FINANCIAL CONDITION
ALLEN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006

FINANCIAL CONDITION
ALLEN COUNTY

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Mary Taylor, CPA
Auditor of State

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 aggregate 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, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Marimor Industries and LODDI, Inc., which represent 40.6 percent of the assets and 94.5 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 LODDI, Inc. in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Allen County as of December 31, 2006, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General fund, the Job and Family Services, 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.

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 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 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 19, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
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, 2006. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the County's performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- In total the County's total net assets increased by $3.96 million from 2005, which represents a 3.9 percent change.

- During 2006, the County fully implemented new recorders software and finished Phase 1 of the Eastown Road project. The Sanitary Engineer department built an administrative office and garage in 2006. The County completed the implementation of the accounting and payroll software system in 2006.

- The County also paid off two general obligation notes totaling $1,575,000. This was accomplished by utilizing the money in the Budget Reserve Fund. The Budget Reserve Fund is being replenished with sales tax allocation and had a balance of $860,980 at December 31, 2006.

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; Debt Retirement Special Assessment Fund and the Sewer District Enterprise Fund.

Reporting the County as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the County did financially during 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Governmental Activities - Most of the County's programs and services are reported here including general government, public, safety, public works, health, human services, conservation and recreation, and economic development. 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 Fund; Job and Family Services; Mental Retardation and Developmental Disabilities; Children's Services; Special Revenue Funds, Special Assessment Bond Retirement Fund; and the Sewer District Enterprise Fund. 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, 2006
UNAUDITED
(Continued)

Government-Wide Financial Analysis

Table 1 provides a summary of the County's net assets for 2006 compared to 2005.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
Assets						
Current and Other Assets	$69,317,665	$65,671,384	$ 4,327,439	$ 7,746,494	$ 73,645,104	$ 73,417,878
Capital Assets, Net	56,073,837	52,804,892	32,690,295	28,956,470	88,764,132	81,761,362
Total Assets	125,391,502	118,476,276	37,017,734	36,702,964	162,409,236	155,179,240
Liabilities						
Current and Other Liabilities	16,661,028	14,378,913	197,431	564,140	16,858,459	14,943,053
Long-Term Liabilities	31,055,730	29,531,801	8,858,702	9,030,842	39,914,432	38,462,643
Total Liabilities	47,716,758	43,910,714	9,056,133	9,594,982	56,772,891	53,505,696
Net Assets						
Invested in Capital Assets, Of Related Debt	39,214,615	39,375,825	26,219,029	22,694,522	65,433,644	62,070,347
Restricted	32,135,944	29,819,626	1,298,129	2,264,837	33,434,073	32,084,463
Unrestricted	6,324,185	5,370,111	444,443	2,148,623	6,768,628	7,518,734
Total Net Assets	$77,674,744	$74,565,562	$27,961,601	$27,107,982	$105,636,345	$101,673,544

There was a great deal of consistency from 2005 to 2006 for all categories of assets and liabilities for both governmental and business-type activities. There were no noteworthy changes for either governmental or business-type activities.

Table 2 reflects the changes in net assets for 2006.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
Revenues						
Program revenues						
Charges for services	$9,609,676	$9,326,042	$4,798,058	$4,340,657	$14,407,734	$13,666,699
Operating grants, Contributions and interest	31,208,880	30,214,584			31,208,880	30,214,584
Capital grants and contributions	2,008,563	6,356,244			5,008,563	6,356,244
Total program revenues	42,827,119	45,896,870	4,798,058	4,340,657	47,625,177	50,237,527

(Continued)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)

Table 2
Changes in Net Assets
(Continued)

	Governmental Activities		Business-Type Activities		Totals	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
General revenues						
Property taxes levied for:						
General Operating	5,146,398	4,861,022			5,146,398	4,861,022
Health-mental retardation and Developmental disabilities	5,742,866	5,457,679			5,742,866	5,457,679
Human services – Children Services	1,746,925	1,509,286			1,746,925	1,509,286
Sales tax	14,452,886	14,436,613			14,452,886	14,436,613
Intergovernmental not restricted	4,342,274	4,699,617			4,342,274	4,699,617
Loss on sale of capital assets	(214,129)	(70,845)	(3,425)		(217,554)	(70,845)
Contributions	332,000		1,409,930	2,387,845	1,741,930	2,387,845
Interest	2,602,146	1,733,285	117,141	40,225	2,719,287	1,773,510
Other	4,193,296	3,650,072	79,744	42,361	4,273,040	3,692,433
Total general revenues	38,344,662	36,276,729	1,603,390	2,470,431	39,948,052	38,747,160
Total revenues	81,171,781	82,173,599	6,401,448	6,811,088	87,573,229	88,984,687
Transfers	115,688	502,502	(115,688)	(502,502)		
Total revenues and transfers	81,287,469	82,676,101	6,285,760	6,308,586	87,573,229	88,984,687
Program Expenses						
General government						
Legislative and executive	15,319,981	14,858,917			15,319,891	14,858,917
Judicial	8,608,924	9,118,915			8,608,924	9,118,915
Public safety	10,381,882	10,298,109			10,381,882	10,298,109
Public works	9,058,075	6,349,283			9,058,075	6,349,283
Health						
Mental retardation and Developmental disabilities	11,245,072	11,008,957			11,245,072	11,008,957
Other health	468,092	351,968			468,092	351,968
Human services						
Job and family services	12,518,630	11,128,616			12,518,630	11,128,616
Children services	6,035,647	5,486,694			6,035,647	5,486,694
Other human services	876,387	917,281			876,387	917,281
Conservation and recreation	2,038,955	2,128,113			2,038,955	2,128,113
Other	166,413	85,092			166,413	85,092
Intergovernmental	194,523	101,631			194,523	101,631
Interest and fiscal charges	1,265,706	1,105,965			1,265,706	1,105,965
Sanitary sewer			5,432,141	6,120,139	5,432,141	6,120,139
Total expenses	78,178,287	72,939,541	5,432,141	6,120,139	83,610,428	79,059,680
Increase (decrease) in net assets	$3,109,182	$9,736,560	$ 853,619	$ 188,447	$3,962,801	$9,925,007

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)

For governmental activities, general revenues, which consist primarily of property and sales taxes and unrestricted grants and entitlements represent 47 percent of total revenues, and of the total general revenues, property taxes and sales taxes represent 71 percent of that revenue. Almost 55 percent of the County's governmental activities were supported by program revenues, those revenues specifically restricted for use by a particular program such as public safety or human services. The County was able to obtain program related grants accounting for 77 percent of program revenues.

General government activities account for 55 percent of the total program expenditures. These activities include the operation of various county departments, the judicial branch, public safety and public works activities. Human services related expenditures represent 25 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 percent of the expenditures which are primarily for the operation of Marimor School. Combined, these three areas account for 95 percent of the County's expenditures for 2006.

For business-type activities, program specific revenues are 75 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

	Total Cost of Services		**Net Cost of Services**	
	2006	**2005**	**2006**	**2005**
General Government				
Legislative and Executive	15,319,981	$13,618,811	$9,816,158	$8,130,841
Judicial	8,608,924	9,118,915	3,554,292	4,333,537
Public Safety	10,381,882	10,298,109	8,500,405	8,615,559
Public Works	9,058,075	7,589,389	(145,157)	(5,215,123)
Health				
Mental Retardation and Developmental Disabilities	11,245,072	11,008,957	6,081,792	4,959,053
Other Health	468,092	351,968	251,876	351,968
Human Services				
Job and Family Services	12,518,630	11,128,616	1,148,853	542,129
Children's Service	6,035,647	5,486,694	1,831,967	1,223,922
Other Human Services	876,387	917,281	864,387	905,281
Conservation and Recreation	2,038,955	2,128,113	1,819,953	1,902,816
Other	166,413	85,092	166,413	85,092
Intergovernmental	194,523	101,631	194,523	101,631
Interest and Fiscal Charges	1,265,706	1,105,965	1,265,706	1,105,965
Total Expenses	$78,178,287	$72,939,541	$35,351,168	$27,042,671

The County's general revenues (primarily property and sales taxes and unrestricted grants and entitlements) pay for 45 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 and Disabilities Fund; Children's Services Fund; and the Special Assessment Debt Retirement Fund. The primary funding for Job and Family Services is from operating grants. The Mental Retardation and Developmental Disabilities Fund and the Children's Services Fund revenues are primarily from taxes and grants. The Mental Retardation and Developmental Disabilities Fund and the Children's Services Fund have a specific property tax levy to support the activities of the fund as well.

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 2006, of $184,845. After transfers and contributions from participants, the fund ended with an increase in net assets of $853,619.

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.

Differences from the final budget to the actual revenues amounted to $828,323. Actual expenditures were less than budgeted by $915,836 as the County was able to reduce expenditures significantly for general government operations.

The County auditor prepares quarterly financial statements, discusses them with management and reports them to the public on the auditor's web site.

Capital Assets and Debt Administration

Capital Assets - The County's investment in capital assets for governmental and business-type activities as of December 31, 2006, was $56,073,837 and $32,690,295 respectively (net of accumulated depreciation). 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.

At December 31, 2006, the County had $3,854,000 in special assessment notes payable and $2,825,000 in bond anticipation notes payable from governmental activities and $2,265,000 in bond anticipation notes payable from business-type activities. The County also had various long-term obligations outstanding. These obligations included $12,133,907 of general obligation bonds and $6,668,698 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Current Issues

The unemployment rate for the County is currently 6.2 percent, which is a slight increase from one year ago. This rate is above the State's current rate of 5.6 percent and above the national rate of 4.3 percent.

Sales tax revenue for the County continues to be flat. Net sales tax revenue in 2006 in the General Fund was $12,657,816 compared to $11,732,546 in 2005. Net sales taxes are equal to total sales tax revenues less the amounts allocated monthly to other funds.

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 N. Main Street, Lima, Ohio 45801 or by visiting the County's website at www.allencountyohio.com and clicking the auditor's link to go to the quarterly financial statements.

