



**Auditor of State  
Betty Montgomery**





Mary Taylor, CPA  
Auditor of State

January 19, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

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**FINANCIAL CONDITION  
ALLEN COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Financial Condition  
Allen County  
301 North Main Street  
Lima, Ohio 45801

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the Allen County Port Authority, discretely presented component unit, each major fund, and the aggregate remaining fund information of Allen County, (the County), as of and for the year ended December 31, 2005, 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 an opinion on these financial statements based on our audit. We did not audit the financial statements of Marimor Industries and LODDI, Inc., which represent 40.1 percent of the assets and 80.1 percent of 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. 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. The financial statements of LODDI, Inc. were not audited 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 opinion.

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 Allen County, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, Job and Family Services, Board of Mental Retardation and Developmental Disabilities, and Children Services special revenue funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2007, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The schedule of federal awards expenditures 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 schedule of federal awards expenditures 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

January 4, 2007

**FINANCIAL CONDITION  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
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, 2005. 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 2005 are as follows:

- In total the County's total net assets increased by \$9.93 million, which represents an overall increase of 12.9 percent from 2004. The increase is attributed to governmental activities and the result of an increase in net capital assets.
- During 2005, the County fully implemented new financial and payroll software without the issuance of any debt.
- The County also kept the Budget Reserve Fund fully funded in 2005. The Budget Reserve fund was established 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, 2005, the Budget Reserve Fund had a balance of \$1,152,980.

**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 fund, Job and Family Services, Mental Retardation and Developmental Disabilities, and Children's Services special revenue funds, Special Assessment Debt Retirement fund, and the Sewer District fund.

**REPORTING THE COUNTY AS A WHOLE**

The Statement of Net Assets and the Statement of Activities reflect how the County did financially during 2005. 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.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

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, and 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, LODDI (Living Options for Developmentally Disabled Individuals), and the Port Authority of Allen County. 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 Bond 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 changes in fund balances 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.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**Government-Wide Financial Analysis**

Table 1 provides a summary of the County's net assets for 2005 compared to 2004.

**Table 1  
Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Assets</b>						
Current and Other Assets	\$65,671,384	\$62,855,894	\$7,749,994	\$6,770,202	\$73,421,378	\$69,626,096
Capital Assets, Net	38,058,471	31,057,561	29,007,689	27,098,238	67,066,160	58,155,799
<b>Total Assets</b>	<b>103,729,855</b>	<b>93,913,455</b>	<b>36,757,683</b>	<b>33,868,440</b>	<b>140,487,538</b>	<b>127,781,895</b>
<b>Liabilities</b>						
Current and Other Liabilities	14,382,414	14,220,275	564,140	89,114	14,946,554	14,309,389
Long-Term Liabilities	29,531,801	29,614,100	9,030,842	6,805,072	38,562,643	36,419,172
<b>Total Liabilities</b>	<b>43,914,215</b>	<b>43,834,375</b>	<b>9,594,982</b>	<b>6,894,186</b>	<b>53,509,197</b>	<b>50,728,561</b>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	23,678,431	16,714,120	22,694,522	20,393,170	46,372,953	37,107,290
Restricted	29,819,626	27,110,566	2,264,837	2,724,712	32,084,463	29,835,278
Unrestricted	6,317,583	6,254,394	2,203,342	3,856,372	8,520,925	10,110,766
<b>Total Net Assets</b>	<b>\$59,815,640</b>	<b>\$50,079,080</b>	<b>\$27,162,701</b>	<b>\$26,974,254</b>	<b>\$86,978,341</b>	<b>\$77,053,334</b>

The County was able to report increases in net assets in governmental activities. The increase in governmental activities can be attributed to an increase in capital assets. The total net assets in business activities did not change significantly from 2004 to 2005.

Table 2 reflects the changes in net assets for 2005 compared with 2004:

**Table 2  
Changes in Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>Revenues</b>						
Program revenues						
Charges for services	\$9,326,042	\$10,935,081	\$4,340,657	\$4,232,022	\$13,666,699	\$15,167,103
Operating grants, contributions and Interest	30,214,584	26,407,072			30,214,584	26,407,072
Capital grants and contributions	6,356,244	3,139,423			6,356,244	3,139,423
<b>Total program revenues</b>	<b>45,896,870</b>	<b>40,481,576</b>	<b>4,340,657</b>	<b>4,232,022</b>	<b>50,237,527</b>	<b>44,713,598</b>

(continued)

**FINANCIAL CONDITION  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**Table 2  
Changes in Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>General revenues</b>						
Property taxes levied for:						
General Operating	\$4,861,022	\$4,828,337			\$4,861,022	\$4,828,337
Health – mental retardation and developmental disabilities	5,457,679	5,382,318			5,457,679	5,382,318
Human services – Children Services	1,509,286	1,632,400			1,509,286	1,632,400
Sales tax	14,436,613	14,105,946			14,436,613	14,105,946
Intergovernmental						
Not restricted	4,699,617	3,999,734			4,699,617	3,999,734
Rent	697,105	519,870			697,105	519,870
Loss on sale of capital assets	(70,845)	(82,697)		(90,615)	(70,845)	(173,312)
Contributions			2,387,845	1,419,483	2,387,845	1,419,483
Interest	1,733,285	962,506	40,225	17,889	1,773,510	980,395
Other	2,952,967	2,529,687	42,361	120,295	2,995,328	2,649,982
Total general revenues	<u>36,276,729</u>	<u>33,878,101</u>	<u>2,470,431</u>	<u>1,467,052</u>	<u>38,747,160</u>	<u>35,345,153</u>
Total revenues	<u>82,173,599</u>	<u>74,359,677</u>	<u>6,811,088</u>	<u>5,699,074</u>	<u>88,984,687</u>	<u>80,058,751</u>
Transfers	<u>502,502</u>	<u>122,500</u>	<u>(502,502)</u>	<u>(122,500)</u>		
Total revenues and transfers	<u>82,676,101</u>	<u>74,482,177</u>	<u>6,308,586</u>	<u>5,576,574</u>	<u>88,984,687</u>	<u>80,058,751</u>
<b>Program Expenses</b>						
General government						
Legislative and executive	13,618,811	10,783,939			14,858,917	10,783,939
Judicial	9,118,915	9,188,757			9,118,915	9,188,757
Public safety	10,298,109	9,745,852			10,298,109	9,745,852
Public works	7,589,389	6,899,270			6,349,283	6,899,270
Health						
Mental retardation and developmental disabilities	11,008,957	11,403,198			11,008,957	11,403,198
Other health	351,968	459,312			351,968	459,312
Human services						
Job and family services	11,128,616	10,595,730			11,128,616	10,595,730
Children services	5,486,694	5,077,859			5,486,694	5,077,859
Other human services	917,281	893,677			917,281	893,677
Conservation and recreation	2,128,113	2,203,812			2,128,113	2,203,812
Other	85,092	117,752			85,092	117,752
Intergovernmental	101,631	48,440			101,631	48,440
Interest and fiscal charges	1,105,965	1,055,163			1,105,965	1,055,163
Sanitary sewer			6,120,139	4,313,378	6,120,139	4,313,378
Total expenses	<u>72,939,541</u>	<u>68,472,761</u>	<u>6,120,139</u>	<u>4,313,378</u>	<u>79,059,680</u>	<u>72,786,139</u>
Increase (decrease) in net assets	<u>\$9,736,560</u>	<u>\$6,009,416</u>	<u>\$188,447</u>	<u>\$1,263,196</u>	<u>\$9,925,007</u>	<u>\$7,272,612</u>

**FINANCIAL CONDITION  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

For governmental activities, general revenues, which consist primarily of property and sales taxes and unrestricted grants and entitlements represent 43.9 percent of total revenues, and of the total general revenues, property taxes and sales taxes represent 72.4 percent of that revenue. Almost 55.5 percent of the County's governmental revenue was 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 79.7 percent of program revenues and was able to charge for 20.3 percent of the services provided by the various programs.

General government activities account for almost 55.7 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 24 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 15.6 percent of the expenditures which are primarily for the operation of Marimor School. Combined, these three areas account for 95.3 percent of the County's expenditures for 2005.

For business-type activities, program specific revenues are 63.7 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.

**Table 3  
Governmental Activities**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
General Government				
Legislative and Executive	\$13,618,811	\$10,783,939	\$8,130,841	\$5,684,840
Judicial	9,118,915	9,188,757	4,333,537	4,500,252
Public Safety	10,298,109	9,745,852	8,615,559	8,100,727
Public Works	7,589,389	6,899,270	(5,215,123)	(4,124,347)
Health				
Mental Retardation and Developmental Disabilities	11,008,957	11,403,198	4,959,053	6,944,213
Other Health	351,968	459,312	351,968	458,423
Human Services				
Job and Family Services	11,128,616	10,595,730	542,129	1,051,964
Children's Service	5,486,694	5,077,859	1,223,922	1,745,996
Other Human Services	917,281	893,677	905,281	881,677
Conservation and Recreation	2,128,113	2,203,812	1,902,816	1,526,085
Other	85,092	117,752	85,092	117,752
Intergovernmental	101,631	48,440	101,631	48,440
Interest and Fiscal Charges	1,105,965	1,055,163	1,105,965	1,055,163
<b>Total Expenses</b>	<b>\$72,939,541</b>	<b>\$68,472,761</b>	<b>\$27,042,671</b>	<b>\$27,991,185</b>

**FINANCIAL CONDITION  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

The County's general revenues (primarily property and sales taxes and unrestricted grants and entitlements) pay for 37.1 percent of the services provided by the County. However, a review of the table above demonstrates that program revenues contributed significantly to the public works services. 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; Mental Retardation and Developmental 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.

**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 operating loss for 2005, of \$1,447,212. After transfers and contributions from participants, the fund ended with an increase in net assets of \$188,447.

**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. The budget is reviewed monthly and results are communicated to the taxpayer quarterly. The variance from the final budget to the actual revenues collected was \$213,817 for the general fund. Actual expenditures were less than budgeted by \$1,338,888 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, 2005, was \$23,678,431 and \$22,694,522 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 of roads and bridges. For 2005, 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, 2005, the County had \$1,100,400 in special assessment notes payable and \$3,575,000 in bond anticipation notes payable, both from governmental activities and \$2,615,000 in bond anticipation notes payable from business-type activities. The County also had various long-term obligations outstanding. These obligations included \$13,086,882 of general obligation bonds and \$7,569,809 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.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
UNAUDITED  
(Continued)**

**Current Issues**

The unemployment rate for the County is currently 5.6 percent, which is the same rate as one year ago. This rate is above the State's current rate of 4.6 percent and above the national rate of 4.4 percent.

Sales tax revenues for the County continue to be favorable. Receipts through December 2005 are higher than for the same period last year. Sales tax revenue in 2005 in the General Fund was \$11,732,546 compared to \$11,140,859 in 2004. Net sales taxes are equal to total sales tax revenues less the amounts allocated monthly to other funds.

The County continues to move forward with capital projects without issuing debt. Projects currently on going are the Eastown Road expansion, expansion of the county museum, and the installation of new Court software.

**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, CPA, Allen County Auditor, 301 North Main Street, Lima, Ohio 45801 or by visiting the County's website at [www.allencountyohio.com](http://www.allencountyohio.com).

