures plus Encumbrances	Excess
General Fund			
General Government – Legislative and Executive			
Board of Elections – Personal Services Salary	$261,869	$262,947	$1,078
Special Revenue Funds			
Motor Vehicle and Gas Tax Fund			
Public Works			
Roads – Personal Services PERS	190,000	198,334	8,334
911 System Fund			
Public Safety			
911 System – Personal Services Fringe	40,738	42,311	1,573
Mental Retardation and Developmental Disabilities Fund			
Health			
Adult Services Geriatrics – Personal Services Salaries	126,913	129,105	2,192
Ditch Maintenance Fund			
Public Works			
Ditch Maintenance – Personal Services Salaries	77,250	80,085	2,835
Debt Services Funds			
Special Assessments Debt Retirement Fund			
Debt Service			
Principal Retirement	777,179	781,127	3,948

The County continually monitors budgetary transactions to eliminate compliance errors.

5. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual for the General Fund; Job and Family Services; Mental Retardation and Developmental Disabilities; Children Services special revenue funds and Special Assessments Debt Retirement debt service fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

4. The County has certain activities within the General Fund that are not budgeted by the County Commissioners. However, this activity is included as part of the reporting entity when preparing financial statements that conform with GAAP.

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

Net Change in Fund Balance

	General	**Job and Family Services**	**Mental Retardation and Developmental Disabilities**	**Children Services**
GAAP Basis	($53,457)	$385,118	$100,784	$330,619
Increase (Decrease) Due To:				
Revenue Accruals	858,002	(354,841)	(187,806)	(290,266)
Expenditure Accruals	(406,503)	(201,636)	(429,056)	(184,780)
Outside Cash	16,127	0	0	53,332
Prepaid Items	204,416	0	(368)	4,450
Advances Out	(107,200)	0	0	0
Encumbrances Outstanding at Year End (Budget Basis)	(295,662)	(2,043,466)	(10,573)	0
Budget Basis	$215,723	($2,214,825)	($527,019)	($86,645)

6. DEPOSITS AND INVESTMENTS

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

Monies held by the County which are not considered active are classified as inactive and can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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

7. The State Treasurer's investment pool (STAR Ohio);

8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;

9. High grade commercial paper in an amount not to exceed 5 percent of the County's total average portfolio; and

10. Bankers acceptances for a period not to exceed two hundred seventy days and in an amount not to exceed 10 percent of the County's total average portfolio.

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

6. DEPOSITS AND INVESTMENTS (Continued)

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

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

At year end, the County had $170,110 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

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

At year end, the carrying amount of the County's deposits was $9,980,388 and the bank balance was $16,624,729. Of the bank balance $1,181,787 was covered by federal depository insurance and $15,442,942 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

The County's investments are categorized to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	**Fair Value**
Federal Farm Credit Bank Notes	$3,044,070	$3,044,070
Federal Home Loan Bank Notes	7,006,669	7,006,669
Federal Home Loan Mortgage Corporation Notes	9,001,008	9,001,008
Federal National Mortgage Association Notes	7,015,650	7,015,650
Repurchase Agreements	1,339,425	1,339,425
	$27,406,822	27,406,822
STAR Ohio		7,033,675
U.S. Treasury Security Money Market Fund		1,358,237
Bank One Money Market		3,482,157
Total Investments		$39,280,891

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9, "*Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*". A reconciliation between the classification of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

6. DEPOSITS AND INVESTMENTS (Continued)

	Cash and Cash Equivalents /Deposits	Investments
GASB Statement No. 9	$49	
Cash on Hand		
Investments:		
Federal Farm Credit Bank Notes	(3	3,
Federal Home Loan Bank Notes	(7	7,
Federal Home Loan Mortgage Corporation Notes	(9	9,
Federal National Mortgage Association Notes	(7	7,
Repurchase Agreements	(1	1,
STAR Ohio	(7	7,
U.S. Treasury Security Money Market Fund	(1	1,
Bank One Money Market	(3	3,
GASB Statement No. 3	$9	$39,

7. INVESTMENT POOL

The County serves as fiscal agent for the Allen County Park District, a legally separate entity. The County pools the monies of this entity with the County's for investment purposes. The County cannot allocate its investments between the internal and external investment pools. The investment pool is not registered with the SEC as an investment company. The fair value of investments is determined annually. The pool does not issue shares. Each participant is allocated a pro rata share of each investment at fair value along with a pro rata share of interest that it earns. Condensed financial information for the investment pool is as follows:

Statement of Net Assets
December 31, 2003

Assets	
Equity in Pooled Cash and Cash Equivalents	$44,496,687
Accrued Interest Receivable	127,099
Restricted Assets	
Equity in Pooled Cash and Cash Equivalents	2,424,787
Total Assets	$47,048,573
Net Assets Held in Trust for Pool Participants	
Internal Portion	$44,718,972
External Portion	2,329,601
Total Net Assets Held in Trust for Pool Participants	$47,048,573

7. INVESTMENT POOL (Continued)

Statement of Changes in Net Assets
December 31, 2003

Revenues	
Interest	$1,567,015
Expenses	
Operating Expenses	0
Net Increase in Assets Resulting from Operations	1,567,015
Distributions to Participants	(1,298,785)
Capital Transactions	(2,992,196)
Total Increase in Net Assets	(2,723,966)
Net Assets Beginning of Year	49,772,539
Net Assets End of Year	$47,048,573

At year end, the carrying amount of the pool's deposits was $8,986,640 and the bank balance was $14,598,459. Of the bank balance, $400,000 was covered by federal depository insurance and $14,198,459 was uninsured and uncollateralized. Although all State statutory requirements 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. At year end, the investments of the pool classified according to GASB Statement No. 3 were as follows:

	Category 3	Fair Value
Federal Farm Credit Bank Notes	$3,044,070	$3,044,070
Federal Home Loan Bank Notes	7,006,669	7,006,669
Federal Home Loan Mortgage Corporation Notes	9,001,008	9,001,008
Federal National Mortgage Association Notes	7,015,650	7,015,650
	$26,067,397	26,067,397
STAR Ohio		6,856,933
U.S. Treasury Security Money Market Fund		1,358,237
Bank One Money Market		3,482,157
Total Investments		$37,764,724

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

7. INVESTMENT POOL (Continued)

A reconciliation between the classification of cash and cash equivalents and investments for the pool and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents /Deposits	Investments
GASB Statement No. 9	$46,921,474	$0
Cash on Hand	(170,110)	0
Investments:		
Federal Farm Credit Bank Notes	(3,044,070)	3,044,070
Federal Home Loan Bank Notes	(7,006,669)	7,006,669
Federal Home Loan Mortgage Corporation Notes	(9,001,008)	9,001,008
Federal National Mortgage Association Notes	(7,015,650)	7,015,650
STAR Ohio	(6,856,933)	6,856,933
U.S. Treasury Security Money Market Fund	(1,358,237)	1,358,237
Bank One Money Market	(3,482,157)	3,482,157
GASB Statement No. 3	$8,986,640	$37,764,724

8. RECEIVABLES

Receivables at December 31, 2003, consisted of accounts (e.g., billings for user charged services, including unbilled charges); accrued interest; permissive sales taxes; intergovernmental receivables arising from grants, entitlements, and shared revenues; interfund; property taxes; notes; and special assessments. All receivables are considered collectible within one year except for loans and special assessments. All receivables are considered collectible in full except for pay to stay costs for county jail recorded in the General Fund.

The County has three types of loans. Some represent zero to six percent loans for home improvements granted to eligible County residents under the Federal Community Development Block Grant program. These loans are to be repaid over periods ranging from ten to thirty years.

Some loans are zero interest loans for college tuition granted to recipients of the Craft Educational Trust Scholarship. Beginning three years after the recipient graduates from college, sixty percent of the awarded scholarship is to be repaid over the next five years. The remaining forty percent is not required to be repaid and therefore is not recorded as part of loans receivable.