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FINANCIAL CONDITION
ALLEN COUNTY

STATEMENT OF NET ASSETS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2006

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	LODDI	Marimor Industries	Port Authority of Allen County
Assets:						
Equity in pooled cash and cash equivalents	$35,518,680	$1,107,289	$36,625,969			
Cash and cash equivalents in segregated accounts	418,570		418,570	$13,475	$606,562	$874,080
Investment in segregated accounts					296,938	
Accounts receivable	260,246	1,287,549	1,547,795		52,166	
Accrued interest receivable	427,857		427,857			
Due from other governments	7,265,120		7,265,120			
Internal balances	(130,375)	130,375				
Prepaid items	786,488	22,625	809,113	7,769	1,795	
Materials and supplies inventory	824,432	28,846	853,278			
Property tax receivable	14,136,117		14,136,117			
Sales tax receivable	2,368,999		2,368,999			
Notes receivable	1,004,768		1,004,768			912,585
Special assessments receivable	6,370,263	84,814	6,455,077			
Unamortized bond issuance costs	66,500	324,165	390,665			
Restricted assets:						
Equity in pooled cash and cash equivalents		715,275	715,275			
Cash and cash equivalents with fiscal agent		626,501	626,501			
Nondepreciable capital assets	7,594,354	51,219	7,645,573	105,365		829,805
Depreciable capital assets, net	48,479,483	32,639,076	81,118,559	616,662	85,533	
Total Assets	125,391,502	37,017,734	162,409,236	743,271	1,042,994	2,616,470
Liabilities:						
Accrued wages payable	827,482	36,792	864,274		3,230	
Accounts payable	730,081	41,360	771,441		64,821	
Contracts payable	298,154		298,154			
Due to other governments	861,004	38,582	899,586		2,452	
Accrued interest payable	306,277	18,899	325,176	521		
Retainage payable	139,337	61,798	201,135			
Deferred revenue	13,326,086		13,326,086			
Unamortized premiums on bonds	172,607		172,607			
Long-Term Liabilities:						
Due Within One Year	9,987,814	2,749,198	12,737,012	30,185		50,000
Due in More Than One Year	21,067,916	6,109,504	27,177,420	118,619		414,359
Total Liabilities	47,716,758	9,056,133	56,772,891	149,325	70,503	464,359
Net Assets:						
Invested in capital assets, net of related debt	39,214,615	26,219,029	65,433,644			829,805
Restricted for:						
Capital projects	5,247,722		5,247,722			
Other purposes	26,888,222	1,298,129	28,186,351		10,179	
Unrestricted	6,324,185	444,443	6,768,628	593,946	962,312	1,322,306
Total Net Assets	$77,674,744	$27,961,601	$105,636,345	$593,946	$972,491	$2,152,111

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, 2006

		Program Revenues		
Function/Program	**Expenses**	**Charges for Services**	**Operating Grants, Contributions, and Interest**	**Capital Grants and Contributions**
Governmental activities:				
General government				
Legislative and executive	$15,319,981	$3,782,966	$1,720,857	
Judicial	8,608,924	2,297,629	2,757,003	
Public safety	10,381,882	952,734	880,777	$47,966
Public works	9,058,075	1,697,746	5,544,889	1,960,597
Health				
Mental retardation and developmental disabilities	11,245,072	534,748	4,628,532	
Other health	468,092	216,216		
Human services				
Job and family services	12,518,630	203	11,369,574	
Children services	6,035,647	58,599	4,145,081	
Other human services	876,387		12,000	
Conservation and recreation	2,038,955	68,835	150,167	
Other	166,413			
Intergovernmental	194,523			
Interest and fiscal charges	1,265,706			
Total governmental activities	78,178,287	9,609,676	31,208,880	2,008,563
Business-type activities:				
Sanitary Sewer	5,432,141	4,798,058		
Total primary government	83,610,428	14,407,734	31,208,880	2,008,563
Component Units:				
LODDI	90,454	100,490	64,227	
Marimor Industries	3,600,451	472,712	4,000	
Port Authority of Allen County	74,360	181,054		
Total component units	$3,765,265	$754,256	$68,227	$0

General Revenues:
Property taxes levied for:
General Operating
Health-mental retardation and developmental disabilities
Human services-children services
Sales taxes
Intergovernmental not restricted to a particular purpose
Interest
Rent
Increase 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
($9,816,158)		($9,816,158)			
(3,554,292)		(3,554,292)			
(8,500,405)		(8,500,405)			
145,157		145,157			
(6,081,792)		(6,081,792)			
(251,876)		(251,876)			
(1,148,853)		(1,148,853)			
(1,831,967)		(1,831,967)			
(864,387)		(864,387)			
(1,819,953)		(1,819,953)			
(166,413)		(166,413)			
(194,523)		(194,523)			
(1,265,706)		(1,265,706)			
(35,351,168)		(35,351,168)			
	($634,083)	(634,083)			
(35,351,168)	(634,083)	(35,985,251)			
			$74,263		
				($3,123,739)	
					$106,694
			74,263	(3,123,739)	106,694
5,146,398		5,146,398			
5,742,866		5,742,866			
1,746,925		1,746,925			
14,452,886		14,452,886			
4,342,274		4,342,274			
2,602,146	117,141	2,719,287	41	41,215	39,228
				24,982	
				4,316	
				5,477	
(214,129)	(3,425)	(217,554)		676	
332,000	1,409,930	1,741,930		3,040,515	
4,193,296	79,744	4,273,040	8	13,210	
38,344,662	1,603,390	39,948,052	49	3,130,391	39,228
115,688	(115,688)				
3,109,182	853,619	3,962,801	74,312	6,652	145,922
74,565,562	27,107,982	101,673,544	519,634	965,839	2,006,189
$77,674,744	$27,961,601	$105,636,345	$593,946	$972,491	$2,152,111

FINANCIAL CONDITION
ALLEN COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	General Fund	Job and Family Services	Mental Retardation and Developmental Disabilities
Assets:			
Equity in Pooled Cash and Cash Equivalents	$3,882,763	$456,313	$7,586,068
Cash and cash equivalents in segregated accounts	4,119		
Accounts receivable	242,678		
Accrued interest receivable	427,857		
Due from other governments	1,253,413	214,440	2,050,704
Interfund receivable	361,992		77,396
Prepaid items	687,514		
Materials and supplies inventory	338,015	62,818	66,733
Property tax receivable	3,492,619		6,371,035
Sales tax receivable	2,208,583		
Notes receivable	270,000		
Special assessments receivable			
Total assets	13,169,553	733,571	16,151,936
Liabilities			
Accrued wages payable	320,718	112,350	171,580
Accounts payable	132,301	288,228	87,002
Contracts payable			
Due to other governments	380,344	121,645	182,609
Interfund payable	1,650,500	357,386	
Retainage payable			
Deferred revenue	6,334,593	214,440	7,679,884
Total liabilities	8,818,456	1,094,049	8,121,075
Fund balances:			
Reserved for notes receivable	270,000		
Reserved for encumbrances	299,085	2,144,549	
Reserved for unclaimed monies	340,020		
Reserved for budgetary reserve	860,980		
Unreserved, reported in:			
General fund	2,581,012		
Special revenue funds		(2,505,027)	8,030,861
Debt service funds			
Capital projects funds			
Total fund balances	4,351,097	(360,478)	8,030,861
Total liabilities and fund balances	$13,169,553	$733,571	$16,151,936

See accompanying notes to the basic financial statements.

Children Services	Special Assessments Debt Retirement	Other Governmental Funds	Total
$3,513,304	$1,158,482	$18,116,763	$34,713,693
33,019		381,432	418,570
		17,568	260,246
			427,857
340,703		3,405,860	7,265,120
279,990		1,985,500	2,704,878
32,218		66,756	786,488
7,176		349,690	824,432
2,129,703		2,142,760	14,136,117
		160,416	2,368,999
		734,768	1,004,768
	4,558,934	1,811,329	6,370,263
6,336,113	5,717,416	29,172,842	71,281,431
62,400		160,434	827,482
145,396		77,154	730,081
298,154			298,154
11,002		165,404	861,004
	102,910	724,457	2,835,253
957		138,380	139,337
2,288,280	4,558,934	7,020,860	28,096,991
2,806,189	4,661,844	8,286,689	33,788,302
		734,768	1,004,768
1,092,942		2,956,221	6,492,797
			340,020
			860,980
			2,581,012
2,436,982		10,210,320	18,173,136
	1,055,572	330,269	1,385,841
		6,654,575	6,654,575
3,529,924	1,055,572	20,886,153	37,493,129
$6,336,113	$5,717,416	$29,172,842	$71,281,431

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FINANCIAL CONDITION
ALLEN COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2006

Total governmental fund balances		$37,493,129
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.		56,073,837
Other long-term assets are not available to pay for current period expenditures and, therefore, deferred in the funds:		
Accounts receivable	$226,286	
Accrued interest receivable	427,857	
Due from other governments	5,438,348	
Property taxes receivable	818,094	
Sales tax receivable	1,212,661	
Special assessments receivable	6,370,263	
Other	277,396	
		$14,770,905
Long-term liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued interest payable	(306,277)	
Compensated absences payable	(2,733,476)	
General obligation bonds payable	(12,133,907)	
Unamortized bond issuance costs/premium	(106,107)	
Special assessment bonds payable	(6,496,091)	
Issue II/OPWC/OWDA loans payable	(2,416,423)	
Notes payable	(7,114,000)	
Capital leases payable	(161,833)	
		(31,468,114)
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.		804,987
Net assets of governmental activities		$77,674,744

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, 2006

	General Fund	Job and Family Services	Mental Retardation and Developmental Disabilities
Revenues:			
Property taxes	$2,957,694		$5,652,199
Sales tax	12,657,816		
Charges for services	3,961,760	$203	534,748
Licenses and permits	39,644		
Fines, costs, and forfeitures	176,695		
Intergovernmental	2,740,511	11,281,433	6,172,463
Special assessments			
Interest	2,218,860		5,479
Other	1,745,313	655,728	747,558
Total revenues	26,498,293	11,937,364	13,112,447
Expenditures:			
Current:			
General government:			
Legislative and executive	11,081,692		
Judicial	4,945,204		
Public safety	8,740,095		
Public works	174,626		
Health	203,849		11,162,828
Human services	883,140	12,546,858	
Conservation and recreation	703,138		
Other	47,175		
Capital outlay			
Integovernmental	194,523		
Debt Service:			
Principal retirement	170,789		
Interest and fiscal charges	13,121		
Total expenditures	27,157,352	12,546,858	11,162,828
Excess of revenues over (under) expenditures	(659,059)	(609,494)	1,949,619
Other financing sources (uses)			
Proceeds of notes	435,000		
Inception of capital lease	79,623		
Operating transfers - in	444,451		
Opertaing transfers - out	(924,725)		
Total other financing sources (uses)	34,349		
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(624,710)	(609,494)	1,949,619
Fund balances at beginning of year	4,975,807	249,016	6,081,242
Fund balance at end of year	$4,351,097	($360,478)	$8,030,861

See accompanying notes to the basic financial statements.