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**FINANCIAL CONDITION  
ALLEN COUNTY**

**STATEMENT OF NET ASSETS  
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2005**

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	LODDI	Marimor Industries	Port Authority of Allen County
<b>Assets:</b>						
Equity in pooled cash and cash equivalents	\$35,850,639	\$2,732,665	\$38,583,304			
Cash and cash equivalents in segregated accounts	278,034		278,034	\$18,391	\$611,504	\$1,100,435
Investment in segregated accounts					258,324	
Accounts receivable	264,565	1,248,109	1,512,674		48,123	
Accrued interest receivable	288,564		288,564			
Due from other governments	6,601,880		6,601,880			
Internal balances	(1,069,975)	1,069,975				
Prepaid items	502,046	19,754	521,800	7,538	2,313	
Materials and supplies inventory	693,892	46,831	740,723			
Property tax receivable	11,977,654		11,977,654			
Sales tax receivable	2,320,969		2,320,969			
Notes receivable	965,182		965,182			450,567
Special assessments receivable	6,927,934	36,101	6,964,035			
Unamortized bond issuance costs	70,000	351,179	421,179			
Restricted assets:						
Equity in pooled cash and cash equivalents		1,604,319	1,604,319			
Cash and cash equivalents with fiscal agent		641,061	641,061			
Nondepreciable capital assets	10,458,915	776,627	11,235,542	91,263		947,414
Depreciable capital assets, net	27,599,556	28,231,062	55,830,618	549,799	130,572	
<b>Total Assets</b>	<b>103,729,855</b>	<b>36,757,683</b>	<b>140,487,538</b>	<b>666,991</b>	<b>1,050,836</b>	<b>2,498,416</b>
<b>Liabilities:</b>						
Accrued wages payable	788,037	33,816	821,853		5,000	
Accounts payable	594,588	247,627	842,215		77,982	
Contracts payable	200,552	194,101	394,653			
Due to other governments	857,038	68,943	925,981		2,015	
Accrued interest payable	145,543	19,653	165,196	816		
Retainage payable	381,596		381,596			
Deferred revenue	11,414,307		11,414,307			
Matured interest payable	753		753			
Long-Term Liabilities:						
Due Within One Year	7,871,992	3,088,772	10,960,764	26,883		
Due in More Than One Year	21,659,809	5,942,070	27,601,879	119,658		612,794
<b>Total Liabilities</b>	<b>43,914,215</b>	<b>9,594,982</b>	<b>53,509,197</b>	<b>147,357</b>	<b>84,997</b>	<b>612,794</b>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	23,678,431	22,694,522	46,372,953			947,414
Restricted for:						
Capital projects	2,209,167		2,209,167			
Other purposes	27,610,459	2,264,837	29,875,296		15,428	
Unrestricted	6,317,583	2,203,342	8,520,925	519,634	950,411	938,208
<b>Total Net Assets</b>	<b>\$59,815,640</b>	<b>\$27,162,701</b>	<b>\$86,978,341</b>	<b>\$519,634</b>	<b>\$965,839</b>	<b>\$1,885,622</b>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**STATEMENT OF ACTIVITIES  
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government				
Legislative and executive	\$13,618,811	\$3,558,432	\$1,065,582	\$863,956
Judicial	9,118,915	2,036,232	2,749,146	
Public safety	10,298,109	813,972	698,941	169,637
Public works	7,589,389	2,224,614	5,257,247	5,322,651
Health				
Mental retardation and developmental disabilities	11,008,957	236,119	5,813,785	
Other health	351,968			
Human services				
Job and family services	11,128,616	123	10,586,364	
Children services	5,486,694	373,086	3,889,686	
Other human services	917,281		12,000	
Conservation and recreation	2,128,113	83,464	141,833	
Other	85,092			
Intergovernmental	101,631			
Interest and fiscal charges	1,105,965			
<b>Total governmental activities</b>	<b>72,939,541</b>	<b>9,326,042</b>	<b>30,214,584</b>	<b>6,356,244</b>
<b>Business-type activities:</b>				
Sanitary Sewer	6,120,139	4,340,657		
<b>Total primary government</b>	<b>79,059,680</b>	<b>13,666,699</b>	<b>30,214,584</b>	<b>6,356,244</b>
<b>Component Units:</b>				
LODDI	81,787	92,250		
Marimor Industries	4,341,315	917,507		
Port Authority of Allen County	238,367	176,798	435,000	
<b>Total component units</b>	<b>\$4,661,469</b>	<b>\$1,186,555</b>	<b>\$435,000</b>	<b>\$0</b>

**General Revenues:**

Property taxes levied for:  
    General Operating  
    Health-mental retardation and developmental disabilities  
    Human services-children services  
Sales taxes  
    General Operating  
    Public Safety (911 Systems)  
    Capital Projects  
    Debt Service  
Intergovernmental not restricted to a particular purpose  
Interest  
Rent  
Increase in fair value of investments  
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  
**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	Port Authority of Allen Count
(\$8,130,841)		(\$8,130,841)			
(4,333,537)		(4,333,537)			
(8,615,559)		(8,615,559)			
5,215,123		5,215,123			
(4,959,053)		(4,959,053)			
(351,968)		(351,968)			
(542,129)		(542,129)			
(1,223,922)		(1,223,922)			
(905,281)		(905,281)			
(1,902,816)		(1,902,816)			
(85,092)		(85,092)			
(101,631)		(101,631)			
(1,105,965)		(1,105,965)			
(\$27,042,671)		(\$27,042,671)			
	(\$1,779,482)	(1,779,482)			
(27,042,671)	(1,779,482)	(28,822,153)			
			\$10,463		
				(\$3,423,808)	
					\$373,431
			10,463	(3,423,808)	373,431
4,861,022		4,861,022			
5,457,679		5,457,679			
1,509,286		1,509,286			
11,801,767		11,801,767			
362,496		362,496			
1,071,600		1,071,600			
1,200,750		1,200,750			
4,699,617		4,699,617			
1,733,285	40,225	1,773,510	58	23,672	7,027
697,105		697,105			
				4,316	
					493,469
(70,845)		(70,845)			
	2,387,845	2,387,845		3,436,629	
2,952,967	42,361	2,995,328		8,420	
36,276,729	2,470,431	38,747,160	58	3,473,037	500,496
502,502	(502,502)				
9,736,560	188,447	9,925,007	10,521	49,229	873,927
50,079,080	26,974,254	77,053,334	509,113	916,610	1,011,695
\$59,815,640	\$27,162,701	\$86,978,341	\$519,634	\$965,839	\$1,885,622

**FINANCIAL CONDITION  
ALLEN COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<b>General Fund</b>	<b>Job and Family Services</b>	<b>Mental Retardation and Developmental Disabilities</b>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$4,881,625	\$835,108	\$6,213,423
Cash and cash equivalents in segregated accounts	4,569		
Accounts receivable	225,653		
Accrued interest receivable	288,564		
Due from other governments	1,139,037	229,460	1,708,650
Interfund receivable	508,404		79,757
Prepaid items	400,411		
Materials and supplies inventory	248,467	38,775	68,905
Property tax receivable	3,071,659		5,305,038
Sales tax receivable	1,965,953		
Notes receivable	270,000		
Special assessments receivable			
<b>Total assets</b>	<b>13,004,342</b>	<b>1,103,343</b>	<b>13,375,773</b>
<b>Liabilities</b>			
Accrued wages payable	307,566	106,653	163,438
Accounts payable	72,435	174,522	38,727
Contracts payable			
Due to other governments	349,167	125,413	172,927
Interfund payable	1,750,500	321,440	
Retainage payable			
Deferred revenue	5,556,465	126,299	6,919,439
Matured interest payable			
<b>Total liabilities</b>	<b>8,036,133</b>	<b>854,327</b>	<b>7,294,531</b>
<b>Fund balances:</b>			
Reserved for notes receivable	270,000		
Reserved for encumbrances	288,055	2,415,145	10,600
Reserved for unclaimed monies	160,177		
Reserved for budgetary reserve	1,152,980		
Unreserved, reported in:			
General fund	3,096,997		
Special revenue funds		(2,166,129)	6,070,642
Debt service funds			
Capital projects funds			
<b>Total fund balances</b>	<b>4,968,209</b>	<b>249,016</b>	<b>6,081,242</b>
<b>Total liabilities and fund balances</b>	<b>\$13,004,342</b>	<b>\$1,103,343</b>	<b>\$13,375,773</b>

*See accompanying notes to the basic financial statements.*

<b>Children Services</b>	<b>Special Assessments Debt Retirement</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$5,165,948	\$1,533,435	\$16,369,559	\$34,999,098
11,086		242,632	258,287
		38,912	264,565
			288,564
436,870		3,087,863	6,601,880
231,735		2,087,403	2,907,299
29,922		71,713	502,046
9,101		328,644	693,892
1,773,366		1,827,591	11,977,654
		355,016	2,320,969
		695,182	965,182
	5,180,759	1,747,175	6,927,934
<u>7,658,028</u>	<u>6,714,194</u>	<u>26,851,690</u>	<u>68,707,370</u>
57,664		152,716	788,037
191,498		117,436	594,618
		200,522	200,522
58,015		151,516	857,038
	76,910	1,828,424	3,977,274
		381,596	381,596
1,890,697	5,180,759	6,250,584	25,924,243
	753		753
<u>2,197,874</u>	<u>5,258,422</u>	<u>9,082,794</u>	<u>32,724,081</u>
		695,182	965,182
		3,811,708	6,525,508
			160,177
			1,152,980
			3,096,997
5,460,154		9,964,018	19,328,685
	1,455,772	105,266	1,561,038
		3,192,722	3,192,722
<u>5,460,154</u>	<u>1,455,772</u>	<u>17,768,896</u>	<u>35,983,289</u>
<u>\$7,658,028</u>	<u>\$6,714,194</u>	<u>\$26,851,690</u>	<u>\$68,707,370</u>

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**FINANCIAL CONDITION  
ALLEN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2005**

<b>Total governmental fund balances</b>		<b>\$35,983,289</b>
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.		38,058,471
Other long-term assets are not available to pay for current period expenditures and, therefore, deferred in the funds:		
Accounts receivable	\$454,711	
Accrued interest receivable	228,564	
Due from other governments	5,056,720	
Property taxes receivable	623,620	
Sales tax receivable	1,218,387	
Special assessments receivable	6,927,934	14,509,936
Long-term liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued interest payable	(145,543)	
Compensated absences payable	(2,752,552)	
General obligation bonds payable	(13,086,882)	
Unamortized bond issuance costs	70,000	
Special assessment bonds payable	(7,569,809)	
Issue II loans payable	(1,273,274)	
Notes payable	(4,829,400)	
Capital leases payable	(19,884)	(29,607,344)
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.		871,288
Net assets of governmental activities		<b>\$59,815,640</b>

*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, 2005**

	<b>General Fund</b>	<b>Job and Family Services</b>	<b>Mental Retardation and Developmental Disabilities</b>
<b>Revenues:</b>			
Property taxes	\$3,962,285		\$5,421,820
Sales tax	11,732,546		
Charges for services	3,529,993	\$123	330,460
Licenses and permits	19,934		
Fines, costs, and forfeitures	166,368		
Intergovernmental	2,771,656	10,460,065	6,815,975
Special assessments			
Interest	1,213,573		2,412
Rent	697,105		
Other	407,014	869,308	555,445
Total revenues	<u>24,500,474</u>	<u>11,329,496</u>	<u>13,126,112</u>
<b>Expenditures:</b>			
Current:			
General government:			
Legislative and executive	9,299,894		
Judicial	5,533,825		
Public safety	8,189,542		
Public works	158,037		
Health	174,118		10,994,277
Human services	923,636	11,097,760	
Conservation and recreation	729,278		
Other	46,536		
Capital outlay	101,631		
Debt Service:			
Principal retirement	33,241		
Interest and fiscal charges	8,729		
Total expenditures	<u>25,198,467</u>	<u>11,097,760</u>	<u>10,994,277</u>
Excess of revenues over (under) expenditures	(697,993)	231,736	2,131,835
<b>Other financing sources (uses)</b>			
Sale of fixed assets	14,580		
Proceeds of notes			
Proceeds of bonds			
Other Financing Sources - Refunding Bonds			
Other Financing Uses - Refunding Bonds			
Operating transfers - in	440,000		
Operating transfers - out	(316,602)		
Total other financing sources (uses)	<u>137,978</u>		
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(560,015)	231,736	2,131,835
Fund balances at beginning of year	<u>5,528,224</u>	<u>17,280</u>	<u>3,949,407</u>
<b>Fund balance at end of year</b>	<u><u>\$4,968,209</u></u>	<u><u>\$249,016</u></u>	<u><u>\$6,081,242</u></u>

See accompanying notes to the basic financial statements.