Additionally, the County has loaned money the Port Authority of Allen County for economic development. This money will be repaid to the county with zero percent interest.

8. RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amount
Major Funds	
General Fund	
Local Government and Local Government Revenue Assistance	$964,678
Sales Tax	1,690,067
Sheriff's Contracts	17,021
Fines and Costs	2,284
Detention Center Tuition and Treatment	3,872
Public Defender	72,544
Election Costs	132,320
Federal Breakfast and Lunch Program	6,675
Total General Fund	2,889,461
Job and Family Services	
Job and Family Services	395,189
Mental Retardation and Developmental Disabilities	
Title V	1,194
IDEA	85,264
Ohio Department of Education	473,926
Title XIX & XX	637,827
Access Grant	18,000
Total Mental Retardation and Developmental Disabilities	1,216,211
Total Major Funds	4,500,861
Nonmajor Funds	
Motor Vehicle and Gas Tax	
Gas Tax	762,332
Motor Vehicle License Tax	1,559,766
Fines and Costs	13,742
Other	12,013
911 System	
Sales Tax	60,416
Dog and Kennel	
Fines and Costs	220
Children Services Enforcement Agency	
CSEA	87,475
Jail Maintenance	
Other	9,372
Felony Care and Subsidy	
Felony Care and Custody	48,661
Adult Probation	
Diversion	192,636
Emergency Management Agency	
Emergency Management Grants	583,841

(Continued)

8. RECEIVABLES (Continued)

	Amount
General Obligation Bond Debt Retirement	
Sales Tax	185,000
Building and Expansion	
Sales Tax	120,000
Economic Development	
Sales Tax	116,000
Issue II	
Issue II	22,548
Eastown Road/Menards	
Community Development Block Grant	111,000
Total Nonmajor Funds	3,885,022
Total Governmental Activities	8,385,883
Agency Funds	
Local Government and Local Government Revenue Assistance	2,657,024
Library Local Government	2,077,367
Gasoline Tax	339,408
Motor Vehicle License Tax	461,584
Total Agency Funds	5,535,383
Total Intergovernmental Receivables	$13,921,266

9. PERMISSIVE SALES AND USE TAX

In 1967, the County Commissioners, by resolution, imposed a 1 percent tax on all retail sales made in the County, except sales of motor vehicles, and on the storage, use, or consumption of tangible personal property in the County, including motor vehicles not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies, to the State Auditor, the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of each month. The State Auditor then has five days in which to draw the warrant payable to the County.

A receivable is recognized at year end for amounts that will be received from sales which occurred during 2003. On a full accrual basis, the amount of the receivable is recognized as revenue, and on the modified accrual basis the amount received outside the available period is deferred.

10. PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the County. Real property tax revenues received in 2003 represent the collection of 2002 taxes. Real property taxes received in 2003 were levied after October 1, 2002, on the assessed values as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

10. PROPERTY TAXES (Continued)

Public utility property tax revenues received in 2003 represent the collection of 2002 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2001, were levied after October 1, 2002, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in 2003 (other than public utility property) represent the collection of 2003 taxes. Tangible personal property taxes received in 2003 were levied after October 1, 2002, on the true value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. The collection and distribution of taxes for all subdivisions within the County, excluding the County itself, is accounted for through agency funds. The amount of the County's tax collections is accounted for within the applicable funds.

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2003, and for which there was an enforceable legal claim. Although total property tax collections for the next year are measurable, amounts to be received during the available period are not subject to reasonable estimation at December 31 and are not intended to finance 2003 operations.

On the full accrual basis, collectible delinquent real property taxes have been recorded as a receivable and revenue. On the modified accrual basis, the revenue is deferred.

The full tax rate for all County operations for the year ended December 31, 2003, was $8.70 per $1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2003 property tax receipts were based are as follows:

Real Property	$1,456,864,550
Public Utility Property	85,637,770
Tangible Personal Property	419,689,414
Total Assessed Value	$1,962,191,734

11. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003, was as follows:

	Balance January 1,2003	Additions	Reductions	Balance December 31, 2003
Governmental Activities:				
Nondepreciable Capital Assets				
Land	$5,442,700	$0	($185)	$5,442,515
Construction in Progress	0	770,536	0	770,536
Total Nondepreciable Capital Assets	5,442,700	770,536	(185)	6,213,051

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

11. CAPITAL ASSETS (Continued)

	Balance January 1,2003	Additions	Reductions	Balance December 31, 2003
Depreciable Capital Assets				
Buildings	42,956,547	300,714	0	43,257,261
Machinery and Equipment	1,434,140	104,000	(81,500)	1,456,640
Licensed Vehicles	4,914,310	266,793	(160,943)	5,020,160
Office Furniture and Equipment	5,933,912	236,085	(148,406)	6,021,591
Roads	0	187,275	0	187,275
Bridges	0	1,311,613	0	1,311,613
Total Depreciable Capital Assets	55,238,909	2,406,480	(390,849)	57,254,540
Less Accumulated Depreciation for				
Buildings	(24,997,462)	(778,734)	0	(25,776,196)
Machinery and Equipment	(679,948)	(97,184)	54,333	(722,799)
Licensed Vehicles	(3,544,762)	(459,342)	143,407	(3,860,897)
Office Furniture and Equipment	(3,955,747)	(418,490)	127,756	(4,246,481)
Roads	0	(11,940)	0	(11,940)
Bridges	0	(27,460)	0	(27,460)
Total Accumulated Depreciation	(33,177,919)	(1,793,150)	325,496	(34,645,573)
Total Depreciable Capital Assets, Net	22,060,990	613,330	(65,353)	22,608,967
Governmental Activities Capital Assets, Net	$27,503,690	$1,383,866	($65,538)	$28,822,018

For 2003, capital assets being reported for roads and bridges are limited to current year addition amounts. The historical inventory of roads and bridges will be added in future years when those amounts can be accumulated.

	Balance January 1, 2003	Additions	Reductions	Balance December 31, 2003
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	$51,219	$0	$0	$51,219
Depreciable Capital Assets				
Machinery, Equipment, and Vehicles	1,123,358	277,113	(39,170)	1,361,301
Infrastructure	39,010,984	2,026,035	0	41,037,019
Total Depreciable Capital Assets	40,134,342	2,303,148	(39,170)	42,398,320
Less Accumulated Depreciation for				
Machinery, Equipment, and Vehicles	(652,221)	(116,447)	34,295	(734,373)
Infrastructure	(14,253,396)	(1,093,362)	0	(15,346,758)
Total Accumulated Depreciation	(14,905,617)	(1,209,809)	34,295	(16,081,131)
Total Depreciable Capital Assets, Net	25,228,725	1,093,339	(4,875)	26,317,189
Business-Type Activities Capital Assets, Net	$25,279,944	$1,093,339	($4,875)	$26,368,408

11. CAPITAL ASSETS (Continued)

Deprecation expense was charged to governmental functions as follows:

Governmental Activities	
General Government:	
Legislative and Executive	$359,606
Judicial	155,392
Public Safety	217,589
Public Works	417,906
Health	192,384
Human Services	49,652
Conservation and Recreation	400,621
Total Depreciation Expense - Governmental Activities	$1,793,150

12. INTERFUND RECEIVABLES/PAYABLES

Interfund balances at December 31, consisted of the following individual fund receivables and payables:

Due to General Fund from:	
Special Assessments Debt Retirement	$7,535
Other Governmental	566,421
Total General Fund	573,956
Due to Mental Retardation and Developmental Disabilities from:	
Job and Family Services	55,714
Other Governmental	1,064,295
Total Mental Retardation and Development Disabilities Fund	1,120,009
Due to Children Services from:	
Job and Family Services	135,244
Due to Other Governmental from:	
General Fund	1,870,500
Other Governmental	335,000
Total Other Governmental Funds	2,205,500
Due to Sewer from:	
Other Governmental	712,932
Total	$4,747,641

The balance due to the General Fund includes loans made to provide working capital for operations or projects.