Children Services	Special Assessments Debt Retirement	Other Governmental Funds	Total
$1,714,075		$2,117,747	$12,441,715
		1,800,796	14,458,612
69,835	$13,656	3,391,386	7,971,588
		281,347	320,991
		216,225	392,920
4,409,360		12,659,351	37,263,118
	669,658	655,564	1,325,222
	14,883	154,547	2,393,769
47,547	5,627	1,346,428	4,548,201
6,240,817	703,824	22,623,391	81,116,136
	1,103	3,762,362	14,845,157
		3,529,102	8,474,306
		1,483,930	10,224,025
		9,159,175	9,333,801
		279,672	11,646,349
6,011,584			19,441,582
		927,274	1,630,412
			47,175
2,159,463		2,351,917	4,511,380
			194,523
	852,026	5,997,643	7,020,458
	250,895	837,457	1,101,473
8,171,047	1,104,024	28,328,532	88,470,641
(1,930,230)	(400,200)	(5,705,141)	(7,354,505)
		8,120,287	8,555,287
		110,246	189,869
		1,080,623	1,525,074
		(484,661)	(1,409,386)
		8,826,495	8,860,844
(1,930,230)	(400,200)	3,121,354	1,506,339
5,460,154	1,455,772	17,764,799	35,986,790
$3,529,924	$1,055,572	$20,886,153	$37,493,129

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2006

Net change in fund balances - total governmental funds		$1,506,339
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	$2,151,839	
Capital outlay - depreciable capital assets	4,091,912	
Depreciation	(3,092,597)	
		3,151,154
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		
Contributions of capital assets	332,000	
Loss on sale of capital assets	(214,129)	
		117,871
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:		
Property taxes	194,474	
Sales taxes	(5,726)	
Special assessments	(557,671)	
Charges for services	26,799	
Intergovernmental	296,599	
Interest	199,293	
Other	40,821	
		194,589
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	952,975	
Special assessment bonds	901,111	
Notes payable	5,000,400	
Issue II/OPWC/OWDA loans	127,137	
Capital leases payable	47,920	
		7,029,543
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		(160,734)
Amortization of premium		(3,500)
Note proceeds are other financing sources in governmental funds, but the issuance increases long-term liabilities on the statement of net assets.		
Notes payable	(7,285,000)	
Issue II/OPWC/OWDA loans	(1,270,287)	
Capital leases	(189,869)	
		(8,745,156)
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		19,076
Change in net assets of governmental activities		$3,109,182

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, 2006

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Over (Under)**
Revenues				
Property taxes	$2,912,000	$2,771,831	$2,900,462	$128,631
Sales taxes	12,900,000	12,275,000	12,506,760	231,760
Charges for services	3,908,435	3,790,035	3,958,662	168,627
Licenses and permits	5,300	8,300	8,866	566
Fines, costs, and forfeitures	180,000	180,000	178,360	(1,640)
Intergovernmental	2,592,000	2,779,068	2,937,891	158,823
Interest	1,300,000	1,800,000	1,972,279	172,279
Rent	677,887	647,887	637,140	(10,747)
Other	112,250	338,250	318,274	(19,976)
Total revenues	24,587,872	24,590,371	25,418,694	828,323
Expenditures				
Current:				
General government:				
Legislative and executive	11,314,183	11,161,890	10,743,885	418,005
Judicial	5,033,902	5,116,370	4,954,460	161,910
Public safety	8,457,157	8,749,220	8,663,523	85,697
Public works	165,093	177,554	174,569	2,985
Health	295,244	360,244	203,844	156,400
Human services	390,215	971,281	884,704	86,577
Conservation and recreation	705,576	704,570	702,078	2,492
Other	38,000	47,168	47,175	(7)
Intergovernmental	192,023	194,523	194,523	
Debt service:				
Principal retirement	22,000	154,000	154,000	
Interest and fiscal charges	8,000	11,000	9,223	1,777
Total expenditures	26,621,393	27,647,820	26,731,984	915,836
Excess of revenues under expenditures	(2,033,521)	(3,057,449)	(1,313,290)	1,744,159
Other financing sources (uses)				
Other financing sources	255,000	826,749	789,899	(36,850)
Proceeds of notes		435,000	435,000	
Other financing uses	(1,000)	(917,103)	(916,839)	264
Advances - in	50,000	219,000	219,377	377
Advances - out	(170,000)	(170,000)	(150,000)	20,000
Operating transfers - in	445,000	421,000	444,451	23,451
Operating transfers - out	(852,142)	(983,131)	(924,725)	58,406
Total other financing sources (uses)	(273,142)	(168,485)	(102,837)	65,648
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(2,306,663)	(3,225,934)	(1,416,127)	1,809,807
Fund balances at beginning of year	4,324,693	4,324,693	4,324,693	
Unexpended prior year encumbrances	312,780	312,780	312,780	
Fund balances at end of year	$2,330,810	$1,411,539	$3,221,346	$1,809,807

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, 2006

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Intergovernmental	$15,073,308	$15,623,044	$11,384,594	($4,238,450)
Charges for services	500	500	203	(297)
Total revenues	15,073,808	15,623,544	11,384,797	(4,238,747)
Expenditures				
Current:				
Human Services	16,090,949	16,320,460	15,088,745	1,231,715
Excess of revenues over (under) expenditures	(1,017,141)	(696,916)	(3,703,948)	(3,007,032)
Other financing sources (uses)				
Other financing sources	1,027,000	1,027,000	655,728	(371,272)
Other financing uses	(90,000)	(115,000)	(42,253)	72,747
Operating transfers - in	608,142	58,406		(58,406)
Operating transfers - out	(425,000)	(176,489)		176,489
Total other financing sources (uses)	1,120,142	793,917	613,475	(180,442)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	103,001	97,001	(3,090,473)	(3,187,474)
Fund balances at beginning of year	(2,066,391)	(2,066,391)	(2,066,391)	
Unexpended prior year encumbrances	2,901,499	2,901,499	2,901,499	
Fund balances at end of year	$938,109	$932,109	($2,255,365)	($3,187,474)

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, 2006

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Over (Under)**
Revenues				
Property taxes	$5,409,206	$5,071,610	$5,443,313	$371,703
Charges for services	636,033	213,642	243,918	30,276
Intergovernmental	4,534,676	5,645,860	6,077,901	432,041
Interest	3,000	3,000	5,092	2,092
Other	420,058	370,058	396,358	26,300
Total revenues	11,002,973	11,304,170	12,166,582	862,412
Expenditures				
Current:				
Health	16,182,450	16,482,404	11,094,557	5,387,847
Excess of revenues under expenditures	(5,179,477)	(5,178,234)	1,072,025	6,250,259
Other financing sources (uses)				
Other financing sources	332,347	381,247	351,200	(30,047)
Advances - in	60,000	34,200		(34,200)
Advances - out	(71,775)	(45,975)		45,975
Operating transfers - in	100,040			
Operating transfers - out	(100,040)	(2,187)		2,187
Total other financing sources (uses)	320,572	367,285	351,200	(16,085)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(4,858,905)	(4,810,949)	1,423,225	6,234,174
Fund balances at beginning of year	5,746,418	5,746,418	5,746,418	
Unexpended prior year encumbrances	10,600	10,600	10,600	
Fund balances at end of year	898,113	946,069	$7,180,243	$6,234,174

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, 2006

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Over (Under)**
Revenues				
Property taxes	$1,743,000	$1,622,544	$1,638,392	$15,848
Charges for services	105,000	70,000	68,025	(1,975)
Intergovernmental	4,779,315	4,245,623	4,491,780	246,157
Total revenues	6,627,315	5,938,167	6,198,197	260,030
Expenditures				
Current:				
Human Services	8,251,574	6,381,026	7,215,209	(834,183)
Capital Outlay	240,000	3,052,108	1,860,352	1,191,756
Total expenditures	8,491,574	9,433,134	9,075,561	357,573
Excess of revenues over (under) expenditures	(1,864,259)	(3,494,967)	(2,877,364)	617,603
Other financing sources				
Advances - in			20,000	20,000
Advances - out		(20,000)	(20,000)	
Other financing sources	69,000	48,000	47,547	(453)
Total other financing sources (uses)	69,000	28,000	47,547	19,547
Excess of revenues and other financing sources over (under) expenditures	(1,795,259)	(3,466,967)	(2,829,817)	637,150
Fund balances at beginning of year	4,777,029	4,777,029	4,777,029	
Fund balances at end of year	$2,981,770	$1,310,062	$1,947,212	$637,150

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
ALLEN COUNTY

STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006

	Business-Type Activity	Governmental Activity
	Sewer	**Internal Service**
Assets:		
Current assets		
Equity in pooled cash and cash equivalents	$1,107,289	$804,987
Accounts receivable	1,287,549	
Interfund receivable	130,375	
Special assessments receivable	84,814	
Prepaid items	22,625	
Materials and supplies inventory	28,846	
Total current assets	2,661,498	804,987
Restricted assets		
Equity in pooled cash and cash equivalents	715,275	
Cash and cash equivalents with fiscal agent	626,501	
Total restricted assets	1,341,776	
Noncurrent assets		
Unamortized bond issuance costs	324,165	
Non-depreciable capital assets	51,219	
Depreciable capital assets	32,639,076	
Total noncurrent assets	33,014,460	
Total assets	37,017,734	804,987
Liabilities:		
Current liabilities		
Accrued wages payable	36,792	
Compensated absences payable	82,573	
Accounts payable	41,360	
Retainage payable	61,798	
Due to other governments	38,582	
Accrued interest payable	18,899	
Notes payable	2,265,000	
Issue II loans payable	10,276	
Revenue bonds payable	390,000	
Total current liabilities	2,945,280	
Long-term liabilities		
Compensated absences payable	39,863	
Issue II/OWDA loans payable	754,803	
Revenue bonds payable	5,316,187	
Total long-term liabilities	6,110,853	
Total liabilities	9,056,133	
Net assets:		
Invested in capital assets, net of related debt	26,219,029	
Restricted for:		
Debt service		
Other purposes	1,298,129	
Unrestricted	444,443	804,987
Total net assets	$27,961,601	$804,987

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, 2006

	Business-Type Activities	Governmental Activity
	Sewer	Internal Service
Operating Revenues:		
Charges for services	$4,796,958	
Licenses, permits, inspections	1,100	
Other	79,744	$52,937
Total operating revenues	4,877,802	52,937
Operating expenses:		
Personal services	1,840,553	
Contractual services	1,549,837	99,491
Materials and supplies	143,077	
Other		19,747
Depreciation	1,529,180	
Total operating expenses	5,062,647	119,238
Operating loss	(184,845)	(66,301)
Non-Operating revenues (expenses)		
Loss on disposal of capital assets	(3,425)	
Interest revenue	117,141	
Interest expense	(369,494)	
Total Non-Operating revenues (expenses)	(255,778)	
Income (loss) before transfers	(440,623)	(66,301)
Capital contributions	1,409,930	
Transfers out	(115,688)	
Change in net assets	853,619	(66,301)
Net assets at beginning of year	27,107,982	871,288
Net assets at end of year	$27,961,601	$804,987

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, 2006

	Business-Type Activities	Governmental Activity
	Sewer	**Internal Service**
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities		
Cash received from customers	$4,919,905	
Cash received from other revenues	75,603	$33,190
Cash payments for personal services	(1,816,148)	
Cash payments to suppliers	(409,810)	
Cash payments for contractual services	(1,906,246)	(99,491)
Net cash provided by (used for) operating activities	863,304	(66,301)
Cash flows from noncapital financing activities		
Cash received from advances - in	1,467,100	
Cash payments for advances - out	(741,000)	
Cash received from nonoperating revenue	4,141	19,747
Cash payments for nonoperating expenses	(3,404)	
Cash payments for operating transfers - out	(115,688)	
Net cash provided noncapital financing activities	611,149	19,747
Cash flows from capital and related financing activities		
Acquisition of fixed assets	(3,585,439)	
Proceeds of bonds	2,265,000	
Principal paid on bond anticipation notes	(2,615,000)	
Interest paid on bond anticipation notes	(92,092)	
Proceeds of OWDA Loans	565,000	
Principal paid on revenue bonds	(385,000)	
Interest paid on revenue bonds	(235,840)	
Principal paid on Issue II loan payable	(20,552)	
Net cash used for capital and related financing activities	(4,103,923)	
Cash flows from investing activities		
Interest on investments	115,050	
Net increase (decrease) in cash and cash equivalents	(2,514,420)	(46,554)
Cash and cash equivalents at beginning of year	4,336,984	851,541
Cash and cash equivalents at end of year	1,822,564	804,987
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	(184,845)	(66,301)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	1,529,180	
Changes in assets and liabilities:		
Increase in accounts receivable	(39,440)	
Increase in due from special assessments	(48,713)	
Decrease in materials and supplies inventory	17,985	
Increase in prepaid items	(2,871)	
Decrease in accounts payable	(206,267)	
Decrease in contracts payable	(194,101)	
Increase in accrued wages payable	2,976	
Increase in compensated absences payable	19,761	
Decrease in due to other governments	(30,361)	
Total adjustments	1,048,149	
Net cash provided by (used for) operating activities	$863,304	($66,301)

Non-cash capital transactions
The Sewer Enterprise Fund received donated assets from developers and other funds with a fair market value of $1,409,930.