<b>Children Services</b>	<b>Special Assessments Debt Retirement</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$1,496,294		\$870,494	\$11,750,893
		2,718,971	14,451,517
426,158	\$24,352	3,905,300	8,216,386
		161,447	181,381
		246,868	413,236
4,085,593		16,606,058	40,739,347
	680,502	406,646	1,087,148
	451,566	192,748	1,860,299
			697,105
27,783	12,562	1,037,136	2,909,248
<u>6,035,828</u>	<u>1,168,982</u>	<u>26,145,668</u>	<u>82,306,560</u>
		5,164,049	14,463,943
		3,467,463	9,001,288
		1,779,208	9,968,750
	607	7,104,975	7,263,619
		205,573	11,373,968
5,461,212			17,482,608
		995,423	1,724,701
			46,536
		7,569,957	7,671,588
	813,459	7,245,030	8,091,730
	397,551	737,685	1,143,965
<u>5,461,212</u>	<u>1,211,617</u>	<u>34,269,363</u>	<u>88,232,696</u>
574,616	(42,635)	(8,123,695)	(5,926,136)
			14,580
		6,435,670	6,435,670
		1,362,600	1,362,600
	1,892,400		1,892,400
	(2,060,000)		(2,060,000)
		842,277	1,282,277
		(463,173)	(779,775)
	<u>(167,600)</u>	<u>8,177,374</u>	<u>8,147,752</u>
574,616	(210,235)	53,679	2,221,616
<u>4,885,538</u>	<u>1,666,007</u>	<u>17,715,217</u>	<u>33,761,673</u>
<u>\$5,460,154</u>	<u>\$1,455,772</u>	<u>\$17,768,896</u>	<u>\$35,983,289</u>

**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, 2005**

Net change in fund balances - total governmental funds		\$2,221,616
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	\$4,989,493	
Capital outlay - depreciable capital assets	4,004,329	
Depreciation	<u>(1,907,398)</u>	
		7,086,424
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 loss on the sale of capital assets on the statement of activities		
Sale of capital assets	(14,580)	
Loss on sale of capital assets	<u>(70,845)</u>	
		(85,425)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:		
Property taxes	77,094	
Sales taxes	(14,904)	
Special assessments	(14,545)	
Charges for services	41,992	
Intergovernmental	39,894	
Interest	30,546	
Other	<u>121,879</u>	
		281,956
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	928,941	
Special assessment bonds	2,931,059	
Notes payable	6,261,600	
Issue II loans payable	16,798	
Capital leases payable	<u>13,332</u>	
		10,151,730
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		(32,001)
Note proceeds are other financing sources in governmental funds, but the issuance increases long-term liabilities on the statement of net assets.		
Notes payable	(5,440,000)	
Issue II loans payable	(995,670)	
Bonds payable	<u>(3,255,000)</u>	
		(9,690,670)
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		<u>(197,070)</u>
Change in net assets of governmental activities		<u><u>\$9,736,560</u></u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$4,214,400	\$3,922,723	\$3,978,011	\$55,288
Sales taxes	10,916,762	11,643,062	11,643,062	
Charges for services	3,837,360	3,515,954	3,515,781	(173)
Licenses and permits	11,500	11,500	4,173	(7,327)
Fines, costs, and forfeitures	164,000	164,000	169,147	5,147
Intergovernmental	2,278,750	2,524,305	2,548,555	24,250
Interest	900,000	1,181,626	1,181,626	
Rent	517,600	710,000	697,105	(12,895)
Other	253,150	71,900	98,578	26,678
<b>Total revenues</b>	<b>23,093,522</b>	<b>23,745,070</b>	<b>23,836,038</b>	<b>90,968</b>
<b>Expenditures</b>				
Current:				
General government:				
Legislative and executive	9,622,973	10,390,303	9,647,843	742,460
Judicial	5,860,309	5,901,191	5,532,721	368,470
Public safety	8,235,132	8,251,725	8,157,815	93,910
Public works	163,432	169,432	161,707	7,725
Health	449,540	273,380	175,607	97,773
Human services	985,763	985,763	926,196	59,567
Conservation and recreation	726,735	732,235	730,153	2,082
Other	35,000	35,000	46,536	(11,536)
Intergovernmental	110,149	102,649	102,131	518
Debt service:				
Principal retirement	22,000	22,000	22,000	
Interest and fiscal charges	6,500	6,500	5,479	1,021
<b>Total expenditures</b>	<b>26,217,533</b>	<b>26,870,178</b>	<b>25,508,188</b>	<b>1,361,990</b>
Excess of revenues under expenditures	(3,124,011)	(3,125,108)	(1,672,150)	1,452,958
<b>Other financing sources (uses)</b>				
Other financing sources	157,500	261,166	308,435	47,269
Sale of fixed assets			14,580	14,580
Advances - in	100,000	74,415	140,415	66,000
Advances - out	(120,000)	(31,000)	(30,000)	1,000
Operating transfers - in	445,000	445,000	440,000	(5,000)
Operating transfers - out	(312,500)	(292,500)	(316,602)	(24,102)
<b>Total other financing sources (uses)</b>	<b>270,000</b>	<b>457,081</b>	<b>556,828</b>	<b>99,747</b>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(2,854,011)	(2,668,027)	(1,115,322)	1,552,705
Fund balances at beginning of year	5,332,350	5,332,350	5,332,350	
Unexpended prior year encumbrances	108,244	108,244	108,244	
<b>Fund balances at end of year</b>	<b>\$2,586,583</b>	<b>\$2,772,567</b>	<b>\$4,325,272</b>	<b>\$1,552,705</b>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
JOB AND FAMILY SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$15,846,650	\$15,846,650	\$10,418,998	(\$5,427,652)
Charges for services	500	500	123	(377)
Total revenues	15,847,150	15,847,150	10,419,121	(5,428,029)
<b>Expenditures</b>				
Current:				
Human Services	15,408,294	15,388,294	13,907,647	1,480,647
Excess of revenues over (under) expenditures	438,856	458,856	(3,488,526)	(3,947,382)
<b>Other financing sources (uses)</b>				
Other financing sources	417,500	417,500	869,308	451,808
Other financing uses	(60,000)	(80,000)	(54,857)	25,143
Total other financing sources (uses)	357,500	337,500	814,451	476,951
Excess of revenues and other financing sources over (under) expenditures and other financing uses	796,356	796,356	(2,674,075)	(3,470,431)
Fund balances at beginning of year	(1,317,809)	(1,317,809)	(1,317,809)	
Unexpended prior year encumbrances	1,925,494	1,925,494	1,925,494	
<b>Fund balances at end of year</b>	<u>\$1,404,041</u>	<u>\$1,404,041</u>	<u>(\$2,066,390)</u>	<u>(\$3,470,431)</u>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$6,418,319	\$5,419,845	\$5,444,428	\$24,583
Charges for services	140,701	298,513	329,065	30,552
Intergovernmental	3,671,167	7,690,988	7,736,526	45,538
Interest			2,139	2,139
Other	344,364	344,364	303,786	(40,578)
Total revenues	10,574,551	13,753,710	13,815,944	62,234
<b>Expenditures</b>				
Current:				
Health	11,264,396	11,801,769	11,041,776	759,993
Excess of revenues under expenditures	(689,845)	1,951,941	2,774,168	822,227
<b>Other financing sources (uses)</b>				
Other financing sources	302,175	302,175	251,659	(50,516)
Advances - in	46,298			
Advances - out	(30,000)			
Operating transfers - in	98,460			
Operating transfers - out	(120,040)	(5,282)		5,282
Total other financing sources (uses)	296,893	296,893	251,659	(45,234)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(392,952)	2,248,834	3,025,827	776,993
Fund balances at beginning of year	2,633,488	2,633,488	2,633,488	
Unexpended prior year encumbrances	87,103	87,103	87,103	
<b>Fund balances at end of year</b>	<u>\$2,327,639</u>	<u>\$4,969,425</u>	<u>\$5,746,418</u>	<u>\$776,993</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
CHILDREN'S SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$1,750,000	\$1,432,096	\$1,504,485	\$72,389
Charges for services	60,500	60,500	58,524	(1,976)
Intergovernmental	3,314,500	3,506,894	3,766,054	259,160
<b>Total revenues</b>	<b>5,125,000</b>	<b>4,999,490</b>	<b>5,329,063</b>	<b>329,573</b>
<b>Expenditures</b>				
Current:				
Human Services	5,509,653	5,540,721	5,324,167	216,554
Excess of revenues over (under) expenditures	(384,653)	(541,231)	4,896	546,127
<b>Other financing sources</b>				
Other financing sources	90,000	90,000	27,783	(62,217)
Excess of revenues and other financing sources over (under) expenditures	(294,653)	(451,231)	32,679	483,910
Fund balances at beginning of year	4,744,350	4,744,350	4,744,350	
<b>Fund balances at end of year</b>	<b>\$4,449,697</b>	<b>\$4,293,119</b>	<b>\$4,777,029</b>	<b>\$483,910</b>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
ALLEN COUNTY**

**STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2005**

	<b>Business-Type Activity</b>	<b>Governmental Activity</b>
	<b>Sewer</b>	<b>Internal Service</b>
<b>Assets:</b>		
<b>Current assets</b>		
Equity in pooled cash and cash equivalents	\$2,732,665	\$851,541
Cash and cash equivalents in segregated accounts		19,747
Accounts receivable	1,248,109	
Interfund receivable	1,069,975	
Special assessments receivable	36,101	
Prepaid items	19,754	
Materials and supplies inventory	46,831	
Total current assets	5,153,435	871,288
<b>Restricted assets</b>		
Equity in pooled cash and cash equivalents	1,604,319	
Cash and cash equivalents with fiscal agent	641,061	
Total restricted assets	2,245,380	
<b>Noncurrent assets</b>		
Unamortized bond issuance costs	351,179	
Non-depreciable capital assets	776,627	
Depreciable capital assets	28,231,062	
Total noncurrent assets	29,358,868	
Total assets	36,757,683	871,288
<b>Liabilities:</b>		
<b>Current liabilities</b>		
Accrued wages payable	33,816	
Compensated absences payable	78,496	
Accounts payable	247,627	
Contracts payable	194,101	
Due to other governments	68,943	
Accrued interest payable	19,653	
Notes payable	2,615,000	
Issue II loans payable	10,276	
Revenue bonds payable	385,000	
Total current liabilities	3,652,912	
<b>Long-term liabilities</b>		
Compensated absences payable	24,179	
Issue II loans payable	210,355	
Revenue bonds payable	5,707,536	
Total long-term liabilities	5,942,070	
Total liabilities	9,594,982	
<b>Net assets:</b>		
Invested in capital assets, net of related debt	22,694,522	
Restricted for:		
Other purposes	2,264,837	300,000
Unrestricted	2,203,342	571,288
<b>Total net assets</b>	<b>\$27,162,701</b>	<b>\$871,288</b>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Business-Type Activities</u>	<u>Governmental Activity</u>
	<u>Sewer</u>	<u>Internal Service</u>
<b>Operating Revenues:</b>		
Charges for services	\$4,339,257	
Licenses, permits, inspections	1,400	
Other	42,361	\$4,662
Total operating revenues	4,383,018	4,662
<b>Operating expenses:</b>		
Personal services	1,730,556	
Contractual services	1,083,062	38,414
Materials and supplies	1,587,982	142
Depreciation	1,428,630	
Total operating expenses	5,830,230	38,556
Operating loss	(1,447,212)	(33,894)
<b>Non-Operating revenues (expenses)</b>		
Interest revenue	40,225	24,131
Interest expense	(289,909)	
Total Non-Operating revenues (expenses)	(249,684)	24,131
Income (loss) before transfers	(1,696,896)	(9,763)
Capital contributions	2,387,845	
Transfer in	22	
Transfers out	(502,524)	
Change in net assets	188,447	(9,763)
Net assets at beginning of year	26,974,254	881,051
<b>Net assets at end of year</b>	<b>\$27,162,701</b>	<b>\$871,288</b>