The remaining interfund receivables/payables resulted from the time lag between dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

13. RISK MANAGEMENT

A. Other Insurance Coverage

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2003, the County contracted for commercial insurances. There has been no significant reduction in insurance coverage from the prior year. Settled claims have not exceeded coverage in aggregate for the past three years.

B. Workers' Compensation

For 2003, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan ("the Plan"), an insurance purchasing pool (see Note 24). The Plan is intended to achieve lower workers' compensation rates while establishing safer 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 participants in the Plan. Each participant pays it workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

In order to allocate the savings derived by formation of the Plan, and to maximize the number of participants in the Plan, annually the Plan's executive committee calculates the total savings which accrued to the Plan through its formation. This savings is then compared to the overall savings percentage of the Plan. The Plan's executive committee then collects rate contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plans' selection criteria.

The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

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

C. Self Insurance Program

The County established an Employee Health Insurance Fund (an internal service fund) to account for and finance employee health benefits. The Employee Health Care Plan is responsible for the first $90,000 in aggregated claims per year. After that, stop-loss covers up to a lifetime maximum of $2,000,000 per covered person.

The County had three occurrences in which settled claims exceeded coverage by the fund on an individual level for 2001 and one in 2002. Settled claims did not exceed coverage provided by the fund in aggregate for the past three years.

13. RISK MANAGEMENT (Continued)

All funds of the County except for the funds of the Child Support Enforcement Agency, Public Assistance, Health Department, and the Mental Retardation and Developmental Disabilities participate in the program and make payments to the Employee Health Insurance Fund based on estimates of the annual cost of claims. These rates are paid by the fund from which the employees' compensation is paid.

Claims payable is based on the requirement of Governmental Accounting Standards Board Statement No. 30, *"Risk Financing Omnibus",* which requires that a liability for unpaid claims cost, including estimates of costs relating to incurred but not reported claims, be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. The estimate was not affected by incremental claim adjustments expenses. Claims payable at December 31, 2003 are estimated by the third party administrator at $402,681.

	Beginning Balance	**Current Year Claims And Changes in Estimates**	**Claims Payments**	**Ending Balance**
2002	$566,054	$3,112,098	$(3,354,606)	$323,546
2003	323,546	3,929,655	(3,850,520)	402,681

14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The County had various outstanding contracts at December 31, 2003. The following amounts remain on these contracts.

Company	**Project**	**Outstanding Balance**
The Reuben Company	Market Street Garage Services	$150,000
Kohli & Kaliher Assoc. Ltd Inc.	Eastown Road Improvement	252,785
Lima Cist School District	WIA Youth Services	140,686
Maximus	Software – Clerk of Courts	157,800
Maintenance Unlimited Inc.	Delmar/Glenn Sewer Improvement	742,245
Schalk Brothers Inc.	ODOT US Route 30	149,170
Gast Plumbing & Heating Inc.	Marimor School HVAC & Primary Renovations	222,810
Finkbeiner, Pettis, & Strout Ltd	American II Wastewater Treatment Plant	164,714
Bluffton Paving Inc.	Menard/Eastown Road Widening	155,161
Total		$2,135,371

15. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan.

15. DEFINED BENEFIT PENSION PLANS (Continued)

The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6705.

For the year ended December 31, 2003, members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salary to fund pension obligations. Members participating in the traditional plan, who were in law enforcement, contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County’s contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County’s pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County’s required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were $2,912,614, $2,854,518, and $2,927,616, respectively; 91 percent has been contributed for 2003 and 100 percent has been contributed for 2002 and 2001. The unpaid contribution for 2003, in the amount of $257,500, is recorded as a liability.

B. State Teachers Retirement System

Certified teachers employed by the school for mental retardation and developmental disabilities, participate in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries.

Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP).

15. DEFINED BENEFIT PENSION PLANS (Continued)

The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor.

The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment.

The CP offers features of both the DBP and DCP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DCP or CP member with five or more years of 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 DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salary and the County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The County's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2003, 2002, and 2001 was $122,467, $87,893, and $86,917, respectively; 99 percent has been contributed for fiscal year 2003 and 100 percent has been contributed for fiscal years 2002 and 2001.

16. POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage.

The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "*Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers*". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 employer contribution rate was 13.55 percent of covered payroll (16.7 percent for law enforcement and public safety); 5.00 percent was the portion used to fund health care.

16. POST-EMPLOYMENT BENEFITS (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4 percent annually.

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

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were $1,477,847. The actual contribution and the actuarial required contribution amounts are the same. OPERS's net assets available for the payment of benefits at December 31, 2002 (the latest information available), was $10 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were $18.7 billion and $8.7 billion, respectively.

In December 2001, the OPERS Board adopted the Health Care “Choices” Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. The Choices Plan will incorporate a cafeteria approach offering a broader range of health care options. The Choices Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year “cliff” eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Choices Plan will also offer a spending account feature enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a medical spending account.

B. State Teachers Retirement System

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount was $9,421.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was $2.8 billion at June 30, 2003. For the fiscal year ended June 30, 2003, net health care costs paid by STRS were $352,301,000, and STRS had 108,294 eligible benefit recipients.

17. COMPENSATED ABSENCES

Vacation leave is earned at rates which vary depending upon length of service and standard work week. The County currently has different policies regarding vacation leave. All of the policies state that the County employees are paid for all earned, unused vacation leave at the time of termination of employment with more than one year of service with the County.

Employees earn sick leave at varying rates based on whether the employee is union or non-union. Upon retirement, employees with ten or more years of service are paid one-forth of accumulated sick leave up to a maximum of thirty days.

18. NOTES PAYABLE

A summary of the note transactions for the year ended December 31, 2003 is as follows:

	Interest Rate	Balance January 1, 2003	Additions	Reductions	Balance December 31, 2003
Governmental Activities					
Bond Anticipation Notes					
General Obligation Notes					
West Side of Interstate 75	1.44	$3,020,000	$1,566,000	$3,020,000	$1,566,000
East Side of Interstate 75	1.44	2,265,000	1,502,000	2,265,000	1,502,000
Total General Obligation Notes		5,285,000	3,068,000	5,285,000	3,068,000
Special Assessment Notes					
Bath Township Trustees	1.86	360,000	158,000	439,000	79,000
Bear Ditch	1.86	50,000	69,500	90,000	29,500
Bellinger Ditch #1188	1.86	40,000	30,500	40,000	30,500
Dug Run Ditch #1151	1.86	100,000	81,500	100,000	81,500
Spencerville Ditch #1202	1.86	76,500	62,300	108,500	30,300
Tom Ahl Ditch #1203	1.86	28,000	16,500	28,000	16,500
Mayer Ditch #1205	1.86	59,600	55,100	59,600	55,100
Belmont Ditch #1218	1.86	146,000	128,500	146,000	128,500
Pike Run Ditch #1150	1.86	91,000	91,000	91,000	91,000
Zimmerman Ditch #1219	1.86	124,000	124,000	124,000	124,000
Jennings Creek #1160	1.86	0	530,000	265,000	265,000
Village of Lafayette #1223	1.86	0	40,000	20,000	20,000
Bath Township Ditch #1169	1.44	0	229,000	0	229,000
Southwood Waterline DPA	1.86	85,000	81,600	85,000	81,600
Early/Lutz Road Waterline	1.86	70,000	23,000	70,000	23,000
Berryman Waterline	1.44-1.86	212,000	170,500	212,000	170,500
Hamernik Ditch #1193	1.86	29,000	24,000	29,000	24,000
Oakview Sewer Improvement	1.85–1.86	1,240,000	1,133,000	1,240,000	1,133,000
Total Special Assessment Notes		2,711,100	3,048,000	3,147,100	2,612,000
Total Bond Anticipation Notes		$7,996,100	$6,116,000	$8,432,100	$5,680,000

The County issued general obligation notes for economic development. The County's general obligation notes are backed by the full faith and credit of Allen County.