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
ALLEN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2006

	Investment Trust	Martha Mark Private Purpose Trust	Agency
Assets			
Equity in Pooled Cash and Cash Equivalents	$2,397,449	$12,609	$14,089,576
Cash and cash equivalents in segregated accounts		7,141	1,596,960
Accounts receivable			13,076,121
Due from other governments			4,926,923
Property tax receivable			77,859,490
Special assessments receivable			3,796,951
Total assets	2,397,449	19,750	115,346,021
Liabilities			
Due to other governments			90,466,006
Undistributed monies		19,750	24,869,818
Deposits held and due to others			10,197
Total liablities		$19,750	$115,346,021
Net Assets			
Held in trust for external pool participants	2,397,449		
Total net assets	$2,397,449		

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, 2006

	Investment Trust Funds	Martha Mark Private Purpose Trust
Additions		
Interest	$115,154	$33
Total Additions	115,154	$33
Deductions		
Distributions to participants	(113,825)	
Capital Transactions	(193,835)	
Total Deductions	(307,660)	
Change in Net Assets	(192,506)	33
Net assets beginning of year	2,589,955	19,717
Net assets end of year	$2,397,449	$19,750

See accompanying notes to the basic financial statements.

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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, certain operating expenses and capital assets. Based on the significant services and resources provided by the County to the Workshop and the Workshop's sole purpose of providing assistance to the retarded and handicapped adults of Allen County, the Workshop is reflected as a component unit of Allen County. Marimor Industries operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from Marimor Industries, 2450 Ada Road, Lima, Ohio 45801.

1. REPORTING ENTITY (Continued)

LODDI, Inc. LODDI, Inc. (Living Options for Developmentally Disabled Individuals) is a legally separate, non-profit organization served by a self-appointing board of trustees. 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 form the Allen County Board of MRDD and because MRDD assumes the responsibility for debts upon dissolution of LODDI, LODDI is reflected as a component unit of Allen County. LODDI operates on a fiscal year ending December 31. Separately issued financial statements can be obtained from LODDI, 2450 Ada Road, Lima, Ohio 45801.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Allen County have been prepared in conformity with generally accepted accounted 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 program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

2. Fund Financial Statements

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

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 - The 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 - The 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 – The 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 – The 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 – The fund accounts for revenue received from user charges for sewer services provided to residents of Allen County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

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

1. Revenues - Exchange and Nonexchange Transactions

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

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

2. Deferred Revenues

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

Property taxes for which there was an enforceable legal claim at December 31, 2006, but were levied to finance 2007 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Expenses/Expenditures

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

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. 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 level 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 certificated of estimated resources in effect at the time final appropriations were passed by the County Commissioners.

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

F. Cash and Investments

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During 2006, 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, 2006.

Interest earnings are allocated to County funds according to State statues, grant requirements, or debt related restrictions. Interest revenue credited to the General Fund during 2006 was $2,218,860, which includes $2,025,890 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, 2006, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Inventory

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

I. Restricted Assets

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

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

J. Unamortized Bond Issuance and Refunding Costs

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets

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

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

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

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

L. 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".

M. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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.

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

P. 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 monies, and budgetary reserve.

Q. 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 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.

R. Interfund Transactions

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

S. 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.

T. 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.

U. Receivables and Payables

Receivables and payables to be recorded on the County's financials 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 the receivables, collectibility.

Using these criteria, the County has reported receivables for the Clerk of Courts, and the Probate and Juvenile Courts as agency fund receivables. However, the County has elected not to record child support arrearages within the special revenue and agency funds. These amounts while potentially significant are not considered measurable, and because collections are often significantly in arrears, the County is unable to determine a reasonable value.

3. RESTATEMENT OF NET ASSETS

For 2006, the County is recording infrastructure assets (roads and bridges) for years prior to 2003. From 2003 to 2006, the County recorded current year additions only. Also, corrections were made to interfund receivable and payable transactions to reflect changes made due to audit adjustments. The restatement had the following effect on net assets for governmental activities as previously reported.

	Governmental Activities
Net Assets December 31, 2005	$59,815,640
Interfund Payables/Receivables	3,501
Capital Assets	23,897,920
Accumulated Depreciation	(9,151,499)
Adjusted Net Assets	$74,565,562

4. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual for the General Fund; Job and Family Services; Mental Retardation and Developmental Disabilities; 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).

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

Net Change in Fund Balance

	General	Job and Family Services	Mental Retardation and Developmental Disabilities	Children Services
GAAP Basis	($624,710)	($609,494)	$1,949,619	($1,930,230)
Increase (Decrease) Due To				
Revenue Accruals	(290,150)	103,161	(594,665)	26,860
Expenditure Accruals	184,265	151,581	66,099	188,799
Outside Cash	450			(21,933)
Materials and Supplies Inventory	(89,548)	(24,043)	2,172	1,925
Prepaid Items	(287,103)			(2,296)
Inception of Capital Lease	(79,623)			
Advances In	219,377			20,000
Advances Out	(150,000)			(20,000)
Encumbrances Outstanding at Year End (Budget Basis)	(299,085)	(2,711,678)		(1,092,942)
Budget Basis	($1,416,127)	($3,090,473)	$1,423,225	($2,829,817)

5. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At December 31, 2006, the Dog and Kennel, Job and Family Services, and Wireless Surcharge special revenue funds had deficit fund balances of $258,588, $360,478, and $11,099 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.

5. ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Compliance

The Job and Family Services, Child Support Enforcement Agency, and Community Development special revenue funds, the Early/Lutz Road and Eastown Road capital project funds and the Replacement and Improvement Fund, and Sanitary Engineer Administrative Facility enterprise funds had appropriations in excess of estimated resources plus available balances for the final budget for the year ended December 31, 2006, in the amount of $1,969,389, $750,401, and $857,985, $1,285,113 and $717,514, $72,355, and $1,374,666, respectively.

Actual resources were less than estimated resources in the Job and Family Services, Workforce Investment, Child Support Enforcement, Preschool special revenue funds and Early Lutz Road, Eastown Road Project, and Thayer Road capital project funds and the Wastewater Construction, American #2 Wastewater Treatment and Sanitary Engineer Administration Facility, enterprise funds in the amount of $4,145,783, $522,641, $1,769,007, $76,952, $60,161, $450,029, $3,175,000, $400,777, $7,614,061and $115,000, respectively and a reduced amended certificate was not obtained, nor were appropriations reduced.

The County continually monitors budgetary transactions to eliminate compliance errors.

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 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;

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. DEPOSITS AND INVESTMENTS (Continued)

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

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 no 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.

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.

6. DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2006, the County had $807,002 in cash on hand and $626,501 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 deposits was $7,434,964 and the County's bank balance was $10,319,967. Of the County's bank balance, $9,038,388 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 statue. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited wither 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.

B. Investments

As of December 31, 2006 the County had the following investments:

		Investment Maturities (in Years)			
	Fair Value	**less than 1**	**2**	**3**	**4 - 5**
Federal Home Loan Bank	$13,950,880	$3,990,860	$3,973,440	$1,994,380	$3,992,200
Federal Home Loan Mortgage Corporation	7,944,700	1,991,640	4,958,810	994,250	
Federal National Mortgage Association	12,919,400	2,976,880	1,470,780	4,984,080	$3,487,660
STAR Ohio	9,256,603	9,256,603			
Certificates of Deposits	3,550,000	3,550,000			
Total Investments	$47,621,583	$21,765,983	$10,403,030	$7,972,710	$7,479,860

C. 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.

D. Credit Risk

All federal 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 statue. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

6. DEPOSITS AND INVESTMENTS (Continued)

E. 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	$13,950,880	29.3%
Federal Home Loan Mortgage Corporation	7,944,700	16.7
Federal National Mortgage Association	12,919,400	27.1

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, 2006

Assets	
Equity in Pooled Cash and Cash Equivalents	$53,136,702
Accrued Interest Receivable	427,857
Restricted Assets	
Equity in Pooled Cash and Cash Equivalents	715,275
Total Assets	54,279,834
Net Assets Held in Trust for Pool Participants	
Internal Portion	51,882,385
External Portion	2,397,449
Total Net Assets Held in Trust for Pool Participants	$54,279,834

Statement of Changes in Net Assets
December 31, 2006

Revenues	
Interest	$ 2,858,554
Expenses	
Operating Expenses	
Net Increase in Assets Resulting from Operations	2,858,554
Distributions to Participants	(2,349,492)
Capital Transactions	321,463
Total Increase in Net Assets	830,525
Net Assets Beginning of Year	53,449,309
Net Assets End of Year	$54,279,834

7. INVESTMENT POOL (Continued)

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, $7,446,197 of the County's bank balance of $7,946,197 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 statue. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited wither 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.

A. Investments

As of December 31, 2006 the County had the following investments:

		Investment Maturities (in Years)			
	Fair Value	**Less than 1**	**2**	**3**	**4 – 5**
Federal Home Loan Bank	$13,950,880	$3,990,860	$3,973,440	$1,994,380	$3,992,200
Federal Home Loan Mortgage Corporation	7,944,700	1,991,640	4,958,810	994,250	
Federal National Mortgage Association	12,919,400	2,976,880	1,470,780	4,984,080	3,487,660
STAR Ohio	9,048,213	9,048,213			
Certificates of Deposits	3,500,000	3,500,000			
Total Investments	$47,363,193	$21,507,593	$10,403,030	$7,972,710	$7,479,860

B. 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 n 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.

C. 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 statue. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

D. 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.

7. INVESTMENT POOL (Continued)

	Fair Value	Percentage of Portfolio
Federal Home Loan Bank	$13,950,880	29.5%
Federal Home Loan Mortgage Corporation	7,944,700	16.8
Federal National Mortgage Association	12,919,400	27.3

8. RECEIVABLES

Receivables at December 31, 2006, 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.

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

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

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

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amount
Major Funds	
General Fund	
Local Government and Local Government Revenue Assistance	$ 969,476
Sheriff's Contracts	15,142
Detention Center Tuition and Treatment	8,016
Public Defender	115,635
Election Costs	47,140
Federal Breakfast and Lunch Program	3,912
Title VI-D	77,766
Other	16,326
Total General Fund	1,253,413
Job and Family Services	
Workforce Investment Act	214,440
Total Job and Family Services	214,440

(Continued)

8. RECEIVABLES (Continued)

Governmental Activities	Amount
Mental Retardation and Developmental Disabilities	
Title V	122
IDEA	88,037
Federal Breakfast and Lunch Program	2,659
Ohio Department of Education	500,275
Title XIX & XX	1,355,933
Other	103,678
Total Mental Retardation and Developmental Disabilities	2,050,704
Children Services	
OWF/PRC	280,000
Other	60,703
Total Children Services	340,703
Total Major Funds	3,859,260
Non-major Funds	
Motor Vehicle and Gas Tax	
Gas Tax	1,161,222
Motor Vehicle License Tax	1,547,311
Fines and Costs	204
Other	6,183
Dog and Kennel	
Fines and Costs	125
Children Services Enforcement Agency	
CSEA	21,260
Adult Probation	
Diversion	188,574
Pretrial Release	6,582
Thayer Road	
Roadwork Development Grant	474,399
Total Non-major Funds	3,405,860
Total Governmental Activities	7,265,120
Agency Funds	
Local Government and Local Government Revenue Assistance	2,657,024
Library Local Government	1,216,248
Gasoline Tax	575,101
Motor Vehicle License Tax	478,550
Total Agency Funds	4,926,923
Total Intergovernmental Receivables	$12,192,043

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 of Ohio then has five days in which to draw the warrant payable to the County.

