

**Lima-Allen County
Regional Planning Commission**

Audited Financial Statements

June 30, 2005



**Auditor of State
Betty Montgomery**

Commission Members
Lima-Allen County Regional Planning Commission
130 West North Street
Lima, Ohio 45801

We have reviewed the *Independent Auditor's Report* of the Lima-Allen County Regional Planning Commission, Allen County, prepared by Rea & Associates, Inc. for the audit period July 1, 2003 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lima-Allen County Regional Planning Commission is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 28, 2006

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LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION

FINANCIAL STATEMENTS

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We're Ready For Your Future

November 3, 2005

Commission Members
Lima-Allen County Regional Planning Commission
Lima, Ohio

Independent Auditor's Opinion

We have audited the accompanying financial statements of the business-type activities of the Lima-Allen County Regional Planning Commission (the Commission) as of and for the years ended June 30, 2005 and 2004, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Lima-Allen County Regional Planning Commission, as of June 30, 2005 and 2004, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 10, during the fiscal years ended June 30, 2005 and 2004, the Commission implemented a new financial reporting model, as required by provisions of Governmental Accounting Standard's Board (GASB) Statement No. 34, "Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Omnibus" and GASB No. 38, "Certain Financial Statement Note Disclosure".

In accordance with "Government Auditing Standards," we have also issued our report dated November 3, 2005, on our consideration of the Commission of Lima'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Audit Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 2 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Rea & Associates, Inc.

LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY
Management Discussion and Analysis
For the Years Ended June 30, 2005 and 2004
(Unaudited)

The discussion and analysis of Lima-Allen County Regional Planning Commission's (the Commission) financial statements provides an overview of the Commission's activities for the two years ending June 30, 2005 and 2004. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. The discussion and analysis contains financial activities of the Commission.

Financial Highlights

Key financial highlights for fiscal year ended June 30, 2005 and 2004 are as follows:

At the end of fiscal year 2005, the Commission's total net assets increased \$57,581 over fiscal year 2004 representing a 22.6% increase. This increase was due to the Commission investing in Capital Assets and substantially reducing Long-Term Liabilities.

In fiscal year 2004, the Commission's total net assets decreased by \$31,487. This decrease was due to additional services provided by the Commission to local subdivisions.

In fiscal year 2005, Total Assets increased by \$49,677 from fiscal year 2004. This increase was due to both an increase in Capital Assets and Current Assets.

In fiscal year 2004, Total Assets decreased \$59,792 from 2003. This decrease was due to a quicker turn around on accounts receivable and a decrease in capital assets

In fiscal year 2005, liabilities decreased \$7,904 from 2004. This decrease was due to a decrease in Long-Term Liabilities as a result of paying off mortgage payable.

In fiscal year 2004, liabilities decreased \$28,304 from 2003. This decrease was due to a decrease in Long-Term Liabilities as a result of paying off capital leases and mortgage payable.

Using the Basic Financial Statements

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Commission as a financial whole, an entire operating entity.

LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY
Management Discussion and Analysis
For the Years Ended June 30, 2005 and 2004
(Unaudited)

Statement of Net Assets

The Statements of Net Assets examines how well the Commission has performed financially from inception through June 30, 2005 and 2004. This statement includes all assets, liabilities and net asset balances using the accrual basis of accounting, which is the accounting method used by most private-sector companies. This form of accounting takes into account all revenues earned and expenses incurred during the 12-month period, regardless as to when the cash is received or expended.

The following schedule provides a summary of the Commission's Statement of Net Assets for fiscal years ended June 30, 2005, 2004, and 2003.