18. NOTES PAYABLE (Continued)

The special assessment notes were issued for ditch improvements and for water and sewer lines. The special assessment notes will be paid from the proceeds of special assessments levied against benefited property owners. In the event the property owners do not pay their assessments, the County would be responsible for the debt payment.

19. LONG-TERM OBLIGATIONS

The County's long-term obligations activity for the year ended December 31, 2003, was as follows:

	Interest Rate	Balance January 1, 2003	Additions	Reductions	Balance December 31, 2003	Due Within a Year
General Obligation Bonds						
2002 Court of Appeals	1.5 – 5.25					
(Original Amount $2,744,85)		$2,744,858	$0	$179,169	$2,565,689	$187,542
2002 County Justice Center	1.5 – 5.25					
(Original Amount $7,655,435)		7,655,435	0	499,704	7,155,731	523,055
2001 Downtown Parking	3.3 -5.0					
(Original Amount $1,310,000)		1,280,000	0	45,000	1,235,000	50,000
2001 Civic Center	3.3 – 5.0					
(Original Amount $4,230,000)		4,136,000	0	153,000	3,983,000	163,000
Total General Obligation Bonds		15,816,293	0	876,873	14,939,420	923,597
Special Assessment Bonds						
1983 Bath-Perry Sewer	9.750	8,000	0	8,000	0	0
1985 St. John's Waterline	8.875	30,000	0	10,000	20,000	10,000
2002 Project #17-700 and 17-800	1.50 - 5.25					
(Original Amount $380,000)		380,000	0	40,000	340,000	45,000
2002 Waterline Improvement	1.50 - 5.25					
(Original Amount $450,000)		450,000	0	40,000	410,000	45,000
2002 Hixenbaugh/Copus/ Indainbrook	1.50 - 5.25					
(Original Amount $310,000)		310,000	0	35,000	275,000	35,000
2002 Project #17-400, 17-500, and 11-800	1.50 - 5.25					
(Original Amount $2,039,707)		2,039,707	0	391,127	1,648,580	409,403
1994 Ft. Shawnee Waterline	6.5					
(Original Amount $3,235,000)		2,345,000	0	140,000	2,205,000	145,000
2002 Findlay/Ada/Stewart Road	1.50 - 5.25					
(Original Amount $2,110,000)		2,110,000	0	80,000	2,030,000	85,000
2001 Allentown Road Sewer	3.3 – 5.0					
(Original Amount $865,000)		845,000	0	30,000	815,000	30,000
2001 East Road Waterline	3.3 – 5.0					
(Original Amount $50,000)		48,000	0	2,000	46,000	2,000
2001 Ottawa River Bend Waterline	3.3 – 5.0					
(Original Amount $95,000)		91,000	0	5,000	86,000	5,000
Total Special Assessment Bonds		8,656,707	0	781,127	7,875,580	811,403

(continued)

19. LONG-TERM OBLIGATIONS (Continued)

	Interest Rate	Balance January 1, 2003	Additions	Reductions	Balance December 31, 2003	Due within a Year
Other Long-Term Obligations						
Compensated Absences Payable		$2,159,771	$339,728	$100,481	$2,399,018	$1,193,922
Airport Improvement Note	1% + TSR	220,000	0	22,000	198,000	22,000
Issue II Loan Payable	0.00	125,239	0	7,367	117,872	3,683
Issue II Loan Payable	0.00	107,377	62,431	0	169,808	0
Capital Leases Payable		65,627	8,937	28,374	46,190	16,943
Total Other Long-Term Obligations		2,678,014	411,096	158,222	2,930,888	1,236,548
Total Governmental Activities		27,151,014	411,096	1,816,222	25,745,888	2,971,548
Business-Type Activities						
Revenue Bonds						
2002 Sewer System	3.10- 5.75					
(Original Amount $7,171,583)		7,150,000	0	340,000	6,810,000	365,000
Bond Premium		21,583	0	1,349	20,234	0
Total Revenue Bonds		7,171,583	0	341,349	6,830,234	365,000
Other Long-Term Obligations						
Compensated Absences Payable		82,965	19,211	0	102,176	63,445
Issue II Loan	0.00	282,285	0	20,551	261,734	10,276
Total Other Long-Term Obligations		365,250	19,211	20,551	363,910	73,721
Total Business-Type Activities		$7,536,833	$19,211	$361,900	$7,194,144	$438,721

All general obligation bonds are supported by the full faith and credit of the County. General obligation bonds will be paid from unvoted property taxes. Special assessment debt is backed by the full faith and credit of the County and will be paid from the proceeds of special assessments levied against benefited property owners. In the event that property owners fail to make their special assessment payments, the County is responsible for providing the resources to meet annual principal and interest payments.

The airport note was obtained to provide the matching portion for a runway extension grant.

During 2002, the County received an Issue II loan for a bridge construction project with payments beginning in July 2003. During 2003, the County received an additional Issue II loan for a bridge construction project with payments beginning January 1, 2005. The County has yet to receive the final amortization schedule for this project.

The Issue II loan reflected in the business-activities fund type will be paid from operating revenues of the sewer enterprise fund. The Issue II loans reflected in the governmental-activities fund type will be repaid from resources of governmental funds.

On November 1, 2002, the County issued $7,150,000 sewer system revenue bonds for a current refunding of $6,995,000 in sewer system revenue bonds. The callable bonds required a premium payment of $139,100 on the call date. The refunding bonds were issued at 99.22 percent for sixteen years with interest rates ranging from 1.5 percent to 5.25 percent to repay the original debt issued for the district, and are to be paid from the enterprise fund. The reacquisition price exceeded the net carrying amount of the old debt by $432,221 which is being amortized over the life of the new debt.

NOTE 19 - LONG-TERM OBLIGATIONS (Continued)

In conjunction with the issuance of the sewer system revenue bonds, the County entered into a trust agreement with Fifth Third Bank. This trust agreement requires that the County establish various accounts for the repayment of debt. Certain restricted assets in the sewer fund are held by the trustees in accordance with the trust agreement. Restricted assets relating to the sewer revenue bonds consisted of the following at December 31, 2003:

Restricted assets held by the trustee for debt service	$639,425
Restricted assets held by the County for operations	2,282,610
Restricted assets held by the County for replacement and improvement	141,241
Restricted assets held by the County for future debt service	936

Compensated absences liabilities will be paid from the fund from which the employees' salaries are paid. Capital lease obligations will be paid from the fund that maintains custody of the related assets.

The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of the certain exempt debt, issued without a vote of the electors shall never 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 shall never 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 described at December 31, 2003 are an overall debt margin of $37,262,900 and an unvoted debt margin of $9,330,024.

The following is a summary of the County's future annual debt service requirements for governmental activities:

	Issue II Loans		General Obligation Bonds		Special Assessment Bonds	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2004	$3,683	$0	$923,597	$587,786	$811,403	$357,603
2005	7,367	0	928,941	575,897	826,059	329,624
2006	7,367	0	952,975	561,446	847,026	299,225
2007	7,367	0	919,908	512,734	845,092	260,695
2008	7,367	0	987,000	488,553	453,000	228,848
2009-2013	36,835	0	5,482,999	1,907,254	2,287,000	812,575
2014-2018	36,835	0	3,559,000	693,330	1,231,000	294,651
2019-2021	11,051	0	1,185,000	120,000	575,000	51,587
Total	$117,872	$0	$14,939,420	$5,447,000	$7,875,580	$2,634,808

The future annual debt service requirements payable from business-type activities are as follows:

	Issue II Loans		General Obligation Bonds	
Year	**Principal**	**Interest**	**Principal**	**Interest**
2004	$10,276	$0	$365,000	$249,445
2005	20,551	0	370,000	243,240
2006	20,551	0	385,000	235,840
2007	20,551	0	390,000	226,793
2008	20,551	0	400,000	216,457
2009-2013	102,751	0	2,205,000	877,943
2014-2017	66,503	0	2,695,000	386,443
Total	$261,734	$0	$6,810,000	$2,436,161

19. LONG-TERM OBLIGATIONS (Continued)

A. Conduit Debt

During 1998, the County issued economic development revenue bonds and health care facilities revenue bonds in the amount of $10,400,000 and $4,520,000, respectively. In 1999, the County issued health care facilities revenue bonds in the amount $1,455,000.