9. PERMISSIVE SALES AND USE TAX (Continued)

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 2006. 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 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, 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 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2005, 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 receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after on the true value as of December 31, 2005. Tangible personal property is currently being phased out over a four year period and is currently assessed at 18.75 percent of true value.

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represents real property, public utility property, and tangible personal property taxes which were measurable as of December 31, 2006, 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 2006 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, 2006, was $8.70 per $1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

10. PROPERTY TAXES (Continued)

Real Property	$1,650,759,400
Public Utility Property	89,476,040
Tangible Personal Property	293,875,310
Total Assessed Value	$2,034,110,750

11. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006, was as follows:

	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006
Governmental Activities:				
Non-depreciable Capital Assets				
Land	$ 5,442,515			$5,442,515
Construction in Progress	5,016,400	$2,151,839	($5,016,400)	2,151,839
Total Non-depreciable Capital Assets	10,458,915	2,151,839	(5,016,400)	7,594,354
Depreciable Capital Assets				
Buildings	45,712,198	520,540		46,232,738
Machinery and Equipment	2,168,550	527,076	(34,125)	2,661,501
Licensed Vehicles	4,562,012	432,333	(110,268)	4,884,077
Office Furniture and Equipment	8,073,636	756,772	(148,845)	8,681,563
Roads	7,014,633	7,203,511	(166,147)	14,051,997
Bridges	21,724,234			21,724,234
Total Depreciable Capital Assets	89,255,263	9,440,232	(459,385)	98,236,110
Less Accumulated Depreciation for				
Buildings	(27,411,771)	(855,340)		(28,267,111)
Machinery and Equipment	(1,442,844)	(161,788)	10,965	(1,593,667)
Licensed Vehicles	(3,805,789)	(338,175)	29,331	(4,114,633)
Office Furniture and Equipment	(4,846,522)	(583,706)	82,671	(5,347,557)
Roads	(4,608,271)	(712,724)	122,289	(5,198,706)
Bridges	(4,794,089)	(440,864)		(5,234,953)
Total Accumulated Depreciation	(46,909,286)	(3,092,597)	245,256	(49,756,627)
Total Depreciable Capital Assets, Net	42,345,977	6,347,635	(214,129)	48,479,483
Governmental Activities Capital Assets, Net	$52,804,892	$8,499,474	($5,230,529)	$56,073,837

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

11. CAPITAL ASSETS (Continued)

	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006
Business-Type Activities:				
Non-depreciable Capital Assets				
Land	$ 51,219			$51,219
Construction in Progress	725,408		($725,408)	
Total Non-depreciable Capital Assets	776,627		(725,408)	51,219
Depreciable Capital Assets				
Machinery, Equipment, and Vehicles	1,512,140	$ 546,690	(56,197)	2,002,633
Building and Building Improvements		3,500,778		3,500,778
Infrastructure	45,424,976	1,893,171		47,318,147
Total Depreciable Capital Assets	46,937,116	5,940,639	(56,197)	52,821,558
Less Accumulated Depreciation for				
Machinery, Equipment, and Vehicles	(923,521)	(169,073)	52,772	(1,039,822)
Building and Building Improvements		(100,022)		(100,022)
Infrastructure	(17,782,553)	(1,260,085)		(19,042,638)
Total Accumulated Depreciation	(18,706,074)	(1,529,180)	52,772	(20,182,482)
Total Depreciable Capital Assets, Net	28,231,042	4,411,459	(3,425)	32,639,076
Business-Type Activities Capital Assets, Net	$29,007,669	$4,411,459	($728,833)	$32,690,295

Deprecation expense was charged to governmental functions as follows:

Governmental Activities	
General Government:	
Legislative and Executive	$ 475,390
Judicial	128,622
Public Safety	305,015
Public Works	1,516,864
Health	214,921
Human Services	47,956
Conservation and Recreation	403,829
Total Depreciation Expense - Governmental Activities	$3,092,597

12. INTERFUND RECEIVABLES/PAYABLES

Interfund balances at December 31, 2006, consisted of the following individual fund receivables and payables:

Due to General Fund from:	
Special Assessments Debt Retirement	$ 7,534
Other Governmental	354,458
Total General Fund	361,992
Due to Mental Retardation and Developmental Disabilities from:	
Job and Family Services	77,396
Due to Children Services from:	
Job and Family Services	279,990
Due to Other Governmental from:	
General Fund	1,650,500
Other Governmental	335,000
Total Other Governmental Funds	1,985,500
Due to Sewer from:	
Special Assessments Debt Retirement	95,376
Other Governmental	34,999
Total Sewer Fund	$130,375

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 2006, the County contracted for commercial insurances. There has been no significant reduction in insurance coverage from the prior year. Settled claims have not exceeded coverage in aggregate for the past three years.

B. Workers' Compensation

For 2006, the County participated in the County Commissioners Association of Ohio Workers' Compensation Group Rating Plan ("the Plan"), an insurance purchasing pool (see Note 24). The Plan is intended to achieve lower workers' compensation rates while establishing safer working conditions and environments for the participants. The worker's compensation experience of the participating counties is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays it workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

13. RISK MANAGEMENT (Continued)

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 contributions from or pays rate equalization rebates to the various participants. Participation in the Plan is limited to counties that can meet the Plans' selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the County pays an enrollment fee to the Plan to cover the costs of administering the program.

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

C. County Employee Benefits Consortium of Ohio, Inc.

In 2006, 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.

	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2005	$1,755	($1,755)	$0	$0
2006	0	0	0	0

14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The County had various outstanding contracts at December 31, 2006. The following amounts remain outstanding on these contracts.

Company	Project	Outstanding Balance
Tuttle Construction, Inc.	CSB Construction	$740,135
Allen Economic Development	AEDG 2007 Contract	223,212
Don Snyder Excavating	Perry High School – General	395,043
Rahrig Tree Co, Inc.	Ottawa River Project	349,000
Sidney Electric	CSB Construction	129,998
All Temp Refrigeration	CSB Construction	125,784
The Shelly Company	Eastown Road	228,867

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.

For the year ended December 31, 2006, members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9 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 2006 was 13.7 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 16.93 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

15. DEFINED BENEFIT PENSION PLANS (Continued)

The County's required contribution for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were $3,500,579, $3,527,007, and $3,263,506, respectively; 90 percent has been contributed for 2006 and 100 percent has been contributed for 2005 and 2004. The unpaid contribution for 2006, in the amount of $310,486, is recorded as a liability. Contributions to the member directed plan for 2006 were $33,041 made by the County and $50,295 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.

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, 2006, 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, 2006, 2005, and 2004 was $113,350 $115,171, and $109,221, respectively; 100 percent has been contributed for fiscal years 2006, 2005 and 2004.

16. POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

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

The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPB) as described in GASB Statement No. 12, "*Disclosure of Information on Postemployment Benefits* Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 employer contribution rate was 13.7 percent of covered payroll (16.93 percent for law enforcement and public safety); 4.5 percent was the portion used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.5 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 .5 to 6 percent annually for the next nine years and 4 percent annually after nine 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, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005 actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were $1,657,261. 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, 2005 (the latest information available), was $11.1 billion. The actuarial accrued liability and the unfunded actuarial accrued liability were $31.3 billion and $20.2 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004 will be effective January 1, 2007. In addition to the HCPP, 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, 2007, 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.

16. POST-EMPLOYMENT BENEFITS (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2006, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount was $8,719.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was $3.5 billion at June 30, 2006. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were $282,743,000, and STRS had 119,184 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.

18. NOTES PAYABLE

A summary of the note transactions for the year ended December 31, 2006 is as follows:

	Interest Rate	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006
Governmental Activities					
Bond Anticipation Notes					
General Obligation Notes					
West Side of Interstate 75	3.22	$791,500		$791,500	
East Side of Interstate 75	3.22	783,500		783,500	
Road Improvement (Eastown)	4.09	2,000,000	$2,000,000	2,000,000	$2,000,000
Ditch Equipment	4.03		125,000		125,000
Thayer Road			700,000		700,000
Total General Obligation Notes		3,575,000	2,825,000	3,575,000	2,825,000
Special Assessment Notes					
Bath Township Trustees	4.03	21,500	15,100	21,500	15,100
Bear Ditch	4.03	4,500		4,500	
Bellinger Ditch #1188	4.03	18,500	14,700	18,500	14,700
Dug Run Ditch #1151	4.03	52,000	23,200	52,000	23,200
Spencerville Ditch #1202	4.03	5,200	2,900	5,200	2,900
Tom Ahl Ditch #1203	4.03	9,000	5,400	9,000	5,400
Mayer Ditch #1205	4.03	11,000	8,200	11,000	8,200
Belmont Ditch #1218	4.03	45,500	34,500	45,500	34,500
Pike Run Ditch #1150	4.03	91,000	121,000	212,000	
Pike Run Ditch #1150	4.05		1,000,000		1,000,000

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

	Interest Rate	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006
Zimmerman Ditch #1219	4.03	48,000	44,200	48,000	44,200
Jennings Creek #1160	4.03	30,500	30,500	30,500	30,500
Village of Lafayette #1223	4.03	20,000	20,000	20,000	20,000
Flat Fork Ditch #1224	4.03	130,000	130,000	130,000	130,000
Earl Gaskill Ditch #1229	4.03	40,000	40,000	80,000	
Earl Gaskill Ditch #1229	4.05		220,000		220,000
Jeff Brown Ditch #1230	4.03	22,000	22,000	22,000	22,000
Early/Lutz Road Waterline	4.03	9,000	5,000	9,000	5,000
Berryman Waterline	4.03	5,700	2,900	5,700	2,900
Hamernik Ditch #1193	4.03	16,000	13,000	16,000	13,000
Findlay Road Phase II	4.03	505,000	505,000	505,000	505,000
Oakview Sewer Improvement	4.03	16,000	13,000	16,000	13,000
Perry Sewer	4.05		500,000		500,000
Jackson-Auglaize Sewer	4.05		500,000		500,000
Ottawa River #1239	4.05		550,000		550,000
Girl Scouts #1237	4.05		14,000		14,000
Airport #1217	4.05		20,000		20,000
Colucci #1243	4.05		30,000		30,000
Warrington #1236	4.05		25,000		25,000
Lammers #1235	4.05		40,000		40,000
Diane Baughman #1198	4.03		9,000		9,000
Moening #1231	4.03		10,000	10,000	
Moening #1231	4.05		46,000		46,000
James Dutton #1231	4.03		11,000		11,000
Total Special Assessment Notes		$1,100,400	$4,025,000	$1,271,400	$3,854,000

	Interest Rate	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006
Enterprise Activities					
American II Wastewater Treatment	4.03	$515,000	$165,000	$515,000	$165,000
Improvements for Overflow	4.03	2,100,000	2,100,000	2,100,000	2,100,000
Total Enterprise Activities		2,615,000	2,265,000	2,615,000	2,265,000
Total Bond Anticipation Notes		$7,290,400	$9,115,000	$7,461,400	$8,944,000