*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, 2005**

	<b>Business-Type Activities</b>	<b>Governmental Activity</b>
	<b>Sewer</b>	<b>Internal Service</b>
<b>Increase (decrease) in cash and cash equivalents:</b>		
<b>Cash flows from operating activities</b>		
Cash received from customers	\$4,214,920	
Cash received from other revenues	42,361	\$4,662
Cash payments for personal services	(1,725,568)	
Cash payments to suppliers	(1,077,984)	(142)
Cash payments for contractual services	(1,083,062)	(40,169)
Net cash provided by (used for) operating activities	370,667	(35,649)
<b>Cash flows from noncapital financing activities</b>		
Cash received from advances - in	452,161	
Cash payments for advances - out	(888,475)	
Cash received from operating transfers - in	22	
Cash payments for operating transfers - out	(502,524)	
Net cash provided noncapital financing activities	(938,816)	
<b>Cash flows from capital and related financing activities</b>		
Acquisition of fixed assets	(950,237)	
Proceeds of bonds	2,615,000	
Principal paid on revenue bonds	(370,000)	
Interest paid on revenue bonds	(247,524)	
Principal paid on Issue II loan payable	(20,552)	
Net cash used for capital and related financing activities	1,026,687	
<b>Cash flows from investing activities</b>		
Interest on investments	24,774	24,131
Net increase (decrease) in cash and cash equivalents	483,312	(11,518)
Cash and cash equivalents at beginning of year	3,853,672	882,806
<b>Cash and cash equivalents at end of year</b>	<b>4,336,984</b>	<b>871,288</b>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>		
<b>Operating loss</b>	(1,447,212)	(33,894)
<b>Adjustments to reconcile operating income to net cash provided by operating activities</b>		
Depreciation	1,428,630	
Changes in assets and liabilities:		
Increase in accounts receivable	(418,357)	
Decrease in due from special assessments	292,620	
Decrease in material and supplies inventory	35,178	
Decrease in prepaid items	1,496	
Increase/decrease in accounts payable	245,819	(690)
Increase in Contracts Payable	194,101	
Increase in accrued wages payable	113	
Increase in compensated absences payable	2,671	
Increase/decrease in due to other governments	35,608	(1,065)
Total adjustments	1,817,879	(1,755)
<b>Net cash provided by (used for) operating activities</b>	<b>\$370,667</b>	<b>(\$35,649)</b>

**Non-cash capital transactions**

The Sewer Enterprise Fund received donated assets in the amount of \$1,180,130 from developers, a federal grant of \$380,000 and \$827,715 from other funds for a total fair market value of \$2,387,845.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2005**

	<b>Investment Trust</b>	<b>Martha Mark Private Purpose Trust</b>	<b>Agency</b>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,589,955	\$12,609	\$10,370,041
Cash and cash equivalents in segregated accounts		7,108	1,014,210
Accounts receivable			12,278,488
Due from other governments			5,716,288
Property tax receivable			82,107,080
Special assessments receivable			3,292,753
Total assets	2,589,955	19,717	114,778,860
<b>Liabilities</b>			
Due to other governments			95,429,249
Undistributed monies		19,717	19,339,414
Deposits held and due to others			10,197
Total liabilities		\$19,717	\$114,778,860
<b>Net Assets</b>			
Held in trust for external pool participants	2,589,955		
<b>Total net assets</b>	<b>\$2,589,955</b>		

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
ALLEN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Investment Trust Funds</u>
<b>Additions</b>	
Interest	\$70,584
Capital transactions	206,119
Total Additions	<u>276,703</u>
<b>Deductions</b>	
Distributions to participants	<u>66,359</u>
Change in Net Assets	210,344
Net assets beginning of year	<u>2,379,611</u>
<b>Net assets end of year</b>	<u><u>\$2,589,955</u></u>

*See accompanying notes to the basic financial statements.*

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**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**1. REPORTING ENTITY**

Allen County, Ohio (the 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, LODDI, and the Port Authority of Allen County. They are reported separately to emphasize that they are legally separate from the County. Information about these component units is presented in Notes 25, 26, and 27 to the basic financial statements.

**Marimor Industries** - 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.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**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. LODDI 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 from 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.

**Port Authority of Allen County.** The Port Authority of Allen County was created pursuant to Sections 4582.202 through 4582.58, inclusive, of the Ohio Revised Code for the purpose of promoting the manufacturing, commerce, distribution and research and development interests of Allen County including rendering financial and other assistance to such enterprises situated in Allen County and to induce the location in Allen County of other manufacturing, commerce, distribution, and research entities; to purchase, subdivide, sell and lease real property in Allen County and erect or repair any building or improvement for the use of any manufacturing, commerce, distribution, or research and development enterprise in Allen County. The Port Authority Board of Directors consists of seven members who are appointed by the Allen County Commissioners. The Port Authority operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from the Port Authority of Allen County, Perry Building Suite 305, 545 West Market Street, 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
- County Employee Benefits Consortium of Ohio, Inc

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**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.

**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 function, 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.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

- 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.

**Job and Family Services Fund** - 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 Fund** - 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.

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

**Special Assessments Debt Retirement Fund** - This fund accounts for the collection of special assessment revenue and 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 following is the County's major enterprise fund:

**Sewer District Fund** - This 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.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**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 County's investment trust fund accounts for the external portion of the County's investment pool. The County's agency funds account for assets held by the County for political subdivisions for which the County acts as fiscal agent and for taxes, state-levied shared revenues, and fines and forfeitures collected 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 fund is accounted for using a flow of economic resources measurement focus.

**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.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 2005, but were levied to finance 2006 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 governmental fund financial statements, receivables that were not collected within the available period are recorded as deferred revenue.

**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 fund financial statements.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. Budgetary information for the component units is not reported because they are not included in the entity for which the "appropriated budget" is adopted. 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 personal services and other expense classification levels within each department for the General Fund and at the fund level for all other 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 certificate 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".

During 2005, 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, 2005.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Interest earnings are allocated to County funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2005 was \$1,213,573, which includes \$1,078,382 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. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2005, 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.

**H. Inventory**

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

**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.

**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.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 2005, 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 the year 2006 when those amounts have been 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.

**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".

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. 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.

**P. 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. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds, special assessment bonds, and capital leases are recognized as liabilities on the fund financial statements when due.

**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. At December 31, 2005, the amount of net assets restricted by enabling legislation was \$5,826,457.

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.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**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, unclaimed money and a budget reserve.

**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. 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**

For 2005, the County has implemented GASB Statement No. 40, "*Deposit and Investment Risk Disclosure*", GASB Statement No. 42, "*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*" and GASB Statement No. 46, "*Net Assets Restricted by Enabling Legislation*".

GASB Statement No. 40 establishes and modifies the disclosure requirement related to deposit and investment risks. GASB Statement No. 42 establishes accounting and financial reporting standards for the impairment of capital assets.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

The implementation of these statements did not result in any changes to the County's financial statements.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**4. ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At December 31, 2005, the Dog and Kennel special revenue fund and the Sewer and Ditch Projects capital project funds had deficit fund balances of \$311,984, \$438,239, and \$231,958, 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 Issue II capital projects funds had appropriations in excess of estimated resources plus available balances for the final budget for the year ended December 31, 2005, in the amount of \$725,577. The County continually monitors budgetary transactions to eliminate compliance errors.

Reduced amended certificates were not obtained when actual revenues were substantially less than estimated for the Job and Family Services, Child Support Enforcement Agency, Workforce Investment Act, and Community Development Block Grant special revenue funds, the Fourth Street/Bowman Road, Pike Run, Early/Lutz Road, and Eastown Road capital project funds, and the Sanitary Engineer Administration Facilities enterprise fund, in the amounts of \$4,319,519, \$1,146,098, \$464,252, \$1,688,700, \$571,900, \$1,145,000, \$1,381,254, \$4,129,174, and \$1,200,000, respectively.

The Special Assessment Bond Retirement debt service fund had expenditures plus encumbrances in excess of appropriations for the year ended December 31, 2005, in the amount of \$20,308. The County will monitor budgetary transactions more closely to eliminate errors in the future.

**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 Change in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual for the General Fund, Job and Family Services, Mental Retardation and Developmental Disabilities, and the Children Services special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

<b>Net Change in Fund Balance</b>				
	<b>General</b>	<b>Job and Family Services</b>	<b>Mental Retardation and Developmental Disabilities</b>	<b>Children Services</b>
<b>GAAP Basis</b>	(\$560,015)	\$231,736	\$2,131,835	\$574,616
Increase (Decrease) Due To				
Revenue Accruals	(336,599)	(41,067)	941,491	(682,997)
Expenditure Accruals	3,336	36,755	(46,329)	127,081
Outside Cash	308			9,964
Prepaid Items	(19,710)		9,430	4,015
Advances In	140,415			
Advances Out	(30,000)			
Encumbrances Outstanding at Year End (Budget Basis)	(313,057)	(2,901,499)	(10,600)	
<b>Budget Basis</b>	(\$1,115,322)	(\$2,674,075)	\$3,025,827	\$32,679

**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 provided a written investment policy has been filed with the Auditor of State:

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;

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

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. Up to twenty-five percent of the County's average portfolio in either of the following:
  - a. commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed 10 percent of the value of the outstanding commercial paper of the issuing corporation and which mature within two hundred and seventy days after purchase;
  - b. bankers acceptances eligible for purchase by the federal reserve system and which mature within one hundred eighty days after purchase;
10. Up to 15 percent of the County's average portfolio in notes issued by United States corporations or by depository institutions that are doing business under authority granted by the United States provided the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper; and
12. Up to 1 percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

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, by surety company bonds deposited with the County Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 December 31, 2005, the County had \$782,588 in cash on hand and \$641,061 in Cash and Cash Equivalents with Fiscal Agents.

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the County's deposits was \$3,510,525 and the bank balance was \$10,385,340 of which \$9,319,202 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the County to successful claim by the FDIC.

The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited with either the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**B. Investments**

As of December 31, 2005 the County had the following investments:

	<b>Investments Maturities (in Years)</b>				
	<b>Fair Value</b>	<b>less than 1</b>	<b>2</b>	<b>3</b>	<b>4 - 5</b>
Federal Home Loan Bank	\$12,851,880	\$3,941,250	\$2,961,850	\$3,965,630	\$1,983,150
Federal Home Loan Mortgage Corporation	10,308,066	5,396,556	1,968,620	1,948,090	994,800
Federal National Mortgage Association	12,820,330	6,431,110	2,939,680	1,464,220	1,985,320
STAR Ohio	11,686,191	11,686,191			
Certificates of Deposits	2,500,000	2,500,000			
<b>Total Investments</b>	<b><u>\$50,166,467</u></b>	<b><u>\$29,955,107</u></b>	<b><u>\$7,870,150</u></b>	<b><u>\$7,377,940</u></b>	<b><u>\$4,963,270</u></b>

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

**Interest Rate Risk** - Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in anything other than securities identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the County.

**Credit Risk** - All securities carry a rating of AAA by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The County has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**Concentration of Credit Risk** - The County has adopted a policy that its portfolio shall remain sufficiently liquid to meet current obligations of the County. Minimum levels may be established in order to meet current obligations; however, the County has not limited the amount that may be invested in a particular security. The following table indicates the percentage of each investment compared to the County's total portfolio.