During 2001, the County issued development revenue bonds in the amount of $1,600,000. These bonds were issued to provide financial assistance to private-sector entities for the acquisition, construction, renovating, and equipping of facilities deemed to be in the public interest.

During 2003, the County issued development revenue bonds in the amount of $6,500,000. These bonds were issued to provide financial assistance to Chancellor Health Partners with the purchase of a senior living facility, along with its renovations.

The bonds are secured by the property financed and are payable solely from payments received on the underlying loan or lease and the trust agreements. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance.

The County is not obligated in any way to pay the debt and related charges on revenue bonds from any of its funds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2003 the aggregate principal amount payable on these bonds is $22,070,000.

20. CAPITAL LEASES - LESSEE DISCLOSURE

The County has entered into capitalized leases for machinery and equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *“Accounting for Leases”,* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Equipment acquired by lease has a cost value of $113,284. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for the governmental funds. Principal payments in 2003 were $28,374 for governmental funds.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2003.

Year	Governmental Activities
2004	$20,538
2005	18,410
2006	9,767
2007	3,480
2008	1,514
Total	53,709
Less Amount Representing Interest	(7,519)
Present Value of Net Minimum Lease Payments	$46,190

21. INTERFUND TRANSFERS

During 2003 the following transfers were made:

Transfers In	Transfers Out: General	Special Assessment Debt Retirement	Other Governmental	Business-Type Activities	Total
Governmental Activities					
General	$0	$0	$280,000	$0	$280,000
Special Assessments Debt Retirement	0	0	0	21,000	21,000
Other Governmental	30,945	53	15	85,000	116,013
Total Governmental Activities	$30,945	$53	280,015	$106,000	$417,013

Transfers are used to move revenues from the fund that statue or budget requires to collect them to the fund that statute or budget requires to expend them, move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

22. JOINT VENTURE

A. Lima-Allen County Downtown Construction

The County and the City of Lima (City) entered into a joint funding agreement for the construction and funding of certain facilities, including the expansion of the Veteran's Memorial Civic and Convention Center, a parking garage, and a pedestrian overhead walkway (skywalk) from the Civic Center addition to the parking garage. The Civic Center expansion and the skywalk were constructed by and are owned by the County. The parking garage was constructed by and is owned by the City.

The operation and maintenance costs associated with the skywalk and the parking garage are the joint responsibility of the County and the City. The City and the County share equally the net revenue/(loss) derived from the garage. Complete financial information can be obtained from the Allen County Commissioners, Allen County, Ohio.

The City of Lima has agreed to enter into a long-term lease agreement with the County offering the County a one-half ownership interest in the parking garage, which will be operated and maintained by the Lima-Allen County Joint Parking Commission, in accordance with the rules and regulations established for the JPC (see Note 23). As of December 31, 2003 this lease has not been finalized.

B. Mental Health and Recovery Services Board of Allen, Auglaize, and Hardin County

The Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties, is a three county political organization whose general purpose is to provide 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.

22. JOINT VENTURE (Continued)

The Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties consist of eighteen members. Four members are appointed by the Director of the Ohio Department of Mental Health and four members appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services. The remaining members are appointed by the County Commissioners of Allen, Auglaize and Hardin Counties in the same proportion as each county's population bears to the total population of the three counties combined. The degree of control exercised by any participating government is limited to its representation on the Board. The Mental Health and Recovery Services Board of Allen, Auglaize and Hardin Counties is a joint venture since continued participation by the County is necessary for the continued existence.

Allen County acts as the fiscal agent for the Mental Health and Recovery Services Board. The Board receives tax revenue from the three counties and receives federal and state funding through grant monies which are applied for and received by the Board of Trustees. The Mental Health and Recovery Services Board 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.

23. JOINTLY GOVERNED ORGANIZATIONS

A. Lima-Allen County Regional Planning Commission

The Lima-Allen County Regional Planning Commission is a political organization as established and set forth under Section 713.21 et seq. of the Ohio Revised Code. Representation on the Commission consists of six delegates and six alternates appointed by the Allen County Board of Commissioners, one delegate and one alternate for each 5,000 persons determined by the last federal decennial census from each municipal corporation and each of the townships participating in the Commission; provided that in no event shall any cooperating municipality or township have less than one delegate and one alternate to the Commission.

Each participating municipality and township contributes in each calendar year twenty cents per capita according to the latest federal census. Duties of the Commission include making studies, maps, plans and other reports of the County and adjoining areas, showing recommendations for systems of transportation, highways, park and recreational facilities, water supply, sewerage disposal, garbage disposal, civic centers and other public improvements and land uses which affect the development of the region.

The Commission has the authority to employ an Executive Director, engineers, accountants, attorneys, planners and others as may be necessary and set their compensation.

In 2003, the County paid membership fees of $37,966, which represents 5 percent of total revenue. Complete financial statements can be obtained from the Lima-Allen County Regional Planning Commission, Allen County, Ohio.

23. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. North Central Ohio Solid Waste Management District

Allen County participates in a Multi-County Solid Waste District (the District), along with Champaign, Hardin, Marion, Shelby and Union Counties. The District was established following the requirements of House Bill 592. The Board of Directors consists of County Commissioners from each county. Initial funding for the District was contributed by each county based on its individual county's population as compared to the total of all participating counties' populations.

Allen County, being the largest of the six counties, initially contributed 33 percent of the total funds contributed, and is the fiscal agent for the District. In 1994, the District became self-supporting and does not anticipate having to rely on future support coming from funds given to the District by the six counties involved. The County does not contribute to the Joint Solid Waste Management District nor does it anticipate doing so in the future. Complete financial statements can be obtained from the Joint Solid Waste District, Allen County, Ohio.

C. Western Ohio Regional Treatment and Habilitation (WORTH) Center

The Western Ohio Regional Treatment and Habilitation (WORTH) Center is a residential probation center created in 1991 under Section 2301.51 of the Ohio Revised Code. The WORTH Center is operated by the Judicial Corrections Board for the district comprised of Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties for men from the eight counties placed on probation by the Common Pleas Court that otherwise would be sentenced to incarceration in a state penal institution. Training and counseling are personalized to meet the needs of each offender and are designed to establish an ongoing treatment plan that will accompany the offender upon release from the WORTH Center. The Center is located in Allen County and the County acts as the fiscal agent.

The Judicial Corrections Board of the WORTH Center consists of ten judges of the eight member counties who are appointed by the presiding judge of the court of common pleas of Allen County. The County has entered into a sublease with the Department of Rehabilitation and Correction which stipulates that the WORTH Center building constructed by the Ohio Building Authority will revert to the County's ownership after 20 years from the start of the WORTH Center project. The County does not contribute to the Center nor does it anticipate doing so in the future. Complete financial statements can be obtained from the WORTH Center, Allen County, Ohio.

D. Lima-Allen County Joint Parking Commission

The County and the City of Lima have established a joint parking commission (JPC) which will be responsible for developing and implementing a joint City-County parking system for the Central Business District in Lima, and will have management control over the downtown parking garage and various downtown surface lots placed under the administration of the JPC by the respective parties. The JPC establishes policies for the operation of the parking system under it's control, including rates to be charged.

The JPC is comprised of two members, one appointed by the Mayor of the City of Lima, and one appointed by the President of the Board of County Commissioners.

24. INSURANCE POOL

County Commissioners Association of Ohio Workers' Compensation Group Rating Plan

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool.