Table 1
Net Assets

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Assets:			
Current Assets	\$197,802	\$176,054	\$200,541
Capital Assets	<u>391,337</u>	<u>363,408</u>	<u>398,713</u>
Total Assets	<u>589,139</u>	<u>539,462</u>	<u>599,254</u>
Liabilities:			
Current Liabilities	108,537	103,619	109,201
Long-Term Liabilities	<u>168,393</u>	<u>181,215</u>	<u>203,937</u>
Total Liabilities	<u>276,930</u>	<u>284,834</u>	<u>313,138</u>
Net-Assets:			
Unrestricted	<u>312,209</u>	<u>254,628</u>	<u>286,116</u>
Total Net Assets	<u>\$312,209</u>	<u>\$254,628</u>	<u>\$286,116</u>

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets report operating and non-operating activities for the fiscal years ended June 30, 2005 and 2004.

The following schedule provides a summary of the Commission's Statement of Revenues, Expenses and Changes in Net Assets for fiscal years ended June 30, 2005, 2004 and 2003.

LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY
Management Discussion and Analysis
For the Years Ended June 30, 2005 and 2004
(Unaudited)

Table 2
Revenues, Expenses and Changes in Net Assets

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Revenues:			
Federal	\$426,183	\$430,796	\$338,830
State	109,638	109,324	209,741
Local Governments	124,225	118,867	146,210
Other	<u>148,724</u>	<u>79,377</u>	<u>93,478</u>
Total Revenues	<u>808,770</u>	<u>738,364</u>	<u>788,259</u>
Expenses:			
Direct Labor	276,281	258,389	260,571
Other Direct Expenses	94,516	148,867	126,786
Indirect Expenses	<u>380,392</u>	<u>362,595</u>	<u>340,057</u>
Total Expenses	<u>751,189</u>	<u>769,851</u>	<u>727,414</u>
Operating Income/(Loss)	57,581	(31,487)	60,845
Net Assets at Beginning of Year	<u>254,628</u>	<u>286,115</u>	<u>225,270</u>
Net Assets at End of Year	<u>\$312,209</u>	<u>\$254,628</u>	<u>\$286,115</u>

State funds decreased significantly (\$90,417) from fiscal year 2003 to fiscal year 2004 coupled with an additional \$27,343 decrease in local government funds. Local government funds decreased substantially in fiscal year 2004. The increase in Other Revenues in fiscal year 2005 from fiscal year 2004 was a one-time event due to assistance provided to other agencies.

Current Financial Issues

The Lima-Allen County Regional Planning Commission is extremely dependent upon intergovernmental revenues (Federal and State grants) provided by the Federal and State government through the State of Ohio; approximately 66% of the Commission's total revenue in fiscal year 2005 was received from intergovernmental sources. The Commission has been able to maintain its financial position through careful management of expenses and continued efforts to increase other funding sources. However, the Commission is vulnerable to changes in Federal and State grant programs. In December 2005, the Commission will be losing the Ohio Department of Natural Resources Grant, which accounted for \$109,638 of revenue in fiscal year 2005. To compensate for this loss, the Commission has initiated a decrease in staff size. The Commission is also looking for other avenues to increase income.

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY
Management Discussion and Analysis
For the Years Ended June 30, 2005 and 2004
(Unaudited)**

Contacting the Commission's Financial Management

This financial summary is designed to provide our funding sources and member governments as well as the local citizenry with an overview of the Commission's finances and to document the Commission's accountability for the monies it receives. Questions about this report or for additional financial information contact the Grants Administrator at the Lima-Allen County Regional Planning Commission, 130 West Main St., Lima, Ohio 45801 or call 419-228-1836, or by e-mail to mschumaker@the Commission.com.