	<b>Fair Value</b>	<b>Percentage of Portfolio</b>
Federal Home Loan Bank	\$12,851,880	35.72%
Federal Home Loan Mortgage Corporation	10,308,066	28.65%
Federal National Mortgage Association	12,820,330	35.63%

**7. INVESTMENT POOL**

The County serves as fiscal agent for the Allen County Metropolitan Park District and the North Central Solid Waste Management District, legally separate entities. The County pools the monies of these entities 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, 2005**

<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$51,555,909
Accrued Interest Receivable	288,564
<b>Restricted Assets</b>	
Equity in Pooled Cash and Cash Equivalents	1,064,319
<b>Total Assets</b>	<b>\$53,448,792</b>
<b>Net Assets Held in Trust for Pool Participants</b>	
Internal Portion	\$50,858,837
External Portion	2,589,955
<b>Total Net Assets Held in Trust for Pool Participants</b>	<b>\$53,448,792</b>

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**7. INVESTMENT POOL (Continued)**

**Statement of Changes in Net Assets  
December 31, 2005**

<b>Revenues</b>	
Interest	\$2,025,785
<b>Expenses</b>	
Operating Expenses	
Net Increase in Assets Resulting from Operations	<u>2,025,785</u>
Distributions to Participants	(1,558,814)
Capital Transactions	<u>3,642,711</u>
Total Increase in Net Assets	4,109,682
Net Assets Beginning of Year	<u>49,339,110</u>
<b>Net Assets End of Year</b>	<b><u>\$53,448,792</u></b>

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$8,183,877 of the County's bank balance of \$8,583,877 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the County to successful claim by the FDIC.

The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**Investments** - As of December 31, 2005 the Pool had the following investments:

	<b>Investment Maturities (in Years)</b>				
	<b>Fair Value</b>	<b>Less than 1</b>	<b>2</b>	<b>3</b>	<b>4 – 5</b>
Federal Home Loan Bank	\$12,851,880	\$3,941,250	\$2,961,850	\$3,965,630	\$1,983,150
Federal Home Loan Mortgage Corporation	10,308,066	5,396,556	1,968,620	1,948,090	994,800
Federal National Mortgage Association	12,820,330	6,431,110	2,939,680	1,464,220	1,985,320
STAR Ohio	11,537,178	11,537,178			
Certificates of Deposits	<u>2,500,000</u>	<u>2,500,000</u>			
Total Investments	<u>\$50,017,454</u>	<u>\$29,806,094</u>	<u>\$7,870,150</u>	<u>\$7,377,940</u>	<u>\$4,963,270</u>

**Interest Rate Risk** - Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in anything other than securities identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the County.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**7. INVESTMENT POOL (Continued)**

**Credit Risk** - All securities carry a rating of AAA by Moody's. STAR Ohio carries a rating of AAA by Standard and Poor's. The County has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**Concentration of Credit Risk** - The County has adopted a policy that its portfolio shall remain sufficiently liquid to meet current obligations of the County. Minimum levels may be established in order to meet current obligations; however, the County has not limited the amount that may be invested in a particular security. The following table indicates the percentage of each investment compared to the County's total portfolio.

	Fair Value	Percentage of Portfolio
Federal Home Loan Bank	\$12,851,880	35.72%
Federal Home Loan Mortgage Corporation	10,308,066	28.65%
Federal National Mortgage Association	12,820,330	35.63%

**8. RECEIVABLES**

Receivables at December 31, 2005, 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. A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amount
<b>Major Funds</b>	
General Fund	
Local Government and Local Government Revenue Assistance	\$820,649
Sheriff's Contracts	12,296
Fines and Costs	6,472
Detention Center Tuition and Treatment	16,512
Public Defender	87,230
Election Costs	188,144
Federal Breakfast and Lunch Program	7,734
Total General Fund	1,139,037
Job and Family Services	
Workforce Investment Act Grant	229,460
Mental Retardation and Developmental Disabilities	
Title V	230
IDEA	93,220
Federal Breakfast and Lunch Program	6,815
Ohio Department of Education	565,492
Title XIX & XX	963,223
Other	79,670
Total Mental Retardation and Developmental Disabilities	1,708,650

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**8. RECEIVABLES (Continued)**

<u>Governmental Activities</u>	<u>Amount</u>
Children Services	
Title IV-E	317,802
OWF/PRC	117,331
Other	1,737
Total Children Services	<u>436,870</u>
Total Major Funds	<u>3,514,017</u>
<b>Nonmajor Funds</b>	
Motor Vehicle and Gasoline Tax	
Gasoline Tax	1,014,957
Motor Vehicle License Tax	1,565,756
Fines and Costs	16,228
Other	43,647
Dog and Kennel	
Fines and Costs	656
Children Services Enforcement Agency	
CSEA	20,186
Adult Probation	
Diversion	282,861
Pretrial Release	9,872
Community Development	
Community Development Block Grant	133,700
Total Nonmajor Funds	<u>3,087,863</u>
Total Governmental Activities	6,601,880
<b>Agency Funds</b>	
Local Government and Local Government Revenue Assistance	2,657,024
Library Local Government	2,101,812
Gasoline Tax	503,152
Motor Vehicle License Tax	449,190
Other	5,110
Total Agency Funds	<u>5,716,288</u>
<b>Total Intergovernmental Receivables</b>	<u>\$12,318,168</u>

**Notes and Loans Receivable**

The County has three types of loans. Some represent zero to six percent loans for home improvements (Rehabilitation) granted to eligible County residents under the Federal Community Development Housing Improvement 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 to the Port Authority of Allen County for economic development. This money will be repaid to the County with zero percent interest.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**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.

Proceeds of the permissive sales tax were credited to the General, 911 System, Building and Expansion and Economic Development funds.

A receivable is recognized at year end for amounts that will be received from sales which occurred during 2005. On the 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 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, 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.

Public utility property tax revenues received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2003, were levied after October 1, 2004, 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 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. 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.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**10. PROPERTY TAXES (Continued)**

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2005, 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 2005 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, 2005, was \$8.70 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	\$1,516,886,150
Public Utility Property	86,569,560
Tangible Personal Property	<u>377,434,053</u>
Total Assessed Value	<u>\$1,980,889,763</u>

**11. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005, was as follows:

	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005
<b>Governmental Activities:</b>				
Non depreciable Capital Assets				
Land	\$5,442,515			\$5,442,515
Construction in Progress	26,907	\$4,989,493		5,016,400
Total Non depreciable Capital Assets	<u>5,469,422</u>	<u>4,989,493</u>		<u>10,458,915</u>
Depreciable Capital Assets				
Buildings	44,264,612	1,447,586		45,712,198
Machinery and Equipment	2,086,586	81,964		2,168,550
Licensed Vehicles	4,656,562	216,652	(\$311,202)	4,562,012
Office Furniture and Equipment	6,634,867	1,550,315	(111,546)	8,073,636
Roads	187,275	60,681		247,956
Bridges	3,945,860	647,131		4,592,991
Total Depreciable Capital Assets	<u>61,775,762</u>	<u>4,004,329</u>	<u>(422,748)</u>	<u>65,357,343</u>
Less Accumulated Depreciation:				
Buildings	(26,572,598)	(839,173)		(27,411,771)
Machinery and Equipment	(1,323,014)	(119,830)		(1,442,844)
Licensed Vehicles	(3,681,644)	(394,984)	270,839	(3,805,789)
Office Furniture and Equipment	(4,473,730)	(439,186)	66,394	(4,846,522)
Roads	(23,880)	(15,985)		(39,865)
Bridges	(112,756)	(98,240)		(210,996)
Total Accumulated Depreciation	<u>(36,187,622)</u>	<u>(1,907,398)</u>	<u>337,233</u>	<u>(37,757,787)</u>
Total Depreciable - Capital Assets, Net	<u>25,588,140</u>	<u>2,096,931</u>	<u>(85,515)</u>	<u>27,599,556</u>
Governmental Activities - Capital Assets, Net	<u>\$31,057,562</u>	<u>\$7,086,424</u>	<u>(\$85,515)</u>	<u>\$38,058,471</u>

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**11. CAPITAL ASSETS (Continued)**

For 2005, 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 2006 when those amounts have been accumulated.

<b>Business-Type Activities:</b>	<b>Balance January 1, 2005</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2005</b>
<b>Non-depreciable Capital Assets</b>				
Land	\$51,219			\$51,219
Construction in Progress		\$725,408		725,408
Total Non-depreciable Capital Assets	<u>51,219</u>	<u>725,408</u>		<u>776,627</u>
<b>Depreciable Capital Assets</b>				
Machinery, Equipment, and Vehicles	1,491,834	24,199	(\$3,893)	1,512,140
Infrastructure	42,836,502	2,588,474	0	45,424,976
Total Depreciable Capital Assets	<u>44,328,336</u>	<u>2,612,673</u>	<u>(3,893)</u>	<u>46,937,116</u>
<b>Less Accumulated Depreciation for</b>				
Machinery, Equipment, and Vehicles	(803,321)	(124,093)	3,893	(923,521)
Infrastructure	(16,477,996)	(1,304,537)	0	(17,782,533)
Total Accumulated Depreciation	<u>(17,281,317)</u>	<u>(1,428,630)</u>	<u>3,893</u>	<u>(18,706,054)</u>
Total Depreciable - Capital Assets, Net	<u>27,047,019</u>	<u>1,184,043</u>	<u>0</u>	<u>28,231,062</u>
Business-Type Activities - Capital Assets, Net	<u>\$27,098,238</u>	<u>\$1,909,451</u>	<u>\$0</u>	<u>\$29,007,689</u>

Depreciation expense was charged to governmental functions as follows:

**Governmental Activities**

<b>General Government:</b>	
Legislative and Executive	\$379,858
Judicial	124,618
Public Safety	296,852
Public Works	463,789
Health	192,206
Human Services	46,246
Conservation and Recreation	403,829
Total Depreciation Expense - Governmental Activities	<u>\$1,907,398</u>

**12. INTERFUND RECEIVABLES/PAYABLES**

Interfund balances at December 31, 2005, consisted of the following fund receivables and payables:

**Due to General Fund from:**

Special Assessments Debt Retirement	\$ 7,534
Job and Family Services	9,949
Other Governmental	490,921
Total General Fund	<u>508,404</u>

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**12. INTERFUND RECEIVABLES/PAYABLES (Continued)**

<b>Due to Mental Retardation and Developmental Disabilities from:</b>	
Job and Family Services	<u>79,757</u>
<b>Due to Children Services from:</b>	
Job and Family Services	<u>231,735</u>
<b>Due to Other Governmental from:</b>	
General Fund	1,750,500
Other Governmental	336,903
<b>Total Other Governmental Funds</b>	<u><u>2,087,403</u></u>
<b>Due to Sewer from:</b>	
Special Assessments Debt Retirement	69,375
Other Governmental	1,000,600
<b>Total Sewer Fund</b>	<u><u>\$1,069,975</u></u>

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 2005, 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**

During 2005, 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 its 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.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**13. RISK MANAGEMENT (Continued)**

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. County Employee Benefits Consortium of Ohio, Inc.**

During 2005, the County participated in a risk-sharing pool, the County Employee Benefits Consortium of Ohio, Inc. (CEBCO). CEBCO charges a fixed premium per month per enrolled employee. The premiums, along with an administrative charge, are paid into the Health Insurance internal service fund by the participating County funds and, in turn, the premiums are paid to CEBCO. Premiums charged by CEBCO are based upon the County's claims experience. An excess coverage policy covers annual individual claims in excess of \$75,000 with an unlimited maximum. CEBCO retains liability for claims that exceed the expected losses and charged premiums.

**D. 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. Settled claims did not exceed coverage provided by the fund in aggregate for the past three years.

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. The County stopped being self insured as of January 1, 2004.