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services, and general management fees, determining ongoing eligibility of each participant and performing any other acts and functions which may be delegated to it by the participating employers. The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year. No participant can have more than one member of the group executive committee in any year, and each elected member shall be a County Commissioner.

25. MARIMOR INDUSTRIES

A. Summary of Significant Accounting Policies

1. Reporting Entity

Marimor Industries (Industries) is presented following the provisions of NCGA Statement No. 1, "*Governmental Accounting and Financial Reporting Principles",* as modified by subsequent NCGA and GASB pronouncements.

2. Basis of Presentation

The Industries is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net assets. The Industries uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

B. Deposits and Investments

At year end, the carrying amount of deposits was $296,727. The investments are carried at fair market values. Of these investments, mutual funds have a fair value of $217,422 and long-term certificates of deposit have a fair value of $183,086, for a total investment amount of $400,508.

C. Capital Assets

The Industries had capital assets equipment, in the amount of $648,700, as of December 31, 2003. Accumulated depreciation was $464,640, with a net capital asset amount of $184,060. Depreciation is computed using the straight-line method over a useful life of three to seven years.

26. LODDI

A. Summary of Significant Accounting Policies

1. Reporting Entity

LODDI is presented following the provisions of NCGA Statement No. 1 *"Governmental Accounting and Financial Reporting Principles",* as modified by subsequent NCGA and GASB pronouncements.

2. Basis of Presentation

LODDI is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the statement of net assets. LODDI uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

B. Deposits and Investments

At year end, the carrying amount of LODDI deposits was $29,462. These amounts are classified as "Cash and Cash Equivalents and Investments in Segregated Accounts" on the balance sheet. There are no statutory guidelines regarding the deposit of funds by the not-for-profit corporations.

C. Capital Assets

LODDI had capital assets of land and buildings, in the amounts of $91,263 and $707,704, respectively, as of December 31, 2003. Accumulated depreciation was $132,586, with a net capital asset amount of $666,381. Depreciation is computed using the straight-line method over a useful life of forty years.

D. Long-Term Obligations

Long term obligations at December 31, 2003:

	Interest Rate	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
Mortgage Notes Payable	6.5-9.25%	$212,835	$0	$18,441	$194,394	$23,806

27. RELATED PARTY TRANSACTIONS

Marimor Industries, a discretely presented component unit of Allen County, has entered into a contract with the Allen County Board of Mental Retardation/Developmental Disabilities (MRDD), whereby the MRDD has agreed to pay specified overhead expenses for the workshop. The additional income and related expenses are not reflected in the financial statements of the component unit. In 2003, the contribution to Marimor Industries for salaries, retirement, employee benefits, worker's compensation, repairs, supplies, equipment, medicare, and other expenses was $3,502,894.

28. 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 the 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 Prosecuting Attorney, any potential claims or liabilities from these lawsuits would not have a material adverse effect on the financial statements.

29. SUBSEQUENT EVENTS

As of January 1, 2004, the County will no longer be self-insured for its employee's health benefits. The County as of this date joined the County Commissioners Association of Ohio insurance pool (County Employee Benefits Consortium of Ohio (CEBCO)) for health benefits for its employees.

On March 30, 2004, the County authorized the renewal of $1,420,000 of Various Purpose Bond Anticipation Notes (water, sewer, and ditch projects) Series 2004.

FINANCIAL CONDITION
ALLEN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Award Amount	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Environmental Protection Agency							
Direct Program							
EPA Superfund - Local Government Relief Program		66.802	$25,000	$25,000		$25,000	
U.S Department of Agriculture							
Passed Through Ohio Department of Agriculture:							
School Breakfast Program							
Marimor School	065821-05-PU	10.553	n/a	12,489		12,489	
Detention Center	069971-05-PU	10.553	n/a	13,995		13,995	
Total National School Breakfast Program				26,484		26,484	
National School Lunch Program							
Marimor School	065821-LL-P4	10.555	n/a	21,325		21,325	
Detention Center	069971-LL-P4	10.555	n/a	21,400		21,400	
Total National School Lunch Program				42,725		42,725	
Food Distribution Program							
Marimor School	N/A	10.550	n/a		$7,956		$7,956
Detention Center	N/A	10.550	n/a		6,366		6,366
Total Food Distribution Program					14,322		14,322
Total U.S. Department of Agriculture (Nutrition Cluster)				69,209	14,322	69,209	14,322
U.S. Department of Education							
Passed Through Ohio Department of Education:							
Special Education Grants to States (IDEA Part B) FY04	065821-6B-SD-04P	84.027	22,500	4,500		2,163	
Special Education Grants to States (IDEA Part B) FY03	065821-6B-SD-03P	84.027	30,000	30,000		30,000	
Special Education Grants to States (IDEA Part B) FY03	065821-6BSF-03-P	84.027	74,461	61,059		64,620	
Special Education Grants to States (IDEA Part B) FY04	065821-6BSF-04-P	84.027	79,321	14,278		29,207	
Total Special Education Grants to States (IDEA Part B)				109,837		125,990	
Special Education-Preschool Disabilities (IDEA Part B) FY03	065821-PGS1-03-P	84.173	24,700	20,254		19,605	
Special Education-Preschool Disabilities (IDEA Part B) FY04	065821-PGS1-04-P	84.173	24,660	4,439		9,458	
Total Special Education-Preschool Disabilities (IDEA Part B)				24,693		29,063	
Total Special Education Cluster				134,530		155,053	
Innovative Education Program Strategies FY03	065821-C2S1-2003	84.298	665	545		665	
Innovative Education Program Strategies FY04	065821-C2S1-2004	84.298	1,310	116		79	
Total Innovative Education Programs				661		744	
Total U.S. Department of Education				135,191		155,797	
U.S. Department of Homeland Security							
Passed Through Ohio Emergency Management Agency							
State Domestic Preparedness Equipment Support Program	J529 FY99	97.004	50,000			22,072	
State Domestic Preparedness Equipment Support Program	2001-TE-CX-0016	97.004	1,671	1,671		1,671	
State Domestic Preparedness Equipment Support Program	2002-TE-CX-0049	97.004	53,933	12,640		12,640	
Total State Domestic Preparedness Equipment Support Program				14,311		36,383	
All Hazards Emergency Operations Planning	EMC-03-GR-7006	97.042	49,762	49,762		49,762	
Emergency Management Performance Grant FY2003	EMC-03-GR-7026	97.051	45,830	45,830		45,830	
Citizens Corp Grant	EMC-03-GR-7027	97.053	2,000	2,000		2,000	
Total U.S. Department of Homeland Security				111,903		133,975	