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY
STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2005 AND 2004**

ASSETS

	<u>2005</u>	<u>2004</u>
CURRENT ASSETS:		
Cash	\$ 127,141	\$ 129,503
Intergovernmental receivables:		
Ohio Department of Transportation	19,809	0
Ohio Department of Public Safety	6,281	9,289
Surface Transportation Program	4,801	17,306
Local Assessments	8,316	8,316
Other	21,537	2,330
Prepaid expenses	<u>9,917</u>	<u>9,310</u>
Total Current Assets	197,802	176,054
 NON-CURRENT ASSETS:		
Capital assets (Net of Accumulated Depreciation)	358,727	337,590
Capitalized lease equipment (Net of Accumulated Depreciation)	<u>32,610</u>	<u>25,818</u>
Total Non-Current Assets	<u>391,337</u>	<u>363,408</u>
 TOTAL ASSETS	 <u><u>\$ 589,139</u></u>	 <u><u>\$ 539,462</u></u>

LIABILITIES

	<u>2005</u>	<u>2004</u>
CURRENT LIABILITIES:		
Current Portion of capitalized lease	\$ 16,775	\$ 10,380
Mortgage payable current	13,759	12,642
Accounts Payable	18,750	19,090
Accrued Wages and Benefits	17,723	16,359
Compensated Absences Payable	26,200	24,460
Deferred Revenues	15,330	20,688
	<u>108,537</u>	<u>103,619</u>
LONG-TERM LIABILITIES:		
Mortgage payable (net of current portion)	150,335	164,092
Capitalized leases (net of current portion)	18,058	17,123
	<u>168,393</u>	<u>181,215</u>
TOTAL LIABILITIES	<u>276,930</u>	<u>284,834</u>
NET ASSETS:		
Unrestricted	312,209	254,628
	<u>312,209</u>	<u>254,628</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 589,139</u>	<u>\$ 539,462</u>

See accompanying notes to the basic financial statements.

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	2005	2004
OPERATING REVENUES:		
Fees Charged to Subdivisions	\$ 124,225	\$ 118,867
Local Revenues	148,724	79,377
Total Operating Revenues	272,949	198,244
 OPERATING EXPENSES:		
Salaries & Wages	348,844	329,539
Employee Benefits	157,353	143,612
Occupancy & Other	175,831	213,217
Depreciation	48,534	57,892
Total Operating Expenses	730,562	744,260
Operating Income	(457,613)	(546,016)
 NON-OPERATING REVENUES (EXPENSES):		
Intergovernmental Revenue	535,821	540,120
Interest Expense	(16,267)	(18,004)
Loss on Disposal of Assets	(4,360)	(7,587)
Total Non-Operating Expenses	515,194	514,529
Change in Net Assets	57,581	(31,487)
Net Assets, Beginning of Year	254,628	286,115
Net Assets, End of Year	\$ 312,209	\$ 254,628

See accompanying notes to the basic financial statements.

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**

	2005	2004
Cash Flows from Operating Activities:		
Cash Received from Subdivision Fees	\$ 118,867	\$ 110,858
Cash Received from Local Sources	129,517	96,618
Cash Payments to Employees for Services	(503,092)	(481,934)
Cash Payments to Suppliers for Services	(176,779)	(205,929)
Net Cash Provided by Operating Activities	(431,487)	(480,387)
Cash Flows from Noncapital Financing Activities:		
Cash Received from Intergovernmental Sources	531,525	609,201
Interest Paid	(16,267)	(18,004)
Loss on Disposal of Assets	(4,360)	(7,587)
Net Cash (Used) Provided by Noncapital Financing Activities	510,898	583,610
Cash Flow from Capital and Related Financing Activities:		
Purchase of Software, Furniture and Equipment	(58,752)	(22,588)
Payments on Capitalized Lease	(10,380)	(9,622)
Payments on Mortgage Obligations	(12,640)	(11,615)
Net Cash Used for Capital and Related Financing Activities	(81,772)	(43,825)
Net (Decrease) Increase in Cash	(2,361)	59,398
Cash at Beginning of Year	129,503	70,105
Cash at End of Year	\$ 127,142	\$ 129,503
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ (457,613)	\$ (546,016)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	48,534	57,892
Changes in Assets and Liabilities:		
Accounts Receivable	(19,207)	17,241
Prepaid Expenses	(607)	(2,437)
Accounts Payable	(340)	9,725
Accrued Wages and Benefits	1,364	(9,602)
Compensated Absences Payable	1,740	819
Deferred Local Revenues	(5,358)	(8,009)
Total Adjustments	26,126	65,629
Net Cash Provided by Operating Activities	\$ (431,487)	\$ (480,387)

See accompanying notes to the basic financial statements.

**LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30 2005 and 2004**

NOTE 1: DESCRIPTION OF THE ENTITY

The-Lima Allen County Regional Planning Commission, Allen County, (the Commission) was organized in 1964 under Section 713.21 of the Ohio Revised Code. The Commission is governed by a thirty-three member board. The Board consists of representatives from participating political subdivisions, the County Commissioners, and appointed citizens. The Commission serves the County by performing studies and making maps, preparing recommendations and reports relating to the physical, environmental, social, economic and governmental characteristics, functions and services of the County. The participating subdivisions are:

Allen County	City of Lima	City of Delphos
Village of Beaverdam	Village of Bluffton	Amanda Township
Village of Elida	Village of Spencerville	Bath Township
American Township	Auglaize Township	Monroe Township
Jackson Township	Marion Township	Shawnee Township
Perry Township	Richland Township	Spencer Township
	Sugar Creek Township	

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Reporting Entity", the Commission is not considered part of the Allen County financial reporting entity. There are no agencies or organizations for which the Commission is considered the primary government. Accordingly, the Commission is the sole organization of the reporting entity.

The Commission maintains its own set of accounting records. The Allen County Auditor acts as the fiscal agent. These financial statements were prepared from the accounts and financial record of the Commission and, accordingly, these financial statements do not present the financial position or results of the operations of Allen County.

The accompanying financial statements have been designed to facilitate an understanding of the financial position and results of operations of the Commission. The activity of the Commission is determined by an overall work program which is approved by the Commission's Board and the Ohio Department of Transportation. All revenue and related costs are accounted for on a project basis. The financial information contained in these statements is the responsibility of the Commission.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Commission have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Commission also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Commission's accounting policies are described below.

LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30 2005 and 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statements of Net Assets. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the financial records and reported in the financial statements. The Commission's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which the party gives and receives essentially equal value, is recorded when the exchange takes place. Revenues resulting from nonexchange transactions, in which the Commission receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Commission must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Commission on a reimbursement basis. Expenses are recognized at the time they are incurred.

C. Cash and Investments

As required by Section 713.21, Ohio Revised Code, the Commission must deposit all receipts in the Allen County Treasury. The County Treasurer maintains a cash and investment pool used for all County and Commission funds. The Commission has no other cash deposits or investments and does not receive interest income on its cash balances held in the County Treasury.

Pursuant to Section 135.181, Ohio Revised Code, the County's deposits are covered by collateral held by third party trustees in collateral pools securing all public funds on deposit with specific depository institutions. In accordance with GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements", all deposits are classified as to risk.

The following risk categories most typically used are:

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the entity's name.

LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30 2005 and 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Commission's deposits with Allen County are classified in Category 3. Allen County's deposits of the Commission's funds are held by third party trustees pursuant to Section 135.181, Ohio Revised Code in collateral pools securing all public monies on deposit with specific depository institutions.

The Ohio Revised Code does not provide the Commission the power to make or hold investments other than the deposits in the Allen County Treasury explained above.

As of June 30, 2005, the Allen County Treasury had the following investments types: Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Bonds, Federal Farm Credit Bank Bonds, STAR Ohio and U.S. Treasury Security Money Market Fund.

The Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Bonds, Federal Farm Credit Bank Bonds and U.S. Treasury Security Money Market Fund carry a rating of Aaa by Moodys. STAR Ohio carries a rating of AAA by Standard and Poor's.