	<u>Beginning Balance</u>	<u>Current Year Claims And Changes In Estimates</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2004	\$402,681	\$7,234	(\$408,160)	\$1,755
2005	1,755	(1,755)	-	-

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

The County had various outstanding contracts at December 31, 2005. The following amounts remain on these contracts.

<u>Company</u>	<u>Project</u>	<u>Outstanding Balance</u>
The Reuben Company	Special Events	\$150,565
Lima Allen Council on Aging	Winter Heating Services	238,029
Lima City School District	WIA Youth Services	133,840
Beaverdam Contracting, Inc.	4 <sup>th</sup> St/Bowman Road Project	105,958
Poggemeyer Design Group	Museum Expansion Design	106,400
Beaverdam Contracting, Inc.	Early/Lutz road Project	1,296,812
The Shelly Company	Eastown Road Project	1,417,663
ARCADIS FPS, Inc.	American II Wastewater Treatment Plant	255,000
Gast Plumbing and Heating Inc.	Administration Facility	410,692
Charles Construction Service	Administration Facility	1,399,089
Sidney Electric Co	Administration Facility	352,087
Total Commitments		<u>\$5,866,135</u>

**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. 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.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**15. DEFINED BENEFIT PENSION PLANS (Continued)**

For the year ended December 31, 2005, 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 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 12.7 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, 2005, 2004, and 2003 were \$3,527,007, \$3,263,506, and \$2,912,614, respectively; 90 percent has been contributed for 2005 and 100 percent has been contributed for 2004 and 2003. The unpaid contribution for 2005, in the amount of \$359,235, is recorded as a liability. Contributions to the member-directed plan for 2005 were \$104,884 made by the County and \$65,795 made by the plan members.

**B. State Teachers Retirement System**

For certified teachers employed by the school for mental retardation and developmental disabilities, the County contributes to 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.

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

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**15. DEFINED BENEFIT PENSION PLANS (Continued)**

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, 2005, plan members were required to contribute 10 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, 2005, 2004, and 2003 was \$124,030, \$109,221, and \$122,467, respectively; 100 percent has been contributed for fiscal years 2005, 2004 and 2003. Contributions to the DCP and CP plans for the fiscal year ended June 30, 2005, were \$3,150 made by the County and \$12,445 made by the members.

**16. POSTEMPLOYMENT 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 2005 employer contribution rate was 13.55 percent of covered payroll (16.7 percent for law enforcement and public safety); 4.00 percent was the portion used to fund health care.

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, 2004, 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 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

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.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**16. POSTEMPLOYMENT BENEFITS (Continued)**

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$1,434,079. 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, 2004 (the latest information available), was \$10.8 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

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

**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.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$8,859 for fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 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-fourth of accumulated sick leave up to a maximum of thirty days.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**18. NOTES PAYABLE**

A summary of the note transactions for the year ended December 31, 2005 is as follows:

	Interest Rate	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005
<b>Governmental Activities</b>					
Bond Anticipation Notes					
General Obligation Notes					
West Side of Interstate 75	3.22	\$1,242,500	\$791,500	\$1,242,500	\$791,500
East Side of Interstate 75	3.22	1,282,500	783,500	1,282,500	783,500
Road Improvement	3.22	350,000	350,000	700,000	
Road Improvement (Eastown)	3.05		2,000,000		2,000,000
Total General Obligation Notes		2,875,000	3,925,000	3,225,000	3,575,000
Special Assessment Notes					
Bath Township Trustees	3.171	24,000	21,500	24,000	21,500
Bear Ditch	3.171	12,500	4,500	12,500	4,500
Bellinger Ditch #1188	3.171	25,000	18,500	25,000	18,500
Dug Run Ditch #1151	3.171	58,500	52,000	58,500	52,000
Spencerville Ditch #1202	3.171	7,000	5,200	7,000	5,200
Tom Ahl Ditch #1203	3.171	12,500	9,000	12,500	9,000
Mayer Ditch #1205	3.171	14,000	11,000	14,000	11,000
Belmont Ditch #1218	3.171	56,000	45,500	56,000	45,500
Pike Run Ditch #1150	3.171	91,000	91,000	91,000	91,000
Zimmerman Ditch #1219	3.171	124,000	48,000	124,000	48,000
Jennings Creek #1160	3.171	297,200	30,500	297,200	30,500
Village of Lafayette #1223	3.171	20,000	20,000	20,000	20,000
Bath Township Ditch #1169		100,000		100,000	
Flat Fork Ditch #1224	3.171	130,000	130,000	130,000	130,000
Earl Gaskill Ditch #1229	3.171	40,000	40,000	40,000	40,000
Jeff Brown Ditch #1230	3.171	22,000	22,000	22,000	22,000
Southwood Waterline DPA		77,600	74,600	152,200	
Early/Lutz Road Waterline	3.171	16,500	9,000	16,500	9,000
Berryman Waterline	3.171	138,700	5,700	138,700	5,700
Delmar/Glenn		340,000	340,000	680,000	
Hamernik Ditch #1193	3.171	19,500	16,000	19,500	16,000
Findlay Road Phase II	3.171		505,000		505,000
Oakview Sewer Improvement	3.171	974,000	16,000	974,000	16,000
Total Special Assessment Notes		2,600,000	1,515,000	3,014,600	1,100,400
<b>Enterprise Activities</b>					
American II Wastewater Treatment Improvements for Overflow	3.171		515,000		515,000
	3.171		2,100,000		2,100,000
Total Enterprise Activities			2,615,000		2,615,000
Total		\$5,475,000	\$8,055,000	\$6,239,600	\$7,290,400

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.

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.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**19. LONG-TERM OBLIGATIONS**

The County's long-term obligations activity for the year ended December 31, 2005, was as follows:

<b>General Obligation Bonds</b>	<b>Interest Rate</b>	<b>Balance January 1, 2005</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance December 31, 2005</b>	<b>Due within a Year</b>
2002 Court of Appeals (Original Amount \$2,744,85	1.5-5.25	\$2,378,147		\$189,216	\$2,188,931	\$194,239
2002 County Justice Center (Original Amount \$7,655,435)	1.5-5.25	6,632,676		527,725	6,104,951	541,736
2001 Downtown Parking (Original Amount \$1,310,000)	3.3-5.0	1,185,000		55,000	1,130,000	50,000
2001 Civic Center (Original Amount \$4,230,000)	3.3-5.0	3,820,000		157,000	3,663,000	167,000
<b>Total General Obligation Bonds</b>		<b>14,015,823</b>		<b>928,941</b>	<b>13,086,882</b>	<b>952,975</b>
<b>Special Assessment Bonds</b>						
1985 St. John's Waterline	8.875	10,000		10,000		
2002 Project #17-700 and 17-800 (Original Amount \$380,000)	1.50-5.25	295,000		45,000	250,000	45,000
2002 Waterline Improvement (Original Amount \$450,000)	1.50-5.25	365,000		45,000	320,000	50,000
2002 Hixenbaugh/Copus/ Indianbrook (Original Amount \$310,000)	1.50-5.25	240,000		35,000	205,000	30,000
2002 Project #17-400, 17-500, and 11-800 (Original Amount \$2,039,707)	1.50-5.25	1,239,177		413,059	826,118	424,026
1994 Ft. Shawnee Waterline (Original Amount \$3,235,000)	6.5	2,060,000		2,060,000		
2005 Ft. Shawnee Waterline (Original Amount \$1,892,400)	3.0-5.0		\$1,892,400	142,400	1,750,000	170,000
2002 Findlay/Ada/Stewart Road (Original Amount \$2,110,000)	1.50-5.25	1,945,000		85,000	1,860,000	90,000
2001 Allentown Road Sewer (Original Amount \$865,000)	3.3-5.0	785,000		30,000	755,000	35,000

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**19. LONG-TERM OBLIGATIONS (Continued)**

	Interest Rate	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005	Due within a Year
<b>Special Assessment Bonds</b>						
2001 East Road Waterline (Original Amount \$50,000)	3.3-5.0	44,000		3,000	41,000	3,000
2001 Ottawa River Bend Waterline (Original Amount \$95,000)	3.3-5.0	81,000		5,000	76,000	5,000
2005 Delmar/Glenn (Original Amount \$342,600)	3.0-5.0		342,600		342,600	6,600
2005 Trebor Drive Waterline (Original Amount \$11,000)	3.0-5.0		11,000	600	10,400	400
2005 Southwood Waterline (Original Amount \$71,000)	3.0-5.0		71,000	4,000	67,000	3,000
2005 Berryman Waterline (Original Amount \$133,000)	3.0-5.0		133,000	8,000	125,000	5,000
2005 Oakview Project (Original Amount \$805,000)	3.0-5.0		805,000	45,000	760,000	25,000
2005 Bond Premium			181,691		181,691	9,085
<b>Total Special Assessment Bonds</b>		<u>7,064,177</u>	<u>3,436,691</u>	<u>2,931,059</u>	<u>7,569,809</u>	<u>901,111</u>
<b>Other Long-Term Obligations</b>						
Compensated Absences Payable		2,555,482	383,558	186,488	2,752,552	1,278,167
Airport Improvement Note	1%+TSR	176,000		22,000	154,000	22,000
Issue II Loan Payable	0.00	110,506		7,367	103,139	3,683
Issue II Loan Payable	0.00	183,896		9,431	174,465	4,715
Issue II Loan Payable	0.00		995,670		995,670	24,892
Capital Leases Payable		33,216		13,332	19,884	9,049
<b>Total Other Long-Term Obligations</b>		<u>3,059,100</u>	<u>1,379,228</u>	<u>238,618</u>	<u>4,199,710</u>	<u>1,342,506</u>
<b>Total Governmental Activities</b>		<u>\$24,139,100</u>	<u>\$4,815,919</u>	<u>\$4,098,618</u>	<u>\$24,856,401</u>	<u>\$3,196,592</u>
<b>Business-Type Activities</b>						
<b>Revenue Bonds</b>						
2002 Sewer System (Original Amount \$7,171,583)	3.10- 5.75	6,445,000		370,000	6,075,000	385,000
Bond Premium		18,885		1,349	17,536	
<b>Total Revenue Bonds</b>		<u>6,463,885</u>		<u>371,349</u>	<u>6,092,536</u>	<u>385,000</u>
<b>Other Long-Term Obligations</b>						
Compensated Absences Payable		100,004	16,037	13,366	102,675	78,496
Issue II Loan	0.00	241,183		20,552	220,631	10,276
<b>Total Other Long-Term Obligations</b>		<u>341,187</u>	<u>16,037</u>	<u>33,918</u>	<u>323,306</u>	<u>88,772</u>
<b>Total Business-Type Activities</b>		<u>\$6,805,072</u>	<u>\$16,037</u>	<u>\$405,267</u>	<u>\$6,415,842</u>	<u>\$473,772</u>

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**19. LONG-TERM OBLIGATIONS (Continued)**

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 Issue II loans reflected in the governmental-activities fund type will be repaid from resources of governmental funds. During 2005, the County received Issue II loan funds for a road construction project with payments beginning July 1, 2006. The Issue II loan reflected in the business-activities fund type will be paid from operating revenues of the sewer enterprise fund.

On May 25, 2005 the County issued \$3,255,000 various purpose bonds with a portion being a current refunding of \$1,892,400 of the 1994 Fort Shawnee Waterline bonds. The new bonds have an interest rate ranging from 3 – 5 percent and were issued with a premium of \$181,691 and issuance cost of \$70,000 which will be amortized over the life of the bonds.

As a result of the portion that was a current refunding, the County reduced its total debt service payments on that portion by \$499,438 over the term of the debt, and obtained an economic gain (difference between present values of the debt service on the old and new debt) of \$23,118.

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, and are to be paid from the enterprise fund.