FINANCIAL CONDITION
ALLEN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Award Amount	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Health and Human Services							
Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:							
Social Services Block Grant - Title XX	N/A	93.667	n/a	121,233		121,233	
Medical Assistance Program - Title XIX (CAFS)	N/A	93.778	n/a	1,731,456		1,731,456	
Passed through Ohio Department of Job and Family Services							
Independent Living	N/A	93.674		2,516		2,516	
Child Abuse and Neglect State Grants		93.669		6,793		6,793	
Promoting Safe and Stable Families		93.556		27,018		27,018	
Child Welfare Services - State Grants		93.645		15,864		15,864	
Total U.S. Department of Health and Human Services				1,904,880		1,904,880	
U.S. Department of Labor							
Passed through Ohio Department of Job and Family Services							
Workforce Investment Act Adult		17.258		300,000		300,000	
Workforce Investment Act Adult Administrative		17.258		40		40	
Workforce Investment Act Adult Total				300,040		300,040	
Workforce Investment Act Youth		17.259		384,122		384,122	
Workforce Investment Act Youth Administrative		17.259		51		51	
Workforce Investment Act Youth Total				384,173		384,173	
Workforce Investment Act Dislocated Worker		17.260		208,737		208,737	
Workforce Investment Act Rapid Response		17.260		13,167		13,167	
Workforce Investment Act Dislocated Worker Administrative		17.260		29		29	
Workforce Investment Act Dislocated Worker Total				221,933		221,933	
Workforce Investment Act (Cluster)	N/A			906,146		906,146	
Total U.S. Department of Labor				906,146		906,146	
U.S. Department of Justice:							
Passed Through Ohio Department of Criminal Justice:							
Local Law Enforcement Block Grant FY02	2002-LB-VX-0945	16.592	40,788			19,444	
Local Law Enforcement Block Grant FY01	2001-LB-BX-1394	16.592	56,640			30,593	
Total Local Law Enforcement Block Grant						50,037	
Byrne Formula Grant Program - Narcotics Task Force	2002-DG-A01-7006	16.579	86,000	86,000		86,000	
Juvenile Accountability Incentive Block Grant - Rehab Counseling	2001-JB-002-A138	16.523	59,157	44,398		41,029	
Juvenile Accountability Incentive Block Grant - Positive Partnerships	2002-JB-007-A304	16.523	20,000	5,000			
Total Juvenile Accountability Incentive Block Grant				49,398		41,029	
Status Offender Solutions	2001-JJ-D11-0094	16.540	30,000	30,000		15,000	
Mentoring for Success	2002-JV-T50-5105	16.548	67,323	33,662		15,000	
Total U.S. Department of Justice				199,060		207,066	
U.S. Department of Transportation							
National Highway Traffic Safety Administration,							
Passed Through Ohio Department of Public Safety:							
Young Safe Drivers/Cops in Shops							
State and Community Highway Safety - Cops In Shops	2000-J8-0 / 2	20.600	10,735	8,782		8,782	
State and Community Highway Safety - Young Safe Drivers	2001-J8-J / 2	20.600	46,909	39,827		39,827	
Total National Highway Traffic Safety Administration,				48,609		48,609	
Federal Highway Administration							
Passed Through Ohio Department of Transportation							
Highway Planning and Construction - LaFayette Road Bridge	02N217	20.205		851,800		851,800	
Total U.S. Department of Transportation				900,409		900,409	

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Award Amount	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Housing and Urban Development							
Passed Through Ohio Department of Development:							
HOME Investment Partnerships Program	B-C-00-002-2	14.239	336,200			24,415	
HOME Investment Partnerships Program	B-C-02-002-2	14.239	348,000	8,500		7,260	
Total HOME Investment Partnerships Program				8,500		31,675	
Community Development Block Grant - Entitlement Grants							
Formula Allocation Program FY01	B-F-01-002-1	14.228	284,000	4,000		2,666	
Formula Allocation Program FY02	B-F-02-002-1	14.228	291,000	136,500		129,441	
Home Community Housing Improvement Program	B-C-00-002-1	14.228	163,800			2,189	
Home Community Housing Improvement Program	B-C-02-002-1	14.228	152,000	44,864		58,885	
Economic Development Program FY02 (Menards)	B-E-02-002-1	14.228	375,000	264,000		263,984	
Economic Development Program FY02 (Loan - 7 years - 3%)	B-E-02-002-2	14.228	460,000	174,600		174,600	
Total CDBG Entitlement Grants				623,964		631,765	
Total U.S. Department of Housing and Urban Development				632,464		663,440	
Total Federal Financial Assistance				$4,884,262	$14,322	$4,965,922	$14,322

See accompanying notes to the general purpose financial statements.

FINANCIAL CONDITION
ALLEN COUNTY

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 1 - GENERAL

The accompanying Schedule of Federal Financial Assistance presents the activity of all federal financial programs of Allen County, Ohio. The County reporting entity is defined in Note 1 of the County's basic financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies is included in the schedule.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of Federal Financial Assistance has been prepared on a basis of cash receipts and disbursements, consequently, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred.

NOTE 3 - COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS (CDBG)

The Allen County CDBG received periodic loan repayments from individuals awarded loans for rehabilitation programs. In addition, the County received payments from individuals who did not reside in a rehabilitated dwelling for the required ten-year period. The activity for the loan fund is scheduled below and is not reflected in the federal receipts, expenditures, and cash balances on the schedule of federal financial assistance.

The loan receivable activity and cash balances available for rehabilitation loans under the revolving loan program for 2003 are as follows:

Rehabilitation Loans	Loans Receivable	Cash Balance
Beginning Balance	$ 148,773	$ 50,185
Loan Principal Receipts	(8,984)	8,984
Loan Interest Repayment Receipts		3,855
Interest on Bank Account		143
Grant Revenue		875
Grant Disbursements	-	(27,562)
Ending Balance	$ 139,789	$ 36,480

In addition to the rehabilitation loans under the direct control of Allen County, the County also provides oversight for the CDBG Small Business Revolving Loans administered by the Allen County Port Authority whose 2003 activity is as follows:

Small Business Revolving Loans	Loans Receivable	Cash Balance
Beginning Balance	$ 108,771	$ 187,349
Loan Repayment Receipts	(6,754)	6,574
Loan Interest Repayment Receipts		1,494
Bad Debt Written Off	(108,771)	-
Interest on Bank Account		555
Loan Disbursements	249,600	(161,186)
Administration		(8,482)
Ending Balances	$ 242,846	$ 26,304

The ending cash balance is the total amount available for loan by the revolving loan program. Additional information on the Revolving Loan Program is provided in the audit of the Allen County Port Authority.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)**

NOTE 4 - FOOD SERVICES PROGRAMS - MARIMOR SCHOOL AND DETENTION CENTER

The Department of Mental Retardation and Development Disabilities (Marimor School) and the Youth Detention Home received federal assistance through the National School Lunch and Donated Food Programs. The National School Lunch program is reimbursing in nature and revenues are considered expended when received. The above departments are allowed a selection from a pool of foods, when available, under the Food Distribution Program.

NOTE 5 - 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 in the Schedule.

NOTE 6 - OHIO DEPARTMENT JOB AND FAMILY SERVICES

The Allen County Department of Job and Family Services, Childrens Services Board and Child Support Enforcement Agency received federal financial assistance from the Ohio Department of Job and Family Services for the following programs (which are audited at the state level and reported in the State Single Audit Report):

Food Stamps Cluster (CFDA # 10.551/561)
Temporary Assistance for Needy Families (CFDA # 93.558)
Child Support Enforcement (CFDA # 93.563)
Child Care Cluster (CFDA # 93.575/596)
Foster Care (CFDA # 93.658)
Adoption Assistance (CFDA # 93.659)
Social Services Block Grant Title XX (CFDA # 93.667)
State Children=s Insurance Fund (CFDA #93.767
Medical Assistance Program (CFDA # 93.775/.777/.778)

NOTE 7 - FEDERAL FOOD STAMP PROGRAM

The Ohio Department of Job and Family Services (DJFS) distributes Federal food stamps to entitled recipients within Allen County. The receipt and issuance of these stamps have the characteristics of federal Agrants@; however, the DJFS merely acts in an intermediary capacity. Therefore, the inventory value of these stamps is not reflected in the accompanying financial statements as the only economic interest related to these stamps rests with the ultimate recipient. Federal food stamps activity for the year was as follows:

Balance at Beginning of Year	$ 18,269
Amount Distributed to Recipients	1,841
Balance at End of Year	$ 16,428

Generally, Columbus is responsible for the distribution of benefits and the County does not have to maintain a substantial inventory of food stamp coupons. However, a minimal supply is kept on hand in the event the food stamp system should fail, or an emergency should arise.

NOTE 8 - WORKFORCE INVESTMENT ACT

The Workforce Investment Act requires recipients to account for this activity on an accrual basis. The activity on this schedule is reported on a cash basis.

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

Allen County
301 North Main Street
Lima, Ohio 45801

To the Board of Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Allen County, (the County), as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements and have issued our report thereon dated, October 15, 2004, wherein we noted the County implemented a new financial reporting model, as required by Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. The financial statements of Marimor Industries and LODDI, Inc. were audited by other auditors in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards* and accordingly this report does not extend to those component units.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to the County's management in a separate letter dated October 15, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-004 and 2003-005.