D. Intergovernmental Receivable

Local assessment receivables consist of amounts due from subdivisions based on a per capita assessment. Other accounts receivable consist of billings from the Commission for personal telephone expense, copy cost reimbursement, lot split fees, subdivision review fees, and from federal and state grants.

E. Prepaid Items

Recording a current asset for the prepaid amount and reflecting the expenditures/expenses in the year in which services are consumed record payments made to vendors for services that will benefit periods beyond June 30, 2005 and 2004, as prepaid items using the consumption method.

F. Building and Improvements, Office Equipment, Vehicles and Computer Software

The Commission has opted to capitalize their externally acquired computer software and any capital purchase greater than \$100. Buildings and improvements, office equipment, vehicles and computer software are stated at cost. Depreciation of the office equipment, computer software, and vehicles is computed on the straight-line method over the useful lives (five years) of the assets. Depreciation of the building and improvements is computed on the straight-line method over the useful lives (31.5 years) of the assets.

G. Compensated Absences

Governmental Accounting and Financial Reporting Standards specifies that leave benefits of the employer's obligation relating to employee's rights to receive compensation for future absences is attributable to employee's services already rendered; the obligation relates to rights that vest or accumulate; payment of the compensation is probable; and the amount can be reasonably estimated.

The Commission records a liability for accumulated unused vacation time when earned for employees. The Commission records a liability for accumulated unused sick leave for eligible employees using the vesting method.

LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30 2005 and 2004

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Deferred Revenue

The Commission reports deferred revenues on its statement of net assets. Deferred revenues arise when unearned revenue has been received by the Commission. Membership assessment amounts paid in advance by calendar year is deferred revenue for the six-month period beyond the financial statement date.

I. Non-Operating Revenues (Expenses)

Non-operating revenues (expenses) consist of expenses incurred by the Commission which are consequently reimbursed to the Commission, interest expense and any gain or loss on the disposal of capital assets,

J. Local Revenue

Local revenues consist of contract services, lot splits, subdivision reviews, and sundry revenues.

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

Building and improvements, office equipment, computer software, and vehicle valuation consist of the following as of June 30, 2005:

	<u>Building and Improvements</u>	<u>Office Equipment</u>	<u>Computer Software</u>	<u>Vehicles</u>	<u>Total</u>
Cost	\$395,579	\$159,061	\$ 60,136	\$ 34,156	\$648,932
Less Accum. Dep.	<u>(64,749)</u>	<u>(145,158)</u>	<u>(56,126)</u>	<u>(24,172)</u>	<u>290,205</u>
Book Value	<u>\$330,830</u>	<u>\$ 13,903</u>	<u>\$ 4,010</u>	<u>\$ 9,984</u>	<u>\$358,727</u>

Depreciation expense was \$10,396 for the building, \$18,321 for office equipment, \$2,067 for software, and \$6,832 on the vehicles for the year ended June 30, 2005.

Building and improvements, equipment, software, and vehicle valuation consist of the following as of June 30, 2004:

	<u>Building and Improvements</u>	<u>Office Equipment</u>	<u>Computer Software</u>	<u>Vehicles</u>	<u>Total</u>
Cost	\$330,216	\$166,228	\$ 60,137	\$ 34,156	\$590,737
Less Accum. Dep.	<u>(54,351)</u>	<u>(127,395)</u>	<u>(54,059)</u>	<u>(17,342)</u>	<u>(253,147)</u>
Book Value	<u>\$275,865</u>	<u>\$ 38,833</u>	<u>\$ 6,078</u>	<u>\$ 16,814</u>	<u>\$337,590</u>

Depreciation expense was \$10,219 for the building, \$25,400 for office equipment, \$5,115 for software, and \$6,831 on the vehicles for the year ended June 30, 2004.

LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2005 and 2004

NOTE 4: CAPITAL LEASES

The Commission has lease/purchase agreements for two copiers and a vehicle as of June 30, 2005 as follows:

	<u>Copiers</u>	<u>Vehicle</u>	<u>Total Capital Lease</u>
Cost	\$ 51,635	\$ 17,710	\$ 69,345
Less Accum. Dep.	<u>(36,144)</u>	<u>(590)</u>	<u>(36,735)</u>
Book Value	<u>\$ 15,491</u>	<u>\$ 17,120</u>	<u>\$ 32,610</u>

Depreciation for capital leases was \$10,918 for the year ended June 30, 2005.

The Commission has lease/purchase agreements for two copiers and a vehicle as of June 30, 2004 as follows:

	<u>Copiers</u>
Cost	\$ 51,635
Less Accum. Dep.	<u>(25,817)</u>
Book Value	<u>\$ 25,818</u>

Depreciation for capital leases was \$10,327 for the year ended June 30, 2004.

Lease payment including interest, for capital leases as of June 30, 2005, are as follows:

<u>Year ending June 30</u>	<u>Copiers</u>	<u>Vehicle</u>	<u>Total</u>
2006	\$ 12,115	\$ 6,455	\$ 18,570
2007	6,057	6,455	12,512
2008	0	6,455	<u>6,455</u>
Total			\$ 37,537
Interest			<u>(2,704)</u>
Present value of lease payments			34,833
Less current portion			<u>(16,775)</u>
Long Term Capital Lease Obligations			<u>\$ 18,058</u>

LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2005 and 2004

NOTE 5: MORTGAGE PAYABLE

The Commission's long term obligations at June 30, 2005 and 2004 are as follows:

	<u>2005</u>	<u>2004</u>
Land Contract	\$164,094	\$176,734
Interest Rate	8.5%	8.5%

The debt is for the purchase of a building and building improvements.

Debt payments, including interest, as of June 30, 2005, are as follows:

<u>Year ending June 30</u>	<u>Building</u>
2006	\$ 27,174
2007	27,174
2008	27,174
2009	27,174
2010	27,174
2011 thru 2014	<u>95,110</u>
Total	230,980
Less interest	<u>(66,886)</u>
Total Depreciation	164,094
Less Current Portion	<u>(13,759)</u>
Long Term Obligations	<u>\$150,335</u>

NOTE 6: RETIREMENT SYSTEM

A. Public Employees Retirement System

All employees of the Commission participate in the Ohio Public Employees Retirement System (OPERS), which administers three separate pension plans as described below:

1. The Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan.
2. The Member-Directed Plan (MD) – a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
3. The Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2005 and 2004

NOTE 6: RETIREMENT SYSTEM (continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The OPERS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2005 and 2004, member and employer contribution rates were consistent across all three plans (TP, MD and CO). Separate divisions for law enforcement and public safety exist only within the Traditional Plan.

Plan members are required to contribute 8.50% of their annual covered salary to fund pension benefit obligations. The Commission is required to contribute 13.55%. Contributions are authorized by state statute. The contribution rates are determined actuarially. The Commission's contributions for pension obligations to the OPERS for the years ending June 30, 2005, 2004 and 2003 were \$51,683, \$51,009 and \$52,395, respectively, equal to the required contributions for each year. The full amount has been contributed.

NOTE 7: POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan (TP) – a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) – a defined contribution plan; and the Combined Plan (CO) – a cost-sharing multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS provides retirement, disability, survivor and post-retirement health care benefits to qualifying members of both the Traditional and the Combined Plans; however, health care benefits are not statutorily guaranteed. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post employment health care coverage.

OPERS provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Post-Employment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The 2004 employer contribution rate was 13.55% of covered payroll; 5.0% was the portion that was used to fund health care for the fiscal year 2004.

LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2005 and 2004

NOTE 7: POSTEMPLOYMENT BENEFITS (continued)

The assumptions and calculations below were based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.0%, an annual increase in active employee total payroll of 4.0% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll over and above the 4.0% base increase of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4.0% annually.

An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability.