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. At December 31, 2005, restricted assets relating to the sewer revenue bonds consisted of the following:

Restricted assets held by the trustee for debt service	\$641,061
Restricted assets held by the County for operations	1,533,406
Restricted assets held by the County for replacement and improvement	70,717
Restricted assets held by the County for future debt service	196

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 above at December 31, 2005 are an overall debt margin of \$31,465,630 and an unvoted debt margin of \$3,252,284.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**19. LONG-TERM OBLIGATIONS (Continued)**

A summary of the County's future annual debt service requirements for governmental activities follows:

Year	Issue II Loans		General Obligation Bonds		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$33,291	\$0	\$952,975	\$561,446	\$892,026	\$310,897
2007	66,851	0	919,908	512,734	890,092	275,720
2008	66,581	0	987,000	488,553	498,000	247,548
2009	66,581	0	1,016,000	457,087	519,000	232,264
2010	66,581	0	1,066,000	422,688	534,000	214,559
2011-2015	332,905	0	5,938,999	1,441,606	2,126,000	742,450
2016-2020	329,222	0	1,796,000	371,703	1,424,000	320,141
2021-2026	310,452	0	410,000	20,500	505,000	44,775
	<u>\$1,273,274</u>	<u>\$0</u>	<u>\$13,086,882</u>	<u>\$4,276,317</u>	<u>\$7,388,118</u>	<u>\$2,388,354</u>

The County's future annual debt service requirements from business-type activities are as follows:

Year	Issue II Loans		Mortgage Revenue Bonds	
	Principal	Interest	Principal	Interest
2006	\$10,275	\$0	\$385,000	\$235,840
2007	20,551	0	390,000	226,793
2008	20,551	0	400,000	216,457
2009	20,551	0	410,000	204,457
2010	20,551	0	425,000	191,337
2011-2015	102,754	0	2,370,000	712,973
2016-2017	25,398	0	1,695,000	155,619
	<u>\$220,631</u>	<u>\$0</u>	<u>\$6,075,000</u>	<u>\$1,943,476</u>

**Conduit Debt**

During 1988, the County issued health care facilities revenue bonds in the amounts of \$2,865,000. and during 1994, health care facilities revenue bonds were issued in the amount of \$3,145,000 for the Lima Convalescent Home.

In 1998, the County issued economic development revenue bonds in the amount of \$10,400,000 to the Young Men's' Christian Association (YMCA) and health care facilities revenue bonds to the Mennonite Maple Crest Senior Living Facility in the amount of \$4,520,000. In 1999, the County issued additional health care facilities revenue bonds in the amount \$1,455,000 for this facility.

In 2001, the County issued development revenue bonds for the Toledo-Lucas County Port Authority in the amount of \$1,600,000 for the development of facilities within Allen County. 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.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**19. LONG-TERM OBLIGATIONS (Continued)**

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, 2005 the aggregate principal amount payable on these bonds is \$20,209,740.

**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 \$44,450. 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 2005 were \$13,332 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, 2005.

Year	Governmental Activities
2006	\$11,214
2007	6,964
2008	4,326
2009	1,298
Total	23,802
Less Amount Representing Interest	(3,918)
Present Value of Net Minimum Lease	\$19,884

**21. INTERFUND TRANSFERS**

During 2005 the following transfers were made:

		Transfers Out			Total
		General	Other Governmental	Business- Type Activities	
<b>Transfer In</b>	Governmental Activities				
	General	\$0	\$440,000	\$0	\$440,000
	Other Governmental	316,602	23,151	502,524	842,277
	Total Governmental Activities	316,602	463,151	502,524	1,282,277
	Business-Type Activities	\$0	\$22	\$0	\$22

Transfers are used to move revenues from the fund that statute 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.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**22. JOINT VENTURES**

**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, 2005 a lease had not been entered into.

**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, (the Board) 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.

The Board consists 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 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 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 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.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**23. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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 2005, the County paid membership fees in the amount of \$75,931 based on the 2000 county census. Complete financial statements can be obtained from the Lima-Allen County Regional Planning Commission, Allen County, Ohio.

**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 and women 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.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**23. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**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 its 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 POOLS**

**A. 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.

**B. County Employee Benefits Consortium of Ohio, Inc.**

The County participates in the County Employee Benefits Consortium of Ohio, Inc. (CEBCO), an Ohio not-for-profit corporation with membership open to Ohio political subdivisions, to collectively pool resources to purchase employee benefits. The County pays, on a monthly basis the annual actuarially determined funding rate. Components of the funding rate include the claims fund contribution, incurred but not reported claims, a claims contingency reserve fund, as well as the fixed cost of the consortium.

The business and affairs of the consortium are managed by a board of not less than nine or more than fifteen directors that exercise all powers of the consortium. Two thirds of the directors are County Commissioners of the member Counties and one third are employees of member Counties. Each member of the consortium is entitled to one vote. At all times, one director is required to be a member of the board of directors of the CCAO and another is required to be a board member of the County Risk Sharing Authority, Inc.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**25. MARIMOR INDUSTRIES**

**A. Summary of Significant Accounting Policies**

**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.

**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, and 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 \$611,104. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures" \$319,388 of the bank balance of \$619,388 was exposed to custodial risk. Investments at year-end consisted of mutual funds carried at fair market value.

**C. Capital Assets**

At December 31, 2005, the Industries had capital assets equipment, in the amount of \$653,461. Accumulated depreciation was \$522,889, with a net capital asset amount of \$130,572. Depreciation is computed on the straight-line method over a useful life of three to seven years.

**26. LODDI**

**A. Summary of Significant Accounting Policies**

**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.

**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 \$18,391. These amounts are classified as "Cash and Cash Equivalents in Segregated Accounts" on the balance sheet. There are no statutory guidelines regarding the deposit of funds by the not-for-profit corporations.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**26. LODDI (Continued)**

**C. Capital Assets**

LODDI had capital assets of land and buildings, in the amounts of \$91,263 and \$719,204, respectively, as of December 31, 2005. Accumulated depreciation was \$169,405, with a net capital asset amount of \$641,062. Depreciation is computed using the straight-line method over a useful life of forty years.

**D. Long-Term Obligations**

	Interest Rate	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005	Due Within One Year
Mortgage Notes Payable	6.0-9.25%	<u>\$171,265</u>	<u>\$ 0</u>	<u>\$24,724</u>	<u>\$146,541</u>	<u>\$26,883</u>

**27. THE PORT AUTHORITY OF ALLEN COUNTY**

**A. Summary of Significant Accounting Policies**

**Basis of Presentation**

The Port Authority 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 Port Authority 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 the Port Authority deposits was \$1,100,435. These amounts are classified as "Cash and Cash Equivalents 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**

The Port Authority had capital assets in the amounts of \$947,414 as of December 31, 2005.

**D. Loans Receivable**

The Port Authority receives periodic loan repayments from companies awarded loans under the revolving loan program through Small Cities Community Development Block Grant Program. The interest received from these loans is recorded as program income. Currently there are six loans outstanding that are being repaid with the funds going into the revolving loan fund for relending.

**E. Loans Payable**

The Port Authority currently has \$464,359 in loans payable to the Allen County Commissioners and \$148,435 to the Lima Area Development Corporation. These loans are at zero percent interest and are due to be paid back when certain properties are sold by the Port Authority.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(Continued)**

**28. 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 2005, the contribution to Marimor Industries for salaries, retirement, employee benefits, worker's compensation, repairs, supplies, equipment, medicare, and other expenses was \$3,436,629.

**29. CONTINGENT LIABILITIES**

**A. Grants**

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

**B. Litigation**

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.

**30. SUBSEQUENT EVENTS**

On March 30, 2006 the County authorized the issuance of \$700,000 of Various Purpose Bond Anticipation Notes (Water, Sewer, and Ditch Projects), Series 2004, 2006 Renewal.

On May 9, 2006 the County authorized the issuance of \$2,000,000 of Various Purpose Bond Anticipation Notes (Road Projects), Series 2005, First (2006) Renewal.

On May 30, 2006, the County contracted for the general trade portion, in the amount of \$1,982,000 for the additions and renovations project for the Allen County Childrens Services.

On October 17, 2006 the County authorized the issuance of \$1,000,000 of Sewer System Improvement Bond Anticipation Notes, Series 2006.

On October 17, 2006 the County authorized the issuance of \$700,000 of Road Improvement Bond Anticipation Notes.

On October 17, 2006 the County authorized the issuance of \$1,700,000 of Various Purpose Bond Anticipation Notes, Series 2006.

On October 19, 2006 the County authorized the issuance of \$2,770,000 of Sewer System Improvement Bond Anticipation Notes, Series 2005, First (2006) renewal.

On November 9, 2006, the County awarded contracts in the amount of \$7,489,000, for the Allen County American II Wastewater Treatment Plant improvements.

On December 5, 2006, the County authorized the issuance of \$1,266,000 in Ditch Improvement Bond Anticipation Notes (Series 2006D).

On December 5, 2006, the County authorized the issuance of \$1,945,000 in Various Purpose Ditch Improvement Bond Anticipation Notes (Series 2006).

**FINANCIAL CONDITION  
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. Department of Agriculture</b>						
<i>Passed Through Ohio Department of Agriculture:</i>						
Nutrition Cluster						
School Breakfast Program						
Marimor School	065821-05-PU	10.553	\$13,608		\$13,608	
Detention Center	069971-05-PU	10.553	17,294		17,294	
Total National School Breakfast Program			30,902		30,902	
National School Lunch Program						
Marimor School	065821-VG21-2005	10.555	10,249		10,249	
Marimor School	065821-LL-P4		24,872		24,872	
Detention Center	069971-LL-P4		26,545		26,545	
Total National School Lunch Program			61,666		61,666	
Total Nutrition Cluster			92,568		92,568	
Food Distribution Program						
Marimor School	N/A	10.550		\$10,807		\$10,807
Detention Center	N/A			6,172		6,114
Total Food Distribution Program				16,979		16,921
Fruit and Vegetable Mini Grant						
Fresh Fruits and Vegetable Program	N/A	10.582		490		490
	N/A			9,759		9,759
Total Fruit and Vegetable Program				10,249		10,249
<b>Total U.S. Department of Agriculture</b>			92,568	27,228	92,568	27,170
<b>U.S. Department of Education</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States (IDEA Part B)						
	065821-6B-SF-06P	84.027	30,993		33,542	
	065821-6B-SF-05P		60,783		56,383	
	065821-6B-SD-05-P				5,605	
Total Special Education Grants to States (IDEA Part B)			91,776		95,530	
Special Education-Preschool Disabilities (IDEA Part B)						
	065821-PGS1-06-P	84.173	9,643		14,266	
	065821-PGS1-05-P		18,758		19,162	
Total Special Education-Preschool Disabilities			28,401		33,428	
Total Special Education Cluster			120,177		128,958	
Innovative Education Program Strategies						
	065821-C2S1-2006	84.298	57			
	065821-C2S1-2005		354		792	
Total Innovative Education Programs			411		792	
<b>Total U.S. Department of Education</b>			120,588		129,750	
<b>U.S. Department of Homeland Security</b>						
<i>Passed Through Ohio Emergency Management Agency</i>						
State Homeland Security Program (FY2004)						
	2004-GE-T4-0025	97.004	388,036		388,036	
State Domestic Preparedness Equipment Support Program						
	2003-MUP-30015		262,182		232,950	
State Domestic Preparedness Equipment Support Program						
	2003-TE-TX-0199		118,484		118,484	
Total State Domestic Preparedness Equipment Support			768,702		739,470	
Hazard Mitigation Grant Program						
	DR-1484-OH	97.039	3,450		3,450	
State Homeland Security Program (FY 2005)						
	2005-GE-T5-0001	97.073	14,898			
Emergency Management Performance Grant						
	2005-EM-T5-0001	97.042	51,845			
FEMA Small Projects						
	1580-DR-003-99003	97.036	30,595		30,595	
	1580-DR-003-048FF		23,935		23,935	
	1580-DR-003-048FF		68,452		68,452	
Total Federal Emergency Management Agency (FEMA)			122,982		122,982	
<b>Total U.S. Department of Homeland Security</b>			961,877		865,902	