**Internal Control Over Financial Reporting
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2003-004 through 2003-005 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the County's management in a separate letter dated October 15, 2004.

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

Betty Montgomery

Betty Montgomery
Auditor of State

October 15, 2004

Auditor of State
Betty Montgomery

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

Allen County
301 North Main Street
Lima, Ohio 45801

To the Board of Commissioners:

Compliance

We have audited the compliance of Allen County, (the County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

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

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**Internal Control Over Compliance
(Continued)**

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Betty Montgomery

Betty Montgomery
Auditor of State

October 15, 2004

FINANCIAL CONDITION
ALLEN COUNTY

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2003
OMB CIRCULAR A -133 ' .505

1. SUMMARY OF AUDITOR=S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs= Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under ' .510?	No
(d)(1)(vii)	Major Programs (list):	Medical Assistance Program – Title XIX (CAFS) - CFDA #93.778 Highway Planning and Construction - CFDA#20.205
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Client?	No

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

FINDING NUMBER 2003-001

Finding for Recovery

Carlton "Mack" Shepard, former county dog warden, was responsible for the collection of fees and the preparation of deposits to the county treasury. For the period of February 2002 through December 31, 2003, a total amount of $18,582.25 had been collected according to records maintained and $9,245.25 had been deposited with the county treasury resulting in a shortage of $9,337.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money collected but not accounted for, is hereby rendered against, Carlton "Mack" Shepard, former dog warden, and his bonding company, Auto-Owners Insurance Company, jointly and severally, in the amount of Nine thousand three hundred thirty-seven dollars ($9,337) and in favor of the County Treasury General Fund. On July 29, 2004, Carlton Shepard plead guilty to "theft in office" and was ordered to pay restitution. The court also assessed costs of the audit/investigation and court costs. The total restitution amount is $16,475. As of the date of this report, $10,000 has been remitted.

FINDING NUMBER 2003-002

Finding for Recovery – Repaid While Under Audit

Michael Mullins, as Executive Director of the Allen County Children Services Board authorized and/or approved the payment of massage therapy services for employees of the Children Services Board. However, massage therapy services as a benefit to employees is not an allowable expenditure of public money. For the period January 1, 2001 through December 31, 2003, the amount of $2,400, was spent to provide massage therapy services.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended, is hereby rendered against, Michael Mullins, Executive Director of the Allen County Children Services Board, and his bonding company, Hamilton Mutual Insurance Company, jointly and severally in the amount of Two thousand four hundred dollars ($2,400) and in favor of the Allen County Children Services Board Special Revenue Fund. Mr. Mullins repaid the finding on 11/5/2004 as evidenced by county treasurer receipt number 64908.

FINDING NUMBER 2003-003

Amended Certificates

Ohio Rev. Code Section 5705.36 states that all subdivisions can request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. During 2003, the County had the following funds where a reduced amended certificate was needed, but was not obtained:

Fund	Estimated Revenue per Amended Certificate	Total Available Resources	Actual Revenue	Variance (Actual Revenue vs. Estimated Revenue)	Appropriations	Variance (Total Available Resources vs. Appropriations less Revenue Deficiency)
006 (Public Assistance)	$16,265,055	$14,727,958	$9,739,176	$(6,525,879)	$13,472,639	$(5,270,560)
018 (MRDD)	12,934,187	14,085,022	10,684,894	(2,249,293)	13,590,818	(1,755,089)

Failure to obtain an amended certificate could result in appropriations and expenditures being made in excess of the certified revenue, and in deficit spending.

An amended certificate of estimated resources should be obtained whenever it is determined that the revenue to be collected will be greater or less than the amount certified in the prior issued certificate of estimated resources.

FINDING NUMBER 2003-004

Animal Control Facility Policies and Controls

Currently, there is a lack of a formal approved written policy concerning the accounting controls, operating procedures and fees to be assessed when an animal is picked up and housed by the animal control facility. During the years, 2002 and 2003, supporting records were not maintained in a consistent manner, nor were all records retained. Although the software being utilized provided proper accounting records and numerical controls that tracked an animal from pick-up to release, there were no controls in place to verify that all numbers and the records pertaining to an animal were assembled, and accounted for. Reconciliations are not being performed between the animal control numbers and the disposition and audit trail reports, or with the money collected and paid into the County Treasury.

It appeared that the housing fees were not charged on a consistent basis due to the practice of an evaluation of the housing portion of the fee if a person wished to claim their animal but did not have adequate funds. The consideration being that it was better for an animal to be with its owner rather than destroyed. In addition, there were no guidelines to address how the housing fee would be charged when picked up and claimed by the owner on the same date, nor how the housing fee should be assessed on the day the dog is claimed. Also, although the fees to be charged were on the Allen County website, there was no evidence of a resolution that formally established the various fees to be charged by the animal control facility.

Failure to provide a formal written policy and establish guidelines that clearly defines how the animal control facility will operate, the manner in which fees are to be assessed, and the requirements for the maintenance of records, could result in varying charges being assessed, loss of revenue as evidenced by the diversion of funds in 2002 and 2003, and a lack of appropriate supporting records. In addition, the lack of a reconciliation process could also lead to errors and irregularities occurring without detection in a timely manner.

The Commissioners should adopt a formal written policy that clearly outlines the animal control facility's accounting and operating procedures, establishes the fees to be charged, and how and when the fees are to be assessed. The policy should include the charge for same day pick-up and release, how the number of days of housing should be calculated, and if a maximum amount of housing charged should be established. The policy should also outline the procedures for the maintenance of the supporting records on each animal handled by the facility. Reconciliations should be performed each time a pay-in is made to the county, with a periodic review of the reconciliations being performed by a third party, such as the County Auditor's Office.

FINDING NUMBER 2003-005

Advances Not Repaid

Advances have been made from various funds to other funds in the amount of $3,940,000 and there is no evidence of requirements for repayment. These advances have been outstanding in excess of two years, and one dates back to 1990. Of the amount, $1,870,500 was advanced to the City Loan Building Fund from the Child Support Enforcement Agency Fund ($1,200,000) and from the Building and Expansion Fund ($670,500). In addition, $1,047,538 was advanced from the Marimor School Fund to the Marimor Improvement Fund and $365,000 was advanced from the General Fund to the Bath Township Ditch Fund. The remaining amount of $656,962 consists of numerous smaller advances.

FINDING NUMBER 2003-005
(Continued)

The purpose of an advance is to allow a short term loan to a fund in need, for which additional revenue is expected in the short term to repay the advance. The lack of timely repayment of advances could place the advancing fund in jeopardy, and/or result in the loss of money due the fund if stipulations for repayment have not been addressed.

There was no evidence of intended repayment or a timeframe for repayment of these advances. The fund balances of the advancing funds should be reviewed to determine if these advances could be converted to transfers, or if the advances should be repaid, and, if so, a time frame established, by resolution, for repayment. For most of these advances to be converted to transfers, a court order would be required.

If the Commissioners determine that they wish to convert these advances to transfers (repayment is no longer expected) the following procedures should be followed:

- the necessary formal procedures for approval of the transfer should be completed including, if necessary, approval of the commissioner of tax equalization and of the court of common pleas;
- the transfer should be formally recorded on the records;
- and the entries recording the cash advance should be reversed;

In addition, Auditor of State Bulletin 97-003, which sets forth the requirements for inter-fund advances and provides additional guidance for recording such transactions, should be reviewed to provide guidance on the proper use of advances and the associated accounting treatment.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

FINANCIAL CONDITION
ALLEN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2003
OMB CIRCULAR A -133 ' .315 (b)

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2002-001	Annual Filing of Financial Information	Yes	
2002-002	Advances Not Repaid	No	Not corrected; repeated as finding 2003-005.

Auditor of State
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FINANCIAL CONDITION

ALLEN 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
NOVEMBER 23, 2004