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

OPEB's are advance-funded on an actuarially determined basis.

At year end 2004, the number of active contributing participants was 369,885. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

NOTE 8: ACCRUED VACATION AND SICK LEAVE

Employees of the Commission earn vacation in accordance with the policies adopted by the Commission, and detailed in the Personnel Handbook. Upon termination of employment the employee can collect payment for the entire amount of unused vacation.

Employees earn sick leave at the rate of .075 hours for every hour worked. Upon termination, employees do not receive payment for their unused sick leave. However, pursuant to Section 124.39, of the Ohio Revised Code and in accordance with the policies per the Personnel Handbook, upon retirement an employee may receive payment for one-third of their unused sick leave. Based upon the Governmental Accounting Standards Board, Statement #16, the accrued sick leave at June 30, 2005 and 2004 was estimated because payment of this compensation was probable.

NOTE 9: RISK MANAGEMENT

The Commission has obtained commercial insurance through the Webb Insurance Company for comprehensive property, data processing equipment, general liability and errors and omissions coverage.

The Commission also provides health insurance through Medical Mutual of Ohio and offers dental coverage to full-time employees through the Guardian Insurance Company.

Claims have not exceeded coverage in any of the past three years.

LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION
ALLEN COUNTY
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2005 and 2004

NOTE 10: CHANGE IN ACCOUNTING PRINCIPLES

For fiscal years 2005 and 2004, the Commission has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus"; GASB Statement No. 38, "Certain Financial Statement Note Disclosures".

GASB Statement No. 34 creates new basic financial statements for reporting on the Commission's financial activities. The basic financial statements now include a Statement of Net Assets: Revenue, Expenses and Changes in Net Assets: and a Statement of Cash Flows: all prepared on an accrual basis of accounting.

NOTE 11: CONTINGENCIES

- A. Federal and State contracts are subject to review and audit by the grantor agencies or their designees. Such audits could lead to requests for reimbursement to the grantor agency for expenses disallowed under terms of the grant. There are no such claims pending and no known situations which would lead to such a claim. In addition, based upon prior experience and audit results, management believes that such disallowances, if any, would be immaterial.
- B. In the normal course of its business activities, the Commission may become subject to claims and litigation relating to contracts, employment or other matters. In the opinion of management, the resolution of any such claims pending would not likely have a material impact on the Commission's financial position.

NOTE 12: STATE INFRASTRUCTURE BANK LOAN

On May 24, 2004, the Commission, as the area's Metropolitan Planning Organization, entered into a loan with the State Infrastructure Bank sponsored by the Ohio Department of Transportation (ODOT) to provide additional funding to Allen County for their project to expand Eastown Road. The amount of the loan was \$1,918,464 to be paid back over 5 years at 3% interest. The loan is collateralized and will be paid back by applying future annual allocations towards the unpaid balance and interest in an amount of \$418,905 over the next five years. In the event that the annual allocations fail to meet the minimum repayment amount, the Commission is liable for the difference. Based upon prior experience with annual allocations received from ODOT, management believes it is unlikely that the Commission will be liable for any unpaid balance of the loan.

We're Ready For Your Future

November 3, 2005

Commission Members
Lima-Allen County Regional Planning Commission
Lima Ohio

**Independent Auditor's Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

We have audited the accompanying financial statements of Lima-Allen County Regional Planning Commission (the Commission), as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated November 3, 2005, wherein we noted the Commission adopted Governmental Accounting Standard's Board (GASB) Statements No. 34, 37 and 38. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted certain matters that we have reported to management of the Commission in a separate letter dated November 3, 2005.

Compliance and Other Matters

As part of reasonably assuring whether the Commission's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that we must report under *Government Auditing*.

This report is intended for the information and use of the audit committee, management, Commission and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

LIMA-ALLEN COUNTY REGIONAL PLANNING COMMISSION

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
APRIL 11, 2006**