**FINANCIAL CONDITION  
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. Department of Health and Human Services</b>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program-Title XIX (SCHIP)	N/A	93.767	12,669		12,669	
Social Services Block Grant - Title XX	N/A	93.667	89,924		89,924	
Medical Assistance Program - Title XIX: CAFS	N/A	93.778	1,097,534		1,097,534	
Medical Assistance Program - Title XIX: CAFS Settlement	N/A		2,646,078		2,646,078	
Medical Assistance Program-Title XIX: TCM	N/A		372,188		372,188	
Medical Assistance Program-Title XIX: TCM Settlement	N/A		279,662		279,662	
Medical Assistance Program-Title XIX: Waiver Administration	N/A		46,578		46,578	
Total Medical Assistance Programs			4,442,040		4,442,040	
<i>Passed through Ohio Department of Job and Family Services</i>						
Promoting Safe & Stable Families	N/A	93.556	109,914		109,914	
Access and Visitation Programs	N/A	93.570	29,193		29,193	
Independent Living	N/A	93.674	13,464		13,464	
Child Abuse and Neglect State Grants	FY 2005	93.669	4,315		4,315	
Child Welfare Services - State Grants	N/A	93.645	11,898		11,898	
<b>Total U.S. Department of Health and Human Services</b>			4,713,417		4,713,417	
<b>U.S. Department of Labor</b>						
<i>Passed through Workforce Investment Act, Area 7</i>						
Workforce Investment Act Adult	N/A	17.258	268,674		250,510	
Workforce Investment Act Adult Administrative	N/A		14,524		10,855	
Workforce Investment Act Adult Total			283,198		261,365	
Workforce Investment Act Youth	N/A	17.259	350,920		340,186	
Workforce Investment Act Youth Administrative	N/A		19,562		7,047	
Workforce Investment Act Youth Total			370,482		347,233	
Workforce Investment Act Dislocated Worker	N/A	17.260	111,621		105,041	
Workforce Investment Act Dislocated Worker Admin	N/A		6,041		9,184	
Workforce Investment Act Dislocated Worker Total			117,662		114,225	
Total Workforce Investment Act			771,342		722,823	
Reed Act One-Stop Administration	FY 2005	17.255	176,677		195,172	
<b>Total U.S. Department of Labor</b>			948,019		917,995	
<b>U.S. Department of Justice:</b>						
<i>Passed Through Ohio Department of Criminal Justice:</i>						
Local Law Enforcement Block Grant FY05	2004-LB-BX-0827	16.592			10,348	
Byrne Formula Grant Program - Narcotics Task Force	2004-DG-A01-7006	16.579	78,000		78,000	
Byrne Formula Grant Program - Narcotics Task Force	2004-DG-B01-7048		83,568		86,862	
Total Byrne Formula Grant Program			161,568		164,862	
Juvenile Accountability Incentive BG - Mentoring for Success	2002-JV-T50-5105	16.548	35,018		27,746	
Status Offender Solutions	2002-JJ-D11-0094	16.523	10,000		12,500	
<b>Total U.S. Department of Justice</b>			206,586		215,456	
<b>U.S. Department of Transportation</b>						
<b>National Highway Traffic Safety Administration,</b>						
<i>Passed Through Ohio Department of Public Safety:</i>						
Young Safe Drivers/Cops in Shops						
State and Community Highway Safety - Young Safe Drivers		20.600	43,008		27,853	

**FINANCIAL CONDITION  
ALLEN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>Federal Highway Administration</b>						
<i>Passed Through Ohio Department of Transportation</i>						
Highway Planning and Construction (Eastown Road)		20.205	2,709,513		2,709,513	
<b>Total U.S. Department of Transportation</b>			2,752,521		2,737,366	
<b>U.S. Department of Housing and Urban Development</b>						
<i>Passed Through Ohio Department of Development:</i>						
Community Development Block Grant-Entitlement Grants						
Formula Allocation Program FY03	B-F-03-002-1	14.228	45,800		46,490	
Formula Allocation Program FY02	B-F-02-002-1		87,000		86,109	
<b>Total Formula Allocation Programs</b>			132,800		132,599	
Home Community Housing Improvement Program	B-C-04-002-1	14.228	13,400		14,705	
Small Cities CDBG (Fourth Street Sewer Improvement)	B-W-03-002-1	14.228	220,000		220,000	
Small Cities CDBG (Early Lutz Sewer Improvement)	B-W-04-002-1					
Delmar-Glenn Sewer Department	B-W-02-002-1		173,000		174,599	
Port Authority	N/A		435,000		435,000	
			828,000		829,599	
<b>Total U.S. Department of Housing and Urban Development</b>			974,200		976,903	
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>						
<i>Passed through the Ohio Department of Youth Services</i>						
Americorps	JJWC-001-05	94.006	5,435			
<b>U.S. GENERAL SERVICES ADMINISTRATION ON BEHALF OF ELECTION ASSISTANCE COMMISSION</b>						
<i>Passed through the Ohio Secretary of State</i>						
Help America Vote Act of 2002	E06-0366-02	90.401	863,956		863,956	
Voter Education and Poll Worker Training Grant	05-SOS-HAVA-02	39.011	24,682		24,682	
<b>Total Federal Elections Commission</b>			888,638		888,638	
<b>Total Federal Financial Assistance</b>			<u>\$11,663,849</u>	<u>\$27,228</u>	<u>\$11,537,995</u>	<u>\$27,170</u>

See accompanying notes to the schedule of federal awards expenditures.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**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 2005 are as follows:

<u>Rehabilitation Loans</u>	<u>Loans Receivable</u>	<u>Cash Balance</u>
Beginning Balance	\$133,329	\$25,652
Loan Principal Receipts	(21,507)	21,507
Lump Sum Payment		8,800
Loan Interest Repayment Receipts		2,876
Interest on Bank Account		172
Advances		(12,000)
Grant Disbursements		(23,187)
Ending Balance	<u>\$111,822</u>	<u>\$23,820</u>

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 2004 activity is as follows:

<u>Small Business Revolving Loans</u>	<u>Loans Receivable</u>	<u>Cash Balance</u>
Beginning Balance	\$ 380,669	\$ 23,723
Grant Receipts		\$ 435,000
Loan Repayment Receipts	(56,810)	56,810
Loan Interest Repayment Receipts		13,190
Loan Fee/Application Receipts		6,946
Interest on Bank Account		438
Loan Disbursements	126,708	(126,708)
Administration		(24,633)
Ending Balances	<u>\$ 450,567</u>	<u>\$ 384,766</u>

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.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2005  
(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):

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

**NOTE 7 - FEDERAL FOOD STAMP PROGRAM**

The Ohio Department of Job and Family Services (ODJFS) distributes Federal food stamps to entitled recipients within Allen County. The receipt and issuance of these stamps have the characteristics of federal grants; however, the County DJFS, on occasion, acted in an intermediary capacity. Therefore, any inventory value of these stamps was 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	\$ 2,990
Amount Destroyed	<u>(2,990)</u>
Balance at End of Year	<u>\$ 0</u>

Generally, the ODJFS 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 had been kept on hand in the event the food stamp system should fail, or an emergency should arise. All food stamps in the hands of the county DJFS were destroyed by December 31, 2005.

**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.

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## Auditor of State Betty Montgomery

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

Financial Condition  
Allen County  
301 North Main Street  
Lima, Ohio 45801

To the Board of County 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, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 4, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of LODDI, Inc. 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 that component unit.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine 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 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 and questioned costs as items 2005-001 and 2005-002.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. We consider reportable conditions 2005-001 and 2005-002 listed above to be material weaknesses. In a separate letter to the County's management dated January 4, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2005-001 and 2005-002. In a separate letter to the County's management dated January 4, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

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

**Betty Montgomery**  
Auditor of State

January 4, 2007



## Auditor of State Betty Montgomery

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

Financial Condition  
Allen County  
301 North Main Street  
Lima, Ohio 45801

To the Board of County 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 apply to its major federal programs for the year ended December 31, 2005. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to major federal programs. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings and questioned costs as item 2005-003. In a separate letter to the County's management dated January 4, 2007, we reported a matter related to federal noncompliance not requiring inclusion in this report.

### **Internal Control Over Compliance**

The County's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program 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.

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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated January 4, 2007.

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



**Betty Montgomery**  
Auditor of State

January 4, 2007

**FINANCIAL CONDITION  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2005**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Medical Assistance Program – Title XIX (CAFS) – CFDA #93.778 State Homeland Security Program (SHSP) Grant – CFDA #97.004 Help America Vote Act Grant – CFDA #90.401 Workforce Investment Act Grant – CFDA #17.258, #17.259, #17.260
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 346,955 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

**FINDING NUMBER 2005-001**

**Noncompliance - Material Weakness - Amended Certificates**

**Ohio Rev. Code Section 5705.36** states, in pertinent part, 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.

An increased amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. During 2005, the County had the following funds where a reduced amended certificate was needed, but not obtained:

Fund	Total Estimated Resources	Total Actual Resources	Variance (Estimated Resources vs. Actual Resources)	Percent Variance
2006 (Job and Family Services)	\$13,793,533	\$9,474,014	\$(4,319,519)	45.6
2012 (CSEA)	4,053,827	2,907,729	(1,146,098)	39.4
2066 (Workforce Investment Act)	1,153,308	689,056	(464,252)	67.4
2414 (CDBG)	2,523,756	835,056	(1,688,700)	202.2
4003 (Fourth Street/Bowman Road/ Eastown Road Project)	1,244,348	672,448	(571,900)	85.1
4150 (Pike Run)	1,266,679	121,679	(1,145,000)	941.0
4400 (Early/Lutz Road DPA)	1,469,236	87,982	(1,381,254)	1569.9
4708(Eastown Road Project)	6,289,163	2,159,989	(4,129,174)	191.1
5409 (SE Admin Facilities)	2,300,670	1,100,670	(1,200,000)	109.0

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

An amended certificate of estimated resources should be obtained whenever it is determined that the revenue to be collected will be less than the amount certified in the last issued certificate of estimated resources, and appropriations should be modified accordingly.

**Officials' Response**

You have reviewed the letters I have sent to departments indicating that they needed to revise their budgetary documents. Some departments comply and others do not. When certain departments set their estimated revenues artificially high and then appropriate the amount available, it becomes impossible to reduce the estimated revenue without reducing appropriations and reducing expenditures. I will continue to review budgetary transactions throughout the year and discuss the issues with the departments as I always have. We have 475 funds and these nine are the only significant ones that do not fully comply.



<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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(Continued)

**Finding Number**

**2005-003 (Continued)**

Failure to comply with grant requirements could lead to unallowed costs or a loss in grant funding. Grant award letters and grant agreements should be carefully reviewed to ensure that grant requirements are understood and met.

**Officials' Response**

Reimbursements cannot be made until the EMA department submits invoices to verify their purchases and these can not be obtained until the goods are shipped by vendors. There was a delay in some of these cases by the vendor who did not ship the goods so no invoice could be submitted for reimbursement. According to the County EMA Director, he sought the approval from the Ohio EMA and they subsequently got approval from the US Department of Homeland Security.

**FINANCIAL CONDITION  
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
OMB CIRCULAR A -133 § .315 (b)**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer</u> Valid; <i>Explain:</i></b>
2003-001	Finding for Recovery (Former County Dog Warden)	Partially	The former Dog Warden continues to make payments, and the balance remaining at December 31, 2006 was \$6,247.50.
2004-001	Ohio Rev. Code Section 5705.36; Amended Certificates of Estimated Resources	No	Repeated as Finding 2005-001





**Mary Taylor, CPA**  
Auditor of State

**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  
FEBRUARY 8, 2007**