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

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

19. LONG-TERM OBLIGATIONS

The County's long-term obligations activity for the year ended December 31, 2006, was as follows:

Governmental Activities	Interest Rate	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006	Due within One Year
General Obligation Bonds						
2002 Court of Appeals	1.5 – 5.25					
(Original Amount $2,744,85)		$2,188,931	$0	$194,239	$1,994,692	$184,193
2002 County Justice Center	1.5 – 5.25					
(Original Amount $7,655,435)		6,104,951		541,736	5,563,215	513,715
2001 Downtown Parking	3.3 -5.0					
(Original Amount $1,310,000)		1,130,000		50,000	1,080,000	50,000
2001 Civic Center	3.3 – 5.0					
(Original Amount $4,230,000)		3,663,000		167,000	3,496,000	172,000
Total General Obligation Bonds		$13,086,882	$0	$952,975	$12,133,907	$919,908
Special Assessment Bonds						
2002 Project #17-700 / 17-800	1.50 - 5.25					
(Original Amount $380,000)		$250,000	$0	$45,000	$205,000	$50,000
2002 Waterline Improvement	1.50 - 5.25					
(Original Amount $450,000)		320,000	0	50,000	270,000	50,000
2002 Hixenbaugh/Copus/ Indianbrook	1.50 - 5.25					
(Original Amount $310,000)		205,000	0	30,000	175,000	30,000
2002 Project #17-400, 17-500, and 11-800	1.50 - 5.25					
(Original Amount $2,039,707)		826,118	0	424,027	402,091	402,092
2005 Ft. Shawnee Waterline Refund	3.0 – 5.0					
(Original Amount $1,892,400)		1,750,000	0	170,000	1,580,000	175,000
2002Findlay/Ada/Stewart Road	1.50 - 5.25					
(Original Amount $2,110,000)		1,860,000	0	90,000	1,770,000	95,000
2001 Allentown Road Sewer	3.3 – 5.0					
(Original Amount $865,000)		755,000	0	35,000	720,000	35,000
2001 East Road Waterline	3.3 – 5.0					
(Original Amount $50,000)		41,000	0	3,000	38,000	3,000
2001 Ottawa River Bend Waterline	3.3 – 5.0					
(Original Amount $95,000)		76,000	0	5,000	71,000	5,000
2005 Delmar/Glenn	3.0 – 5. 0					
(Original Amount $342,600)		342,600	0	6,600	336,000	11,600
2005 Trebor Drive Waterline	3.0 – 5. 0					
(Original Amount $11,000)		10,400	0	400	10,000	400
2005 Southwood Waterline	3.0 – 5. 0					
(Original Amount $71,000)		67,000	0	3,000	64,000	3,000
2005 Berryman Waterline	3.0 – 5. 0					
(Original Amount $133,000)		125,000	0	5,000	120,000	5,000
2005 Oakview Project	3.0 – 5. 0					
(Original Amount $805,000)		760,000	0	25,000	735,000	25,000
2005 Bond Premium		181,691		9,084	172,607	9,084
Total Special Assessment Bonds		$7,569,809	$0	$901,111	$6,668,698	$899,176

19. LONG-TERM OBLIGATIONS (Continued)

Governmental Activities	Interest Rate	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006	Due within One Year
Other Long-Term Obligations						
Compensated Absences Payable		$2,752,552	$120,262	$139,338	$2,733,476	$1,376,596
Airport Improvement Note	1%+TSR	154,000	0	154,000	0	0
Airport Improvement Note	4.26	0	435,000	0	435,000	29,000
Issue II Loan Payable-Phillips	0.00	103,138	0	7,367	95,771	3,684
Issue II Loan Payable-Second	0.00	174,465	0	9,431	165,034	4,715
OPWC Loan Payable- Eastown 1	0.00	995,670	0	49,784	945,886	24,892
OPWC Loan Payable- Eastown 2	0.00	0	135,232	0	135,232	3,381
OWDA Loan Payable -Lutz/Early	0.00	0	688,889	34,205	654,684	0
OWDA Loan Payable- 4th /Bowman	0.00	0	446,166	26,350	419,816	0
Capital Leases Payable		19,884	189,869	47,920	161,833	47,461
Total Other Long-Term Obligations		4,199,709	2,015,418	468,395	5,746,732	1,489,729
Total Governmental Activities		$24,856,400	$2,015,418	$2,322,481	$24,549,337	$3,308,813
Business-Type Activities						
Revenue Bonds						
2002 Sewer System (Original Amount $7,171,583)		$6,075,000	$0	$385,000	$5,690,000	$390,000
Bond Premium		17,536	0	1,349	16,187	1,349
Total Revenue Bonds		6,092,536	0	386,349	5,706,187	391,349
Other Long-Term Obligations						
Compensated Absences Payable		102,675	19,761	0	122,436	82,573
OWDA Loan Payable- American II	1.00	0	565,000	0	565,000	0
Issue II Loan- Shaw WWTP/Sew Re	0.00	220,631	0	20,552	200,079	10,276
Total Other Long-Term Obligations		323,306	584,761	20,552	887,515	92,849
Total Business-Type Activities		$6,415,842	$584,761	$406,901	$6,593,702	$484,198

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 County issued general obligation debt for $435,000 in December 2006, and will make the proceeds of such debt issuance available to the Allen County Regional Airport Authority for the purpose of constructing and installing improvements and refinancing outstanding Airport Improvement Bond Anticipation Notes dated September 25, 2002.

19. LONG-TERM OBLIGATIONS (Continued)

Allen County entered into a funding agreement with the Allen County Regional Airport Authority on December 12, 2006 in the amount of $435,000. Per the funding agreement, the Airport Authority has pledged its revenues to the repayment of the amounts borrowed by the County on its behalf. The note is payable over a period of 15 years at $29,000 annually, with a five-year fixed interest rate of 4.26%. At the end of the five years, this note will balloon and will need to be refinanced.

The Issue II loan reflected in the business-activities fund type will be paid from operating revenues of the sewer enterprise fund. The Issue II loans reflected in the governmental-activities fund type will be repaid from resources of governmental funds. During 2006, the County received the Issue II loan funds for a road construction with payments beginning July 1, 2007.

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 waterline bonds. The 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.

On November 1, 2002, the County issued $7,150,000 sewer system revenue bonds for a current refunding of $6,995,000 in sewer system revenue bonds. The callable bonds required a premium payment of $139,100 on the call date. The refunding bonds were issued at 99.22 percent for sixteen years with interest rates ranging from 1.5 percent to 5.25 percent to repay the original debt issued for the district, and are to be paid from the enterprise fund.

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

Restricted assets relating to the sewer revenue bonds consisted of the following at December 31, 2006:

Restricted assets held by the trustee for debt service	$626,501
Restricted assets held by the County for operations	556,918
Restricted assets held by the County for replacement and improvement	116,362
Restricted assets held by the County for future debt service	41,995

Compensated absences liabilities will be paid from the fund from which the employees' salaries are paid. Capital lease obligations ill 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, 2006 are an overall debt margin of $34,724,131 and an unvoted debt margin of $5,712,470.

19. LONG-TERM OBLIGATIONS (Continued)

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

	Issue II / OPWC Loans		General Obligation Bonds		Special Assessment Bonds	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2007	$36,672		$919,908	$512,734	$890,091	$275,720
2008	73,345		987,000	488,553	498,000	247,548
2009	73,345		1,016,000	457,087	519,000	232,264
2010	73,343		1,066,000	422,688	534,000	214,559
2011	73,343		1,096,000	384,651	494,000	192,140
2012-2016	366,710		5,165,999	1,165,602	1,899,000	640,719
2017-2021	355,660		1,883,000	285,805	1,392,000	251,983
2022-2026	286,124				270,000	22,525
2027	3,381					
	$1,341,923	$0	$12,133,907	$3,717,120	$6,496,091	$2,077,458

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

	Issue II Loans		Mortgage Revenue Bonds	
Year	**Principal**	**Interest**	**Principal**	**Interest**
2007	$ 10,270		$ 390,000	$ 226,793
2008	20,551		400,000	216,457
2009	20,551		410,000	204,457
2010	20,551		425,000	191,337
2011	20,551		440,000	176,888
2012-2016	97,521		2,465,000	614,923
2017	10,084		1,160,000	76,781
	$200,079	$0	$5,690,000	$1,707,636

The Governmental Activities OWDA loans had not been fully received as of December 31, 2006, and amortization schedules will not be available until the loan is fully disbursed. The Business Type Activities OWDA American II loan has been rolled into a construction loan and will be amortized with that loan when fully disbursed.

A. Conduit Debt

In 1998 and 1994, the County issued Health Care Facilities Revenue Bonds in the amounts of $2,865,000 and $3,145,000, respectively for the Lima Convalescent Home.

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

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

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, 2006 the aggregate principal amount payable on these bonds is $19,599,748.

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 $166,850. 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 2006 were $47,920 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, 2006.

Year	Governmental Activities
2007	$ 56,580
2008	53,350
2009	50,323
2010	15,170
2011	5,256
Total	180,679
Less Amount Representing Interest	(18,846)
Present Value of Net Minimum Lease Payments	$161,833

21. INTERFUND TRANSFERS

During 2006 the following transfers were made:

Fund	Transfer In	Transfer Out
Governmental Funds:		
General Fund	$ 444,451	$ 924,725
Other Governmental Funds	1,080,623	484,661
Business Type Activities		115,688
Total Transfers	$1,525,074	$1,525,074

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

22. JOINT 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 23D). As of December 31, 2006 this lease has 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 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.

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 2006, the County paid membership fees of $75,931. 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 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.

23. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The Judicial Corrections Board of the WORTH Center consists of ten judges of the eight member counties who are appointed by the presiding judge of the court of common pleas of Allen County. The County has entered into a sublease with the Department of Rehabilitation and Correction which stipulates that the WORTH Center building constructed by the Ohio Building Authority will revert to the County's ownership after 20 years from the start of the WORTH Center project.

The County does not contribute to the Center nor does it anticipate doing so in the future. Complete financial statements can be obtained from the WORTH Center, Allen County, Ohio.

D. Lima-Allen County Joint Parking Commission

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

24. INSURANCE POOLS (Continued)

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.

25. MARIMOR INDUSTRIES

A. Summary of Significant Accounting Policies

1. Reporting Entity

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

2. Basis of Presentation

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

B. Deposits and Investments

At year end, the carrying amount of deposits was $606,562. Based on the criteria described in GASB Statement No. 40, *"Deposits and Investment Risk Disclosures"*, $313,200 of the bank balance of $613,200 was exposed to custodial risk. Investments at year end consist of mutual funds carried at market value.

C. Capital Assets

The Industries had capital assets equipment, in the amount of $605,774, as of December 31, 2006. Accumulated depreciation was $520,241, with a net capital asset amount of $85,533. Depreciation is computed using the straight-line method over a useful life of three to seven years.

26. LODDI

A. Summary of Significant Accounting Policies

1. Reporting Entity

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

26. LODDI (Continued)

2. Basis of Presentation

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

B. Deposits and Investments

At year end, the carrying amount of LODDI deposits was $13,475. 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

LODDI had capital assets of land and buildings, in the amounts of $105,365 and $806,878, respectively, as of December 31, 2006. Accumulated depreciation was $190,216, with a net capital asset amount of $722,027. Depreciation is computed using the straight-line method over a useful life of forty years.

D. Long-Term Obligations

	Interest Rate	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006	Due Within One Year
Mortgage Notes Payable	6.0-9.25%	$146,541	$33,750	$31,487	$148,804	$30,185

27. THE PORT AUTHORITY OF ALLEN COUNTY

A. Summary of Significant Accounting Policies

1. 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 $874,080. These amounts are classified as “Cash and Cash Equivalents and Investments in Segregated Accounts” on the balance sheet. There are no statutory guidelines regarding the deposit of funds by the not-for-profit corporations.

C. Capital Assets

The Port Authority had capital assets in the amounts of $829,805 as of December 31, 2006.

27. THE PORT AUTHORITY OF ALLEN COUNTY (Continued)

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. These loans are at zero percent interest and are due to be paid back when certain properties are sold by the Port Authority.

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 2006, the contribution to Marimor Industries for salaries, retirement, employee benefits, worker's compensation, repairs, supplies, equipment, Medicare, and other expenses was $3,040,515.

29. CONTINGENT LIABILITIES

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

Several claims and lawsuits are pending against the County. In the opinion of the Prosecuting Attorney, any potential claims or liabilities from these lawsuits would not have a material adverse effect on the financial statements.

30. SUBSEQUENT EVENTS

On March 22, 2007 the County authorized the issuance of $755,000 of Various Purpose Bond Anticipation Notes (Sewer and Ditch Projects), Series 2007l.

On May 17, 2007 the County issued conduit debt on behalf of Lima Convalescent Home Foundation Inc. of $2,870,000 Health Care facilities revenue bonds, series 2007.

On May 3, 2007 the County authorized the issuance of $1,925,000 of Road Improvement Bond Anticipation Notes for the purpose of providing funds to refund notes originally issued to pay the cost of widening Eastown Road Phase 1.

On October 16, 2007 the County authorized the issuance of $5,000,000 of various purpose Bond Anticipation Notes, Series 2007, for a combination of sewer and ditch projects.

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

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture				
Passed Through Ohio Department of Agriculture				
Nutrition Cluster				
School Breakfast Program				
Marimor School	065821-05-PU	10.553	$15,959	
Detention Center	069971-05-PU	10.553	18,463	
Total National School Breakfast Program			34,422	
National School Lunch Program				
Marimor School	065821-LL-P4	10.555	24,396	
Detention Center	069971-LL-P4		28,635	
Total National School Lunch Program			53,031	
Total Nutrition Cluster			87,453	
Food Donation Program				
Marimor School	N/A	10.550		$8,175
Detention Center	N/A			4,234
Total Food Donation Program				12,409
Fresh Fruits and Vegetable Program	N/A	10.582	814	
Total U.S. Department of Agriculture			88,267	12,409
U.S. Department of Education				
Passed Through Ohio Department of Education				
Special Education Cluster:				
Special Education Grants to States (IDEA Part B)	065821-6B-SF-07P	84.027	36,093	
	065821-6B-SD-06P		71,955	
Total Special Education Grants to States (IDEA Part B)			108,048	
Special Education-Preschool Disabilities (IDEA Part B)	065821-PGS1-07-P	84.173	16,382	
	065821-PGS1-06-P		20,110	
Total Special Education-Preschool Grants			36,492	
Total Special Education Cluster			144,540	
State Grants for Innovative Programs	065821-C2S1-2006	84.298	287	
Total U.S. Department of Education			144,827	
U.S. Department of Homeland Security				
Passed Through Ohio Emergency Management Agency				
State Homeland Security Program (FY 2005)	2005-GE-T5-0001	97.067	260,786	
Total Homeland Security Program			260,786	
State Homeland Security Program (FY2004)	2004-GE-T4-0025	97.004	14,637	
State Domestic Preparedness Equipment Support Program	2003-MUP-30015		26,303	
Total State Domestic Preparedness Equipment Support			40,940	
Emergency Management Performance Grant	2006-EME-60042	97.042	52,992	
Buffer Zone Protection Plan (FY 2005)	2005-GR-T5-0012	97.078	47,966	
Total U.S. Department of Homeland Security			402,684	

FINANCIAL CONDITION
ALLEN COUNTY

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

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. Department of Health and Human Services				
Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:				
State Children's Insurance Program				
CAFS	N/A	93.767	13	
Targeted Case Management			3,457	
Total State Children's Insurance Program			3,470	
Social Services Block Grant - Title XX	N/A	93.667	81,534	
Medical Assistance Program - Title XIX: CAFS	N/A	93.778	742	
Medical Assistance Program-Title XIX: TCM	N/A		611,240	
Medical Assistance Program-Title XIX: Waiver Administration	N/A		939,709	
Total Medical Assistance Programs			1,551,691	
Passed through Ohio Department of Job and Family Services				
Promoting Safe and Stable Families	N/A	93.556	65,650	
Access and Visitation Programs	N/A	93.597	8,223	
Chaffee Foster Care Independence Program	N/A	93.674	13,130	
Total U.S. Department of Health and Human Services			1,723,698	
U.S. Department of Labor				
Passed through Workforce Investment Act, Area 7				
Workforce Investment Act Adult Program	N/A	17.258	464,631	
Workforce Investment Act Adult Administrative	N/A		37,934	
Workforce Investment Act Adult Total			502,565	
Workforce Investment Act Youth Activities	N/A	17.259	296,356	
Workforce Investment Act Youth Administrative	N/A		3,823	
Workforce Investment Act Youth Total			300,179	
Workforce Investment Act Dislocated Workers	N/A	17.260	176,028	
Workforce Investment Act Dislocated Workers Administive	N/A		12,341	
Workforce Investment Act Dislocated Workers Total			188,369	
Total U.S. Department of Labor			991,113	
U.S. Department of Justice				
Passed Through Ohio Department of Criminal Justice				
Byrne Formula Grant Program - Narcotics Task Force	2005-JG-A01-6409	16.738	46,802	
Byrne Formula Grant Program - Sex Offender Risk Reduction	2005-JG-D01-6437		128,437	
Total Edward Byrne Memorial Justice Assistance			175,239	
Title V Delinquency Prevention Program	2005-JV-T50-5105	16.548	33,273	
Juvenile Accountability Incentive Block Grant	2005-JB-015-A099	16.523	12,730	
Total U.S. Department of Justice			221,242	

FINANCIAL CONDITION
ALLEN COUNTY

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

Federal Grantor/Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. Department of Transportation				
National Highway Traffic Safety Administration,				
Passed Through Ohio Department of Public Safety				
State and Community Highway Safety				
Highway Visability Enforcement	HVEO-2007-2-00-00-00441-0	20.600	1,325	
State and Community Highway Safety - Young Safe Drivers	LEO-2006-2-00-00-044-2		50,185	
Total State and Community Highway Safety			51,510	
Federal Highway Administration				
Passed Through Ohio Department of Transportation				
Highway Planning and Construction (Eastown Road)		20.205	369,600	
Total U.S. Department of Transportation			421,110	
U.S. Department of Housing and Urban Development				
Passed Through Ohio Department of Development				
Community Development Block Grant-Entitlement Grants				
Formula Allocation Program FY05	B-F-05-002-1	14.228	186,891	
Formula Allocation Program FY04	B-F-04-002-1		193,213	
Total Formula Allocation Programs			380,104	
Home Community Housing Improvement Program	B-C-04-002-1	14.228	85,444	
Small Cities CDBG (Fourth Street Sewer Improvement)	B-W-03-002-1	14.228	218,210	
Small Cities CDBG (Early Lutz Sewer Improvement)	B-W-04-002-1		558,163	
Delmar-Glenn Sewer Improvement	B-W-02-002-1		731	
Total Small Cities Program			777,104	
Total Community Development Block Grants			1,242,652	
Home Investment Partnership Program	B-C-04-002-2	14.239	248,642	
Total U.S. Department of Housing and Urban Development			1,491,294	
U.S. GENERAL SERVICES ADMINISTRATION ON BEHALF OF ELECTION ASSISTANCE COMMISSION				
Passed through the Ohio Secretary of State				
Voter Education and Poll Worker Training Grant	05-SOS-HAVA-02	39.011	25,661	
Total Federal Elections Commission			25,661	
Total Federal Financial Assistance			$5,509,896	$12,409

See accompanying notes to the schedule of federal awards expenditures.

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

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 disbursements; consequently, 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 and expenditures. The loan receivable activity and cash balances available for rehabilitation loans under the revolving loan program for 2006 are as follows:

Rehabilitation Loans	Loans Receivable	Cash Balance
Beginning Balance	$111,822	$28,820
Loan Principal Receipts	(20,902)	20,902
Loan Interest Repayment Receipts		2,721
Interest on Bank Account		262
Advances		(7,655)
Grant Disbursements		(7,021)
Ending Balance	$90,920	$38,029

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 2006 activity is as follows:

Small Business Revolving Loans	Loans Receivable	Cash Balance
Beginning Balance	$450,567	$384,765
Loan Repayment Receipts	(74,450)	74,450
Loan Interest Repayment Receipts		22,765
Loan Fee/Application Receipts		894
Interest on Bank Account		1,521
Grant Disbursements		(8,500)
Loan Disbursements	298,292	(298,292)
Administration		(19,052)
Ending Balances	$674,409	$158,551

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006
(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, Children 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 # 93.667	Social Services Block Grant Title XX
CFDA # 93.767	State Children’s Insurance Fund
CFDA # 93.775/.777/.778	Medicaid Cluster

NOTE 7 - 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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Mary Taylor, CPA
Auditor of State

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

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, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 19, 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 Marimor and LODDI, Inc., as described in our opinion on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported. 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.*

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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Internal Control Over Financial Reporting
(Continued)

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2006-001.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above, as finding 2006-001, to be a material weakness.

We also noted certain internal control matters that we reported to the County's management in a separate letter dated November 19, 2007.

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 as item 2006-002 and 2006-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated November 19, 2007.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 19, 2007

Mary Taylor, CPA
Auditor of State

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 each of its major federal programs for the year ended December 31, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2006. In a separate letter to the County's management we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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Internal Control Over Compliance
(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as finding 2006-004 to be a significant deficiency.

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

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

We 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 19, 2007

FINANCIAL CONDITION
ALLEN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2006

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA #93.778: Medical Assistance Program – Title XIX (CAFS) CFDA #14.228: Community Development Block Grant CFDA #97.067: State Homeland Security Program
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2006-001

Material Weakness

GAAP Conversion and Trial Balance Problems

Presentation of basic financial statements is designed to provide an accurate accounting of the financial condition of the entity to the public. Part of the underlying support for basic financial statements is the trial balances. The trial balances are used as a tool to reverse out prior year-end accruals and deferrals, to record the current year's cash activity, and to add in the current year-end accruals and deferrals to the respective line items. To accurately present the current year basic financial statements the reversing, cash transaction, adjusting entries, and prior year-end fund balance must be accurate and be recorded to the correct balance sheet or income/operating statement line item. Combined trial balances should be supported by the individual fund trial balances. In addition, reconciliations between governmental and fund financial statements should be supported. During the audit of the basic financial statements and the trial balances the following problems were noted:

- The preparation of the budget versus actual (BVA) statements are utilized as a process to document all cash transactions, including cash balances, which are linked or rolled over into the cash column of the trial balances. The accuracy of the BVA cash amounts is vital to the accuracy of the cash amounts presented on the trial balances and the subsequent accrual entries in order to provide an accurate compilation. Many of the BVA statements were inaccurate and required several revisions to obtain reasonably accurate BVA statements.

- The beginning balances did not agree to the prior year ending balance in the Sewer District Full accrual trial balance, or the Investment Trust Fund.

- The fund financial statements presented in the client's compilation did not agree to the trial balances due to exclusion of the Thayer Road fund in the compilation report,

- The combining trial balances for Other Governmental Funds were not accurate due to exclusion of the Wireless Surcharge fund and Buffer Zone Protection fund,

- Unexplained variances were noted in the reconciliations between the entity-wide and fund financial statements.

- Operating losses on the Statement of Cash Flows for the Sewer District Fund and the Internal Service Fund were incorrect in the compilation report. As a result, errors were made in the reconciling items because the operating losses were presented as $554,339 and $63,568, respectively, when actual operating losses per the operating statement were $184,845 and $66,301 respectively.

- Errors were made in recording accruals to the trial balances for capital assets, depreciation, contracts payable, sales tax receivable, and intergovernmental receivable, which resulted in several audit adjustments.

- Adjustments to the trial balances resulted in a 294 percent increase in Governmental Activities Net Assets from $1,056,936 to $3,109,182 on the financial statements.

FINDING NUMBER 2006-001
(Continued)

Lack of effective oversight of the financial reporting and internal control process by those charged with governance resulted in material misstatements in the basic financial statements that were not initially identified by internal controls. In addition, the determination and rectification of these discrepancies by audit staff results in additional audit time and costs.

During the process of accumulating data in preparation of the trial balances and compilation of basic financial statements, the information should be reviewed for accuracy and completeness. In addition, management should review the compilation to verify the accuracy and completeness of the financial statements and note disclosures, the trial balances, and supporting work papers.

Officials' Response

The County relies on many outside departments and agencies to provide accurate information to ensure the financial statements are materially correct. These are presumed to be materially correct (and we change those that we identify as not correct) and it is the state auditor's responsibility to audit the numbers. There are thousands of entries made by the county in the compilation of the financial statements and some adjustments are expected in a conversion of this size. The finding indicates that there were three funds that were omitted on the trial balances and the financial statement while the county has 475 separate funds, some of which should not be reported. Other reclassifications were made by the auditors when the county believed that the current classification was correct. We take our financial statements very seriously as evidenced by the fact that we continue to file the GAAP reports required instead of modified cash statements prepared under an OCBOA.

FINDING NUMBER 2006-002

Noncompliance - Amended Certificates

Ohio Rev. Code Section 5705.36(A)(2) allows, all subdivisions to 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.

Ohio Rev. Code Section 5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend the excess revenue.

Ohio Rev. Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

During 2006, 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)	13,269,082	9,123,299	(4,145,783)	45.4
2012 (CSEA)	4,084,900	2,315,893	(1,769,007)	76.4
2066 (Workforce Investment Act)	1,373,478	850,837	(522,641)	61.4
2460 & 2469 (Preschool)	235,827	158,875	(76,952)	48.4
4400 (Early/Lutz Road DPA)	479,699	419,538	(60,161)	14.3
4708 (Eastown Road Project)	2,961,883	2,511,854	(450,029)	17.9
4709 (Thayer Road)	4,075,000	900,000	(3,175,000)	352.8
5405 (Wastewater CIP)	576,951	176,174	(400,777)	227.5
5406 (American #2 WWTP)	8,539,200	925,139	(7,614,061)	823.0
5409 (S.E. Admin. Facility)	1,158,628	1,043,628	(115,000)	11.0

FINDING NUMBER 2006-002
(Continued

Appropriations were greater than actual resources for several funds noted above. 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

The state reviewed the letters I 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 without reducing expenditures. The county will continue to review budgetary transactions throughout the year and discuss the issues with the departments as we always have. We have 475 funds and these ten are the only significant ones that do not fully comply.

FINDING NUMBER 2006-003

Noncompliance - Appropriations in Excess of Estimated Resources

Ohio Rev. Code Section 5705.39 states, in part, that the total appropriation from each fund shall not exceed the total estimated resources.

Noncompliance was noted at December 31, 2006 for the following funds:

Fund	Total Estimated Resources	Total Appropriations	Variance (Total Estimated Resources vs Appropriations)	Percent Variance
2006 and 2066 (Job and Family Services)	$14,642,560	$16,611,949	($1,969,389)	13.4
5435 (Replace and Improvement Fund)	523,169	595,524	(72,355)	13.8
5409 (Sanitary Engineer Facility)	1,158,628	2,533,294	(1,374,666)	118.6
2012 (Child Support Enforcement Agency)	4,084,900	4,835,301	(750,401)	18.4
2414 (Community Development)	1,040,306	1,898,281	(857,975)	82.5
4400 (Early/Lutz Road DPA)	479,699	1,764,812	(1,285,113)	267.9
4708 (Eastown Road Project)	2,961,883	3,679,397	(717,514)	24.2

A periodic compliance review should be made to prevent appropriations from exceeding estimated resources.

Officials' Response

The county monitors appropriations throughout the year and this citation occurred in seven out of over 400 funds. These problems occurred in large state funds accounted for on a state fiscal year and in large capital project funds which had encumbrances which prevented the county from decreasing appropriations. We track compliance throughout the calendar year and some departments do not make the necessary changes. We will continue to monitor this monthly.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2006-004

Significant Deficiency - Federal Schedule

OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organization*, requires federal recipients and sub-recipients to identify in their accounts all federal awards received and expended, as well as the federal program under which they were granted. The accounts utilized by the County do not differentiate federal fund receipts and/or disbursements from other local receipts and/or disbursements, in all instances. In assessing the appropriateness and completeness of the County's identification of federal programs, it must be determined whether the required reports for federal awards include all activity of the reporting period which are supported by applicable accounting records, and are fairly presented in accordance with program requirements.

In addition, OMB Circular A-133, Subpart C, Section 300(d), states that the County shall prepare appropriate financial statements, including the schedule of federal awards expenditures for the period covered by the County's financial statements. The Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through agency.

Discrepancies were noted in the Schedule of Federal Award Expenditures upon confirmation to supporting ledgers and grant documentation. When comparing the schedule as presented and the amounts based on the Auditor of State's assessment of completeness, the following differences were noted by Federal grantor:

Federal Grantor	Amount Recorded as Federal Award Expenditures	Final Amount Disclosed as Federal Award Expenditures	Variance	Percentage Variance
U.S. Department of Agriculture	$96,796	$100,676	$3,880	4%
U.S. Department of Education	144,840	144,827	(13)	0%
U.S. Department of Homeland Security	372,777	402,684	29,907	8%
U.S. Department of Health and Human Services	1,900,181	1,723,698	(176,483)	(9.3%)
U.S. Department of Labor	994,036	991,113	(2,923)	(.3%)
U.S. Department of Justice	221,012	221,242	230	0%
U.S. Department of Transportation	635,600	421,110	(214,490)	(33.7%)
U.S. Department of Housing and Urban Development	1,544,361	1,491,294	(53,067)	(3.4%)
U.S. General Services Administration on Behalf of Election Assistance	51,185	25,661	(25,524)	(49%)
Total	$5,960,788	$5,522,305	($438,483)	7.4%

The accounting system has a process in place to differentiate federal program revenue from state and local revenue. The County has designated object 03 as a federal receipt code however, it was not always utilized. The following errors were noted in posting of federal revenue:

- The National School Lunch and Breakfast Program for the Detention Center (Fund 1001); grants were posted as intergovernmental revenue, but not coded as federal;

- The Medical Assistance Program (CAFS), Targeted Case Management (TCM), State Children's Insurance Program (SCHIP), National School Lunch/Breakfast Programs, Social Support Block Grant and the Waiver Administration for Marimor (Fund 2018); grants were posted as intergovernmental revenue, but not coded as federal;

FINDING NUMBER 2006-004
(Continued)

- Federal Emergency Management Agency Grant (FEMA Fund 2094) state/administrative match money was posted as federal revenue;

- Workforce Investment Grant (WIA) (Fund 2066) and a portion of the Juvenile Accountability Incentive Block Grant (Fund 2861) were posted as other revenue. Further, revenue was not broken down by program (Administration, Adult, Dislocated Worker and Youth) for the WIA grant;

- Byrne Formula Grant Program – Sex Offender Risk Reduction Grant (Fund 2809) was posted as intergovernmental revenue.

- Children Service Fund (2019), Homestead and Rollback, Adopt Ohio Grant, Post Adoptive Special State Subsidy (PASSS), and the State Child Protective Allocation (SCPA) was posted as federal money instead of state grant money.

A review should be performed on intergovernmental revenues to determine whether it has been properly classified as federal or state/local. Separate accounts should be established for any accounts which commingle those revenues. Further, the WIA Grant should be classified as federal revenue, and individual accounts should be established for each program (Administration, Adult, Dislocated Worker and Youth).

Also, the accounting system did not have a process in place to differentiate federal program expenditures. It is difficult to compare receipt and expenditures for a department or for a specific project and identify federal transactions. The lack of a proper identification of federal transactions in the accounting records could result in significant misstatements on the schedule of federal award expenditures and could also result in the loss of federal funding.

The accounting system should be evaluated and a process devised to accommodate the required federal reporting by departments, and the necessary changes made to enable the proper and complete identification of all federal transactions by grant/program. Annually, each department should prepare a worksheet listing all federal grant activity for the year which should include the grant name, grantor, pass-through number/project number, Catalog of Federal Domestic Assistance (CFDA) number, grant award amount, beginning grant cash balance, federal receipts and expenditures for the year, the ending grant cash balance, and the fund/account where the grant activity was posted on the County's accounting ledgers. The worksheet should be signed by the person preparing it and signed by the department head who reviewed the worksheet.

Supporting documentation such as the grant award letter or grant agreement should be attached. The completed departmental worksheets should be agreed to the County Auditor's receipt and expenditure ledgers. A federal revenue and expenditure report should be prepared from the County's accounting system and compared to the amounts posted on the Schedule of Federal Awards Expenditures.

Officials' Response

Most material federal revenues were posted to the accounting records using the federal account code with the exception of a few accounts which the county clearly knows are federal revenues without the code. In the case of the MRDD funds, we know they are federal revenues without the federal code as well. We will work on clarifying some other accounts to reduce the risk of misclassification. We will continue to work with the various county departments and encourage them to provide the county with sufficient information to code transactions. There was no federal money that was illegally expended.

FINANCIAL CONDITION
ALLEN COUNTY

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

Finding Number	**Finding Summary**	**Fully Corrected?**	**Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; *Explain*:**
2003-001	Finding for Recovery (Former County Dog Warden)	Partially	The former Dog Warden continues to make payments, and the balance remaining at October 30, 2007 was $5,427.50.
2005-001	Ohio Rev. Code Section 5705.36; Amended Certificates of Estimated Resources	No	Repeated as Finding 2006-002
2005-002	Ohio Rev. Code Section 117.38 – filing annual financial report within 150 days of year-end.	Partially	Report was filed, however, significant audit adjustments were required to accurately present the financial activity. See Finding 2006-001.
2005-003	28 CFR, Subpart C, Section 70.28 – Homeland Security Grant program expenditures no obligated prior to the end of the funding period.	Yes	

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
DECEMBER 13, 2007

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